

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 904-193-248 June 26, 1970
(Company Representative) (TIN) (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 March 31, 2016

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 NA

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:

ARLENE M. DATU
SVP & Comptroller
(Controller & Principal Accounting Officer)

May 13, 2016

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF CONDITION
(In Thousands)

	<i>Consolidated</i>		<i>Parent</i>	
	MAR 2016	DEC 2015	MAR 2016	DEC 2015
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>
ASSETS				
Cash and Other Cash Items	901,768	1,343,340	871,739	1,311,615
Due from Bangko Sentral ng Pilipinas	11,006,761	11,909,774	10,925,156	11,839,461
Due from Other Banks	896,204	2,008,522	633,944	1,786,592
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	364,653	229,281	364,653	229,281
Financial assets at Fair Value through Profit or Loss	1,990,881	395,258	1,990,881	395,258
Equity Securities at Fair Value through				
Other Comprehensive Income	44,452	44,452	44,452	44,452
Investment Securities at Amortized Cost	15,235,417	14,468,390	15,235,417	14,468,390
Loans and Receivables	40,475,829	36,502,141	38,441,624	34,629,214
Investment in Subsidiaries and Associate	12,191	12,113	855,783	854,841
Property and Equipment	1,809,891	1,790,802	1,689,543	1,669,616
Investment Properties				
Condominium units for lease	4,800,493	4,799,635	4,800,493	4,799,635
Foreclosed properties	870,426	880,234	672,959	681,408
Office units for lease	19,142	19,142	19,142	19,142
Goodwill	178,456	178,456	-	-
Intangible Assets	839,799	824,816	573,524	558,066
Deferred Tax Assets	49,545	49,545	-	-
Other Assets	603,606	620,415	584,252	603,767
	80,099,514	76,076,316	77,703,562	73,890,738
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities				
Demand	14,050,845	12,523,472	14,202,984	12,610,784
Savings	5,470,818	5,054,764	4,869,874	4,507,544
Time	42,470,031	40,724,117	40,796,569	39,437,185
	61,991,694	58,302,353	59,869,427	56,555,513
Bills Payable	6,609,862	6,481,620	6,609,505	6,296,862
Outstanding Acceptances	11,854	42,065	11,854	42,065
Manager's checks	212,881	108,914	212,881	108,914
Accrued Interest, Taxes and Other Expenses	615,115	568,959	547,764	511,656
Deferred Tax Liabilities - Net	1,033,544	1,033,544	911,399	911,399
Other Liabilities	668,291	614,838	658,127	606,433
	71,143,241	67,152,293	68,820,957	65,032,842
Equity				
Common stock	7,489,114	7,489,114	7,489,114	7,489,114
Subscribed common stock - net	3,187,019	3,187,019	3,187,019	3,187,019
Additional paid-in capital	813,601	813,601	813,601	813,601
Surplus reserves	105,772	105,772	105,772	105,772
Deficit	(2,717,127)	(2,745,295)	(2,799,321)	(2,819,842)
Unrealized gain on equity securities carried at fair				
value through other comprehensive income	25,831	25,831	25,831	25,831
Revaluation increment on land and condo properties	280,228	280,228	279,442	279,442
Cumulative translation adjustment	(48,206)	(52,394)	(48,206)	(52,394)
Remeasurement losses on defined benefit liability	(172,665)	(172,665)	(170,647)	(170,647)
Non-controlling interest	(7,294)	(7,188)	-	-
	8,956,273	8,924,023	8,882,605	8,857,896
	80,099,514	76,076,316	77,703,562	73,890,738

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

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE		UNAUDITED FOR THE	
	PERIOD		PERIOD	
	MAR 2016	MAR 2015	MAR 2016	MAR 2015
INTEREST INCOME				
Investment securities	166,772	149,287	166,772	149,287
Loans and receivables	661,903	652,198	589,430	597,509
Interbank loans receivable and securities purchased under resale agreements	1,831	6,709	1,831	6,709
Deposits with other banks and others	12,894	19,047	11,912	18,523
	843,400	827,241	769,945	772,028
INTEREST AND FINANCE CHARGES				
Deposit liabilities	216,598	241,933	197,774	228,822
Bills payable, borrowings and others	36,772	16,211	36,142	16,164
	253,370	258,144	233,916	244,986
NET INTEREST INCOME	590,030	569,097	536,029	527,042
Trading and securities gain - net	55,234	16,530	55,234	16,530
Rent Income	102,280	99,637	102,243	99,562
Service charges, fees and commissions	95,046	119,434	74,918	102,473
Foreign exchange gain (loss) - net	3,189	10,506	3,189	10,506
Profit/(Loss) from Assets Sold/Exchanged	948	256	667	210
Income from Trust Operations	4,766	5,115	4,766	5,115
Miscellaneous	12,837	14,827	6,828	5,749
TOTAL OPERATING INCOME	864,330	835,402	783,874	767,187
Compensation and fringe benefits	311,871	348,498	282,485	328,014
Taxes and licenses	103,449	116,880	95,759	109,893
Depreciation and amortization	86,094	65,548	80,713	60,517
Occupancy and other equipment - related costs	52,371	51,764	49,069	48,721
Provision (reversal) for impairment losses	22,513	10,668	17,340	1,517
Miscellaneous	203,113	179,729	189,702	169,096
TOTAL OPERATING EXPENSES	779,411	773,087	715,068	717,758
NET INCOME BEFORE TAX	84,919	62,315	68,806	49,429
PROVISION FOR INCOME TAX	56,857	44,759	48,285	36,726
NET INCOME	28,062	17,556	20,521	12,703
Attributable to:				
Equity holders of the Parent Company	28,168	17,700		
Non-controlling interest	(106)	(144)		
	28,062	17,556		

Basic Earnings Per Share

0.38

0.24

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

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE PERIOD		UNAUDITED FOR THE PERIOD	
	MAR 2016	MAR 2015	MAR 2016	MAR 2015
NET INCOME	28,062	17,556	20,521	12,703
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cumulative translation adjustment	4,188	2,605	4,188	2,605
<i>Items that may not be reclassified to profit or loss in subsequent periods:</i>				
Remeasurements of defined benefit liabilities	-	-	-	-
Net movement in revaluation increment	-	-	-	-
OTHER COMPREHENSIVE INCOME (LOSS)	4,188	2,605	4,188	2,605
TOTAL COMPREHENSIVE INCOME (LOSS)	32,250	20,161	24,709	15,308

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

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE PERIOD		UNAUDITED FOR THE PERIOD	
	MAR 2016	MAR 2015	MAR 2016	MAR 2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	84,919	62,315	68,806	49,429
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:				
Depreciation and amortization	86,094	65,548	80,713	60,517
Provision for impairment losses	22,513	10,668	17,340	1,517
Profit from asset sold or exchange	(948)	(256)	(667)	(210)
Unrealized gain on financial assets at FVTPL	(4,765)	(22,989)	(4,765)	(22,989)
Equity in net earnings of an associates	(78)	(23)	-	-
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Loans and Receivable	(3,973,688)	(87,308)	(3,812,410)	7,896
Other Assets	(5,704)	(83,475)	2,175	(77,853)
Financial assets at FVTPL	(1,590,858)	(447,191)	(1,590,858)	(447,191)
Increase (decrease) in the amounts of:				
Deposit liabilities	3,689,341	3,378,361	3,313,914	3,509,609
Manager's checks	103,967	(7,311)	103,967	(7,311)
Accrued interest, taxes and other expenses	46,156	43,515	36,108	32,276
Other liabilities	53,453	42,484	51,694	50,583
Net cash generated from (used for) operations	(1,489,598)	2,954,338	(1,733,983)	3,156,273
Income taxes paid	(56,857)	(44,759)	(48,285)	(36,726)
Net cash provided (used) by operating activities	(1,546,455)	2,909,579	(1,782,268)	3,119,547
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in:				
Investment Securities at amortized cost	(767,027)	(1,005,507)	(767,027)	(1,005,507)
Property and equipment	(105,183)	(35,511)	(100,640)	(33,735)
Investment properties	9,898	1,670	8,258	2,386
Subsidiaries	-	-	(942)	-
Software cost	(14,983)	(41,096)	(15,458)	(41,095)
Net cash used by investing activities	(877,295)	(1,080,444)	(875,809)	(1,077,951)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in:				
Bills payable	128,242	197,803	312,643	100,933
Outstanding acceptance	(30,211)	(18,208)	(30,211)	(18,208)
Net cash provided by financing activities	98,031	179,595	282,432	82,725
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	4,188	2,605	4,188	2,605
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,321,531)	2,011,335	(2,371,457)	2,126,926
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD				
Cash and Other Cash Items	1,343,340	1,181,592	1,311,615	1,153,418
Due from Bangko Sentral ng Pilipinas	11,909,774	12,522,613	11,839,461	12,463,067
Due from Other Banks	2,008,522	1,636,641	1,786,592	1,375,645
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	229,281	832,604	229,281	832,604
	15,490,917	16,173,450	15,166,949	15,824,734
CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD				
Cash and Other Cash Items	901,768	876,548	871,739	848,175
Due from Bangko Sentral ng Pilipinas	11,006,761	15,273,040	10,925,156	15,221,686
Due from Other Banks	896,204	1,872,446	633,944	1,669,048
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	364,653	162,751	364,653	212,751
	13,169,386	18,184,785	12,795,492	17,951,660

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

	Common Stock	Subscribed common stock - net	Additional Paid-in Capital	Surplus reserves	Deficit	Unrealized gain on equity securities carried at fair value through other comprehensive income	Revaluation increment on land and building	Cumulative translation adjustment	Remeasurement losses on defined benefit liability	Minority Interest	Total Equity
Consolidated											
Balance at January 1, 2016	7,489,114	3,187,019	813,601	105,772	(2,745,295)	25,831	280,228	(52,394)	(172,665)	(7,188)	8,924,023
Total comprehensive income (loss) for the period					28,168		-	4,188	-	(106)	32,250
Balance at March 31, 2016	7,489,114	3,187,019	813,601	105,772	(2,717,127)	25,831	280,228	(48,206)	(172,665)	(7,294)	8,956,273
Balance at January 1, 2015, as previously stated	7,489,114	1,792,698	813,601	105,772	(2,947,623)	24,354	247,743	(27,392)	(271,352)	(5,476)	7,221,439
Effect of finalization of business combination					(973)				117	(2,104)	(2,960)
Balance at January 1, 2015, as restated	7,489,114	1,792,698	813,601	105,772	(2,948,596)	24,354	247,743	(27,392)	(271,235)	(7,580)	7,218,479
Total comprehensive income (loss) for the period					17,700		-	2,605	-	(144)	20,161
Balance at March 31, 2015, as restated	7,489,114	1,792,698	813,601	105,772	(2,930,896)	24,354	247,743	(24,787)	(271,235)	(7,724)	7,238,640
Parent											
Balance at January 1, 2016	7,489,114	3,187,019	813,601	105,772	(2,819,842)	25,831	279,442	(52,394)	(170,647)	-	8,857,896
Total comprehensive income for the period					20,521		-	4,188	-	-	24,709
Balance at March 31, 2016	7,489,114	3,187,019	813,601	105,772	(2,799,321)	25,831	279,442	(48,206)	(170,647)	-	8,882,605
Balance at January 1, 2015	7,489,114	1,792,698	813,601	105,772	(2,951,928)	24,354	247,743	(27,392)	(270,427)	-	7,223,535
Total comprehensive income for the period					12,703		2,605	(24,787)	(270,427)	-	15,308
Balance at March 31, 2015	7,489,114	1,792,698	813,601	105,772	(2,939,225)	24,354	247,743	(24,787)	(270,427)	-	7,238,843

PHILIPPINE BANK OF COMMUNICATIONS
AGING OF LOANS & SELECTED RECEIVABLES
As of March 31, 2016

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.
Loans and Discounts	28,074,674	26,448,003	783,394	151,146	172,397	519,735
Agrarian Reform/Other Agricultural Credit Loans	1,439,632	1,390,070		29,996		19,566
Bills Purchased	2,896,662	2,590,053	181,470	12,832	37,121	75,186
Customers' Liability on Drafts under LC/TR	2,670,425	2,338,650	52,241	10,692	4,776	264,067
Customers' Liab. for this Bank's Acceptances	11,854	11,854				
Restructured Loans	49,127	33,967			59	15,101
Items in Litigation	845,309		36,095		2,189	807,025
SUB TOTAL	35,987,683					
Accounts Receivable	707,429	567,339	26,282	12,085	9,311	92,413
Accrued Interest Receivable	649,877	288,433	454	311	184	360,495
GRAND TOTAL	37,344,989	855,772	26,736	12,396	9,495	452,908

PHILIPPINE BANK OF COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2016

1. The Bank's Interim Financial Statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), equity securities at fair value through other comprehensive income (FVTOCI) and investment properties that are measured at fair value, and land classified as 'Property and equipment' that is measured at appraised value.
2. The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). 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. Subsidiaries and Associates

On February 26, 2014, the Bank's Board of Directors (BOD) approved the acquisition of the Rural Bank of Nagcarlan, Inc. (RBNI) and Banco Dipolog, Inc. (BDI). The acquisitions were completed in 2014 and both rural banks were consolidated with the Parent from the time the latter gained control.

On May 9, 2014, the SEC approved the incorporation of the Parent's wholly-owned subsidiaries, PBCOM Insurance Services Agency, Inc. (PISAI).

The Parent's subsidiaries and associates are engaged in the following businesses:

Entity	Effective percentage ownership as of March 31, 2016	Line of business
<i>Subsidiaries</i>		
RBNI	96.32%	Rural Bank
BDI	99.99%*	Rural Bank
PISAI	100.00%	Insurance Agent
<i>Associate</i>		
PBCom Finance Corp	40.00%	Financing Company

* includes additional 1,881 common shares acquired in March 2016

Parent Bank obtained control of RBNI on September 1, 2014 through purchase of outstanding capital stock for ₱48.3 Million. On September 18, 2014, Parent Bank entered into SPA with the shareholders of BDI and obtained control of the latter. Parent Bank designated October 1, 2014 as the acquisition date.

4. The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries.
5. On February 8, 2013, BSP issued Certificate of Authority to register PBCom's Amended Articles of Incorporation and Amended By-Laws with SEC. This was after the Bank obtained approval from SEC for quasi-reorganization and increased in authorized capital stock on March 8, 2012. The Articles of Incorporation were then amended as follow:

- 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 760,000,000 common shares with a par value of ₱25 per share.

The Bank requested for a voluntary trading suspension of its common (PBC) and preferred (PBCP) shares on March 11, 2013. 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 System. 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 turnaround 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 August 5, 2014, the Bank signed a subscription agreement with P.G. Holdings Inc. (PGHI) for the latter's subscription of 181,080,608 of the Bank's common shares at ₱33.00 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 subscription agreement to the Bangko Sentral ng Pilipinas (BSP) for its approval.

On September 18, 2014, the Monetary Board of BSP approved the subscription of P.G. Holdings Inc. of 181,080,608 common shares at ₱ 33.00 per shares which will be issued out of the unissued portion of the Bank's authorized capital stock. The aggregate subscription price of ₱5.975 Billion will be paid to the Bank in four (4) installments. The first installment, which is 30% or ₱1.792 Billion 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 MSME 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-in 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-in a vacancy on the Committee. These appointments took effect on September 30, 2014.

On October 24, 2014, Messrs. Levi B. Labra and Roberto Z. Lorayes were elected to the Board as the new independent directors of the Bank. Subsequently, the Board elected Mr. Emmanuel Y. Mendoza as additional independent director of the Bank, effective December 19, 2014.

On September 22, 2015, the Bank received the second installment payment amounting to P1.39 Billion for the subscribed shares of PG Holdings, Inc.

On March 30, 2016, PBCom announced its Annual Stockholder's meeting to be held on June 14, 2016 at Manila Golf and Country Club, Makati.

As of March 31, 2016, the Parent Bank had a total network of 82 branches, two Other Banking Offices (OBO) and 151 ATMs (76 onsite and 75 offsite).

6. Financial Risk Management

The Bank is exposed to financial risks such as (a) credit risk, (b) liquidity risk and (c) market risk. These risks are managed through process of identification, measurement and monitoring, subject to limits and other controls. The risk information on the interim financial statement should be read in conjunction with the most recent Annual Financial Statements which contains the Bank's detailed risk disclosure. As of March 31, 2016, there are no changes in the Bank's risk management policies.

7. PFRS 9, Financial Instruments

On July 30, 2014, the Bank's BOD approved the early adoption of PFRS 9 (2010 version) with initial application date of January 1, 2014. The effect of early adoption in the financial statements was presented in detail in the 2014 and also reflected in 2015 Audited Financial Statements.

8. Fair Value Measurement

The interim financial statement is consistent with the most recent Annual Financial Statement on its 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 (unadjusted) market prices in active market for identical assets or liabilities.
- Level 2 – valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable i.e. not based on observable market data.

As of March 31, 2016, the Bank used Level 1 measurements of financial assets in FVTPL and

investment in securities at amortized cost amounting to ₱364 Million and ₱15.23 Billion, respectively and Level 2 measurements used in equity securities at FVOCI amounting to ₱ 33.1 Million. 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 Levels 1 and 2 and no transfers into and out of Level 3.

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 declared or paid as of March 31, 2016 by the Parent Bank.

On March 9, 2016, the Board of BDI, Parent Bank's subsidiary has approved the declaration of cash dividends of ₱25.07 Million for common and preferred stockholders as at record date of February 29, 2016, payable on March 14, 2016. The Parent Bank signed a subscription agreement with BDI for subscription of latter's one million common shares at ₱100 per share and assigned ₱25.0 Million dividends as partial payment for the subscription.

13. Financial Information by Segment (In Thousands)

AS OF MARCH 31, 2016

Particulars	Branch Banking	Corporate Banking	Treasury Segment	Consumer Finance Segment *	Trust and Wealth Management Segment	Rentals & Headquarters	Total
Segment results							
Net Interest Income	145,843	150,820	89,550	188,634	786	14,397	590,030
Trading and securities gain-net	-	-	55,234	-	-	-	55,234
Rent Income	-	-	-	37	-	102,243	102,280
Service charges, fees and commissions	13,840	45,013	29	31,257	-	4,908	95,046
Foreign Exchange gain (loss) - net	-	-	3,189	-	-	-	3,189
Profit /loss) from Asset Sold/Exchange	-	-	-	281	-	667	948
Income from Trust Operations	-	-	-	-	4,766	-	4,766
Miscellaneous	2,401	384	(0)	6,615	-	3,437	12,837
Total Operating Income	162,084	196,217	148,002	226,823	5,552	125,651	864,330
Compensation and Fringe benefits	77,429	21,211	14,832	59,829	4,402	134,169	311,871
Taxes and licenses	40,552	20,436	13,621	19,170	352	9,316	103,449
Depreciation and amortization	35,553	1,117	599	10,877	352	37,596	86,094
Occupancy and Other equipment-related cost	41,890	2,954	195	7,797	409	(874)	52,371
Provision for impairment losses	-	10,437	-	12,076	-	(0)	22,513
Other operating expense	57,948	10,852	21,063	24,217	742	88,290	203,113
Total Operating Expense	253,371	67,007	50,311	133,966	6,257	268,498	779,411
Segment profit (loss)	(91,287)	129,210	97,691	92,857	(705)	(142,847)	84,919
Provision for income Tax	-	415	37,900	8,572	-	9,969	56,857
Net Income (loss)	(91,287)	128,795	59,791	84,285	(705)	(152,816)	28,062
Total segment assets	10,926,187	30,318,671	21,493,927	8,279,475	71,433	9,009,820	80,099,514
Total segment liabilities	51,715,307	9,746	14,871,815	2,322,284	100,000	2,124,089	71,143,241

AS OF MARCH 31, 2015

Particulars	Branch Banking	Corporate Banking	Treasury Segment	Consumer Finance Segment *	Trust and Wealth Management Segment	Rentals & Headquarters	Total
Segment results							
Net Interest Income	231,332	119,058	71,992	223,036	871	(77,193)	569,097
Trading and securities gain-net	1,402	3,874	15,949	-	(2)	(4,694)	16,530
Rent income				75		99,562	99,637
Service charges, fees and commissions	13,276	61,005	5	50,852	-	(5,705)	119,434
Foreign Exchange gain (loss) - net	(19)	-	(395)	-	-	10,920	10,506
Profit /loss) from Asset Sold/Exchange				46		210	256
Income from Trust Operations	1,547	319	667	-	2,582	0	5,115
Miscellaneous	2,011	1,143	-	10,212	-	1,461	14,827
Total Operating Income	249,550	185,400	88,218	284,222	3,451	24,560	835,401
Compensation and Fringe benefits	95,345	28,873	6,753	57,261	10,081	150,186	348,498
Taxes and licenses	52,207	19,525	14,346	7,387	228	23,187	116,880
Depreciation and amortization	27,591	1,460	516	(6,619)	769	28,047	51,764
Occupancy and Other equipment-related cost	34,332	511	232	19,127	362	10,985	65,548
Provision for impairment	-	-	-	10,668	-	(0)	10,668
Other operating expense	81,110	9,962	11,023	79,585	2,175	(4,126)	179,729
Total Operating Expense	290,585	60,331	32,870	167,408	13,614	208,279	773,087
Segment profit (loss)	(41,034)	125,069	55,348	116,814	(10,163)	(183,719)	62,314
Provision for income Tax	2	5,156	36,387	8,033		(4,819)	44,759
Net Income (loss)	(41,037)	119,913	18,961	108,781	(10,163)	(178,900)	17,555
Total segment assets	11,114,016	23,570,710	24,232,093	7,033,223	74,755	9,566,733	75,591,531
Total segment liabilities	57,293,175	19,827	7,657,076	1,514,266	100,000	1,765,586	68,349,931

* include rural bank subsidiaries

Efforts to expand the Bank's core banking business led to a year-over-year operating income growth of 6% for Corporate Banking and 68% for Treasury Segment. Operating costs related to these segments increased by 11.1% and 53.1%, respectively, compared to the same period last year as the Bank increased its footprint to support the growth of the businesses.

14. With the BSP's approval in 2014 for PBCom to acquire RBNI and BDI, as well as its investment in PBCom Insurance Agency, Inc. (PISAI), the Parent Bank issued its first consolidated financial statements on September 2014. This is also the first time that the Parent Bank/Company presented a Consolidated / Parent financial statements.

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):

	March 2016	December 2015
Trust department accounts	5,753,555	5,594,481
Standby LC	1,838,283	1,759,656
Spot exchange:		
Bought	352,294	753,446
Sold	398,639	753,260
Sight import LC outstanding	428,687	370,465
Usance import LC outstanding	146,631	74,854
Deficiency claims receivable	27,498	27,498
Inward bills for collection	103,654	75,844
Outstanding shipping guarantees	579,151	509,078

Currency forwards:		
Bought	-	5,084
Sold	-	5,132
Outward bills for collection	40,291	75,844
Items held for safekeeping	232	244
Items held as collateral	11	5
Other contingent	9,151	9,807

Any changes on 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 for the current interim period.

SEC Form 17-Q

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

PBCom's earning capacity improved as it posted a net income of ₱28.06 Million, 59.84% or ₱10.51 Million growth in the first quarter of 2016, from ₱17.56 Million during the same quarter of the previous year. The improvement in net income was a result of higher trading gains, better net interest margins and additional earnings from rental income as well as earnings from sale of foreclosed properties.

Total operating revenues increased by ₱28.93 Million in the comparable period as net interest income and other operating income grew by ₱20.93 Million and ₱7.99 Million respectively. Total operating expenses marginally went up by ₱6.32 Million brought about by the additional booking of Impairment Losses of ₱11.84 Million and increase in Depreciation and Amortization of assets by ₱20.55 Million from last year's ₱65.55 Million to ₱86.09 Million of this year.

Net interest income went up by ₱20.93 Million mainly brought about by the increase in interest income on investment securities and loans and receivable by ₱17.48 Million and ₱9.71 Million, respectively. Moreover, Interest expense went down by ₱4.77 Million as client opted to invest in low-cost interest deposit. Interest on borrowings went up by ₱20.56 Million from last year's first quarter level of ₱16.21 Million to ₱36.77 Million of the current quarter.

The Bank's capital base stood at ₱8.96 Billion from ₱8.92 Billion as of year-end 2015. Decrease in Deficit and Cumulative Translation Adjustment contributed to the marginal improvement of capital. The Bank's Risk Based Capital Adequacy Ratio of 13.45% under the new BASLE 3 guidelines (BSP Circular 781) covering credit, market and operational risk as of March 2016 is well above the 10% minimum requirement.

PBCom Group's Total Assets stood at ₱80.10 Billion while Total liabilities and Equity amounted to ₱71.14 Billion and ₱8.96 Billion, respectively, as of 1Q16. Total assets slightly improved by ₱4.02 Billion mainly due to increase in Investment Securities by ₱2.36 Billion or 15.90% from the year-end level of ₱14.86 Billion to ₱17.23 Billion as of the first quarter. Loans and receivable went up by ₱3.97 Billion as the Bank focuses on its core businesses. NPL for the quarter is at 2.0% compared with year-end level of 1.47%. Meanwhile, Total Liquid Assets improved by ₱41.12 Million from year-end level of ₱30.40 Billion to ₱30.44 Billion of the reporting quarter. Total liabilities, on the other hand, went up by 5.94% or ₱3.99 Billion from year-end level of ₱67.15 Billion to ₱71.14 Billion as of March 31, 2016. Deposit liabilities grew from year-end level of ₱58.30 Billion to ₱61.99 Billion. Moreover, Manager's Checks and Accrued Interest, Taxes and Other Operating Expenses increased by ₱103.97 Million and ₱46.16 Million respectively. Outstanding Acceptances declined by 71.82% or ₱30.21 Million.

On a quarter-to-quarter result, Total Assets improved by ₱4.51 Billion compared to first quarter of 2015 of ₱75.59 Billion. Total liquid assets dropped by ₱3.22 Billion which were utilized to fund the Bank's maturing Deposits and Other liabilities while Trading and Investment Securities improved by 11.64% or ₱1.79 Billion. Loans and receivable went up by 20.46% or ₱6.87 Billion from previous year's first quarter level of ₱33.60 Billion. NPL rose from 1.77% as of March 2015 to 2.0% as of March 2016. Total liabilities increased by ₱2.79 Billion from the same quarter of last year's level of ₱68.35 Billion to ₱71.14 Billion of the current year mainly brought about by the increase in Bills Payable by ₱2.99 Billion. Deferred tax liabilities went up by ₱292 Million due to increase in Fair Value Gain on Investment Properties.

2. Discussion of various key indicators:

A. Key Financial Performance (consolidated)

Ratio	March 2016	December 2015	Remarks
Net Profit Margin (Net income divided by Gross income)	3.25%	2.10%*	Net Profit Margin decreased by 1.15% due to higher net interest income and trading and securities gains during the current period.
Return on Average Asset (Net income divided by Average assets)	0.14%	0.28%	Lower annualized net income during the current period but an increase in Average Assets led to lower ROA versus Dec 2015
Return on Average Equity (Net income divided by Average equity)	1.26%	2.52%	Return on Average Equity decline due to lower annualized net income for the year.
Capital Adequacy Ratio (Basel 3) (Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)	13.45%	14.97%	Lower CAR due to higher Total Risk Weighted Assets on Credit Risk due to increase in loans releases and higher FVTPL during the period.
Basic Earnings per share (Net income divided by average no. of common shares)	0.38	0.24*	Due to higher net income.

* As of March 2015

B. Financial Soundness (consolidated)

Ratio	March 2016	December 2015	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>	49.10%	52.14%	Liquidity Ratio decreased by 3.04%, resulting from higher deposit base that grew by 5.95% from ₱58.3 Billion to ₱61.99 Billion as of March 2016 while liquid assets only grew by ₱41.12 Million.
Debt Ratio (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	88.82%	88.27%	Debt ratio as of March 2016 is slightly higher by 0.55% versus Dec 2015 level because of increase in deposit base.
Asset to Equity Ratio (Total Asset to Total Equity)	894.34%	852.49%	Higher Asset to Equity Ratio resulted from improved asset base of ₱4.02 Billion versus ₱32.25 Million increase in Equity.
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	133.52%	124.14%*	The Bank's interest rate coverage improved as a result of higher earnings from Investment Securities, Loans, and Trading gains.
Net Interest Margin Net interest income over Average Earning assets	4.04%	4.32%	With growth of its loan portfolio, higher income from investments and lower deposit rates, the Bank enjoyed an increase in net interest income, along with higher average earning asset of ₱5.4 Billion for the period.

* As of March 2015

3. Discussion and Analysis of Material Event/s and Uncertainties

- a. The Bank does not foresee any event that will trigger direct or contingent financial obligation that is material to the company.
- b. The Bank does not have any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- c. As of March 31, 2016, unspent amount of capital expenditures from on-going projects was ₱31.8 Million from prior year's approved budget and additional projects this period on technology enhancement and realignment.
- 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 was no recorded significant income or losses during the quarter that did not come from the Bank's regular operations.
- f. Interest income on non-discounted loan was recognized based on the accrual method of accounting while unearned discounts were amortized to income over the term of the loans. As such, there is no seasonal aspect that has a material impact on the Bank's interest revenues. Non-interest revenues, on the other hand, are largely dependent on market dynamics and economic trends rather than on seasonal factors.

Statement of Condition: March 2016 vs. December 2015 (conso)

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(441,572)	-32.87%	Lower Cash on Hand
Due from BSP	(903,013)	-7.58%	Lower BSP Reserves due to lower requirement
Due from Other Banks	(1,112,318)	-55.38%	Lower investment in DFOB's and higher investment on higher-yielding securities in 1 st quarter
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	135,372	59.04%	Higher investment in interbank loans during the period
Financial assets at Fair Value through Profit or Loss	1,595,623	403.69%	Higher investment in FVTPL for 1 st quarter
Investment securities at Amortized Cost	767,027	5.30%	Higher investment in debt securities- HTC for 1 st quarter
Loans and Receivables	3,973,688	10.89%	Loan volume increased during the reporting period
Investment in Subsidiaries and Associate	78	0.64%	Share in net income of affiliates during the period
Property and Equipment	19,089	1.07%	Recognition of additional fixed assets during 1 st quarter
Investment Properties	(8,950)	-0.16%	Lower due to sale of ROPA
Intangible Assets	14,983	1.82%	Higher due to software recognition during 1 st quarter
Other Assets	(16,809)	-2.71%	Lower RCOI
Demand Deposits	1,527,373	12.20%	Higher deposit volume for the period
Savings Deposits	416,054	8.23%	
Time Deposits	1,745,914	4.29%	
Bills Payable	128,242	1.98%	Higher REPO bookings.
Outstanding Acceptances	(30,211)	-71.82%	Due to lower bills of exchange accepted by the Bank
Manager's Checks	103,967	95.46%	There was an increase in un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	46,156	8.11%	Increase in accruals
Other Liabilities	53,453	8.69%	Higher AP related to Loans/Trade

Statement of Income and Expenses : January-March 2016 vs January-March 2015 (conso)

	Increase (Decrease)	Percentage	Remarks
Interest Income on investment securities	17,485	11.71%	Higher interest income due to improved volume
Interest Income on Loans and receivable	9,705	1.49%	Higher interest income due to increase in volume
Interest Income on IBCL & SPURA	(4,878)	-72.71%	Lower income due to decline in volume
Interest Income on Deposit with other Banks and others	(6,153)	-32.30%	Lower investment in SDA with BSP
Interest Expense on Deposit Liabilities	(25,335)	-10.47%	Improved deposit mix due to the bank's conscious effort to focus on low cost deposits.
Interest Expense on Bills payable, borrowings and others	20,561	126.83%	Increase in interest expense mainly due to higher volume from REPO product
Trading and Securities Gain – net	38,704	234.14%	Higher realized and unrealized trading gains
Rent Income	2,643	2.65%	Additional floors for lease.
Service Charges, Fees & Commissions	(24,388)	-20.42%	Lower due to TFR fees adjustment during the period
Foreign Exchange Gain (Loss) –Net	(7,317)	-69.65%	A combination of lower revaluation income and lower actual/realized gain from foreign exchange trading has led to a decrease in foreign exchange gains.
Profit/(Loss) from Assets Sold/Exchanged	692	270.31%	The Bank has recognized higher gain from the sale of ROPA properties during the reporting period
Income from Trust Operations	(349)	-6.82%	The Bank registered lower trust fees during the comparative period
Miscellaneous Other Income	(1,990)	-13.42%	Lower ancillary income generated from insurance rebates and penalty fees
Compensation and Fringe Benefits	(36,627)	-10.51%	Due to decrease in headcount
Taxes and Licenses	(13,431)	-11.49%	Lower DST due to lower TD volume
Depreciation & Amortization	20,546	31.34%	Due to branch transformation, new branches and IT projects
Provision (reversal) for impairment losses	11,845	111.03%	Higher due to reversal made in 1 st quarter of 2015
Miscellaneous	23,384	13.01%	Higher consultancy fees, higher brokerage fees