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SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No. PW00000686

Company Name PHIL. BANK OF COMMUNICATIONS

Industry Classification

Company Type Stock Corporation

Document Information

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Remarks

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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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, 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>480,645,163 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:



PATRICIA MAY T. SIY
President



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

November 11, 2016

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF CONDITION
(In Thousands)

	<i>Consolidated</i>		<i>Parent</i>	
	SEP 2016	DEC 2015	SEP 2016	DEC 2015
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>
ASSETS				
Cash and Other Cash Items	871,890	1,343,340	842,349	1,311,615
Due from Bangko Sentral ng Pilipinas	12,861,076	11,909,774	12,776,757	11,839,461
Due from Other Banks	2,302,853	2,008,522	1,962,041	1,786,592
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	136,900	229,281	136,900	229,281
Financial assets at Fair Value through Profit or Loss	221,291	395,258	221,291	395,258
Equity Securities at Fair Value through				
Other Comprehensive Income	44,452	44,452	44,452	44,452
Investment Securities at Amortized Cost	16,890,577	14,468,390	16,890,577	14,468,390
Loans and Receivables	42,170,638	36,502,141	40,305,589	34,629,214
Investment in Subsidiaries and Associate	12,423	12,113	855,783	854,841
Property and Equipment	1,692,968	1,790,802	1,577,193	1,669,616
Investment Properties				
Condominium units for lease	4,800,985	4,799,635	4,800,985	4,799,635
Foreclosed properties	864,578	880,234	669,464	681,408
Office units for lease	19,142	19,142	19,142	19,142
Goodwill	178,456	178,456	-	-
Intangible Assets	797,521	824,816	532,196	558,066
Deferred Tax Assets	49,545	49,545	-	-
Other Assets	601,514	620,415	578,478	603,767
	84,516,809	76,076,316	82,213,197	73,890,738
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities				
Demand	14,505,345	12,523,472	14,567,351	12,610,784
Savings	6,021,733	5,054,764	5,439,636	4,507,544
Time	42,856,590	40,724,117	41,349,218	39,437,185
	63,383,668	58,302,353	61,356,205	56,555,513
Bills Payable	7,799,563	6,481,620	7,799,563	6,296,862
Outstanding Acceptances	60,219	42,065	60,219	42,065
Manager's checks	414,575	108,914	414,575	108,914
Accrued Interest, Taxes and Other Expenses	599,868	568,959	549,324	511,656
Deferred Tax Liabilities - Net	1,033,544	1,033,544	911,399	911,399
Other Liabilities	737,139	614,838	730,046	606,433
	74,028,576	67,152,293	71,821,331	65,032,842
Equity				
Common stock	7,489,114	7,489,114	7,489,114	7,489,114
Subscribed common stock - net	4,581,339	3,187,019	4,581,339	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	(2,556,126)	(2,745,295)	(2,661,008)	(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	(71,578)	(52,394)	(71,578)	(52,394)
Remeasurement losses on defined benefit liability	(172,665)	(172,665)	(170,647)	(170,647)
Non-controlling interest	(7,283)	(7,188)	-	-
	10,488,233	8,924,023	10,391,866	8,857,896
	84,516,809	76,076,316	82,213,197	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 PERIOD			
	SEP 2016	SEP 2015	SEP 2016	SEP 2015
INTEREST INCOME				
Investment securities	531,790	477,146	531,790	477,146
Loans and receivables	2,097,802	1,910,017	1,873,561	1,729,674
Interbank loans receivable and securities purchased under resale agreements	12,975	15,083	12,975	16,256
Deposits with other banks and others	31,229	50,152	28,504	48,796
	2,673,796	2,452,398	2,446,830	2,271,872
INTEREST AND FINANCE CHARGES				
Deposit liabilities	668,561	670,854	613,357	634,830
Bills payable, borrowings and others	122,273	68,483	121,639	62,671
Others				-
	790,834	739,337	734,996	697,501
NET INTEREST INCOME	1,882,962	1,713,061	1,711,834	1,574,371
Trading and securities gain - net	60,462	8,091	60,462	8,091
Rent Income	336,122	305,910	334,815	305,685
Service charges, fees and commissions	306,372	342,996	244,008	279,852
Foreign exchange gain (loss) - net	44,105	15,127	44,105	15,127
Fair value gain	-	378,547	-	378,547
Profit/(Loss) from Assets Sold/Exchanged	(7,352)	6,705	(8,835)	4,656
Income from Trust Operations	12,894	14,487	12,894	14,487
Miscellaneous	43,783	38,494	24,153	21,792
TOTAL OPERATING INCOME	2,679,348	2,823,418	2,423,436	2,602,608
Compensation and fringe benefits	879,176	1,003,188	796,292	933,554
Taxes and licenses	307,751	320,238	285,427	301,029
Depreciation and amortization	263,415	207,636	247,487	192,878
Occupancy and other equipment - related costs	145,986	159,746	135,843	150,282
Provision (reversal) for impairment losses	115,190	130,631	89,215	108,194
Miscellaneous	607,011	551,403	567,965	516,854
TOTAL OPERATING EXPENSES	2,318,529	2,372,842	2,122,229	2,202,791
NET INCOME BEFORE TAX	360,819	450,576	301,207	399,817
PROVISION FOR INCOME TAX	171,746	260,770	142,374	250,851
NET INCOME	189,073	189,806	158,833	148,966
Attributable to:				
Equity holders of the Parent Company	189,168	190,208		
Non-controlling interest	(95)	(402)		
	189,073	189,806		

Basic Earnings Per Share

0.84

0.85

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

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE QUARTER		UNAUDITED FOR THE QUARTER	
	SEP 2016	SEP 2015	SEP 2016	SEP 2015
INTEREST INCOME				
Investment securities	185,025	164,183	185,025	164,183
Loans and receivables	718,260	614,787	642,156	552,064
Interbank loans receivable and securities purchased under resale agreements	6,390	4,384	6,390	4,612
Deposits with other banks and others	7,036	13,798	6,452	13,421
	916,711	797,152	840,023	734,280
INTEREST AND FINANCE CHARGES				
Deposit liabilities	215,784	207,862	198,041	196,813
Bills payable, borrowings and others	42,174	27,904	42,174	24,773
	257,958	235,766	240,215	221,587
NET INTEREST INCOME	658,753	561,386	599,808	512,693
Trading and securities gain - net	(1,622)	22,241	(1,622)	22,241
Rent Income	123,635	101,075	123,201	101,000
Service charges, fees and commissions	102,825	98,476	80,811	78,097
Foreign exchange gain (loss) - net	20,117	(682)	20,117	(682)
Fair value gain	-	283,910	-	283,910
Profit/(Loss) from Assets Sold/Exchanged	(2,246)	5,246	(2,455)	4,156
Income from Trust Operations	4,112	4,573	4,112	4,573
Miscellaneous	17,794	10,815	11,376	5,298
TOTAL OPERATING INCOME	923,368	1,087,039	835,348	1,011,285
Compensation and fringe benefits	278,436	321,417	255,401	297,439
Taxes and licenses	98,243	100,893	89,902	94,109
Depreciation and amortization	81,811	73,252	76,547	68,053
Occupancy and other equipment - related costs	45,943	53,387	42,423	50,199
Provision for impairment losses	47,308	113,598	34,281	105,023
Miscellaneous	182,141	189,371	168,924	176,824
TOTAL OPERATING EXPENSES	733,882	851,919	667,478	791,648
NET INCOME BEFORE TAX	189,486	235,121	167,870	219,636
PROVISION FOR INCOME TAX	58,284	128,839	47,416	130,022
NET INCOME	131,202	106,282	120,454	89,614
Attributable to:				
Equity holders of the Parent Company	131,271	106,423		
Non-controlling interest	(69)	(141)		
	131,202	106,282		

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

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE PERIOD		UNAUDITED FOR THE PERIOD	
	SEP 2016	SEP 2015	SEP 2016	SEP 2015
NET INCOME	189,073	189,806	158,833	148,966
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cumulative translation adjustments	(19,184)	(18,491)	(19,184)	(18,491)
<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)	(19,184)	(18,491)	(19,184)	(18,491)
TOTAL COMPREHENSIVE INCOME (LOSS)	169,889	171,315	139,649	130,475

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

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE PERIOD		UNAUDITED FOR THE PERIOD	
	SEP 2016	SEP 2015	SEP 2016	SEP 2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	360,819	450,576	301,207	399,817
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:				
Depreciation and amortization	263,415	207,636	247,487	192,878
Provision for impairment losses	115,190	130,631	89,215	108,194
Profit from asset sold or exchange	7,352	(6,705)	8,835	(4,656)
Unrealized gain on financial assets at FVTPL	(5,183)	(3,080)	(5,183)	(3,080)
Equity in net earnings of an associates	(310)	(172)	-	-
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Loans and Receivable	(5,668,497)	1,038,629	(5,676,375)	1,391,780
Other Assets	(96,289)	(189,179)	(63,926)	(162,844)
Financial assets at FVTPL	179,150	324,084	179,150	324,084
Increase (decrease) in the amounts of:				
Deposit liabilities	5,081,315	(2,452,846)	4,800,692	(2,512,116)
Manager's checks	305,661	(68,636)	305,661	(68,636)
Accrued interest, taxes and other expenses	30,909	107,286	37,668	106,441
Other liabilities	122,302	(23,185)	123,614	(27,587)
Net cash generated from (used for) operations	695,834	(484,962)	348,045	(255,725)
Income taxes paid	(171,746)	(260,770)	(142,374)	(250,851)
Net cash provided (used) by operating activities	524,088	(745,732)	205,671	(506,576)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in:				
Investment Securities at amortized cost	(2,422,187)	(1,204,420)	(2,422,187)	(1,218,974)
Property and equipment	(165,581)	(170,891)	(155,064)	(163,575)
Investment properties	6,954	(258,573)	1,759	(261,510)
Subsidiaries	-	-	(942)	-
Software cost	27,295	16,820	25,870	19,843
Net cash used by investing activities	(2,553,519)	(1,617,064)	(2,550,564)	(1,624,217)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from shares subscription	1,394,320	1,394,321	1,394,320	1,394,321
Net increase (decrease) in:				
Bills payable	1,317,943	1,021,892	1,502,701	974,271
Outstanding acceptance	18,154	21,785	18,154	21,785
Net cash provided by financing activities	2,730,417	2,437,998	2,915,175	2,390,378
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	(19,184)	(18,491)	(19,184)	(18,491)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	681,802	56,710	551,098	241,094
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	871,890	847,352	842,349	811,959
Due from Bangko Sentral ng Pilipinas	12,861,076	12,437,166	12,776,757	12,378,090
Due from Other Banks	2,302,853	2,155,692	1,962,041	1,908,828
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	136,900	789,950	136,900	966,950
	16,172,719	16,230,161	15,718,047	16,065,827

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

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE QUARTER		UNAUDITED FOR THE QUARTER	
	SEP 2016	SEP 2015	SEP 2016	SEP 2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	189,486	235,121	167,870	219,636
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:				
Depreciation and amortization	81,811	73,252	76,547	68,053
Provision for (reversal of) impairment losses	47,308	113,599	34,281	105,023
Profit from asset sold or exchange	2,246	(5,247)	2,455	(4,155)
Securities gains from sale of available-for sale investments	11,961	(39,238)	11,961	(39,238)
Equity in net earnings of an associates	(42)	(81)	-	-
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Loans and Receivable	(892,436)	431,552	(1,023,314)	613,675
Other Assets	9,043	(191,107)	22,761	(180,194)
Financial assets at FVTPL	3,063,911	1,136,542	3,063,911	1,136,542
Increase (decrease) in the amounts of:				
Deposit liabilities	(2,140,749)	(1,209,018)	(2,071,695)	(1,461,229)
Manager's checks	122,243	25,799	122,243	25,799
Accrued interest, taxes and other expenses	(27,895)	61,759	(26,388)	65,445
Other liabilities	37,362	(13,255)	38,217	(19,950)
Net cash generated from operations	504,249	619,679	418,849	529,407
Income taxes paid	(58,284)	(128,839)	(47,416)	(130,022)
Net cash provided (used) by operating activities	445,965	490,840	371,433	399,385
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in:				
Investment Securities at amortized cost	(148,528)	440,265	(148,528)	440,265
Property and equipment	(27,100)	(50,934)	(23,740)	(47,411)
Investment properties	(6,896)	(193,496)	(6,395)	(197,073)
Subsidiaries	-	-	-	-
Software cost	18,849	22,341	18,374	26,314
Net cash provided (used) by investing activities	(163,675)	218,177	(160,289)	222,096
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from shares subscription	-	1,394,321	-	1,394,321
Net increase (decrease) in:				
Bills payable	(919,641)	(893,179)	(919,608)	(859,083)
Outstanding acceptance	(69,723)	29,422	(69,723)	29,422
Net cash provided (used) by financing activities	(989,364)	530,563	(989,331)	564,659
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	(9,613)	(16,998)	(9,613)	(16,998)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(716,687)	1,222,583	(787,800)	1,169,142
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD				
Cash and Other Cash Items	938,416	970,372	907,161	935,494
Due from Bangko Sentral ng Pilipinas	13,176,130	11,885,639	13,094,150	11,816,998
Due from Other Banks	1,840,226	1,215,961	1,569,903	1,038,586
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	934,634	935,606	934,634	1,105,606
	16,889,406	15,007,578	16,505,847	14,896,685
CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD				
Cash and Other Cash Items	871,890	847,352	842,349	811,959
Due from Bangko Sentral ng Pilipinas	12,861,076	12,437,166	12,776,757	12,378,090
Due from Other Banks	2,302,853	2,155,692	1,962,041	1,908,828
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	136,900	789,950	136,900	966,950
	16,172,719	16,230,161	15,718,047	16,065,827

PHILIPPINE BANK OF COMMUNICATIONS
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
Subscription of common stock		1,394,321									1,394,321
Total comprehensive income (loss) for the period					189,168			(19,184)		(95)	169,889
Balance at September 30, 2016	7,489,114	4,581,340	813,601	105,772	(2,556,127)	25,831	280,228	(71,578)	(172,665)	(7,283)	10,488,233
Parent											
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
Subscription of common stock		1,394,321									1,394,321
Total comprehensive income (loss) for the period					190,208			(18,491)		(402)	171,315
Balance at September 30, 2015, as restated	7,489,114	3,187,019	813,601	105,772	(2,758,388)	24,354	247,743	(45,883)	(271,235)	(7,982)	8,784,115
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
Subscription of common stock		1,394,321									1,394,321
Total comprehensive income for the period					158,833			(19,184)			139,649
Balance at September 30, 2016	7,489,114	4,581,340	813,601	105,772	(2,661,009)	25,831	279,442	(71,578)	(170,647)	-	10,391,866
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
Subscription of common stock		1,394,321									1,394,321
Total comprehensive income for the period					148,966			(18,491)			130,475
Balance at September 30, 2015	7,489,114	3,187,019	813,601	105,772	(2,802,962)	24,354	247,743	(45,883)	(270,427)	-	8,748,331

PHILIPPINE BANK OF COMMUNICATIONS
AGING OF LOANS & SELECTED RECEIVABLES
As of September 30, 2016
(In thousands)

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	28,685,374	27,373,252	503,162	149,681	125,856	533,423
Agrarian Reform/Other Agricultural Credit Loans	2,122,708	2,073,267	0		29,996	19,445
Bills Purchased	2,308,705	2,148,586	16,727	8,598	26,788	108,006
Customers' Liability on Drafts under LC/TR	3,275,817	2,994,385	17,365			264,067
Customers' Liab. for this Bank's Acceptances	60,219	60,219				
Restructured Loans	122,738	108,739		1,209		12,790
Items in Litigation	997,700		19,339	1,160	83,835	893,365
S U B T O T A L	37,573,260	34,758,448	556,593	160,647	266,475	1,831,097
Accounts Receivable	782,615	625,582	8,677	37,741	24,812	85,803
Accrued Interest Receivable	641,605	279,457	458	180	790	360,720
G R A N D T O T A L	38,997,481	35,663,487	565,728	198,569	292,077	2,277,620

PHILIPPINE BANK OF COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 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 September 30, 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 follows:

- 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 share 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.

On May 5, 2016, the Monetary Board of BSP approved the transfer of 59,241,438 PBCOM shares from ISM Communications Corporation in favor of VFC Land Resources, Inc. representing 12.3% of the voting shares of the bank.

On May 25, 2016, Board of Directors approved the Bank's amendment to the third article of its Articles of Incorporation and first article of its By-Laws. The change was on the place of principal office which is located at PBCOM, PBCOM Tower, 6795 Ayala Avenue corner V.A. Rufino St., Makati City. This is in compliance with SEC Memorandum Circular No. 6, series of 2014 to specify the complete address of the Bank.

On June 14, 2016, PBCom held its 2016 Annual Stockholders Meeting (ASM). During the meeting, there was a re-election of members of the Board of Directors for year 2016-2017, election of corporate officers, appointment of members in the committees and re-appointment of SGV & Co. as external auditors of the Bank for the year 2016.

On June 29, 2016, the Bank received the third installment payment amounting to P1.39 Billion for the subscribed shares of PG Holdings, Inc.

As of September 30, 2016, the Parent Bank had a total network of 82 branches and 147 ATMs (76 onsite and 71 offsite). BDI has 12 branches, 8 Other Banking Offices (OBO) and 1 ATM (onsite) while RBNI has 6 branches.

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 September 30, 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 September 30, 2016, the Bank used Level 1 measurements of financial assets in FVTPL and Investment Securities at amortized cost amounting to ₱221.2 Million and ₱16.89 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 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 September 30, 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 ₱25.1 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 SEPTEMBER 30, 2016

Particulars	Branch Banking	Corporate Banking	Treasury Segment	Consumer Finance Segment *	Trust and Wealth Management Segment	Rentals & Headquarters	Total
Segment results							
Net Interest Income	438,570	489,450	283,133	597,951	1,213	72,644	1,882,962
Trading and securities gain-net	-	-	60,462	-	-	-	60,462
Rent income	-	-	-	1,307	-	334,815	336,122
Service charges, fees and commissions	40,877	150,070	87	99,242	-	16,094	306,372
Foreign Exchange gain (loss) - net	-	-	44,105	-	-	-	44,105
Fair value gain	-	-	-	-	-	-	-
Profit /loss) from Asset Sold/Exchange	-	-	-	1,483	-	(8,835)	(7,352)
Income from Trust Operations	-	-	-	-	12,894	-	12,894
Miscellaneous	10,499	4,413	(4,105)	13,370	95	19,513	43,784
Total Operating Income	489,947	643,933	383,682	713,353	14,202	434,231	2,679,348
Compensation and Fringe benefits	224,350	57,827	38,303	169,487	9,041	380,167	879,176
Taxes and licenses	119,708	67,026	45,989	60,408	979	13,641	307,751
Depreciation and amortization	103,452	2,468	1,757	32,080	1,138	122,520	263,415
Occupancy and Other equipment-related cost	126,805	8,355	623	21,438	972	(12,206)	145,986
Provision for impairment losses	-	55,518	-	61,325	-	(1,652)	115,190
Other operating expense	169,608	35,249	62,617	72,575	2,047	264,915	607,011
Total Operating Expense	743,923	226,442	149,290	417,313	14,177	767,383	2,318,529
Segment profit (loss)	(253,976)	417,491	234,391	296,041	25	(333,152)	360,819
Provision for income Tax	-	1,220	107,299	29,372	-	33,855	171,746
Net Income (loss)	(253,976)	416,271	127,092	266,669	25	(367,007)	189,073
Total segment assets	11,024,819	31,189,556	24,488,906	9,130,189	69,104	8,614,234	84,516,809
Total segment liabilities	51,246,448	58,659	18,394,047	2,207,245	-	2,122,177	74,028,576

AS OF SEPTEMBER 30, 2015

Particulars	Branch Banking	Corporate Banking	Treasury Segment	Consumer Finance Segment *	Trust and Wealth Management Segment	Rentals & Headquarters	Total
Segment results							
Net Interest Income	635,118	261,436	222,253	585,205	2,913	6,136	1,713,061
Trading and securities gain-net	0	-	8,090	-	-	-	8,091
Rent income	-	-	-	225	-	305,685	305,910
Service charges, fees and commissions	72,920	178,417	17	91,641	-	1	342,996
Foreign Exchange gain (loss) - net	4,233	10,898	(10)	21	(15)	-	15,127
Fair value gain	-	-	-	-	-	378,547	378,547
Profit /loss) from Asset Sold/Exchange	-	-	-	2,050	-	4,656	6,705
Income from Trust Operations	4,251	972	1,658	-	7,607	-	14,487
Miscellaneous	5,934	4,515	-	22,881	-	5,164	38,493
Total Operating Income	722,455	456,238	232,009	702,023	10,504	700,189	2,823,418
Compensation and Fringe benefits	299,394	68,635	21,790	178,680	21,494	413,196	1,003,188
Taxes and licenses	132,016	81,855	48,192	92,617	694	(35,136)	320,238
Depreciation and amortization	91,009	4,256	1,607	27,292	2,047	81,425	207,636
Occupancy and Other equipment-related cost	146,838	1,797	793	15,469	732	(5,882)	159,746
Provision for impairment	0	(14)	-	54,246	-	76,399	130,631
Other operating expense	206,925	29,441	40,099	77,740	4,626	192,572	551,404
Total Operating Expense	876,181	185,970	112,481	446,044	29,593	722,574	2,372,843
Segment profit (loss)	(153,725)	270,268	119,527	255,979	(19,088)	(22,384)	450,576
Provision for income Tax	29	1,091	106,292	9,919	-	143,439	260,770
Net Income (loss)	(153,755)	269,177	13,236	246,060	(19,088)	(165,823)	189,806
Total segment assets	10,589,114	22,712,225	23,050,452	7,396,290	73,104	8,399,036	72,220,221
Total segment liabilities	50,915,370	53,501	8,818,884	1,657,641	100,000	1,887,749	63,433,145

* include rural bank subsidiaries

Efforts to expand the Bank's core banking business led to a year-on-year operating income growth of 41% for Corporate Banking and 65% for Treasury Segment. Operating costs related to these segments increased by 21.8% and 32.7%, 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):

	September 2016	December 2015
Trust department accounts	5,846,346	5,594,481
Standby LC	2,224,126	1,759,656
Spot exchange:		
Bought	512,361	753,446
Sold	1,893,506	753,260
Sight import LC outstanding	484,428	370,465
Usance import LC outstanding	70,522	74,854
Deficiency claims receivable	27,498	27,498
Inward bills for collection	41,533	75,844
Outstanding shipping guarantees	1,102,901	509,078
Currency forwards:		
Bought	-	5,084
Sold	-	5,132
Outward bills for collection	23,575	75,844
Items held for safekeeping	112	244
Items held as collateral	11	5
Other contingent	10,238	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 Group's total Assets stood at ₱84.52 Billion while total liabilities and equity amounted to ₱74.03 Billion and ₱10.49 Billion, respectively. Comparing September 2016 against year-end 2015 level, the Bank's total resources increased by 11.09% or ₱8.44 Billion. Total Liquid assets improved by ₱2.93 Billion which trading and investment securities went up by as much as ₱2.24 Billion partly as a result of receipt of the third installment payment from the subscribed shares of PG Holdings, Inc. Loans and receivable increased by ₱5.67 Billion as it sustain its aggressive marketing efforts and strategy. PBCom's NPL for the quarter is at 1.41% from the year-end level of 1.47%. Meanwhile, Property and Equipment of the Bank dropped by ₱97.8 Million mainly brought about by its depreciation. Meanwhile, total liabilities went up by ₱6.88 Billion. Bank's total deposit increased by ₱5.08 Billion while borrowings rose by ₱1.32 Billion from last year's level of ₱6.48 Billion attributable to higher deposit substitute placements. Outstanding acceptances, Manager's checks and Other liabilities likewise went up by ₱18.1 Million, ₱305.7 Million and ₱122.3 Million, respectively. The Group's total equity likewise increased by ₱1.56 Billion mainly brought about by the third installment payment of PG Holdings, Inc.

On period-to-period basis, total Assets improved by ₱12.28 Billion compared to same period of last year's level of ₱72.22 Billion to ₱84.52 Billion. Total liquid assets likewise increased by ₱2.22 Billion from last year's level of ₱31.11 Billion to ₱33.33 Billion of the current period. Included of which is Trading and Investment Securities that went up by 15.29% or ₱2.27 Billion as a result of additional purchases of various securities to maximize the usage of funds generated from deposits and bills payable. Loans and receivable likewise increased by 29.85% or ₱9.69 Billion from previous the same period of last year's level of ₱32.48 Billion. Investment properties also rose to ₱5.68 Billion from September 2015 level of ₱5.09 Billion. On the other hand, Property and Equipment dropped by 8.70% or ₱161.3 Million due to the depreciation incurred for the period which resulted to the increase in Depreciation and Amortization expense. Moreover, total Liabilities increased by ₱10.60 Billion from the same period of last year's level of ₱63.44 Billion to ₱74.03 Billion of the current year. Deposit liabilities grew by ₱6.72 Billion while Bills Payable went up by ₱3.35 Billion due to higher deposit substitute placements and repurchased agreement resulting to higher interest expense on bills payable, borrowings and others by ₱53.8 Million. Outstanding acceptances and Manager's checks likewise increased by ₱12.8 Million and ₱272.1 Million, respectively. Deferred tax liabilities increased by ₱178.7 Million due to recognition of Fair Value Gain on Investment Properties. Meanwhile, Accrued interest, taxes and other expenses dropped by 10.03% or ₱66.8 Million.

The Bank's consolidated capital base stood at ₱10.49 Billion from ₱8.92 Billion as of year-end 2015. Increase in Bank's equity was mainly brought about by the receipt of the third installment payment amounting to ₱1.39 Billion from the subscribed shares of PG Holdings, Inc. The Bank's Risk Based Capital Adequacy Ratio of 15.03% under the new BASLE 3 guidelines (BSP Circular 781) covering credit, market and operational risk as of September 2016 is well above the 10% minimum requirement.

PBCom's earning capacity posted a net income of ₱189.1 Million as of third quarter of 2016, a slightly lower from ₱189.8 Million during the same period in 2015. Net interest income improved by ₱169.9 Million from September 2015 level of ₱1.71 Billion to ₱1.88 Billion of September 2016. This was mainly brought about by the increase in Interest income from Investment securities and Loans and receivable by ₱54.6 Million and ₱187.8 Million, respectively. Other operating income declined by ₱313.9 Million from the same period of last year's level of ₱1.11 Billion to ₱796.4 Million of the reporting period. This is mainly brought about by the absence of Fair value gain on investment properties and lower Profit/(loss) from assets sold/exchange by ₱378.5 Million and ₱14.1 Million, respectively. Service charges, fees and commissions also dropped by ₱36.6 Million

while Income from trust operations declined by ₱1.6 Million. Meanwhile, Trading and securities gain and Rental income evade the further decline in operating income as it improved by ₱52.4 Million and ₱30.2 Million, respectively. Operating expenses, on the other hand, slightly dropped by 2.29% or ₱54.3 Million largely attributed by the decrease in Compensation and fringe benefits by ₱124.0 Million and Taxes and licenses by ₱12.5 Million.

On a quarter to quarter basis, Net interest income marginally went up by 17.34% or ₱97.4 Million. Interest income went up by ₱119.6 Million mainly attributed by the increase in Interest income on Loans and receivable, Investment securities and Interbank loans receivable by ₱103.5 Million, ₱20.8 Million and ₱2.0 Million, respectively. Meanwhile, interest income from Deposit with other banks dropped by ₱6.8 Million from the same quarter of last year's level of ₱13.8 Million to ₱7.0 Million of the current quarter. Interest expense on deposit liabilities rose by ₱7.9 Million while Interest expense on bills payable, borrowings and others also went up by ₱14.3 Million mainly brought about by the increase in deposit substitute placements. Conversely, Fair value gain on investment properties decline by ₱283.9 Million, thus pulling the Total operating income to the level of ₱923.4 Million. Operating expenses similarly went down by ₱118.0 Million mainly brought about by the decline in provision for impairment losses by ₱66.3 Million and Compensation and fringe benefits by ₱43.0 Million.

2. Discussion of various key indicators:

A. Key Financial Performance (consolidated)

Ratio	September 2016	December 2015	Remarks
Net Profit Margin (Net income divided by Gross income)	7.06%	6.72%*	Net Profit Margin increased by 0.33% due to higher income from Loans and receivables and Investment securities while Operating expenses decreased during the current period.
Return on Average Asset (Net income divided by Average assets)	0.31%	0.28%	Higher annualized net income during the current period and increased in Average Assets resulted to higher ROA versus Dec 2015.
Return on Average Equity (Net income divided by Average equity)	2.60%	2.52%	Return on Average Equity increased due combination of higher annualized net income and Average Equity to include capital infusion of ₱1.39 Billion for the current period.
Capital Adequacy Ratio (Basel 3) (Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)	15.03%	14.97%	Higher CAR due to additional capital infusion of ₱1.39 Billion and was outpaced by higher Total Risk Weighted Assets on Credit Risk due increased loans and debt securities during the period.
Basic Earnings per share (Net income divided by average no. of common shares)	0.84	0.85*	Slightly lower net income for the comparative period.

* As of Sep 2015

B. Financial Soundness (consolidated)

Ratio	September 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</i>	52.58%	52.14%	Liquidity Ratio slightly increased by 0.44%, resulting from higher liquid assets that grew by ₱2.9 Billion or 9.64% while deposit base grew by 8.72% from ₱58.3 Billion to ₱63.4 Billion as of Sep 2016.

<i>currency deposits.</i>			
Debt Ratio (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	87.59%	88.27%	Debt ratio as of Sep 2016 is slightly improved by 0.68% versus Dec 2015 level as increased in liability was outpaced by the asset.
Asset to Equity Ratio (Total Asset to Total Equity)	805.83%	852.49%	Lower Asset to Equity Ratio resulted from improved asset base of ₱8.44 Billion versus ₱1.56 Billion increase in Equity.
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	145.63%	160.94%*	The Bank's interest rate coverage decline as a result of absence of Fair Value Gain on investment properties in 2016.
Net Interest Margin Net interest income over Average Earning assets	4.27%	4.32%	Though Loan portfolio and Investment in securities have grew for the period resulting to improved Net interest income, lower other operating income resulted to slightly lower ratio.

* As of Sep 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 September 30, 2016, unspent amount of capital expenditures from on-going projects was ₱82.7 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: September 2016 vs. December 2015 (conso)

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(471,450)	-35.10%	Lower Cash on Hand
Due from BSP	951,302	7.99%	Higher reserves requirement due to higher deposits volume
Due from Other Banks	294,331	14.65%	Higher investment in DFOB's
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	(92,381)	-40.29%	Lower investment in interbank loans during the period
Financial assets at Fair Value through Profit or Loss	(173,967)	-44.01%	Lower due to sales of FVTPL investments in Aug and Sep. Expectations of further hikes in rates dampened opportunities and the Bank decreased its fixed income inventories.
Investment securities at Amortized Cost	2,422,187	16.74%	Higher investment in debt securities- HTC for the 1 st half and impact of higher fx revaluation in 3Q
Loans and Receivables	5,668,497	15.53%	Increase in loan volume during the reporting period
Investment in Subsidiaries and Associate	310	2.56%	Share in net income of affiliate (PBCOM Finance) during the period
Property and Equipment	(97,834)	-5.46%	Depreciation recognized for the period
Investment Properties	(14,306)	0.25%	Lower due to sale of ROPAs
Intangible Assets	(27,295)	-3.31%	Lower due to amortization of software during the period partially offset by acquisitions
Other Assets	(18,901)	-3.05%	Mostly due to lower RCOCI
Demand Deposits	1,981,873	15.83%	Higher deposit volume due to promo launched in 2016 and other efforts to increase volume
Savings Deposits	966,969	19.13%	
Time Deposits	2,132,473	5.24%	
Bills Payable	1,317,943	20.33%	Higher REPO bookings and deposit substitute
Outstanding Acceptances	18,154	43.16%	Due to higher bills of exchange accepted by the Bank
Manager's Checks	305,661	280.64%	Increase in un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	30,909	5.43%	Increase in expense accruals mainly due to accrued bonuses
Other Liabilities	122,301	19.89%	Increase mainly from advance rentals and security deposits related to PBCOM Tower leasing, derivative liability, outstanding liability- prepaid card

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

	Increase (Decrease)	Percentage	Remarks
Interest Income on investment securities	54,644	11.45%	Higher interest income due to improved volume
Interest Income on Loans and receivable	187,785	9.83%	Higher interest income due to increase in volume
Interest Income on IBCL & SPURA	(2,108)	-13.98%	Lower income due to decline in volume
Interest Income on Deposit with other Banks and others	(18,923)	-37.73%	Lower investment in SDA with BSP
Interest Expense on Deposit Liabilities	(2,293)	-0.34%	Improved deposit mix due to the bank's conscious effort to focus on low cost deposits.
Interest Expense on Bills payable, borrowings and others	53,790	78.55%	Increase in interest expense mainly due to higher volume from REPO product
Trading and Securities Gain – net	52,371	647.27%	Higher realized and unrealized trading gains
Rent Income	30,212	9.88%	Rental fees escalation and new tenants in 2016
Service Charges, Fees & Commissions	(36,624)	-10.68%	Lower mainly due to lower TFR fees due to lower volume and rates
Foreign Exchange Gain (Loss) –Net	28,978	191.56%	A combination of higher revaluation income and higher actual/realized gain from foreign exchange trading has led to an increase in foreign exchange gains.
Fair value gain	(378,547)	-100.00%	Fair value gain on investment properties recognized in 2015
Profit/(Loss) from Assets Sold/Exchanged	(14,057)	-209.65%	The Bank has recognized lower gains from the sale of ROPA properties during the reporting period
Income from Trust Operations	(1,593)	-11.00%	The Bank registered lower trust fees during the comparative period
Miscellaneous Income	5,289	13.74%	Higher due to rental income received from ROPA
Compensation and Fringe Benefits	(124,012)	-12.36%	Due to decrease in headcount
Taxes and Licenses	(12,487)	-3.90%	Lower DST due to lower TD volume
Depreciation & Amortization	55,779	26.86%	Due to branch transformation, new branches and IT projects
Occupancy and other equipment-related costs	(13,760)	-8.61%	Lower power costs due to lower cost per unit in 2016
Provision (reversal) for impairment losses	(15,441)	-11.82%	Lower due to difference in timing of booking the provisions. In 2015, bulk of the provisions were booked in the 2 nd half of the year
Miscellaneous	55,608	10.08%	Higher consultancy fees and brokerage fees
Provision for income tax	(89,024)	-34.14%	Due to absence of deferred tax on fair value gain recognized on same period last year