

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. Jovita D.S. Larrazabal
(Company Representative)

920-856-572
(TIN)

June 6, 1981
(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, 2014
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

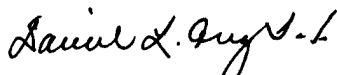
The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such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

August 14, 2014

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF CONDITION
(In Thousands)

	JUNE 2014	DECEMBER 2013
	<i>Unaudited</i>	<i>Audited</i>
ASSETS		
Cash and Other Cash Items	769,029	740,012
Due from Bangko Sentral ng Pilipinas	10,760,541	9,573,408
Due from Other Banks	664,416	661,308
Interbank Loans Receivable and Securities		
Purchased Under Resale Agreements	198,315	202,550
Held-for-Trading Financial Assets	637,979	104,909
Available-For-Sale Investments	12,393,720	20,090,082
Loans and Receivables	29,097,376	24,997,424
Investment in an Associate		
Property and Equipment	1,975,723	1,746,569
Investment Properties		
Condominium units for lease	3,339,511	3,341,665
Foreclosed properties	465,998	482,554
Other Assets	1,869,445	658,175
	62,172,053	62,598,655
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities		
Demand	8,359,144	7,183,261
Savings	3,173,492	3,089,981
Time	40,531,115	37,007,256
	52,063,752	47,280,497
Bills Payable	4,137,256	9,458,241
Outstanding Acceptances	24,025	43,189
Manager's checks	262,157	173,501
Accrued Interest, Taxes and Other Expenses	474,169	507,545
Deferred Tax Liabilities - Net	524,116	524,116
Other Liabilities	505,132	537,952
	57,990,606	58,525,041
Equity		
Preferred Stock		
Common stock	7,489,114	7,489,114
Deposit for future stock subscription		
Additional paid-in capital	813,601	813,601
Surplus reserves	105,772	105,772
Deficit	(2,885,600)	(3,076,034)
Net unrealized losses on available-for-sale investments	(1,217,307)	(1,219,413)
Remeasurement losses on defined benefit liability	(237,360)	(237,360)
Revaluation increment on land	209,546	209,546
Cumulative translation adjustment	(96,318)	(11,612)
	4,181,447	4,073,615
	62,172,053	62,598,655

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

	UNAUDITED FOR THE PERIOD ENDED		UNAUDITED FOR THE QUARTER	
	JUN 30, 2014	JUN 30, 2013	JUN 2014	JUN 2013
INTEREST INCOME				
Trading and investment securities	456,688	625,097	136,538	303,609
Loans and receivables	954,359	535,816	499,874	275,116
Interbank loans receivable and securities purchased under resale agreements	5,022	7,911	2,769	2,034
Deposits with other banks and others	11,249	12,488	5,852	8,688
	1,427,317	1,181,312	645,033	589,446
INTEREST AND FINANCE CHARGES				
Deposit liabilities	398,913	332,135	208,352	149,591
Bills payable, borrowings and others	56,561	74,446	22,242	37,266
	455,474	406,580	230,594	186,856
NET INTEREST INCOME	971,843	774,732	414,438	402,590
Trading and securities gain - net	41,571	1,507,157	23,787	559,735
Rent Income	149,657	113,038	74,805	58,720
Service charges, fees and commissions	156,234	83,559	70,618	42,997
Foreign exchange gain (loss) - net	25,539	(23,543)	1,126	(15,276)
Profit/(Loss) from Assets Sold/Exchanged	9,838	3,216	6,483	2,441
Income from Trust Operations	9,006	13,385	4,572	9,708
Miscellaneous	8,012	2,083	6,254	1,433
TOTAL OPERATING INCOME	1,371,701	2,473,627	602,084	1,062,349
Compensation and fringe benefits	678,354	503,558	363,657	246,877
Taxes and licenses	185,440	234,245	89,923	86,667
Depreciation and amortization	89,293	55,742	45,811	29,203
Occupancy and other equipment - related costs	87,646	74,740	45,741	30,985
Provision for impairment losses	(292,393)	-	(293,114)	-
Miscellaneous	325,195	278,245	163,907	129,408
TOTAL OPERATING EXPENSES	1,073,535	1,146,530	415,924	523,141
NET INCOME BEFORE TAX	298,166	1,327,097	186,160	539,208
PROVISION FOR INCOME TAX	107,731	145,824	33,103	72,737
NET INCOME (a)	190,434	1,181,273	153,057	466,471

Basic/ Diluted Earnings Per Share (a/b)	0.64	4.59	0.51	1.56
No. of Weighted Average Shares (b)	299,565	257,243	299,565	299,565

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

	UNAUDITED FOR THE PERIOD ENDED		UNAUDITED FOR THE QUARTER	
	JUN 2014	JUN 2013	JUN 2014	JUN 2013
NET INCOME	190,434	1,181,273	153,057	466,471
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that recycle to profit or loss in subsequent periods:</i>				
Changes in net unrealized gain (loss) on available-for-sale investments	2,105	(1,844,436)	309,105	(2,426,534)
Net movement in cumulative translation adjustment	(84,707)	4,552	(23,654)	(6,889)
<i>Items that do not recycle to profit or loss in subsequent periods:</i>				
Remeasurements of defined benefit liabilities	-	-	-	-
Net movement in revaluation increment	-	-	-	-
OTHER COMPREHENSIVE INCOME (LOSS)	(82,601)	(1,839,884)	285,451	(2,433,423)
TOTAL COMPREHENSIVE INCOME (LOSS)	107,833	(658,612)	438,508	(1,966,952)

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

	UNAUDITED FOR THE PERIOD ENDED		UNAUDITED FOR THE QUARTER	
	JUN 2014	JUN 2013	JUN 2014	JUN 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	298,166	1,327,097	186,160	539,208
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:				
Accretion of interest on bills payable	3,209	13,908	-	6,954
Depreciation and amortization	89,293	55,742	45,811	29,203
Provision for impairment losses	(292,393)	-	(293,114)	-
Profit from asset sold or exchange	(9,838)	3,216	(6,483)	3,990
Securities gains from sale of available-for sale investments	(32,863)	(11,977)	(26,917)	(8,851)
Equity in net earnings of an associates	(93)	(173)	(70)	(102)
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Loans and Receivable	(3,807,559)	(1,619,299)	(2,155,252)	(2,836,064)
Other Assets	(1,211,176)	(275,815)	(479,536)	(134,504)
Increase (decrease) in the amounts of:				
Deposit liabilities	4,783,255	1,976,831	3,768,690	1,742,171
Manager's checks	88,656	41,819	(3,084)	23,223
Accrued interest, taxes and other expenses	(33,376)	94,285	(13,200)	(29,023)
Other liabilities	(32,820)	(346,348)	280,603	(187,214)
Net cash generated (used) from operations	(157,541)	1,259,286	1,303,608	(851,009)
Income taxes paid	(107,731)	(145,824)	(33,103)	(72,737)
Net cash provided (used) by operating activities	(265,272)	1,113,462	1,270,505	(923,746)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in:				
Held-for-Trading Financial Assets	(533,070)	(56,903)	(374,693)	788
Available-for-sale securities	7,731,331	(3,140,342)	1,094,913	(1,153,891)
Property and equipment	(308,609)	(96,955)	(88,620)	(41,903)
Investment properties	18,709	9,482	20,945	168
Net cash provided (used) by investing activities	6,908,361	(3,284,719)	652,545	(1,194,839)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds (cost) from issuance of new shares	-	(40,869)	-	(40,869)
Net increase (decrease) in:				
Bills payable	(5,324,195)	847,314	898,193	327,585
Outstanding acceptance	(19,164)	311,557	(7,679)	309,030
Net cash provided (used) by financing activities	(5,343,359)	1,118,002	890,515	595,746
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	(84,707)	4,552	(23,654)	(6,889)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,215,024	(1,048,702)	2,789,911	(1,529,728)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD				
Cash and Other Cash Items	740,012	551,098	451,272	465,149
Due from Bangko Sentral ng Pilipinas	9,573,408	5,511,067	8,137,716	6,653,052
Due from Other Banks	661,308	887,143	713,348	755,624
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	202,550	993,804	300,055	550,312
	11,177,278	7,943,112	9,602,391	8,424,137
CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD				
Cash and Other Cash Items	769,029	493,205	769,029	493,205
Due from Bangko Sentral ng Pilipinas	10,760,541	5,680,585	10,760,541	5,680,585
Due from Other Banks	664,416	543,757	664,416	543,757
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	198,315	176,862	198,315	176,862
	12,392,302	6,894,409	12,392,302	6,894,409

**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	Remeasurement losses on defined benefit liability	Revaluation increment on land	Cumulative translation adjustment	Total Equity
Balance at January 1, 2014	-	7,489,114	-	813,601	105,772	(3,076,034)	(1,219,413)	(237,360)	209,546	(11,612)	4,073,615
Total comprehensive income (loss) for the period							2,105	-	-	(84,707)	107,833
Balance at June 30, 2014	-	7,489,114	-	813,601	105,772	(2,885,600)	(1,217,307)	(237,360)	209,546	(96,318)	4,181,447
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
Effect of retroactive application of PAS 19 (Revised)								(187,521)			(171,062)
Balance at January 1, 2013, as restated	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
Conversion of preferred stock to common stock	(3,000,000)	3,000,000									-
Reduction of par value of common stock		(3,944,922)		3,944,922							-
Issuance of additional common stock		3,174,140	(3,552,598)	337,589							(40,869)
Total comprehensive income for the period							(1,844,436)			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	(334)	3,691,356

PHILIPPINE BANK OF COMMUNICATIONS
AGING OF LOANS & SELECTED RECEIVABLES
As of June 30, 2014

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	-	-	-	-	-	-
Loans and Discounts	16,568,487,739	16,313,750,245	29,697,324	74,551,172	69,546,124	80,942,874
Agrarian Reform/Other Agricultural Credit Loans	1,420,449,938	1,406,462,438	-	-	-	13,987,500
Bills Purchased	2,259,262,624	2,249,804,360	1,995,111	2,778,175	257,921	4,427,056
Customers' Liability on Drafts under LC/TR	2,274,880,150	2,012,912,865	-	-	9,997,299	251,969,985
Customers' Liab. for this Bank's Acceptances	24,024,531	24,024,531	-	-	-	-
Restructured Loans	73,440,616	59,832,277	-	2,352,802	1	11,255,536
Items in Litigation	749,458,779	-	-	-	-	749,458,779
S U B T O T A L	23,370,004,377	22,066,786,716	31,692,436	79,682,150	79,801,345	1,112,041,730
Accounts Receivable	717,568,026	624,902,928	15,260,631	4,253,201	845,908	72,305,358
Accrued Interest Receivable	771,533,592	279,934,037	352,666	47,067	140,417	491,059,404
G R A N D T O T A L	24,859,105,995	22,971,623,682	47,305,733	83,982,418	80,787,670	1,675,406,493

PHILIPPINE BANK OF COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2014

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 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 were 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 with the PSE, the Bank requested for a voluntary trading suspension of its common (PBC) and preferred (PBCP) shares. In response to the request, the PSE suspended trading of PBC and PBCP shares effective March 12, 2013. The trading of the Bank's common shares under the stock symbol PBC resumed on March 19, 2013 upon effecting 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 February 3, 2014, the Bank migrated its core banking system and ATM systems from Silverlake Integrated Banking System to Temenos T24 Core Banking System and HPS Powercard Management Systems, respectively. This is in line with the Bank's objective to implement a Core Banking Platform that will enable technologies required to support the Bank's business transformation initiatives such as the following:

- a. Reduce cycle time to market new products and services.
- b. Re-engineer operations with Straight-Through-Processing to improve turn around time and achieve efficiencies.
- c. Implement system support for new technologies that will enable our clients to bank anytime, anywhere.

On February 26, 2014, the Board of Directors of the Bank approved the acquisition of the Rural Bank of Nagcarlan Inc. (RBNI) and Banco Dipolog Inc. (BDI). These acquisitions are in line with PBCom's plan to expand its market reach and engage in countryside and SME lending.

On March 11, 2014, the Bank signed a Memorandum of Agreement with the controlling stockholders of Rural Bank of Nagcarlan Inc. to purchase all of the outstanding shares of stock of the RBNI, a Laguna-based rural bank with 6 branches, subject to BSP approval and fulfillment of specific closing conditions.

On March 26, 2014, the Bank exited the 10-year Financial Assistance Agreement (FAA) with the Philippine Deposit Insurance Corp. (PDIC) by settling the loan of ₱7.6 Billion which represented the amount extended by the latter as financial assistance to the Bank in 2004. As a consequence of the exit, four PDIC-nominees in the Bank's board of directors, namely Mr. Roberto M. Macasaet, Mr. Raul O. Serrano, Ms. Teresita Ang See and Ms. Imelda S. Singzon tendered their resignation from the Bank's Board of Directors. Their resignation was formally accepted by the Board during the board meeting held on March 28, 2014.

On April 7, 2014, PBCom elected the members of its Board during the Bank's Annual Stockholder's meeting for year 2014 – 2015. The stockholders and the board of directors also approved the amendment of Article III of the Articles of Incorporation of the Bank to comply with SEC Memorandum Circular No. 6 Series of 2014. With this amendment, the principal address of the Bank is PBCOM Tower, 6795 Ayala Avenue corner V.A. Rufino St., Makati City.

On April 25, 2014, the Bank and the controlling stockholders of Banco Dipolog, Inc. (BDI), a rural bank, signed a Memorandum of Agreement for PBCOM to purchase and acquire no less than 90% of the outstanding common stock of BDI. BDI has 11 branches and 7 other banking offices located in Mindanao and Visayas, and is set to open 2 more branches in the region within the third quarter of 2014. BDI caters primarily to small entrepreneurs, educators, farmers and government employees. The acquisition is subject to BSP approval.

On May 9, 2014, the Securities and Exchange Commission approved the incorporation of the Bank's wholly-owned subsidiary – PBCOM Insurance Services Agency, Inc., (PISAI). PISAI held its first organizational meeting on June 2, 2014 for the election of its directors and appointment of its officers. It received its business permit on July 30, 2014.

On June 25, 2014, PBCom was ranked among the 50 highest-scoring Philippine companies in the ASEAN Corporate Governance Scorecard as sourced from Asian Development Bank (ADB) report. The Bank was evaluated against 252 publicly listed companies in the country. The scorecard was established in 2004 by the ASEAN Capital Market Forum (ACMF) in

hopes of raising corporate governance standards of publicly listed companies in the region, as well as increasing their credibility and visibility to foreign investors and external fund managers. Listed companies are evaluated based on five categories such as Rights of the Shareholders; Equitable Treatment of Shareholders; Role of Stakeholders; Disclosure and Transparency; and Responsibility of the Board.

On August 5, 2014, the Bank signed a subscription agreement with P.G. Holdings Inc., for the latter's subscription of 181,080,608 the Bank's common shares at Php33.00 per share. These shares will be issued out of the unissued portion of the Bank's authorized capital stock. On August 6, 2014, in compliance with banking law and regulations, the Bank and P.G. Holdings Inc. submitted the agreement to Bangko Sentral ng Pilipinas (BSP) for its approval. The subscription will be implemented after the BSP grants its approval thereto.

As of June 30, 2014, the Bank has a total network of 72 branches. Six (6) branches were opened for business during the first half of 2014, namely:

Branch	Address
Baguio Branch	G/F Unit 105, 106 & 106-B Baguio Holiday Villas, No. 10 Legarda Road, Baguio City
Cabanatuan Branch	Ground floor, SAM Bldg. along Maharlika Highway, Cabanatuan
Calamba Branch	G/F Walter Mart, National Highway cor. Real Street, Calamba, Laguna
Cauayan Branch	Mateo-Patricia Bldg., Rizal Ave., ext. Centro
Cebu Business Park Branch	G/F, Creativo Bldg. II, Mindanao Ave., Cebu Business Park, Cebu City
Dumaguete Branch	Unit #6 Yala Bldg., South Road, Calindanga

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, which contains the Bank's detailed risk disclosure. As of June 30, 2014, there are no changes in the Bank's risk management policies.

5. PFRS 9, Financial Instruments

The International Accounting Standards Board (IASB) issued International Financial Reporting Standards 9, *Financial Instruments* in November 2009 and October 2010, relating to the classification and measurement requirements of financial assets and financial liabilities, respectively. It was approved for adoption by the Financial Reporting Standards Council (FRSC) as PFRS 9, *Financial Instruments* (PFRS 9) in 2010. The FRSC adopted the requirements on the classification and measurement of financial assets in March 2010 and the requirements on the accounting for financial liabilities in November 2010. The Monetary Board of Bangko Sentral ng Pilipinas (BSP) approved the guidelines governing the implementation and early adoption of PFRS 9 on December 23, 2010, and issued the implementing guidelines under BSP Circular Nos. 708, 733 and 761 on January 10, 2011, August 5, 2011 and July 20, 2012, respectively. The SEC has also issued guidelines on the implementation of PFRS 9 on May 16, 2011 under SEC Memorandum Circular No. 3 Series of 2011 which was later revised on May 28, 2012. The standard was originally effective for annual periods beginning on or after January 1, 2013, with early application permitted, and later amended to be effective on or after January 1, 2015. In November 2013, the IASB removed the mandatory effective date of IFRS 9 completely and decided to revisit the effective date when all phases of the project are complete and a final version of IFRS 9 is issued. The IASB also finalized the requirements on hedge accounting on the same date. When adopted, the standard is to be applied retrospectively and restatement of comparative periods is not required. If comparative figures are not restated, any changes as a result of the

application of PFRS 9 as at the beginning of the period of initial application are recorded as a movement in the opening retained earnings (or other component of equity, as appropriate).

The standard introduces new classification and measurement requirements for financial assets and financial liabilities, which replaced the classification and measurement requirements previously included in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 specifies how an entity should classify and measure its financial assets and financial liabilities. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or at fair value.

Debt instruments are measured at amortized cost only if (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If either of the two criteria is not met, the financial asset is classified as at fair value through profit or loss (FVTPL). Additionally, even if the asset meets the amortized cost criteria, the Bank may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

All derivatives, including those embedded in financial liabilities or host contracts outside the scope of PAS 39 that are separately accounted for, are classified as financial assets at FVTPL, except if designated in an effective hedge accounting relationship. Derivatives embedded on a financial asset within the scope of PFRS 9, on the other hand, are not separately accounted for. The financial instrument is being classified in its entirety.

Investment in equity instruments are classified and measured at FVTPL except if the equity investment is not held for trading and is designated by the Bank at fair value through other comprehensive income (FVTOCI). If the equity investment is designated at FVTOCI, all gains and losses, except for dividend income recognized in accordance with PAS 18, *Revenue*, including disposal costs are recognized in other comprehensive income and are not subsequently reclassified to profit or loss.

PAS 39 classification and measurement requirements of financial liabilities are carried forward to PFRS 9 essentially unchanged. Hence, most financial liabilities will continue to be measured at amortized cost. PFRS 9 includes the same fair value option (FVO) as PAS 39 that permits the entities to elect to measure financial liabilities at FVTPL if particular criteria are met. However, PFRS 9 requires changes in the fair value of a financial liability attributable to changes in own credit risk to be recognized in other comprehensive income rather than in profit or loss when the entity has chosen to measure its financial liabilities at fair value under FVO.

The Bank's Board of Directors approved in principle on May 28, 2014 the early adoption of PFRS 9 which prompted the Bank to conduct an evaluation on the possible financial impact using the latest financial data. The Board of Directors provided final approval on July 30, 2014. Following are the qualitative and quantitative results of the Bank's impact evaluation.

In accordance with the transition provisions of PFRS 9, the classification of debt financial assets that the Bank held at the date of initial application (i.e. January 1, 2014) was based on the facts and circumstances of the business model in which the financial assets were held at that date and on their contractual cash flow characteristics. The initial application of PFRS 9 has had an impact on the following financial assets of the Bank:

- a. The Bank's investments in debt instruments previously classified as AFS investments that met the criteria to be classified as at amortized cost under PFRS 9 were reclassified as

such, because the business model is to hold these instruments in order to collect contractual cash flows. The reclassification had no impact on the Bank's surplus as of January 1, 2014.

Investments in debt instruments previously classified as AFS investments that did not meet the criteria to be classified as at amortized cost under PFRS 9 have been classified as financial assets at FVTPL under PFRS 9. The accumulated net unrealized loss on AFS investments as of January 1, 2014 amounting to ₱11.11 million was adjusted to opening 'Deficit' as of January 1, 2014.

- b. The Bank did not have any financial assets in the statement of financial position that were previously designated at FVPL but are no longer so designated. Neither did it designate any financial asset as at FVTPL on initial application of PFRS 9.

Investments in equity securities previously classified as AFS investments have been classified as financial assets at FVTOCI under PFRS 9. The reclassification had no impact on the Bank's surplus as of January 1, 2014.

The adoption of PFRS 9 has no material impact on the Bank's financial liabilities. As of January 1, 2014, all of the Bank's financial liabilities are classified and measured at amortized cost.

Presented below are the effects in the Bank's financial statements of the application of PFRS 9 as of January 1, 2014.

	Original Measurement Category under PAS 39	New Measurement Category under PFRS 9	Original Carrying Amount under PAS 39	New Carrying Amount under PFRS 9
Financial assets				
Cash and other cash items	Loans and receivables	Financial assets at amortized cost	₱740,012	₱740,012
Due from BSP	Loans and receivables	Financial assets at amortized cost	9,573,408	9,573,408
Due from other banks	Loans and receivables	Financial assets at amortized cost	661,308	661,308
Interbank loans receivable and securities purchased under resale agreements	Loans and receivables	Financial assets at amortized cost	₱202,550	₱202,550
Loans and receivables	Loans and receivables	Financial assets at amortized cost	24,997,424	24,997,424
Held-for-trading (Government securities)	Financial assets at FVPL	Financial assets at FVTPL	104,909	104,909
Available-for-sale Government securities	Available-for-sale investments	Financial assets at FVTPL	2,007,851	2,007,851
	Available-for-sale investments	Financial assets at amortized cost	18,039,454	19,301,304
Equity securities	Available-for-sale investments	Financial assets at FVTOCI	43,047	43,047
Financial liabilities				
Deposit liabilities	Financial liabilities at amortized cost	Financial liabilities at amortized cost	47,280,497	47,280,497
Bills payable	Financial liabilities at amortized cost	Financial liabilities at amortized cost	9,458,241	9,458,241
Outstanding acceptances	Financial liabilities at amortized cost	Financial liabilities at amortized cost	43,189	43,189
Manager's check	Financial liabilities at amortized cost	Financial liabilities at amortized cost	173,501	173,501
Accrued interest and other expenses	Financial liabilities at amortized cost	Financial liabilities at amortized cost	263,639	263,639
Other liabilities*	Financial liabilities at	Financial liabilities at	121,443	121,443

	Original Measurement Category under PAS 39	New Measurement Category under PFRS 9	Original Carrying Amount under PAS 39	New Carrying Amount under PFRS 9
	amortized cost	amortized cost		

**Consists of Accounts payable and Due to the Treasurer of the Philippines*

As a result of the adoption of PFRS 9, the following adjustments were made to the Bank's financial information as of January 1, 2014:

Net increase in financial assets	₱1,261,850
Net decrease in opening deficit	(11,111)
Net decrease in net unrealized losses on AFS investments	(1,250,739)
Net increase in equity	1,261,850

6. Fair Value Measurement

The Bank uses three level hierarchies as a valuation technique in determining and disclosing the fair value of financial instruments.

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

As of June 30, 2014, the Bank used level 1 measurements of financial assets in AFS amounting to ₱12.4B and level 2 measurements used in AFS amounting to ₱ 31.7M. The Bank used level 3 fair value measurements for its land classified under property and equipment and on investment properties. There are no transfers between level 1 and 2 and no transfers into and out of level 3.

7. The interim financial statement is consistent with the most recent Annual Financial Statement on its fair value measurement. As of June 30, 2014 and 2013, carrying values of AFS and HFT securities are ₱13.0B and ₱18.1B, respectively, while unrealized losses amounted to (₱1.2B) and (₱1.2B), 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 June 30, 2014.

13. Financial Information by Segment (In Thousand)

AS OF JUNE 30, 2014

Particulars	Prosperity Banking Segment	Enterprise Banking Segment	Treasury Segment	Leasing & Shared cost	Total
Segment results					
Net Interest Income	299,757	169,909	190,727	311,449	971,843
Trading and securities gain-net	-	-	42,899	(1,329)	41,571
Rent income	-	-	-	149,657	149,657
Service charges, fees and commissions	28,473	86,095	15	41,651	156,234
Foreign Exchange gain (loss) - net	559	2,656	(2,716)	25,041	25,539
Profit /loss) from Asset Sold/Exchange	-	-	-	9,838	9,838
Income from Trust Operations	3,137	1,780	-	4,090	9,006
Miscellaneous	6,146	824	-	1,042	8,012
Total Operating Income	338,073	261,263	230,926	541,439	1,371,701
Compensation and Fringe benefits	195,070	56,939	11,762	414,583	678,354
Taxes and licenses	80,967	34,004	35,580	34,889	185,440
Occupancy and Other equipment-related costs	61,828	279	125	27,061	89,293
Depreciation and amortization	30,064	3,067	1,089	53,426	87,646
Provision for impairment losses	41	5,144	-	(297,577)	(292,393)
Other operating expense	122,047	25,426	20,081	157,641	325,195
Total Operating Expense	490,017	124,859	68,638	390,022	1,073,535
Segment profit (loss)	(151,944)	136,405	162,288	151,417	298,166
Provision for income Tax	-	2,209	64,119	41,403	107,731
Net Income (loss)	(151,944)	134,195	98,168	110,015	190,434
Total segment assets	11,031,309	20,615,264	19,347,249	11,178,241	62,172,053
Total segment liabilities	49,076,061	24,999	7,460,990	1,428,556	57,990,606

AS OF JUNE 30, 2013

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
Bad Debts	-	-	-	-	-
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

Efforts to expand the Bank's core banking business led to a year-over-year operating income growth of 58% for Prosperity Banking and 49% for Enterprise Banking Segment. Costs of

Prosperity Banking Segment and Enterprise Banking Segment increased by 50% and 71%, respectively, compared to the same period last year as the Bank increased its staff complement to support the rapid growth of the business.

14. There are no changes in the composition of the bank in terms of business combinations, acquisition or disposal of subsidiaries, restructurings and discontinuing operations. As to long-term investments, the bank continues to maintain holdings on marketable long-term bonds.
15. The following is a comparative summary of the Bank's commitments and contingent liabilities at their equivalent peso amounts (In thousands):

	June 2014	December 2013
Trust department accounts	5,930,515	5,200,111
Standby LC	1,067,769	1,155,845
Spot exchange:		
Sold	261,900	676,596
Bought	130,950	676,675
Sight import LC outstanding	234,823	323,916
Usance import LC outstanding	81,786	537,026
Deficiency claims receivable	27,498	27,498
Inward bills for collection	15,278	5,542
Outstanding shipping guarantees	510,899	500,478
Late deposits/ payment received	9	17,162
Outward bills for collection	21,597	24,103
Items held for safekeeping	165	17
Items held as collateral	4	2
Other contingent	187,630	88,254

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

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

SEC Form 17-Q

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

As of June 30, 2014, the Bank's total assets stood at ₱62.172 Billion while total liabilities and equity amounted to ₱57.991 Billion and ₱4.181 Billion, respectively. Cash and Due from Banks increased by ₱1.219 Billion from the year-end level of ₱10.975 Billion. On the other hand, Trading and investment securities went down by 35.47% or ₱7.163 Billion due to the maturity of the securities purchased using the proceeds of the loan extended by the PDIC as part of the Financial Assistance Agreement. Interbank Loans Receivable and Loans and Receivable grew by ₱4.096 Billion from last year-end level of ₱25.200 Billion to ₱29.296 Billion as the Bank continued to grow its loan portfolio. In spite of the growth of its loan portfolio, the Bank's NPL ratio for the quarter is 0.79%, an improvement over the previous quarter's NPL of 1.21%. As a result of the Bank's efforts to increase its branch network, Property and Equipment increased by ₱229.154 Billion from last year's level of ₱1.746 Billion to ₱1.976 Billion this year. Other Assets went up by 184.03% or ₱1.211 Billion, with the increase driven primarily by escrow payments related to the acquisition of Rural Bank of Nagcarlan and Banco Dipolog, Inc; as well as various investment projects booked under Miscellaneous Assets. On the liability side, the Bank's Deposit Liabilities improved by ₱4.783 Billion compared to year-end level of ₱47.280 Billion, which allowed the bank to make up for the 56.26% or ₱5.321 Billion reduction in Bills Payable brought about by the Bank's payment in full of the loan extended by the PDIC under its 10-year Financial Assistance Agreement. Through efforts to grow its deposit base, the Bank was able to restore its balance sheet to year-end 2013 levels, following its repayment to PDIC. Outstanding Acceptances decreased by ₱19.164 Million, while Manager's Checks went up by 51.10% or ₱88.656 Million. Miscellaneous liabilities decreased by ₱33.820 Million mainly due to the accretion of unearned income related to the loan from the PDIC. The Bank's capital base improved by ₱107.833 Million from the year end level of ₱4.074 Billion, due mainly to the net income generated for the 1st half of the year. The Bank's Risk-Based Capital Adequacy Ratio as of the second quarter is at 12.02%. The ratio covers credit, market and operational risk for the second quarter of 2014.

The Bank posted a net income of ₱190.434 Million as of the end of the second quarter of 2014, Total operating income declined by ₱1.102 Billion or 44.55% from the prior year's level, driven largely by a ₱1.466 Billion decrease in trading and securities gains that has been brought about by current market conditions and the consequent absence of trading income opportunities. The Bank's core banking business has, however, registered improved performance over prior year. Interest income grew by 20.82% or ₱246.005 Million, from ₱1.181 Billion in the same period last year to ₱1.427 Billion this year. The increase was driven by a 78% increase in the Bank's loan portfolio, which resulted in an increase of ₱418.543 Million in interest income. The growth in interest income was partially offset by a ₱168.409 Million reduction in income on trading and investment securities, as the government securities purchased using the loan proceeds from the PDIC Financial Assistance Agreement had matured. Interest expense, on the other hand, increased by ₱48.894 Million, as the Bank's deposit liabilities portfolio grew by 20%. Foreign exchange gains improved significantly, from a negative level of ₱23.543 in the same period last year to a positive ₱25.539 Million in Q2 2014. With the Bank's renewed focus on generating fee-based income, rental income and service charges, fees and commissions also went up by ₱72.675 Million and ₱49.082 Million, respectively. Despite the increased activity in the Bank's core business, operating expenses went down by 6.37% or ₱1.146 Billion, from ₱1.147 Billion in the same period last year to ₱1.074 Billion in the current reporting period. This was the result of the reversal of provisions for impairment losses, which represents the recognition of recoveries from various accounts for the year.

On a period to period basis, total resources increased by ₱14.1019 Billion or 29.33% from ₱48.071 Billion in the 2nd quarter of 2013. Liquid assets, which includes cash on hand and due from other banks, almost doubled to ₱12.194 Billion from ₱6.718 Billion in Q2 2013. Trading and investment securities decreased by ₱5.112 Billion, which represents securities that were funded

by the PDIC loan that the Bank settled in Q1 2014. Loans and Other Receivables increased by ₱11.520 Billion, fueled by growth in the Bank's lending activities. The shift in its investments to reverse repurchase agreements with the Bangko Sentral ng Pilipinas also contributed ₱21.453 Million to the increase. Meanwhile, Property and Equipment rose from last year's level of ₱592.762 Million to P1.383 Billion in Q2 2014, brought about by the Bank's expanding branch network. Other Assets went up by 294.13% or ₱1.395 Billion, due to escrow payments related to the acquisition of the Rural Bank of Nagcarlan and Banco Dipolog, as well as various investment projects booked under Miscellaneous Assets. Meanwhile, the Bank's total liabilities increased by ₱13.610 Billion or 30.67% from ₱13.611 Billion in June 2013 to ₱44.380 Billion in June 2014. Total deposits increased by 56%, from P33.333 Billion in 2013 to ₱18.730 Billion in 2014. This was offset by a P4.545 decrease in the Bank's total borrowings, from ₱8.684 Billion in June 2013 to ₱4.137 Billion in June 2014, due to the Bank's payment in full of the loan extended by the PDIC under the 10-year Financial Assistance Agreement with PBCOM. Accrued expenses and other liabilities went up by ₱104.704 Million or 28.34%. Other liabilities increased by ₱602.754 Million due to the accretion of unearned income related to the loan from the PDIC.

On a quarter to quarter basis, net income for the current year went down by 67.19% or ₱313.414 Million from the same period of last year's level of ₱466.471 Million, due to a ₱535.948 Million decrease in trading and securities gains. Interest income increased by ₱55.586 Million, driven by a P244.758 Million increase in interest earned from the Bank's growing loans book, but offset by a P167.071 Million decrease in interest from Trading and Investment Securities due to the repayment of the Financial Assistance from PDIC. The growth in the Bank's deposit portfolio resulted in a 23.41% increase (P43.738 Million) in total interest expense; however, the Bank's operating expenses decreased by 20.49% or P107.217 Million, due to the reversal of P293.114 Million in impairment loss provisions. This reversal was partially offset by a P116.780 Million increase in Compensation and Fringe Benefits, brought about by the Bank's efforts to strengthen its talent base and staff complement.

2. Discussion of various key indicators:

A. Key Financial Performance

Ratio	June 2014	December 2013	Remarks
Net Profit Margin <i>(Net income divided by Gross income)</i>	21.74%	47.75*	Net Profit Margin decreased by 26% as a result of a 97% reduction in trading income for the 1 st half of 2014.
Return on Average Asset <i>(Net income divided by Average assets)</i>	0.97%	3.01%	The reduction in trading income for 2014, coupled with the increase in Average Assets, has resulted in a decrease in ROA versus Dec 2013
Return on Average Equity <i>(Net income divided by Average equity)</i>	15.33%	38.58%	The reduction in trading income for the year has caused a decline in the Bank's return on average equity ratio
Capital Adequacy Ratio (Basel 3) <i>(Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)</i>	12.02%	16.18%**	The implementation of BASEL 3 beginning Jan 2014 introduced a new method for calculating CAR. This new methodology brought down the ratio by 4.16%; however, the resulting ratio of 12.02% remains above the 10% minimum CAR required by the BSP.
Basic Earnings per share <i>(Net income divided by average no. of common shares)</i>	0.64	4.59*	The reduction in net income versus 2013, which is driven primarily by the decline in trading income, has resulted in a lower earnings per share

* As of June 2013

** Basel 2

B. Financial Soundness

Ratio	June 2014	December 2013	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>	48.75%	66.26%	The Bank's liquidity ratio decreased by 17.51%, as it paid off its obligations, including the full payment of the Financial Assistance from PDIC, while simultaneously growing its deposit base. Total Deposit liabilities grew by P4.7B or 10% for the first half of 2014.
Debt Ratio (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	93.27%	93.5%	A minimal decrease in the Bank's debt ratio has been observed, due to the maturity of the PDIC-funded securities. This was offset by the growth in the Bank's deposits and loans.
Asset to Equity Ratio (Total Asset to Total Equity)	1,486.8%	1,536.7%	The maturity of the securities matched to the loan paid off to PDIC brought on a decline in total assets. This resulted in a 49% decline in Asset to Equity ratio.
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	165.46%	426.40% *	The Bank's interest rate coverage declined as a result of lower earnings from securities and the higher interest expense brought on by the growth in deposits.
Net Interest Margin (Net interest income over Average Earning assets)	4.47%	4.34%	With growth in its loans portfolio and the maturity of the PDIC funded securities, the Bank enjoyed a P226M increase in net interest income, along with lower average earning asset of P3.9B for the period

* As of June 2013

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, 2014, unspent amount of capital expenditures was P260.3M 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: June 2014 vs. December 2013

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	29,017	3.92%	Effective cash management strategies have led to a small increase in the Bank's cash balance.
Due from BSP	1,187,133	12.40%	An increase in reserve requirements has increased the BSP balance.
Due from Other Banks	3,108	0.47%	There has been an increase in the balance of settlement accounts maintained with correspondent banks versus the comparable period.
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	(4,235)	-2.09%	There was decreased investment in interbank loans during the period.
Held for Trading Financial Assets	533,070	508.13%	Inventory of held for trading securities increased during the reporting period
Available-for-Sale Investments	(7,696,362)	-38.31%	This represents the matured securities funded by the PDIC loan that was paid in full on March 26, 2014
Loans and Receivables	4,099,952	16.40%	Loans and discounts increased by P3.8B during the reporting period.
Property and Equipment	229,154	13.12%	Branch renovations and openings, along with the purchase of various furniture, IT equipment, and vehicles during the reporting period drove an increase in Property & Equipment.
Investment Properties	(18,709)	-0.49%	The successful sale of ROPA properties during the period led to a reduction in Investment Properties.
Other Assets	1,211,269	184.03%	There was an increase in miscellaneous assets due to escrow accounts related to investments in rural banks and the capitalized cost of various projects for the year.
Demand Deposits	1,175,884	16.37%	Continued deposit generation efforts has led to an increase in deposits
Savings Deposits	83,512	2.70%	
Time Deposits	3,523,859	9.52%	
Bills Payable	(5,320,985)	-56.26%	This corresponds to the payment of the loan extended by PDIC under the 10-year Financial Assistance Agreement with PBCOM, which matured on March 26, 2014
Outstanding Acceptances	(19,164)	-44.37%	The reduction in outstanding acceptances is due to a decrease in bills of exchange accepted by the Bank
Manager's Checks	88,656	51.10%	There was an increase in un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	(33,376)	-6.58%	There was a decrease in interest accruals on deposits.
Other Liabilities	(32,820)	-6.10%	There was a decrease in unearned income due to accretion on borrowing from PDIC and other borrowings for the period.

Statement of Income and Expenses : Jan-Jun 2014 vs Jan-Jun 2013

	Increase (Decrease)	Percentage	Remarks
Interest Income on Trading and investment securities	(168,409)	-26.94%	There was a decline in interest income earned due to the maturity of government securities which were purchased from the proceeds of the loan extended by the PDIC as part of the Financial Assistance Agreement
Interest Income on Loans and receivable	418,543	78.11%	The Bank enjoyed higher interest income from loans and discount from its growing loan portfolio, with Consumer and Commercial loans contributing P267M and P178M, respectively for the period
Interest Income on IBCL & SPURA	(2,889)	-36.52%	The average volume of investment in SPURA decreased by P216M year-on-year.
Interest Income on Deposit with other Banks and others	(1,240)	-9.93%	Interest income from Due from BSP decreased by P1M for the period.
Interest Expense on Deposit Liabilities	66,778	20.11%	Time deposit volume grew by P15.2B, resulting in a P69.5M increase in interest expense versus same period last year

Interest Expense on Bills payable, borrowings and others	(17,885)	-24.02%	There was a P20.3M reduction in interest expense on BP-PDIC, as the loan matured in March 2014.
Trading and Securities Gain – net	(1,465,587)	-97.24%	There was a reduction in trading income due to the impact of rising market rates on bond prices.
Service Charges, Fees & Commissions	72,675	86.97%	The Bank collected higher participation fees and bank commissions versus the comparable period in the prior year
Income from Trust Operations	(4,379)	-32.71%	The Bank registered lower trust fees in 2014 due to a one-off transaction in 2013
Rent Income	36,619	32.40%	The escalation of rental rates in 2014 has generated increased income from rent.
Profit/(Loss) from Assets Sold/Exchanged	6,622	205.94%	The Bank has seen slightly better gains from the sale of ROPA properties during the reporting period.
Foreign Exchange Gain (Loss) –Net	49,082	-208.48%	A combination of higher revaluation income and higher actual/realized gain from foreign exchange trading has led to an increase in foreign exchange gains.
Miscellaneous Other Income	5,929	284.63%	Higher ancillary income generated for the period
Compensation and Fringe Benefits	174,796	34.71%	As the Bank continued efforts to build its talent base and strengthen its manpower complement, there was an increase in manpower cost and accrual of additional employee benefits for the period
Depreciation & Amortization	33,551	60.19%	The upgrade of various premises, furniture and equipment of the bank led to higher depreciation costs.
Occupancy and other equipment- related costs	12,907	17.27%	During the reporting period, the Bank saw a decrease in rental expense and an increase in reimbursements received from tenants of PBCOM Tower on utilities and repairs.
Taxes and Licenses	(48,805)	-20.83%	The decline in trading income generated in Q2 2014 versus Q2 2013 has led to lower GRT expense. This was offset by the increase in documentary stamp taxes on time deposits.
Provision for (Recovery of) impairment losses	(292,393)	-	This reflects the recognition of recoveries from various accounts for the year.
Miscellaneous	46,950	16.87%	There was an increase in information technology expenses of P21.1M, insurance of P11.6M and security and messengerial services of P17M.