

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. Angelo Patrick F. Advincula
(Company Representative)

904-193-248
(TIN)

June 26, 1970
(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, 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>480,645,164 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

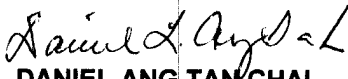
The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such 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 14, 2014

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF CONDITION
(In Thousands)

	<i>Consolidated</i>	<i>Parent</i>	
	SEPTEMBER 2014	SEPTEMBER 2014	DECEMBER 2013
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
ASSETS			
Cash and Other Cash Items	881,908	876,017	740,012
Due from Bangko Sentral ng Pilipinas	12,879,996	12,864,396	9,573,408
Due from Other Banks	1,209,406	1,167,432	661,308
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	1,785,355	1,785,355	202,550
Held-for-Trading Financial Assets	779,120	779,120	104,909
Available-For-Sale Investments	12,385,378	12,385,378	20,090,082
Held to Maturity	8,988	-	-
Loans and Receivables	30,380,005	30,205,577	24,997,424
Investment in Subsidiaries and Associate	11,550	321,550	11,284
Property and Equipment	2,036,181	2,024,927	1,746,569
Investment Properties			
Condominium units for lease	3,340,905	3,340,905	3,341,665
Foreclosed properties	447,271	333,909	482,554
Other Assets	1,983,792	1,768,065	646,891
	68,129,855	67,852,630	62,598,655
LIABILITIES AND EQUITY			
Liabilities			
Deposit Liabilities			
Demand	8,387,588	8,380,522	7,183,261
Savings	3,483,264	3,437,366	3,089,981
Time	44,344,865	44,240,950	37,007,256
	56,215,717	56,058,838	47,280,497
Bills Payable	3,582,769	3,582,769	9,458,241
Outstanding Acceptances	37,330	37,330	43,189
Manager's checks	243,795	243,795	173,501
Accrued Interest, Taxes and Other Expenses	566,954	564,229	507,545
Deferred Tax Liabilities - Net	524,116	524,116	524,116
Other Liabilities	780,090	660,190	537,952
	61,950,771	61,671,266	58,525,041
Equity			
Common stock	8,847,218	8,847,218	7,489,114
Additional paid-in capital	1,248,194	1,248,194	813,601
Surplus reserves	105,772	105,772	105,772
Deficit	(2,675,599)	(2,678,926)	(3,076,034)
Net unrealized losses on available-for-sale investr	(1,291,532)	(1,291,532)	(1,219,413)
Remeasurement losses on defined benefit liability	(237,360)	(237,360)	(237,360)
Revaluation increment on land	209,546	209,546	209,546
Cumulative translation adjustment	(21,550)	(21,550)	(11,612)
Non-controlling interest	(5,607)	-	-
	6,179,084	6,181,364	4,073,615
	68,129,855	67,852,630	62,598,655

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

	<i>Consolidated</i>		<i>Parent</i>			
	UNAUDITED FOR THE PERIOD	UNAUDITED FOR THE QTR	UNAUDITED FOR THE PERIOD ENDED		UNAUDITED FOR THE QUARTER	
	SEP 2014		SEP 2014	SEP 2013	SEP 2014	SEP 2013
INTEREST INCOME						
Trading and investment securities	598,683	141,995	598,683	875,793	141,995	250,696
Loans and receivables	1,881,887	927,528	1,880,678	881,948	926,319	346,132
Interbank loans receivable and securities purchased under resale agreements	8,063	3,042	8,063	9,872	3,042	1,961
Deposits with other banks and others	17,557	6,309	17,342	18,226	6,093	5,737
	2,506,191	1,078,873	2,504,766	1,785,839	1,077,449	604,527
INTEREST AND FINANCE CHARGES						
Deposit liabilities	634,513	235,601	633,044	490,583	234,131	158,448
Bills payable, borrowings and others	78,521	21,960	78,521	111,391	21,960	36,946
	713,034	257,561	711,565	601,974	256,091	195,394
NET INTEREST INCOME	1,793,156	821,313	1,793,201	1,183,864	821,358	409,133
Trading and securities gain - net	51,039	9,468	51,039	1,736,302	9,468	229,145
Rent Income	230,935	81,278	230,935	185,125	81,278	72,087
Service charges, fees and commissions	221,313	65,079	221,243	153,130	65,008	69,571
Foreign exchange gain (loss) - net	29,845	4,305	29,845	(17,102)	4,305	6,441
Profit/(Loss) from Assets Sold/Exchanged	2,321	(7,517)	2,142	2,651	(7,696)	(565)
Income from Trust Operations	13,487	4,481	13,487	17,947	4,481	4,562
Miscellaneous	20,797	8,619	16,414	3,839	8,402	1,756
TOTAL OPERATING INCOME	2,362,892	987,025	2,358,306	3,265,757	986,605	792,130
Compensation and fringe benefits	1,032,470	354,116	1,031,781	774,803	353,427	271,245
Taxes and licenses	275,228	89,788	275,136	357,166	89,696	122,921
Depreciation and amortization	134,869	45,576	134,767	90,640	45,473	34,897
Occupancy and other equipment - related costs	154,171	66,525	153,974	99,083	66,328	24,343
Provision for (reversal of) impairment losses	(279,830)	12,563	(279,830)	(79,907)	12,563	(79,907)
Miscellaneous	493,748	168,553	493,537	397,256	168,342	119,011
TOTAL OPERATING EXPENSES	1,810,657	737,121	1,809,365	1,639,041	735,829	492,510
NET INCOME BEFORE TAX	552,235	249,904	548,941	1,626,716	250,775	299,619
PROVISION FOR INCOME TAX	151,833	44,101	151,833	228,361	44,101	82,537
NET INCOME (a)	400,403	205,803	397,108	1,398,354	206,674	217,082
Attributable to:						
Equity holders of the Parent Company	400,435	205,835				
Non-controlling interest	(32)	(32)				
	400,403	205,803				
Basic/ Diluted Earnings Per Share (a/b)			1.24	5.15	0.57	0.72
No. of Weighted Average Shares (b)			319,685	271,350	359,925	299,565

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

	<i>Consolidated</i>	<i>Parent</i>			
	UNAUDITED FOR THE PERIOD	UNAUDITED FOR THE PERIOD ENDED		UNAUDITED FOR THE QUARTER	
	SEP 2014	SEP 2014	SEP 2013	SEP 2014	SEP 2013
NET INCOME	400,403	397,108	1,398,354	206,674	217,082
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	(72,119)	(72,119)	(1,405,736)	(74,224)	438,700
Net movement in cumulative translation adjustment	(9,938)	(9,938)	(24,218)	74,769	(28,770)
<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)	(82,057)	(82,057)	(1,429,954)	544	409,930
TOTAL COMPREHENSIVE INCOME (LOSS)	318,346	315,051	(31,600)	207,218	627,012

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

	<i>Consolidated</i>	<i>Parent</i>			
	UNAUDITED FOR THE PERIOD	UNAUDITED FOR THE PERIOD ENDED		UNAUDITED FOR THE QUARTER	
	SEP 2014	SEP 2014	SEP 2013	SEP 2014	SEP 2013
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax	552,235	548,941	1,626,716	250,775	299,619
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:					
Accretion of interest on bills payable	3,209	3,209	20,861	-	6,954
Depreciation and amortization	134,869	134,767	90,640	45,473	34,897
Provision for (reversal of) impairment losses	(279,830)	(279,830)	(79,907)	12,563	(79,907)
Profit from asset sold or exchange	(2,321)	(2,142)	2,651	7,696	(565)
Securities gains from sale of available-for sale investments	(41,712)	(41,712)	16,213	(8,849)	28,190
Equity in net earnings of an associates	(266)	(266)	(234)	(173)	(60)
Changes in operating assets and liabilities					
Decrease (increase) in the amounts of:					
Loans and Receivable	(5,102,751)	(4,928,323)	(5,813,922)	(1,120,764)	(4,194,624)
Other Assets	(1,336,901)	(1,121,173)	(540,191)	90,003	(264,376)
Increase (decrease) in the amounts of:					
Deposit liabilities	8,935,220	8,778,341	10,327,035	3,995,086	8,350,204
Manager's checks	70,293	70,293	59,868	(18,362)	18,049
Accrued interest, taxes and other expenses	59,409	56,684	87,049	90,060	(7,236)
Other liabilities	242,138	122,238	(443,554)	155,058	(97,206)
Net cash generated from operations	3,233,594	3,341,025	5,353,224	3,498,565	4,093,938
Income taxes paid	(151,833)	(151,833)	(228,361)	(44,101)	(82,537)
Net cash provided (used) by operating activities	3,081,761	3,189,192	5,124,863	3,454,464	4,011,400
CASH FLOWS FROM INVESTING ACTIVITIES					
Net decrease (increase) in:					
Held-for-Trading Financial Assets	(674,212)	(674,212)	(56,696)	(141,142)	207
Available-for-sale securities	7,674,297	7,674,297	(4,304,820)	(57,034)	(1,164,478)
Held to Maturity	(8,988)	-	-	-	-
Property and equipment	(422,161)	(410,982)	(142,974)	(102,373)	(46,019)
Investment properties	36,044	149,406	24,542	130,696	15,060
Acquisition of rural bank	(5,574)	-	-	-	-
Investment in subsidiaries	-	(310,000)	-	(310,000)	-
Net cash provided (used) by investing activities	6,599,406	6,428,509	(4,479,948)	(479,852)	(1,195,230)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds (cost) from issuance of new shares	1,792,698	1,792,698	(40,869)	1,792,698	-
Net increase (decrease) in:					
Bills payable	(5,878,681)	(5,878,681)	1,459,491	(554,487)	612,176
Outstanding acceptance	(5,858)	(5,858)	199,851	13,306	(111,705)
Net cash provided (used) by financing activities	(4,091,842)	(4,091,842)	1,618,473	1,251,517	500,471
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	(9,938)	(9,938)	(24,218)	74,769	(28,770)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,579,387	5,515,922	2,239,169	4,300,898	3,287,872
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD					
Cash and Other Cash Items	740,012	740,012	551,098	769,029	493,205
Due from Bangko Sentral ng Pilipinas	9,573,408	9,573,408	5,511,067	10,760,541	5,680,585
Due from Other Banks	661,308	661,308	887,143	664,416	543,757
Interbank Loans Receivable and Securities					
Purchased Under Resale Agreements	202,550	202,550	993,804	198,315	176,862
	11,177,278	11,177,278	7,943,112	12,392,302	6,894,409
CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD					
Cash and Other Cash Items	881,908	876,017	530,895	876,017	530,895
Due from Bangko Sentral ng Pilipinas	12,879,996	12,864,396	8,318,983	12,864,396	8,318,983
Due from Other Banks	1,209,406	1,167,432	849,457	1,167,432	849,457
Interbank Loans Receivable and Securities					
Purchased Under Resale Agreements	1,785,355	1,785,355	482,946	1,785,355	482,946
	16,756,665	16,693,199	10,182,281	16,693,199	10,182,281

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	Minority Interest	Total Equity
Consolidated												
Balance at January 1, 2014	-	7,489,114	-	813,601	105,772	(3,076,034)	(1,219,413)	(237,360)	209,546	(11,612)	(5,574)	4,073,615
Acquisition of rural bank	-	-	-	-	-	-	-	-	-	-	-	(5,574)
Issuance of new shares (net of subscription receivable)	-	1,358,105	-	434,593	-	-	-	-	-	-	-	1,792,698
Total comprehensive income (loss) for the period	-	-	-	-	-	400,435	(72,119)	-	-	(9,938)	(32)	318,346
Balance at September 30, 2014	-	8,847,218	-	1,248,194	105,772	(2,675,599)	(1,291,532)	(237,360)	209,546	(21,550)	(5,607)	6,179,084
Parent												
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
Issuance of new shares (net of subscription receivable)	-	1,358,105	-	434,593	-	-	-	-	-	-	-	1,792,698
Total comprehensive income (loss) for the period	-	-	-	-	-	397,108	(72,119)	-	-	(9,938)	-	315,051
Balance at September 30, 2014	-	8,847,218	-	1,248,194	105,772	(2,678,926)	(1,291,532)	(237,360)	209,546	(21,550)	-	6,181,364
Balance at January 1, 2013	-	3,000,000	-	476,012	105,772	(8,687,172)	672,789	-	186,889	(4,886)	-	4,561,899
Effect of retroactive application of PAS 19 (Revised)	-	-	-	-	-	16,459	-	(187,521)	-	-	-	(171,062)
Balance at January 1, 2013, as restated	-	3,000,000	-	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	-	-	-	-	-	-	-	(40,869)
Issuance of additional common stock	-	3,174,140	(3,552,598)	337,589	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	1,398,354	(1,405,736)	(187,521)	186,889	(24,218)	-	(31,600)
Balance at September 30, 2013	-	7,489,114	-	4,758,523	105,772	(7,272,359)	(732,947)	(187,521)	186,889	(29,104)	-	4,318,368

PHILIPPINE BANK OF COMMUNICATIONS
AGING OF LOANS & SELECTED RECEIVABLES
As of September 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	1,124,375,000	1,124,375,000	-	-	-	-	-
Loans and Discounts	17,817,434,316	17,375,284,930	-	55,247,685	204,274,919	182,626,782	-
Agrarian Reform/Other Agricultural Credit Loans	1,749,544,586	1,730,142,926	-	-	5,414,160	13,987,500	-
Bills Purchased	2,527,900,868	2,490,717,757	30,707,762	2,713,579	2,586,580	1,175,189	-
Customers' Liability on Drafts under LC/TR	2,149,735,316	1,887,768,032	-	-	9,997,299	251,969,985	-
Customers' Liab. for this Bank's Acceptances	37,330,144	37,330,144	-	-	-	-	-
Restructured Loans	73,878,874	60,221,207	-	-	2,402,131	11,255,537	-
Items in Litigation	748,207,803	-	-	-	-	748,207,803	-
SUB TOTAL	26,228,406,906	24,705,839,995	30,707,762	57,961,264	224,675,089	1,209,222,796	-
Accounts Receivable	561,150,519	473,652,492	5,861,618	5,721,323	3,478,701	72,436,386	-
Accrued Interest Receivable	745,919,313	254,313,846	567,631	80,177	28,697	490,928,962	-
GRAND TOTAL	27,535,476,738	25,433,806,332	37,137,011	63,762,763	228,182,487	1,772,588,144	-

PHILIPPINE BANK OF COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 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. Beginning with the September 2014 reporting period, the Bank has consolidated its financial statements with those of Rural Bank of Nagcarlan, Inc. (RBNI), following the completion of capital infusion, assignment of RBNI shares and assumption of beneficial ownership, and its investment in the newly-established PBCOM Insurance Services Agency, Inc. (PISAI).
4. 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 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 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 July 31, 2014, the Bank received the approval of BSP on PBCOM's acquisition of the total outstanding capital stock of the Rural Bank of Nagcarlan, Inc.

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.

On September 4, 2014, the Bangko Sentral ng Pilipinas approve the acquisition of no less than 90% of the outstanding common stock of Banco Dipolog Inc. (BDI). With the acquisition of the BDI, the Bank plans to expand its market reach and engage in countryside lending. 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, BDI caters primarily to small entrepreneurs, educators, farmers and government employees.

On September 18, 2014, the Monetary Board of BSP approved the subscription of P.G. Holdings Inc of 181,080,608 common shares at P33.00 per shares of which will issued out of the unissued portion of the Bank's authorized capital stock. The aggregate subscription price of P5.975B will be paid to the Bank in four installments. The first installment, which is 30% or P1.792B of the subscribed amount, was received by the Bank on September 25, 2014. The balance will be paid in three (3) equal installments every twelve (12) months from the date of payment of the most recent prior installment, or may be accelerated to address the capital needs of the Bank, as determined by the board of directors. The subscription is a result of capital raising activities to strengthen the Bank's capital base for its expansion plans especially under the Basel III standards. Also, given the breadth of Mr. Lucio Co's business enterprise, the strategic investment will enable synergies between Mr. Co's portfolio of businesses and the Bank. Mr. Co's retail network complements PBCOM's own expansion and distribution efforts, and their focus on the small business segment is very much aligned with the Bank's thrust to grow its SME banking business.

On September 29, 2014, PBCOM held a special Board of Director's meeting. Mr. Lucio L. Co, Mrs. Susan P. Co and Mr. Leonardo B. Dayao were elected members of the Board to fill the three existing board seats vacated by Mr. Mario J. Locsin, Ms. Teresita Ang See and Mr. Edgar J. Sia, Jr. Further, the Board appointed Mr. Co as member of Executive Committee, to fill a vacancy on the Committee. These appointments took effect on September 30, 2014.

As of September 30, 2014, the Bank had a total network of 75 branches. Nine (9) branches were opened for business during the first nine months 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
Cainta Branch	LGF 04 & LGF 05, CK Square Bldg. Ortigas Ave ext. cor Sunset Drive
Naga Branch	G/F Rodriguez Bldg, 956 Panganiban St. cor Balintawak St.
Salcedo Branch	G/F Unit nos. 7 & 8 V. Corporate Centre LP Leviste St Salcedo Village

5. 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 September 30, 2014, there are no changes in the Bank's risk management policies.

6. 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. On July 24, 2014, the IASB issued the final version of IFRS 9 bringing together the classification and measurement, impairment and hedge accounting phases of the IASB' project to replace IAS 39 and all previous versions of IFRS 9. 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 (Classification and Measurement rules) 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.

7. 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, 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.

8. The interim financial statement is consistent with the most recent Annual Financial Statement on its fair value measurement. As of September 30, 2014 and 2013, carrying values of AFS and HFT securities are ₱13.1B and ₱19.7B, respectively, while unrealized losses amounted to (₱1.2B) and (₱0.7B), respectively.
9. 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.
10. The Bank has no investment in foreign securities as of the reporting period.
11. There are no other items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.

12. 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.

13. There were no dividends paid as of September 30, 2014.

14. Financial Information by Segment (In Thousands)

AS OF SEPTEMBER 30, 2014

Particulars	Prosperity Banking Segment	Enterprise Banking Segment	Treasury Segment	Convenience Banking Segment	Trust Group	Leasing & Shared cost	Total
Segment results							
Net Interest Income	482,917	265,253	310,773	379,402	1,414	353,443	1,793,201
Trading and securities gain-net	-	-	55,324	-	-	(4,286)	51,039
Rent income	-	-	-	-	-	230,935	230,935
Service charges, fees and commissions	42,451	132,683	29	44,379	-	1,700	221,243
Foreign Exchange gain (loss) - net	2,483	3,895	(2,493)	-	(6)	25,965	29,845
Profit /loss) from Asset Sold/Exchange	-	-	-	-	-	2,142	2,142
Income from Trust Operations	4,508	2,738	1,919	-	4,315	7	13,487
Miscellaneous	8,473	1,472	-	3,427	(0)	3,043	16,414
Total Operating Income	540,832	406,042	365,552	427,208	5,722	612,950	2,358,306
Compensation and Fringe benefits	296,352	84,143	18,757	91,148	37,425	503,956	1,031,781
Taxes and licenses	(11)	1,730	-	961	-	272,457	275,136
Occupancy and Other equipment-related cos	90,719	565	247	1,759	406	41,070	134,767
Depreciation and amortization	46,756	4,465	1,636	5,594	2,163	93,362	153,974
Provision for impairment losses	126,369	51,337	47,499	14,285	303	(519,623)	(279,830)
Other operating expense	178,967	32,572	27,848	98,821	8,021	147,308	493,537
Total Operating Expense	739,152	174,811	95,987	212,567	48,318	538,530	1,809,365
Segment profit (loss)	(198,321)	231,231	269,566	214,641	(42,596)	74,420	548,941
Provision for income Tax	-	2,651	100,452	-	-	48,730	151,833
Net Income (loss)	(198,321)	228,580	169,114	214,641	(42,596)	25,690	397,108
Total segment assets	10,451,494	21,009,649	22,459,500	4,410,156	76,388	9,445,443	67,852,630
Total segment liabilities	51,048,096	38,922	8,718,177	-	213,612	1,652,459	61,671,266

AS OF SEPTEMBER 30, 2013

Particulars	Prosperity Banking Segment	Enterprise Banking Segment	Treasury Segment	Convenience Banking Segment	Trust Group	Leasing & Shared cost	Total
Segment results							
Net Interest Income	318,020	191,609	106,630	55,204	2,031	510,371	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	6,408	-	4,155	153,130
Foreign Exchange gain (loss) - net	2,634	1,618	(3,437)	-	(6)	(17,910)	(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	-	-	-	(2,263)	3,839
Total Operating Income	367,585	300,569	1,848,169	61,612	14,421	673,402	3,265,757
Compensation and Fringe benefits	199,821	59,982	13,775	48,315	13,022	439,889	774,803
Taxes and licenses	88,609	32,280	182,695	165	1,272	52,146	357,166
Occupancy and Other equipment-related cos	75,763	544	139	2,553	238	19,846	99,083
Depreciation and amortization	36,810	3,631	1,501	2,956	795	44,947	90,640
Provision for imparment	-	-	-	-	-	(79,907)	(79,907)
Other operating expense	81,896	22,299	39,413	19,573	5,454	228,621	397,256
Total Operating Expense	482,898	118,737	237,523	73,561	20,780	705,541	1,639,041
Segment profit (loss)	(115,313)	181,832	1,610,645	(11,949)	(6,359)	(32,139)	1,626,716
Provision for income Tax	-	1,691	58,890	-	-	167,780	228,361
Net Income (loss)	(115,313)	180,141	1,551,755	(11,949)	(6,359)	(199,919)	1,398,354
Total segment assets	7,307,785	17,519,353	18,039,236	1,257,428	80,639	13,264,859	57,469,300
Total segment liabilities	40,296,351	232,857	3,617,616	-	-	9,004,108	53,150,932

Efforts to expand the Bank's core banking business led to a year-over-year operating income growth of 47% for Prosperity Banking and 35% for Enterprise Banking Segment. Costs of Prosperity Banking Segment and Enterprise Banking Segment increased by 53% and 47%, respectively, compared to the same period last year as the Bank increased its staff complement to support the rapid growth of the business.

15. There are changes in the composition of the bank in terms of business combinations, acquisition or disposal of subsidiaries, restructurings and discontinuing operations. Starting September 2014 as a result of approval of BSP and assumed beneficial ownership of Rural Bank of Nargarian, Inc. (RBNI) and investment in PBCOM Insurance Agency, Inc (PISAI), the Bank consolidates the two companies in its books.

As to long-term investments, the bank continues to maintain holdings on marketable long-term bonds.

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

	September 2014	December 2013
Trust department accounts	5,482,958	5,200,111
Standby LC	1,201,668	1,155,845
Spot exchange:		
Sold	336,563	676,596
Bought	762,875	676,675
Sight import LC outstanding	371,397	323,916
Usance import LC outstanding	125,917	537,026
Deficiency claims receivable	27,498	27,498
Inward bills for collection	139,073	5,542
Outstanding shipping guarantees	674,340	500,478
Late deposits/ payment received	9	17,162
Outward bills for collection	7,429	24,103
Items held for safekeeping	375	17
Items held as collateral	4	2
Other contingent	181,827	88,254

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

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

SEC Form 17-Q

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

PBCOM's posted a net profit of ₱397.108M as of the third quarter of 2014 from ₱1.398 Bn during the same period in 2013. The reduction in net profits was primarily attributed to a 97.06% decrease in trading and securities gains brought about by current market conditions and the resulting absence of trading income opportunities. However, core operating income rose by 50.86%, driven by a 51.47% rise in net interest income. This increase was mainly brought about by a 113.24% or ₱998.73 Million increase in interest income on loans and receivables, and was further supported by a ₱45.810 Million increase in rental income, a ₱68.113 Million rise in service charges, fees and commissions, ₱46.947 Million increase in foreign exchange gains and a ₱12.575 Million growth in miscellaneous income. These gains were partially offset by a growth of 18.21% or ₱109.591 Million in interest and finance charges, a ₱277.110 Million decline in interest income on trading and investment securities and a ₱1.809 Million decrease in interbank loans and receivables. Operating expenses increased by ₱170.324 Million over the previous year's level of ₱1.639 Billion to ₱1.809 Billion for the current reporting period. The growth in expenses was mainly brought about by increases in compensation and fringe benefits, depreciation and amortization and occupancy and other equipment-related costs by ₱256.978 Million, ₱44.127 Million and ₱54.892 Million, respectively.

On a quarter to quarter basis, the Bank posted a total operating income of ₱986.605 Million in the 3rd quarter of 2014, which represents a 24.55% growth over Q3 2013 total operating income of ₱792.130 Million. The growth was primarily driven by net interest income growth of ₱412.225 Million from last year's level of ₱409.133 Million to ₱821.358 Million of this year; such that despite a 95.87% or ₱219.677 Million decline in trading and securities gains, core operating income rose by 73.53%. On the other hand, operating expenses likewise increased by 49.40% or ₱243.319 Million mainly brought about by an increase in compensation and fringe benefits of ₱82.182 Million and occupancy and other equipment –related costs of ₱41.985 Million. As a result, the Bank posted a Q3 2014 net income of ₱206.674 Million, 4.79% lower than the Q3 2013 net income of ₱217.082 Million

As of September 30, 2014, the Bank's total assets stood at ₱67.852 Billion while total liabilities and equity amounted to ₱61.671 Billion and ₱6.181 Billion, respectively. Liquid assets increased by 49.35% or ₱5.515 Billion from last year's level of ₱11.177 Billion. Meanwhile, trading and investment securities decreased by 34.81% or ₱7.03 Billion, due to the maturity of the securities purchased using proceeds of the loan extended by the PDIC as part of the Financial Assistance Agreement that ended in March 2014. Marketing strategy sustained its efficiency as loans and receivables improved by 20.83% or ₱5.208 Billion from the year-end 2013 level of ₱24.997 Billion to the current level of ₱30.205 Billion. PBCOM's NPL for the quarter is at 1.43%, versus the previous quarter's 0.79%. Investment in Subsidiary and Associates likewise went up by ₱310.266 Million due to the acquisition of majority of the shares of Rural Bank of Nagcarlan, Inc. (RBNI). As the Bank expands its branch network, which is currently comprised of 75 branches, property and equipment has increased by ₱278.358 Million from the previous year's level of ₱1.746 Billion to ₱2.024 Billion. On the liability side, deposit liabilities improved by 18.57% from the year-end level of ₱47.280 Billion to ₱56.059 Billion; however, this was offset by a decrease of ₱5.875 Billion 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. Manager's check and accrued interest, taxes and other expenses likewise increased by ₱70.293 Million and ₱56.684 Million, respectively. Moreover, the Bank's equity improved by 51.74% or ₱2.108 Billion, mainly brought about by the subscription of PG Holdings, Inc.

On a period to period basis, PBCOM's total resources improved by 10.383 Billion over the September 2013 level of ₱57.469 Billion. Liquid assets increased by 63.94% or ₱6.510 Billion, from ₱10.182 Billion in Q1 to Q3 2013 to ₱16.693 Billion in Q1 to Q3 2014. Trading and investment securities decreased by ₱6.553 Billion, which represents investments funded by the PDIC loan that Bank settled in the first quarter of 2014. Lending activities continue to grow, as loans and receivable improved by ₱8.354 Billion. With the acquisition of Rural Bank of Nagcarlan, investment in subsidiaries and associates increased by ₱309.148 Million. Likewise, property and equipment and other assets increased by ₱623.281 Million and ₱1.036 Billion, respectively. On the liability side, deposit liabilities rose by ₱14.375 Billion, to ₱56.058 Billion in the current year from ₱41.683 Billion in the same period last year. Meanwhile, bills payable decreased by ₱5.721 Billion, due to Bank's full payment of the loan extended by the PDIC under the parties' 10-year Financial Assistance Agreement.

2. Discussion of various key indicators:

A. Key Financial Performance

Ratio	September 2014	December 2013	Remarks
Net Profit Margin <i>(Net income divided by Gross income)</i>	16.84%	35.42*	Net Profit Margin decreased by 18%, as market conditions and the absence of trading gains brought about a 97% reduction in trading income for first nine months of 2014.
Return on Average Asset <i>(Net income divided by Average assets)</i>	0.85%	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>	12.67%	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>	14.36%	16.18%**	The implementation of BASEL 3 beginning Jan 2014 introduced a new method for calculating CAR. The application of this new methodology, along with the additional capital infusion of P1.8B received from the Bank's new investor in Sep 2014 has resulted in a CAR of 14.36% as of Sept 2014. This is a slightly lower ratio compared to Dec 2013 CAR (calculated using BASEL 2 methodology); however, it 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>	1.24	5.15*	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 Sep 2013

** Basel 2

B. Financial Soundness

Ratio	September 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>	53.18%	66.26%	The Bank's liquidity ratio decreased by 13.08%, as it paid off its obligations, the most significant of which was the full payment of the Financial Assistance from PDIC in March 2014. Through efforts to grow its deposit base, the Bank's total deposit liabilities grew by P8.7B or 18% for the first nine months of 2014, thus minimizing the impact of the PDIC loan repayment on the Bank's liquidity ratio.
Debt Ratio (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	90.89%	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)	1,097.7%	1,536.7%	The maturity of the securities matched to the loan repayment to PDIC brought on a decline in total assets. This resulted in a 439% decline in Asset to Equity ratio.
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	177.15%	370.23% *	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)	5.46%	4.34%	With growth in its loans portfolio and the maturity of the PDIC funded securities, the Bank enjoyed a P673M increase in net interest income, along with lower average earning asset of P4.2B for the period

* As of Sep 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 September 30, 2014, unspent amount of capital expenditures was ₱167.0M from the prior year's approved budget and additional projects this quarter. The projects included are for technology upgrades, computer and communication upgrades and the renovation of certain business centers / 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: September 2014 vs. December 2013

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	136,004	18.38%	Effective cash management strategies have led to a small increase in the Bank's cash balance.
Due from BSP	3,290,988	34.38%	An increase in reserve requirements and the receipt of the capital infusion from the Bank's new investor in late September increased the BSP balance.
Due from Other Banks	506,125	76.53%	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)	1,582,805	781.44%	Higher liquidity resulted in increased investment in interbank loans during the period.
Held for Trading Financial Assets	674,212	642.66%	Inventory of held for trading securities increased during the reporting period
Available-for-Sale Investments	(7,704,704)	-38.35%	This represents the matured securities funded by the PDIC loan that was paid by the Bank in full on March 26, 2014
Loans and Receivables	5,208,154	20.83%	Loans and discounts increased by P3.8B during the reporting period.
Investment in Subsidiaries and Associate	310,266	2,749.60%	Approval by the BSP of the acquisition of RBNI (P300M) and PBCOM's investment to PISAI (P10M)
Property and Equipment	278,358	15.94%	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	(149,406)	-3.91%	The successful sale of ROPA properties during the period led to a reduction in Investment Properties.
Other Assets	1,121,173	173.32%	There was an increase in miscellaneous assets due to escrow accounts related to investments in Banco Dipolog, Inc. and the capitalized cost of various projects for the year.
Demand Deposits	1,197,261	16.67%	Continued deposit generation efforts has led to an increase in deposits
Savings Deposits	347,386	11.24%	
Time Deposits	7,233,694	19.55%	
Bills Payable	(5,875,472)	-62.12%	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	(5,858)	-13.56%	The reduction in outstanding acceptances is due to a decrease in bills of exchange accepted by the Bank
Manager's Checks	70,293	40.51%	There was an increase in un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	56,684	11.17%	There was a decrease in interest accruals on deposits.
Other Liabilities	122,238	22.72%	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-Sep 2014 vs Jan-Sep 2013

	Increase (Decrease)	Percentage	Remarks
Interest Income on Trading and investment securities	(277,110)	-31.64%	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	998,730	113.24%	The Bank enjoyed higher interest income from loans and discount from its growing loan portfolio, with Consumer and Commercial loans contributing P416M and P292M, respectively for the period
Interest Income on IBCL & SPURA	(1,809)	-18.32%	The average volume of investment in SPURA decreased by P101M year-on-year.
Interest Income on Deposit with other Banks and others	(884)	-4.85%	Interest income from Due from BSP decreased by P0.5M for the period.
Interest Expense on Deposit Liabilities	142,461	29.04%	Time deposit volume grew by P14.8B, resulting in a P142.9M increase in interest expense versus same period last year
Interest Expense on Bills payable, borrowings and others	(32,870)	-29.51%	There was a P39.9M reduction in interest expense on BP-PDIC, as the loan matured in March 2014.
Trading and Securities Gain – net	(1,685,264)	-97.06%	There was a reduction in trading income due to the impact of rising market rates on bond prices.
Service Charges, Fees & Commissions	68,113	44.48%	The Bank collected higher participation fees and bank commissions versus the comparable period in the prior year
Income from Trust Operations	(4,460)	-24.85%	The Bank registered lower trust fees in 2014 due to a one-off transaction in 2013
Rent Income	45,810	24.75%	The escalation of rental rates in 2014 has generated increased income from rent.
Profit/(Loss) from Assets Sold/Exchanged	(508)	-19.18%	The Bank has recognized minor losses from the sale of ROPA properties during the reporting period.
Foreign Exchange Gain (Loss) –Net	46,947	-274.51%	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	12,575	327.57%	Higher ancillary income generated for the period
Compensation and Fringe Benefits	256,978	33.17%	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	44,127	48.68%	The upgrade of various premises, furniture and equipment of the bank led to higher depreciation costs.
Occupancy and other equipment- related costs	54,892	55.40%	During the reporting period, the Bank saw an increase in rental expenses and lower reimbursements received from tenants of PBCOM Tower on utilities and repairs due to changes in reallocation of expenses
Taxes and Licenses	(82,030)	-22.97%	The decline in trading income generated in Q3 2014 versus Q3 2013 has led to lower GRT expense. This was partly offset by the increase in documentary stamp taxes on time deposits.
Provision for (Recovery of) impairment losses	(199,923)	250.20%	This reflects the recognition of recoveries from various accounts for the year.
Miscellaneous	96,528	24.24%	There was an increase in information technology expenses of P21M, insurance of P52.4M and security and messengerial services of P22M.