

SEC Number **PW-686**
Company TIN **000-263-340**

PHILIPPINE BANK OF COMMUNICATIONS
(Company's Full Name)

PBCOM Tower, 6795 Ayala Ave. cor. V.A. Rufino St., Makati City
(Company's Address: No. Street City/Town/Province)

830-7000
(Company's Telephone Number)

December 31
(Fiscal Year Ending)
(Month & Day)

3rd Tuesday of June
Annual Meeting

SEC Form 17-Q
(Quarterly Report Pursuant to Section 17 of the Securities
Regulation Code and SRC Rule 17(2)(b) Thereunder)
(FORM TYPE)

N/A
Amendment Designation (If Applicable)

None
(Secondary License Type. If any)

Atty. Angelo Patrick F. Advincula
(Company Representative)

904-193-248
(TIN)

June 26, 1970
(Birth Date)

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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, 2017
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

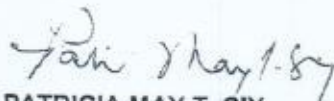
The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such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

May 11, 2017

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF CONDITION
(In Thousands)

	<i>Consolidated</i>		<i>Parent</i>	
	MAR 2017	DEC 2016	MAR 2017	DEC 2016
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>
ASSETS				
Cash and Other Cash Items	872,574	1,042,611	840,341	1,011,756
Due from Bangko Sentral ng Pilipinas	12,483,188	13,356,075	12,413,696	13,276,681
Due from Other Banks	2,538,984	2,996,758	2,236,885	2,631,497
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	241,437	310,131	241,437	310,131
Financial assets at Fair Value through Profit or Loss	1,313,591	300,483	1,313,591	300,483
Equity Securities at Fair Value through				
Other Comprehensive Income	52,242	52,242	52,242	52,242
Investment Securities at Amortized Cost	13,119,878	13,135,494	13,119,878	13,135,494
Loans and Receivables	47,264,420	46,089,437	45,451,971	44,303,654
Investment in Subsidiaries and Associate	12,432	12,376	1,026,933	1,023,334
Property and Equipment	1,605,549	1,649,044	1,493,411	1,536,701
Investment Properties				
Condominium units for lease	5,047,754	5,044,552	5,047,754	5,044,552
Foreclosed properties	957,214	957,000	730,898	721,780
Office units for lease	23,858	23,858	23,858	23,858
Goodwill	178,456	178,456	-	-
Intangible Assets	772,943	781,166	508,288	516,008
Deferred Tax Assets	62,880	59,717	-	-
Other Assets	636,574	509,333	613,251	493,863
	87,183,974	86,498,733	85,114,434	84,382,034
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities				
Demand	16,787,605	15,464,230	16,879,759	15,571,988
Savings	7,084,195	6,943,767	6,513,390	6,400,070
Time	39,670,265	40,737,984	38,251,525	39,227,043
	63,542,065	63,145,981	61,644,674	61,199,101
Bills Payable	9,917,473	10,099,384	9,917,473	10,099,384
Outstanding Acceptances	33,064	34,357	33,064	34,357
Manager's checks	522,145	300,385	522,145	300,385
Accrued Interest, Taxes and Other Expenses	510,981	414,815	468,923	382,634
Deferred Tax Liabilities - Net	1,105,523	1,105,523	974,865	974,865
Other Liabilities	684,215	616,552	676,388	601,293
	76,315,466	75,716,997	74,237,532	73,592,019
Equity				
Common stock	7,489,114	7,489,114	7,489,114	7,489,114
Subscribed common stock - net	4,581,340	4,581,340	4,581,340	4,581,340
Additional paid-in capital	813,515	813,515	813,601	813,601
Surplus reserves	105,772	105,772	105,772	105,772
Deficit	(2,198,490)	(2,345,243)	(2,198,490)	(2,345,243)
Unrealized gain on equity securities carried at fair value through other comprehensive income	33,621	33,621	33,621	33,621
Revaluation increment on land and condo properties	280,228	280,228	280,228	280,228
Cumulative translation adjustment	(132,605)	(72,739)	(132,605)	(72,739)
Remeasurement losses on defined benefit liability	(95,679)	(95,679)	(95,679)	(95,679)
Non-controlling interest	(8,308)	(8,193)	-	-
	10,868,508	10,781,736	10,876,902	10,790,015
	87,183,974	86,498,733	85,114,434	84,382,034

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

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE PERIOD		UNAUDITED FOR THE PERIOD	
	MAR 2017	MAR 2016	MAR 2017	MAR 2016
INTEREST INCOME				
Investment securities	229,027	166,772	229,027	166,772
Loans and receivables	739,128	661,903	682,820	589,430
Interbank loans receivable and securities purchased under resale agreements	15,587	1,831	15,587	1,831
Deposits with other banks and others	5,031	12,894	4,166	11,912
	988,773	843,400	931,602	769,945
INTEREST AND FINANCE CHARGES				
Deposit liabilities	193,577	216,598	178,322	197,774
Bills payable, borrowings and others	54,290	36,772	54,291	36,142
	247,867	253,370	232,613	233,916
NET INTEREST INCOME	740,906	590,030	698,989	536,029
Trading and securities gain (loss) - net	(13,537)	55,234	(13,537)	55,234
Rent Income	140,617	102,280	140,572	102,243
Service charges, fees and commissions	93,487	95,046	72,744	74,918
Foreign exchange gain - net	20,485	3,189	20,485	3,189
Profit from assets sold/ exchange	3,475	948	2,139	667
Income from trust operations	3,928	4,766	3,928	4,766
Share in net income of subsidiaries and an associate	56	78	3,599	7,645
Miscellaneous	14,456	12,759	7,300	6,828
TOTAL OPERATING INCOME	1,003,873	864,330	936,219	791,519
Compensation and fringe benefits	289,756	311,871	263,578	282,485
Taxes and licenses	112,416	103,449	104,829	95,759
Depreciation and amortization	85,801	86,094	80,498	80,713
Occupancy and other equipment - related costs	38,366	52,371	35,215	49,069
Provision for impairment losses	45,474	22,513	38,534	17,340
Miscellaneous	209,046	203,113	192,957	189,700
TOTAL OPERATING EXPENSES	780,859	779,411	715,611	715,066
NET INCOME BEFORE TAX	223,014	84,919	220,608	76,453
PROVISION FOR INCOME TAX	76,376	56,857	73,855	48,285
NET INCOME	146,638	28,062	146,753	28,168
Attributable to:				
Equity holders of the Parent Company	146,753	28,168		
Non-controlling interest	(115)	(106)		
	146,638	28,062		

Basic Earnings Per Share

1.96

0.38

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 2017	MAR 2016	MAR 2017	MAR 2016
NET INCOME	146,638	28,062	146,753	28,168
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cumulative translation adjustment	(59,866)	4,188	(59,866)	4,188
<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)	(59,866)	4,188	(59,866)	4,188
TOTAL COMPREHENSIVE INCOME	86,772	32,250	86,887	32,356

STATEMENT OF CASH FLOWS

(In Thousands)

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE PERIOD		UNAUDITED FOR THE PERIOD	
	MAR 2017	MAR 2016	MAR 2017	MAR 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	223,014	84,919	220,608	76,453
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:				
Depreciation and amortization	85,801	86,094	80,498	80,713
Provision for impairment losses	45,474	22,513	38,534	17,340
Profit from asset sold or exchange	(3,475)	(948)	(2,139)	(667)
Unrealized (gain) loss on financial assets at FVTPL	4,069	(4,765)	4,069	(4,765)
Equity in net earnings of subsidiaries and an associate	(56)	(78)	(3,599)	(7,645)
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Loans and Receivable	(1,174,983)	(3,973,688)	(1,148,317)	(3,812,410)
Other Assets	(172,715)	(5,704)	(157,922)	2,175
Financial assets at FVTPL	(1,017,177)	(1,590,858)	(1,017,177)	(1,590,858)
Increase (decrease) in the amounts of:				
Deposit liabilities	396,084	3,689,341	445,573	3,313,914
Manager's checks	221,760	103,967	221,760	103,967
Accrued interest, taxes and other expenses	96,166	46,156	86,289	36,108
Other liabilities	67,663	53,452	75,095	51,691
Net cash generated from (used for) operations	(1,228,375)	(1,489,599)	(1,156,728)	(1,733,984)
Income taxes paid	(79,539)	(56,857)	(73,855)	(48,285)
Net cash used by operating activities	(1,307,914)	(1,546,456)	(1,230,583)	(1,782,269)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in:				
Investment Securities at amortized cost	15,616	(767,027)	15,616	(767,027)
Property and equipment	(42,306)	(105,183)	(37,208)	(100,640)
Investment properties	59	9,898	(10,181)	8,258
Subsidiaries	-	-	-	(942)
Software cost	8,223	(14,983)	7,720	(15,458)
Net cash used by investing activities	(18,408)	(877,295)	(24,053)	(875,809)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in:				
Bills payable	(181,911)	128,242	(181,911)	312,643
Outstanding acceptance	(1,293)	(30,211)	(1,293)	(30,211)
Net cash provided (used) by financing activities	(183,204)	98,031	(183,204)	282,432
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	(59,866)	4,188	(59,866)	4,188
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,569,392)	(2,321,532)	(1,497,706)	(2,371,458)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD				
Cash and Other Cash Items	1,042,611	1,343,340	1,011,756	1,311,615
Due from Bangko Sentral ng Pilipinas	13,356,075	11,909,774	13,276,681	11,839,461
Due from Other Banks	2,996,758	2,008,522	2,631,497	1,786,592
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	310,131	229,281	310,131	229,281
	17,705,575	15,490,917	17,230,065	15,166,949
CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD				
Cash and Other Cash Items	872,574	901,768	840,341	871,739
Due from Bangko Sentral ng Pilipinas	12,483,188	11,006,761	12,413,696	10,925,156
Due from Other Banks	2,538,984	896,204	2,236,885	633,944
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	241,437	364,653	241,437	364,653
	16,136,183	13,169,385	15,732,359	12,795,491

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 Eq
Consolidated											
Balance at January 1, 2017	7,489,114	4,581,340	813,515	105,772	(2,345,243)	33,621	280,228	(72,739)	(95,679)	(8,193)	10,781,7
Total comprehensive income (loss) for the period					146,753	-		(59,866)	-	(115)	86,7
Balance at March 31, 2017	7,489,114	4,581,340	813,515	105,772	(2,198,490)	33,621	280,228	(132,605)	(95,679)	(8,308)	10,868,5
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)	8,924,0
Total comprehensive income (loss) for the period					28,168	-		4,188	-	(106)	32,2
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)	8,956,2
Parent											
Balance at January 1, 2017	7,489,114	4,581,340	813,601	105,772	(2,345,243)	33,621	280,228	(72,739)	(95,679)	-	10,790,0
Total comprehensive income for the period					146,753	-		(59,866)	-		86,8
Balance at March 31, 2017	7,489,114	4,581,340	813,601	105,772	(2,198,490)	33,621	280,228	(132,605)	(95,679)	-	10,876,9
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)	-	8,857,8
Effect of the adoption of equity method in investment in subsidiaries and an associates					(7,645)						(7,6
Balance at January 1, 2016, as restated	7,489,114	3,187,019	813,601	105,772	(2,827,487)	25,831	279,442	(52,394)	(170,647)	0	8,850,2
Total comprehensive income for the period					28,168			4,188			32,3
Balance at March 31, 2016	7,489,114	3,187,019	813,601	105,772	(2,799,319)	25,831	279,442	(48,206)	(170,647)	-	8,882,6

**PHILIPPINE BANK OF COMMUNICATIONS
AGING OF LOANS & SELECTED RECEIVABLES**

As of March 31, 2017
(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	33,390,856	32,553,182	35,514	110,072	116,065	576,024
Agrarian Reform/Other Agricultural Credit Loans	2,878,049	2,828,857				49,192
Bills Purchased	2,222,334	2,079,417		1,949	11,826	129,141
Customers' Liability on Drafts under LC/TR	3,880,509	3,589,322	27,817			283,370
Customers' Liab. for this Bank's Acceptances	33,064	33,064				
Restructured Loans	125,151	108,270	2,136	980	247	13,519
Items in Litigation	941,840			4,223	41,647	895,970
SUB TOTAL	43,471,804	41,192,112	65,467	117,224	169,785	1,927,216
Accounts Receivable	789,330	699,281	390	3,308	9,614	76,738
Accrued Interest Receivable	659,866	301,834	519	6	680	356,827
GRAND TOTAL	44,921,000	42,193,228	66,375	120,538	180,079	2,360,780

PHILIPPINE BANK OF COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2017

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 an Associate

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, 2017	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 Co, Mrs. Susan Co and Mr. Leonardo Dayao were elected members of the Board to fill-in the three existing board seats vacated by Mr. Mario Locsin, Ms. Teresita Ang See and Mr. Edgar 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 September 22, 2015, the Bank received the second installment payment amounting to P1.39 Billion for the subscribed shares of PG Holdings, Inc.

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.

On February 22, 2017, the Bank on its regular meeting approved the endorsement of the Governance/Nomination Committee to elect Ms. Gilda Pico as an independent member of the Board and designated Director Levi Labra as a regular member of the Board. Likewise, the Board approved the composition of the board committees for Audit, Governance, Risk Oversight Committee and Related Party Transactions Committee

As of March 31, 2017, the Parent Bank had a total network of 82 branches and 142 ATMs (81 onsite and 61 offsite). BDI has 12 branches, 8 Other Banking Offices (OBO) and 1 onsite ATM while RBNI has 6 branches and 1 offsite ATM.

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, 2017, 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 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, 2017, the Bank used Level 1 measurements of financial assets in FVTPL and Investment Securities at amortized cost amounting to ₱1.31 Billion and ₱13.14 Billion, respectively and Level 2 measurements used in equity securities at FVOCI amounting to ₱52.2 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 March 31, 2017 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 MARCH 31, 2017

Particulars	Branch Banking	Corporate Banking	Treasury Segment	Consumer Finance Segment *	Trust and Wealth Management Segment	Rentals & Headquarters	Total
Segment results							
Net interest income	193,002	196,026	89,478	144,763	(199)	117,834	740,905
Trading and securities gain (loss) - net	-	-	(13,537)	-	-	-	(13,537)
Rent income	-	-	-	45	-	140,572	140,617
Service charges, fees and commissions	21,554	36,215	0	35,204	-	514	93,487
Foreign Exchange gain - net	3,484	1,375	15,626	-	-	-	20,485
Fair value gain	-	-	-	-	-	-	-
Profit from asset sold/ exchange	-	-	-	1,336	-	2,139	3,475
Income from Trust Operations	-	-	-	-	3,928	-	3,928
Miscellaneous	4,174	3,500	(2,147)	7,212	-	1,772	14,512
Total Operating Income	222,215	237,116	89,421	188,590	3,729	262,831	1,003,871
Compensation and Fringe benefits	72,595	19,520	13,905	55,174	2,524	126,038	289,756
Taxes and licenses	40,242	24,504	14,061	20,584	305	12,720	112,416
Depreciation and amortization	30,728	655	377	7,249	352	46,440	85,801
Occupancy and Other equipment-related cost	42,194	2,787	199	5,940	303	(13,057)	38,366
Provision for impairment losses	-	(4,555)	-	50,029	-	-	45,474
Other operating expense	63,563	14,308	20,280	28,626	783	81,486	209,045
Total Operating Expense	249,321	57,218	48,622	167,602	4,268	253,627	780,858
Segment profit (loss)	(27,107)	179,898	40,600	20,957	(539)	9,204	223,013
Provision for income Tax	-	2,483	32,493	2,521	-	38,879	76,378
Net Income (loss)	(27,107)	177,415	8,107	18,436	(539)	(29,675)	146,638
Total segment assets	9,730,274	35,542,063	22,071,544	10,358,500	69,700	9,411,893	87,183,974
Total segment liabilities	51,205,132	3,626,787	16,957,834	2,077,934	-	2,447,779	76,315,466

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	145,643	150,820	89,550	188,634	786	14,397	590,030
Trading and securities gain (loss) - net	-	-	55,234	-	-	-	55,234
Rent income	-	-	-	37	-	102,243	102,280
Service charges, fees and commissions	13,640	45,013	29	31,257	-	4,806	95,045
Foreign Exchange gain - net	-	-	3,189	-	-	-	3,189
Fair value gain	-	-	-	-	-	-	-
Profit 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	126,651	864,330
Compensation and Fringe benefits	77,429	21,211	14,832	59,929	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	10,677	352	37,596	86,094
Occupancy and Other equipment-related cost	41,890	2,954	195	7,797	409	(674)	52,371
Provision for impairment	-	10,437	-	12,076	-	(0)	22,513
Other operating expense	57,948	10,852	21,083	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

* include rural bank subsidiaries

Bank's core banking business expands year-on-year as operating income particularly Branch Banking and Corporate Banking grew by 37% and 21%, respectively. Also, operating costs related to these segments decreased by 1.6% and 14.6%, respectively, compared to the same period last year.

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 is presenting consolidated 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 2017	December 2016
Trust department accounts	5,838,256	5,683,734
Standby LC	1,039,547	2,222,648
Spot exchange:		
Bought	643,123	422,620
Sold	517,493	234,497
Sight LC outstanding	339,931	277,937
Usance LC outstanding	67,957	117,196
Deficiency claims receivable	27,498	27,498
Inward bills for collection	80,495	75,654
Outstanding shipping guarantees	892,123	1,241,238
Currency forwards:		
Bought	444,466	236,463
Sold	446,489	484,239
Outward bills for collection	9,356	24,890
Items held for safekeeping	1,307	100
Items held as collateral	12	6
Other contingent	40,415	56,592

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.

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

PBCom's earning capacity has remarkably improved year on year because of better marketing strategies, renewed business focus and overall increase in business generating income. PBCom posted a net income of ₱146.6 Million or ₱118.6 Million greater than same period of last year's level of ₱28.1 Million. Net interest income increased by 25.57% or ₱150.9 Million as a result of higher interest income on Investments Securities, Loans and Receivable and Interbank Loans and Receivable and securities purchased under resale agreements by ₱62.3 Million, ₱77.2 Million and ₱13.8 Million, respectively. Meanwhile, total interest expense from deposits declined by 2.17% or ₱5.5 Million mainly from lower interest expense from deposit by ₱23.0 Million but was partially offset by higher interest expense on bills payable, borrowings and others by ₱17.5 Million. However, other operating income went down by 4.13% or ₱11.3 Million. This was attributed by lower trading and securities gain, and service charges, fees and commission.. On the other hand, there were increases on foreign exchange gain by ₱17.3 Million and Profit from assets sold/exchange by ₱2.6 Million. Rental income likewise improved by 37.46% or ₱38.3 Million from last year's level of ₱102.3 Million to ₱140.6 Million of the current reporting period. Total operating expenses marginally increased by ₱1.4 Million or 0.18% while Provision for impairment losses and Taxes and licenses expense grew by ₱23.0 Million and ₱9.0 Million, respectively. However, these were offset by the decrease in Compensation and fringe benefits and Occupancy and Other equipment – related costs by ₱22.1 Million and ₱14.0 Million, respectively.

The Bank's Total Assets stood at ₱87.18 Billion as of 31 March 2017 while Total Liabilities and Equity amounted to ₱76.32 Billion and ₱10.9 Billion, respectively. Comparing March 2017 against year-end 2016 level, the Bank's Total Resources marginally increased by 0.79% or ₱685.2 Million. Liquid assets such as Cash and Other Cash Items, Due from BSP, From Other Banks and Interbank loans declined by a total of ₱1.6 Billion or 8.86% as we purchase securities which consequently improved the Bank's trading and investment securities by ₱997.7 Million. Improved marketing strategies resulted to a remarkable increase in Loans and Receivable by ₱1.2 Billion from year-end level of ₱46.1 Billion to ₱47.3 Billion. The Group's NPL is at 1.14% from year-end level of 1.10%. Other Assets likewise increased by ₱127.2 Million due to higher Prepaid Expenses, Chattel Mortgage and Miscellaneous Assets. On the liability side, Bank's Total Liabilities increased by ₱598.5 Million or 0.79%. Increased in Total Liabilities was brought about by the improvement in total Deposits by ₱396.1 Million, Manager's Checks by ₱221.8 Million and Accrued Interest, Taxes and Other Expenses by ₱96.2 Million. On the other hand, Bills Payable dropped by ₱181.9 Million from last year's level of ₱10.09 Billion to ₱9.92 Billion of the current reporting period.

The Bank's capital base went up by ₱86.8 Million from last year's level of ₱10.78 Billion due to improved Bank's operational income resulting to a decline in total deficit by ₱146.8 Million. The Group's consolidated Risk-Based Capital Adequacy Ratio of 14.60% is well above the 10% minimum requirement. The ratio covers credit, market and operational risk for the first quarter of 2017.

On period-to-period basis, Total Assets improved by ₱7.08 Billion compared to same period last year's level of ₱80.10 Billion to ₱87.18 Billion. Total liquid Assets slightly increased by ₱181.8 Million from last year's level of ₱30.44 Billion to ₱30.62 Billion of the current period. Loans and Receivables also increased by ₱6.79 Billion as a result of aggressive marketing strategy of the Bank focusing on secured consumer loans and bankable large and middle market corporates. Compared to same period of last year, Total Liabilities went up by ₱5.17 Billion mainly brought about by the increase in Bills Payable due to higher deposit substitute by ₱3.31 Billion and traditional Deposits by ₱1.55 Billion. Moreover, Outstanding Acceptances and Manager's Checks also grew by ₱21.2 Million and ₱309.3 Million, respectively.

2. Discussion of various key indicators:

A. Key Financial Performance (consolidated)

Ratio	March 2017	December 2016	Remarks
Net Profit Margin (Net income divided by Gross income)	14.61%	3.25%*	Ratio increased by 11.36% due to higher net income from Investment securities and Loans and receivables which grew by 37.33% and 11.67%, respectively while total Operating expenses was at relatively flat to last year.
Return on Average Asset (Net Income divided by Average assets)	0.68%	0.49%	Higher annualized net income during the current period and increase in average Assets resulted to higher ROA versus Dec 2016.
Return on Average Equity (Net income divided by Average equity)	5.42%	4.06%	Return on Average Equity increased due to combination of higher annualized net income and Average Equity by 47% and 10%, respectively.
Capital Adequacy Ratio (Basel 3) (Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)	14.60%	14.67%	CAR declined by 0.07% due to higher Total Risk-weighted assets which increased by ₱658.7 Million. Operational risk-weighted assets expanded by ₱745.1 Million due to improved operating income in prior years.
Basic Earnings per share (Net income divided by average no. of common shares)	1.96	0.38*	A result of increased net income for the current period.

* As of March 2016

B. Financial Soundness (consolidated)

Ratio	March 2017	December 2016	Remarks
Liquidity Ratio (Liquid Assets to Total Deposits) <i>Liquid Assets include cash, due from banks, interbank loans, and trading and inv. Securities Total deposit refers to the total of peso and foreign currency deposits.</i>	48.19%	49.40%	Ratio slightly declined by 1.21%, resulting from shift of liquid assets to Loans and receivable that grew by ₱1.2 Billion or 2.55% while deposit base remain same level at ₱63 Billion.
Debt Ratio (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	87.53%	87.54%	Debt ratio is relatively flat vs Dec 2016.
Asset to Equity Ratio (Total Asset to Total Equity)	802.17%	802.27%	Slightly lower ratio resulted from ₱86 Million increase in Equity slightly offset by improved asset base of ₱685 Million
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	189.97%	133.52%*	The Bank's interest rate coverage improved as a result higher interest income registered in 2017.
Net Interest Margin Net interest income over Average Earning assets	4.65%	4.42%	Ratio improved by 0.23% as a result of higher interest income in the current period.

* As of March 2016

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, 2017, unspent amount of 2017 approved capital expenditures budget on technology enhancement, realignment and facility improvement is ₱410.7 Million.
- 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 Income and Expenses : January-March 2017 vs January-March 2016 (conso)

	Increase (Decrease)	Percentage	Remarks
Interest income on investment securities	62,255	37.33%	Higher interest income mainly due to interest income accrual on Peace bonds withheld funds
Interest income on Loans and receivable	77,225	11.67%	Higher interest income mainly due to increase in volume
Interest income on IBCL & SPURA	13,756	751.28%	Higher income due to increase in volume
Interest income on Deposit with other Banks and others	(7,863)	-60.98%	Lower investment in SDA with BSP
Interest Expense on Deposit Liabilities	(23,021)	-10.63%	Lower despite higher volume from improved deposit mix due to the bank's conscious effort to focus on low cost deposits.
Interest Expense on Bills payable, borrowings and others	17,518	47.64%	Increase in interest expense mainly due to higher volume from REPO product
Trading and Securities Gain – net	(68,771)	-124.51%	Lower realized and unrealized trading gains
Rent Income	38,312	37.46%	Rental from new tenants in 2017 and higher rent extension charges
Service Charges, Fees & Commissions	(1,559)	-1.64%	Lower mainly due to lower TFR fees due to lower volume and rates
Foreign Exchange Gain (Loss) –Net	17,296	542.36%	Higher revaluation income.
Profit/(Loss) from Assets Sold/Exchanged	2,527	266.56%	The Bank has recognized higher net gains from the sale of ROPA properties during the reporting period
Income from Trust Operations	(838)	-17.58%	The Bank registered lower trust fees during the comparative period
Share in net income of subsidiaries and an associate	(22)	-28.21%	Lower income registered by PCom Finance for the period.
Miscellaneous Income	1,697	13.30%	Higher due to rental income received from ROPA
Compensation and Fringe Benefits	(22,115)	-7.09%	Due to decrease in headcount
Taxes and Licenses	8,967	8.67%	Higher GRT accrued and paid as a result of increase in income during the quarter
Depreciation & Amortization	(293)	-0.34%	Lower mainly from derecognition of leasehold assets from OBC closure, offset by increase in software amortization and depreciation on computers, FFE, etc
Occupancy and other equipment-related costs	(14,005)	-26.74%	Lower power costs due to lower consumption and lower repairs & maintenance costs
Provision (reversal) for impairment losses	22,961	101.99%	Higher provision mainly for consumer loans
Miscellaneous	5,933	2.92%	Higher information technology charges, PDIC insurance, etc.
Provision for income tax	19,519	34.33%	Higher mainly from taxes due on interest income accrual on Peace bonds withheld funds

Statement of Condition: March 2017 vs. December 2016 (conso)

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(170,037)	-16.31%	Lower Cash on Hand
Due from BSP	(872,887)	-6.54%	Lower reserves requirement
Due from Other Banks	(457,774)	-15.28%	Lower investment in DFOB's
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	(68,694)	-22.15%	Lower investment in interbank loans during the period
Financial assets at Fair Value through Profit or Loss	1,013,108	337.16%	Dec16 balance was low because of the unloading of securities during the month
Investment securities at Amortized Cost	(15,616)	-0.12%	Lower mainly due to amortization of bond premium
Loans and Receivables	1,174,983	2.55%	Increase in loan volume during the reporting period
Investment in Subsidiaries and Associate	56	0.45%	Share in net income of affiliate (PBCOM Finance) during the period
Property and Equipment	(43,495)	-2.64%	Depreciation recognized for the period
Investment Properties	3,416	0.06%	Increase in cost of PBCOM Tower from improvements booked
Intangible Assets	(8,223)	-1.05%	Lower due to amortization of software during the period partially offset by acquisitions
Deferred Tax Assets	3,163	5.30%	Recognized deferred tax of BDI for the period
Other Assets	127,241	24.98%	Higher mostly due to higher prepaid expenses on the 1 st quarter of the year (PDIC insurance, manpower benefits, etc.)
Demand Deposits	1,323,375	8.56%	Higher CASA volume due to Save and Sail promo and other efforts to increase volume. TD volume is lower from efforts to reduce high cost deposits
Savings Deposits	140,428	2.02%	
Time Deposits	(1,067,719)	-2.62%	
Bills Payable	(181,911)	-1.80%	Lower volume of deposit substitute
Outstanding Acceptances	(1,293)	-3.76%	Due to lower bills of exchange accepted by the Bank
Manager's Checks	221,760	73.83%	Increase in un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	96,166	23.18%	Increase in expense accruals mainly due to accrued bonuses
Other Liabilities	67,663	10.97%	Increase mainly from advance rentals and security deposits related to PBCOM Tower leasing, higher withholding taxes payable, etc.