



108142018003540



SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Company Name PHIL. BANK OF COMMUNICATIONS
Industry Classification
Company Type Stock Corporation

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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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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended June 30, 2018.
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: (e Only)
7. Address of issuer's principal office Postal Code
PBCOM Tower 6795 Ayala Ave., Cor. V.A. Rufino St., Makati City 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

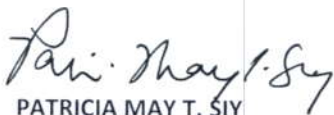
The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such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



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

August 14, 2018

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF CONDITION

(In Thousands)

	<i>Consolidated</i>		<i>Parent</i>	
	JUN 2018	<i>As restated*</i> DEC 2017	JUN 2018	<i>As restated*</i> DEC 2017
	Unaudited		Unaudited	
ASSETS				
Cash and Other Cash Items	973,542	974,207	943,190	941,823
Due from Bangko Sentral ng Pilipinas	15,003,245	15,340,711	14,942,127	15,279,084
Due from Other Banks	629,203	1,166,063	429,082	965,820
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	1,090,582	534,925	1,090,582	534,925
Financial assets at Fair Value through Profit or Loss	293,491	2,740,471	293,491	2,740,471
Investment Securities at Fair Value through Other Comprehensive Income	3,426,896	90,639	3,426,896	90,639
Investment Securities at Amortized Cost	13,631,772	15,408,350	13,631,772	15,408,350
Loans and Receivables	57,032,001	53,212,381	55,099,647	51,479,414
Investment in Subsidiaries and Associate	13,172	13,068	1,059,945	1,008,882
Property and Equipment	1,062,183	1,108,869	959,041	1,007,427
Investment Properties				
Condominium units for lease	1,858,029	1,883,696	1,858,029	1,883,696
Foreclosed properties	790,189	740,254	598,854	547,825
Office units for lease	3,824	3,999	3,824	3,999
Goodwill	182,227	182,227	-	-
Intangible Assets	724,693	744,179	460,751	480,433
Deferred Tax Assets	123,550	123,566	67,638	67,638
Other Assets	819,033	697,943	797,544	683,599
	97,657,632	94,965,548	95,662,413	93,124,025
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities				
Demand	21,039,814	19,400,193	21,138,524	19,480,422
Savings	8,030,627	8,329,526	7,463,619	7,790,785
Time	45,179,054	43,006,098	43,944,005	41,773,807
	74,249,495	70,735,817	72,546,148	69,045,014
Bills Payable	11,518,569	12,567,399	11,383,488	12,567,399
Outstanding Acceptances	54,376	64,085	54,376	64,085
Manager's checks	371,902	427,405	371,873	427,405
Accrued Interest, Taxes and Other Expenses	596,926	435,124	555,514	406,716
Deferred Tax Liabilities - Net	108,935	108,935	-	-
Other Liabilities	776,237	831,198	760,435	808,427
	87,676,440	85,169,963	85,671,834	83,319,046
Equity				
Common stock	12,016,129	12,016,129	12,016,129	12,016,129
Additional paid-in capital	2,252,826	2,252,826	2,262,246	2,262,246
Surplus reserves	105,824	105,824	105,824	105,824
Deficit	(4,136,028)	(4,459,193)	(4,136,028)	(4,459,193)
Unrealized gain on investment securities carried at fair value through other comprehensive income	(19,004)	64,104	(19,004)	64,104
Revaluation increment on land and condo properties				
Cumulative translation adjustment	(176,720)	(122,263)	(176,720)	(122,263)
Remeasurement losses on defined benefit liability	(61,868)	(61,868)	(61,868)	(61,868)
Non-controlling interest	33	26	-	-
	9,981,192	9,795,585	9,990,579	9,804,979
	97,657,632	94,965,548	95,662,413	93,124,025

* Please refer to Note 1

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

	Consolidated		Parent	
	Unaudited for the period		Unaudited for the period	
	JUN 2018	<i>As restated*</i> JUN 2017	JUN 2018	<i>As restated*</i> JUN 2017
INTEREST INCOME				
Investment securities	324,867	387,311	324,867	387,311
Loans and receivables	1,844,288	1,523,616	1,701,066	1,378,726
Interbank loans receivable and securities purchased under resale agreements	26,415	22,012	26,415	22,012
Deposits with other banks and others	5,110	8,412	4,755	6,643
	2,200,680	1,941,351	2,057,103	1,794,692
INTEREST AND FINANCE CHARGES				
Deposit liabilities	523,372	389,009	497,633	358,634
Bills payable, borrowings and others	156,300	107,806	155,575	107,806
	679,672	496,815	653,208	466,440
NET INTEREST INCOME	1,521,008	1,444,536	1,403,895	1,328,252
Trading and securities gain (loss) - net	31,041	(10,316)	31,041	(10,316)
Rent Income	314,582	279,135	314,669	279,266
Service charges, fees and commissions	175,817	171,507	164,737	158,778
Foreign exchange gain - net	15,014	31,559	15,014	31,559
Profit from assets sold/ exchange	63,365	3,226	9,304	1,470
Income from trust operations	7,488	7,839	7,488	7,839
Share in net income of subsidiaries and an associate	106	113	51,063	23,628
Miscellaneous	59,938	79,390	47,031	58,231
TOTAL OPERATING INCOME	2,188,359	2,006,989	2,044,242	1,878,707
Compensation and fringe benefits	582,617	577,190	523,349	525,729
Taxes and licenses	292,889	223,863	276,419	209,026
Depreciation and amortization	197,565	203,604	188,482	193,268
Occupancy and other equipment - related costs	126,361	117,400	118,523	110,852
Provision for impairment losses	116,926	47,673	103,854	36,477
Miscellaneous	432,779	420,024	401,152	387,394
TOTAL OPERATING EXPENSES	1,749,137	1,589,754	1,611,779	1,462,746
NET INCOME BEFORE TAX	439,222	417,235	432,463	415,961
PROVISION FOR INCOME TAX	116,050	99,789	109,298	98,395
NET INCOME	323,172	317,446	323,165	317,566
<i>Attributable to:</i>				
Equity holders of the Parent Company	323,165	317,566		
Non-controlling interest	7	(120)		
	323,172	317,446		

Basic Earnings Per Share

1.34

2.12

* Please refer to Note 1

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	
	JUN 2018	JUN 2017	JUN 2018	JUN 2017
INTEREST INCOME				
Investment securities	165,667	158,284	165,667	158,284
Loans and receivables	971,212	770,066	893,259	695,906
Interbank loans receivable and securities purchased under resale agreements	14,656	6,425	14,656	6,425
Deposits with other banks and others	2,324	3,381	2,178	2,475
	1,153,859	938,156	1,075,760	863,090
INTEREST AND FINANCE CHARGES				
Deposit liabilities	274,624	195,432	261,856	180,312
Bills payable, borrowings and others	89,554	53,515	88,829	53,515
	364,178	248,947	350,685	233,827
NET INTEREST INCOME	789,681	689,209	725,075	629,263
Trading and securities gain - net	9,141	3,221	9,141	3,221
Rent Income	162,235	138,518	162,322	138,694
Service charges, fees and commissions	87,793	91,723	82,618	86,034
Foreign exchange gain (loss) - net	9,804	11,074	9,804	11,074
Profit/(Loss) from Assets Sold/Exchanged	2,966	4	2,023	(669)
Income from Trust Operations	3,748	3,911	3,748	3,911
Share in net income of subsidiaries and an associate	63	56	9,279	20,029
Miscellaneous	24,167	65,401	25,888	50,931
TOTAL OPERATING INCOME	1,089,598	1,003,117	1,029,898	942,488
Compensation and fringe benefits	298,331	287,434	268,215	262,151
Taxes and licenses	152,458	111,447	146,441	104,197
Depreciation and amortization	99,277	104,791	94,585	99,758
Occupancy and other equipment - related costs	65,518	79,034	61,530	75,637
Provision for impairment losses	55,977	2,199	44,537	(2,057)
Miscellaneous	228,086	210,978	212,129	194,436
TOTAL OPERATING EXPENSES	899,647	795,883	827,437	734,122
NET INCOME BEFORE TAX	189,951	207,234	202,461	208,366
PROVISION FOR INCOME TAX	43,659	23,413	56,170	24,540
NET INCOME	146,292	183,821	146,291	183,826
Attributable to:				
Equity holders of the Parent Company	146,291	183,826		
Non-controlling interest	1	(5)		
	146,292	183,821		

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

	Consolidated		Parent	
	Unaudited for the period		Unaudited for the period	
	JUN 2018	As restated* JUN 2017	JUN 2018	As restated* JUN 2017
NET INCOME	323,172	317,446	323,165	317,566
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cumulative translation adjustment	(54,457)	(52,045)	(54,457)	(52,045)
Changes in net unrealized gain (loss) on investment securities	(83,108)	-	(83,108)	-
<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)	(137,565)	(52,045)	(137,565)	(52,045)
TOTAL COMPREHENSIVE INCOME	185,607	265,401	185,600	265,521

* Please refer to Note 1

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

	Consolidated		Parent	
	Unaudited for the period		Unaudited for the period	
	JUN 2018	As restated* JUN 2017	JUN 2018	As restated* JUN 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	439,222	417,235	432,463	415,961
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:				
Depreciation and amortization	197,565	203,604	188,482	193,268
Provision for impairment losses	116,926	47,673	103,854	36,477
Profit from asset sold or exchange	(63,365)	(3,226)	(9,304)	(1,470)
Unrealized (gain) loss on financial assets at FVTPL	(4,765)	9,499	(4,765)	9,499
Equity in net earnings of subsidiaries and an associate	(104)	(113)	(51,063)	(23,628)
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Loans and Receivable	(3,819,620)	(1,367,122)	(3,620,233)	(1,323,962)
Other Assets	(238,016)	(163,227)	(217,799)	(150,972)
Financial assets at FVTPL	2,451,745	(3,654,634)	2,451,745	(3,654,634)
Increase (decrease) in the amounts of:				
Deposit liabilities	3,513,678	797,557	3,501,134	842,713
Manager's checks	(55,503)	266,047	(55,532)	266,047
Accrued interest, taxes and other expenses	161,802	80,324	148,798	80,486
Other liabilities	(54,961)	122,934	(47,991)	130,313
Net cash generated from (used for) operations	2,644,604	(3,243,450)	2,819,789	(3,179,903)
Income taxes paid	(116,034)	(60,711)	(109,298)	(50,553)
Net cash provided (used) by operating activities	2,528,570	(3,304,161)	2,710,491	(3,230,456)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in:				
Investment securities at amortized cost	1,776,578	32,734	1,776,578	32,734
Investment securities at FVOCI	(3,419,365)	(0)	(3,419,365)	(0)
Property and equipment	(150,879)	(145,804)	(140,096)	(138,043)
Investment properties	39,272	(8,830)	(15,883)	(20,064)
Software cost	19,486	15,044	19,682	14,038
Net cash used by investing activities	(1,734,908)	(106,857)	(1,779,085)	(111,335)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in:				
Bills payable	(1,048,830)	3,690,124	(1,183,911)	3,690,124
Outstanding acceptance	(9,709)	24,644	(9,709)	24,644
Net cash provided by financing activities	(1,058,539)	3,714,767	(1,193,620)	3,714,768
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	(54,457)	(52,045)	(54,457)	(52,045)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	(319,334)	251,704	(316,671)	320,931
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD				
Cash and Other Cash Items	974,207	1,042,611	941,823	1,011,756
Due from Bangko Sentral ng Pilipinas	15,340,711	13,356,075	15,279,084	13,276,681
Due from Other Banks	1,166,063	2,996,758	965,820	2,631,497
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	534,925	310,131	534,925	310,131
	18,015,906	17,705,575	17,721,652	17,230,065
CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD				
Cash and Other Cash Items	973,542	953,536	943,190	920,559
Due from Bangko Sentral ng Pilipinas	15,003,245	14,522,005	14,942,127	14,453,625
Due from Other Banks	629,203	1,752,933	429,082	1,448,007
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	1,090,582	728,805	1,090,582	728,805
	17,696,572	17,957,279	17,404,981	17,550,996

* Please refer to Note 1

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

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE QUARTER		UNAUDITED FOR THE QUARTER	
	JUN 2018	<i>As restated*</i> JUN 2017	JUN 2018	<i>As restated*</i> JUN 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	189,951	207,234	202,461	208,366
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:				
Depreciation and amortization	99,277	104,791	94,585	99,758
Provision for impairment losses	55,977	2,199	44,537	(2,057)
Profit from asset sold or exchange	(55,935)	249	(2,023)	669
Unrealized (gain) loss on financial assets at FVTPL	2,312	5,430	2,312	5,430
Equity in net earnings of subsidiaries and an associate	(62)	(56)	(9,279)	(20,029)
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Loans and Receivable	(1,597,912)	(192,139)	(1,461,053)	(175,646)
Other Assets	(16,795)	9,488	(3,757)	6,950
Financial assets at FVTPL	88,941	(2,637,458)	88,941	(2,637,458)
Increase (decrease) in the amounts of:				
Deposit liabilities	(697,417)	401,472	(749,081)	397,140
Manager's checks	(91,481)	44,287	(91,352)	44,287
Accrued interest, taxes and other expenses	21,064	(15,842)	40,486	(5,803)
Other liabilities	(362,667)	55,274	(357,662)	55,220
Net cash generated from operations	(2,364,747)	(2,015,072)	(2,200,885)	(2,023,172)
Income taxes paid	(44,396)	18,828	(56,170)	23,302
Net cash provided by operating activities	(2,409,143)	(1,996,244)	(2,257,055)	(1,999,870)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in:				
Investment Securities at amortized cost	197,539	17,118	197,539	17,118
Investment securities at FVOCI	(475,654)	-	(475,654)	-
Property and equipment	(78,539)	(90,486)	(73,384)	(87,823)
Investment properties	53,877	(21,902)	1,766	(22,895)
Software cost	12,880	6,821	13,279	6,318
Net cash used by investing activities	(289,897)	(88,449)	(336,454)	(87,281)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in:				
Bills payable	1,687,226	3,872,035	1,552,145	3,872,035
Outstanding acceptance	15,290	25,936	15,290	25,936
Net cash used by financing activities	1,702,516	3,897,972	1,567,435	3,897,972
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	(44,282)	7,817	(44,282)	7,817
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,040,806)	1,821,096	(1,070,356)	1,818,637
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE QUARTER				
Cash and Other Cash Items	930,841	872,574	900,145	840,341
Due from Bangko Sentral ng Pilipinas	14,730,415	12,483,188	14,674,363	12,413,696
Due from Other Banks	667,085	2,538,984	491,792	2,236,885
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	2,409,037	241,437	2,409,037	241,437
	18,737,378	16,136,183	18,475,337	15,732,359
CASH AND CASH EQUIVALENTS AT ENDING OF THE QUARTER				
Cash and Other Cash Items	973,542	953,536	943,190	920,559
Due from Bangko Sentral ng Pilipinas	15,003,245	14,522,005	14,942,127	14,453,625
Due from Other Banks	629,203	1,752,933	429,082	1,448,007
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	1,090,582	728,805	1,090,582	728,805
	17,696,572	17,957,279	17,404,981	17,550,996

* Please refer to Note 1

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 investment 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, 2018	12,016,129	-	2,252,826	105,824	(1,626,290) (149,436)	64,104	301,846	(122,263)	(61,868)	56	12,930,364 (149,436)
Effect of the adoption of PFRS 9 method for investment properties and land											
Balance at January 1, 2018, as restated	12,016,129	-	2,252,826	105,824	(4,459,193)	64,104	-	(122,263)	(61,868)	26	9,795,585
Total comprehensive income (loss) for the period					323,165	(83,108)	-	(54,457)	-	7	185,607
Balance at June 30, 2018	12,016,129	-	2,252,826	105,824	(4,136,028)	(19,004)	-	(176,720)	(61,868)	33	9,981,192
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)	10,781,736
Effect of the adoption of cost method for investment properties and land											
Balance at January 1, 2017, as restated	7,489,114	4,581,340	813,515	105,772	(4,767,449)	33,621	-	(72,739)	(95,679)	(8,193)	8,079,302
Total comprehensive income (loss) for the period					317,566		(280,228)	(52,045)	-	(120)	265,401
Balance at June 30, 2017	7,489,114	4,581,340	813,515	105,772	(4,449,883)	33,621	-	(124,784)	(95,679)	(8,313)	8,344,703
Parent											
Balance at January 1, 2018	12,016,129	-	2,262,246	105,824	(1,626,290) (149,436)	64,104	301,846	(122,263)	(61,868)	-	12,939,728 (149,436)
Effect of the adoption of PFRS 9 method for investment properties and land											
Balance at January 1, 2018, as restated	12,016,129	-	2,262,246	105,824	(4,459,193)	64,104	-	(122,263)	(61,868)	-	9,804,979
Total comprehensive income for the period					323,165	(83,108)	-	(54,457)	-	-	185,600
Balance at June 30, 2018	12,016,129	-	2,262,246	105,824	(4,136,028)	(19,004)	-	(176,720)	(61,868)	-	9,990,579
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)	-	10,790,015
Effect of the adoption of cost method for investment properties and land											
Balance at January 1, 2017, as resta the period	7,489,114	4,581,340	813,601	105,772	(4,767,449)	33,621	-	(72,739)	(95,679)	-	8,087,581
Total comprehensive income for the period					317,566		(280,228)	(52,045)	-	-	265,521
Balance at June 30, 2017	7,489,114	4,581,340	813,601	105,772	(4,449,883)	33,621	-	(124,784)	(95,679)	-	8,353,102

PHILIPPINE BANK OF COMMUNICATIONS (Consolidated)
AGING OF LOANS & SELECTED RECEIVABLES

As of June 30, 2018
(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	46,553,431	44,906,914	325,125	165,980	188,230	967,181
Agrarian Reform/Other Agricultural Credit Loans	3,476,533	3,406,593	0	34,564	0	35,376
Bills Purchased	2,368,944	2,189,216	6,847	77,526	169	95,186
Customers' Liability on Drafts under LC/TR	2,721,897	2,433,491	0	0	0	288,407
Customers' Liab. for this Bank's Acceptances	54,376	54,376	0	0	0	0
Restructured Loans	170,004	116,229	42,233	2,819	5,226	3,497
Items in Litigation	855,227	0	524	4,543	28,693	821,468
SUB TOTAL	56,200,414	53,106,820	374,729	285,431	222,319	2,211,115
Accounts Receivable	238,168	202,099	1,341	1,767	5,281	27,679
Accrued Interest Receivable	829,543	410,437	3,293	1,462	5,443	408,908
GRAND TOTAL	57,268,125	53,719,356	379,363	288,660	233,042	2,647,703

PHILIPPINE BANK OF COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2018

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) and Investment securities at Fair Value through Other Comprehensive Income (FVTOCI).

On July 17, 2017, the BSP in its Resolution No. 1189 dated July 13, 2017 approved the request of the Bank to continue using fair value model for the 2017 audited financial statements and to revert to cost model starting in 2018. For the first quarter report, the investment properties such as Condominium units for lease, Foreclosed properties and Office units for lease are now presented at cost model, thus restating comparative balance sheet for period ending December 31, 2017 and income statement for June 30, 2017. The full effect of the restatement to the capital is shown in Statements of Changes in Capital Funds.

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).

On December 11, 2017, the SEC approved the merger of BDI, RBNI and Rural Bank of Kabasalan, Inc. (RBKI), with BDI as a surviving entity.

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

Entity	Effective ownership	Line of business
<i>Subsidiaries</i>		
PBCom Rural Bank, Inc. (formerly BDI)	99.99%	Rural Bank
PISAI	100.00%	Insurance Agent
<i>Associate</i>		
PBCom Finance Corp	40.00%	Financing Company

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, 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 were 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. The aggregate subscription price of ₱5.975 Billion was paid to the Bank in four (4) installments. The first installment, which was 30% or ₱1.792 Billion of the subscribed amount, was received by the Bank on September 25, 2014. The balance was 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 was 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 ₱1.39 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 to reflect the principal office to be at PBCOM, PBCOM Tower, 6795 Ayala Avenue corner V.A. Rufino St., Makati City. This was in compliance with SEC Memorandum Circular No. 6, series of 2014 to specify the complete address of the Bank.

On June 29, 2016, the Bank received the third installment payment amounting to ₱1.39 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

On March 30, 2017, the Monetary Board of BSP in its resolution no. 544 approved the three-way merger between BDI, RBNI and Rural Bank of Kabasalan, Inc. (RBKI), with BDI as the surviving entity which the three rural banks entered into a Plan of Merger agreement on December 15, 2015. SEC approved the three-way merger of the rural banks on December 11, 2017.

On July 6, 2017, the Bank held its annual stockholders. In the meeting, there was a re-election of members of the BOD for year 2017-2018, 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 2017

On September 11, 2017, the Bank received the fourth and final installment payment amounting to P1.39 Billion for the subscribed shares of 181,080,608 by PG Holdings, Inc.

On May 23, 2018, the PBCOM Executive Committee approved the filing of the application for issuance of up to ₱5.0 Billion-Peso denominated Long Term Negotiable Certificates of Time Deposit (LTNCD). On July 26, 2018 in its resolution No. 1220, BSP authorized PBCOM to issue LTNCD in one or more tranches over the course of one year with minimum tenor of 5 years and 1 day to a maximum of 7 year. The purpose of the issuance is for general corporate funding, especially long term funding.

As of June 30, 2018, the Parent Bank had a total network of 89 branches and 147 ATMs (80 onsite and 67 offsite). BDI has 28 branches, 9 Other Banking Offices (OBO) and 1 onsite ATM. The following were the four branches that opened in the first half of 2018:

Entity	Branch name	Address	Date Opened
Parent	S&R Commonwealth	S&R Membership Commonwealth ave., cor Quirino Highway, Novaliches, Quezon City	February 9, 2018
Parent	S&R Dau	S&R Membership shopping NLEX access Road, Mabalacat, Pampanga	March 9, 2018
Parent	Libis branch	UGF, F. Aspire Tower, Novu City, 150 E. Rodriguez Ave., Calle Industria, Bagumbaya, QC	March 15, 2018
Parent	Ormoc branch	Unit 105, GF, L&R Bldg, Bonifacio Str., District 8, Ormoc, Leyte	March 16, 2018
BDI	Cebu Branch (formerly Carcar branch)	206 Villalon Bldg., Osmena Boulevard Cebu City	June 26, 2018
BDI	Mandaue Branch lite	AC Cortez Alang-alang, Mandaue City	May 3, 2018

On July 27, 2018, BSP has authorized the change of corporate name of Banco Dipolog, Inc. to PBCom Rural Bank, Inc. Likewise, on July 9, 2018, the Bank has registered with SEC its Amended Articles of Incorporation and Amended By-Laws bearing its new corporate name.

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 June 30, 2018, there are no changes in the Bank's risk management policies.

7. PFRS 9, Financial Instruments

The Bank had an early adoption of the PFRS 9, 2010 version in 2014. The final version of the standard becomes mandatory beginning January 1, 2018. The said version of PFRS 9 introduces the new FVTOCI classification of debt financial assets where the objective of the model is achieved by both collecting contractual cash flows and selling financial assets. On January 1, 2018, the Bank reclassified certain debt securities from HTC portfolio amounting to ₱1.6 Billion to Investment Securities at fair value through Other Comprehensive Income. As of June 30, 2018, the unrealized loss for debt securities classified to this account under Equity amounted to ₱83.1 Million.

For impairment, the Bank is required to record based on expected credit losses (ECL) on all type of assets that are not measured at fair value through profit or loss. Amount reflected in the Statement of Changes in Capital Funds is the effect of adoption of the accounting standard in prior year.

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 June 30, 2018, the Bank used the following level of measurements:

Assets measured at fair value	Carrying value	Level 1	Level 2	Level 3
Financial assets at FVTPL Government securities	₱293,491	₱293,491	₱-	₱-
Financial assets at FVTOCI				
Government securities	1,954,068	1,954,068	-	-
Private bonds	1,382,188	-	1,382,188	-
Equity securities	90,640	-	49,045	41,594

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. There are no other items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.
10. 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.
11. There were no dividends declared or paid as of June 30, 2018 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.

12. Financial Information by Segment (In Thousands)

AS OF JUNE 30, 2018

Particulars	Branch Banking	Corporate Banking	Treasury Segment	Consumer Finance Segment *	Trust and Wealth Management Segment	Rentals & Headquarters	Total
Segment results							
Net Interest Income	623,207	340,808	105,317	338,228	(513)	113,960	1,521,008
Trading and securities gain (loss) - net	-	-	31,041	-	-	-	31,041
Rent income	-	-	-	(87)	-	314,669	314,582
Service charges, fees and commissions	39,274	99,560	1	35,710	-	1,272	175,817
Foreign Exchange gain - net	8,763	4,669	1,582	-	-	-	15,014
Profit from asset sold/ exchange	-	-	-	54,061	-	9,304	63,365
Income from Trust Operations	-	-	-	-	7,488	-	7,488
Miscellaneous	10,312	4,473	(6,363)	12,873	-	38,752	60,046
Total Operating Income	681,555	449,510	131,578	440,785	6,975	477,956	2,188,360
Compensation and Fringe benefits	144,788	39,899	20,441	118,659	4,104	254,726	582,617
Taxes and licenses	115,855	54,843	46,019	46,788	480	28,905	292,889
Depreciation and amortization	52,829	1,769	854	12,787	249	129,076	197,565
Occupancy and Other equipment-related cost	86,855	11,437	429	15,451	876	11,312	126,361
Provision for impairment losses	-	26,542	-	92,548	-	(2,165)	116,926
Other operating expense	137,464	27,562	29,465	64,396	1,093	172,799	432,779
Total Operating Expense	537,790	162,053	97,208	350,630	6,803	594,654	1,749,138
Segment profit (loss)	143,765	287,457	34,370	90,155	172	(116,698)	439,222
Provision for income Tax	-	3,811	67,957	6,752	-	37,530	116,050
Net Income (loss)	143,765	283,646	(33,587)	83,403	172	(154,228)	323,172
Total segment assets	11,210,747	40,071,466	24,774,264	15,321,079	70,403	6,209,672	97,657,632
Total segment liabilities	64,259,970	2,661,296	17,328,306	2,032,267	-	1,394,601	87,676,440

AS OF JUNE 30, 2017

Particulars	Branch Banking	Corporate Banking	Treasury Segment	Consumer Finance Segment *	Trust and Wealth Management Segment	Rentals & Headquarters	Total
Segment results							
Net Interest Income	389,917	409,966	176,634	321,781	(387)	146,626	1,444,537
Trading and securities gain (loss) - net	-	-	(10,316)	-	-	-	(10,316)
Rent income	-	-	-	(131)	-	279,266	279,135
Service charges, fees and commissions	41,053	86,486	0	43,003	-	964	171,507
Foreign Exchange gain - net	6,534	2,978	22,047	-	-	-	31,559
Fair value gain	-	-	-	-	-	-	-
Profit from asset sold/ exchange	-	-	-	1,756	-	1,470	3,226
Income from Trust Operations	-	-	-	-	7,839	-	7,839
Miscellaneous	8,502	5,419	(3,651)	21,157	-	48,074	79,502
Total Operating Income	446,006	504,850	184,714	387,566	7,452	476,399	2,006,988
Compensation and Fringe benefits	146,516	39,193	26,434	109,060	5,012	250,975	577,190
Taxes and licenses	64,329	56,184	28,815	45,558	1,084	27,892	223,863
Depreciation and amortization	60,146	1,311	769	13,956	412	127,010	203,604
Occupancy and Other equipment-related cost	93,201	3,071	430	10,601	413	9,684	117,400
Provision for impairment	(7,629)	4,026	-	85,072	-	(33,795)	47,673
Other operating expense	133,723	24,747	40,588	63,669	1,414	155,882	420,023
Total Operating Expense	490,286	128,531	97,036	327,916	8,337	537,648	1,589,753
Segment profit (loss)	(44,280)	376,319	87,679	59,650	(884)	(61,249)	417,235
Provision for income Tax	-	4,360	65,353	1,394	-	28,681	99,789
Net Income (loss)	(44,280)	371,958	22,325	58,256	(884)	(89,930)	317,446
Total segment assets	9,593,168	35,498,990	26,021,724	11,083,508	69,909	5,801,168	88,068,467
Total segment liabilities	50,624,310	3,601,893	21,903,356	2,072,277	-	1,521,927	79,723,764

* include rural bank subsidiaries

Bank's core banking business expands year-on-year as net operating from Branch Banking and Consumer Finance segment improved by 53% and 14%, respectively. However, Operating costs related to Branch Banking and Corporate Banking increased by 9.69% and 6.93%, respectively, compared to the same period last year.

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

	June 2018	December 2017
Trust department accounts	5,183,762	5,267,279
Standby LC	968,515	2,074,784
Spot exchange:		
Bought	399,969	274,615
Sold	1,040,049	574,195
Sight LC outstanding	1,448,059	401,085
Usance LC outstanding	38,705	86,900
Deficiency claims receivable	27,498	27,498
Inward bills for collection	99,139	51,995
Outstanding shipping guarantees	1,094,173	944,839
Currency forwards:		
Bought	229,563	48,688
Sold	229,721	49,665
Outward bills for collection	12,027	26,772
Items held for safekeeping	151	157
Items held as collateral	20	9
Other contingent	44,596	98,691

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

15. 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

1. Management's Discussion & Analysis

The Bank registered a net income of ₦323.2 Million for the first half of 2018, ₦5.7 Million or 1.80% higher than the ₦317.4 Million earned in the same period last year. Total operating income increased by ₦181.4 Million or by 9.04% as the Bank sustains its business growth. Interest income from loans and receivables is higher by 21.05% as the Bank focused its efforts in expanding its corporate and consumer loan portfolios, bringing in ₦320.7 Million higher revenues. Total loans and receivables increased by ₦3.8 Billion or by 7.18% from ₦53.2 Billion level at year end 2017. Low-cost deposit volume has remarkably improved as the Bank grew its deposit base to ₦74.2 Billion from ₦70.7 Billion at the close of the previous year. ₦60.1 Million higher profits from assets sold was recognized during the period primarily from the sale of ROPA. Net trading and securities gain also contributed ₦31.0 Million to the Bank's bottom line while rent income grew by ₦35.4 Million. These were partially offset by lower foreign exchange gains by ₦16.5 Million and decline in miscellaneous income by ₦19.5 Million. On the other hand, total operating expenses is higher by 10.03%, primarily from higher DST as a result of TRAIN law and higher provision for impairment losses.

Total Assets of PBCOM Group stood at ₦97.7 Billion as the Bank continued to grow its core lending activities. Total Loans and Receivables are higher by ₦3.8 Billion at the end of the first half, from ₦53.2 Billion as of December 2017. The Group's gross NPL ratio declined to 4.96% from the year-end level of 5.09% as a result of continuous improvement in collection efforts. Total Liquid Assets remain stable at ₦35.0 Billion which is slightly lower by 3.33% from year-end level. Moreover, Total Liabilities amounted to ₦87.7 Billion with an increase of 2.94% from the last year's end level of ₦85.7 Billion. This is a result of the Bank's efforts to build its deposits volume to lower down its cost of fund. Total Capital on the other hand amounted to ₦10.0 Billion from ₦9.8 Billion last December 2017. Improvement in capital by 1.89% was mainly contributed by the first half earnings of the Bank.

The Group's consolidated Risk-Based Capital Adequacy ratio is 15.10% under BASEL 3 and is well above the 10% minimum requirement. The ratio covers credit, market and operational risk for the first half of 2018.

On quarter on quarter basis, net income declined by ₦37.5 Million or 20.42%, primarily as a result of higher DST as a result of TRAIN law, provision for impairment losses and income tax provision due to reversal adjustment done in 2017. These however were mostly offset by ₦86.5 Million increase in Total Operating Income, driven mostly by higher Net Interest Income by ₦100.4 Million or 14.58%. Total Assets grew by ₦9.6 Billion or by 10.89%, mainly from growth in Total Loans and Receivables by 20.18%, from ₦47.5 Billion in the same period last year to ₦57.0 Billion this year. The Group's gross NPL ratio improved to 4.96% from previous year's level of 5.84%. Total Liquid Assets remain stable at ₦35.0 Billion. Total Liabilities increased by 10.0% from ₦79.7 Billion level in 2017 as the Bank built its deposit base, resulting to increase by ₦10.3 Billion or 16.12% in deposits. Improvement in capital by 19.61% was mostly because of recognition of additional paid in capital in 3Q of 2017 when subscription receivable from P.G. Holdings was paid in full and from earnings of the Bank since end of Jun 2017.

2. Discussion of various key indicators:

A. Key Financial Performance (consolidated)

Ratio	June 2018	As restated December 2017	Remarks
Net Profit Margin (Net income divided by Gross income)	14.77%	15.82%*	Ratio declined by 1.05% due primarily because of higher DST bec. of TRAIN law and higher impairment losses
Return on Average Asset (Net income divided by Average assets)	0.67%	0.49%	Higher annualized net income during the current period and increase in average Assets resulted to higher ROA versus Dec 2017.
Return on Average Equity (Net income divided by Average equity)	6.54%	4.89%	Return on Average Equity increased due to combination of higher annualized net income and Average Equity by 47.97% and 10.64%, respectively.
Capital Adequacy Ratio (Basel 3) (Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)	15.10%	15.85%	Capital ratio declined by 0.75% due to higher Total Credit Risk Weighted Assets by ₱4.5 Billion despite increase by ₱163 Million in qualifying capital for the period.
Basic Earnings per share (Net income divided by average no. of common shares)	1.34	2.12*	A decline in amount was a result of higher weighted average common shares due to recent full payment of subscribed shares by a stockholder.

* As of June 2017

B. Financial Soundness (consolidated)

Ratio	June 2018	As restated December 2017	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>	47.20%	51.25%	Ratio declined by 4.05%, resulting from higher deposit base which increased by ₱3.5 Billion for first half of the year.
Debt Ratio (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	89.78%	89.69%	Debt ratio is slightly higher by 0.09% vs Dec 2017.
Asset to Equity Ratio (Total Asset to Total Equity)	978.42%	969.47%	Ratio is higher as result of ₱2.7 Billion increase in Total Assets which outpaced the improvement in Equity.
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	164.62%	183.98%*	Bank's interest rate coverage decline as a result of increase in interest expenses which outpaced the improvement of income registered in 2018.
Net Interest Margin Net interest income over Average Earning assets	4.08%	4.27%	Ratio slightly dropped by 0.19% as interest income remain steady at ₱2.2 Million while average earning assets improved for the period.

* As of June 2017

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

- a. The Bank does not foresee any event that will trigger direct or contingent financial obligation that is material to the company.
- b. The Bank does not have any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated

entities or other persons created during the reporting period.

- c. As of June 30, 2018, the unspent amount from the approved capital expenditures budget on technology enhancement, realignment and facility improvement amounted to ₱108.7 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 is 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 is recognized based on the accrual method of accounting while unearned discounts are 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: June 2018 vs. December 2017 (conso)

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(665)	-0.07%	Lower cash on hand
Due from BSP	(337,466)	-2.20%	Lower reserves requirement
Due from Other Banks	(536,860)	-46.04%	Lower investment in DFOB's
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	555,657	103.88%	Higher investment in interbank loans during the period
Financial assets at Fair Value through Profit or Loss	(2,446,980)	-89.29%	Lower investment in FVTPL
Investment securities at Fair Value thorough Other Comprehensive Income	3,336,257	3,680.82%	Increase as a result of the new FVOCI model adopted by the Bank in Jan 2018
Investment securities at Amortized Cost	(1,776,578)	-11.53%	Decline mainly as a result of reclassification of HTC securities to FVOCI
Loans and Receivables	3,819,620	7.18%	Increase in loan volume during the reporting period
Investment in Subsidiaries and Associate	104	0.80%	Share in net income of affiliate (PBCOM Finance) during the period
Property and Equipment	(46,686)	-4.21%	Depreciation recognized for the period
Investment Properties	24,093	0.92%	ROPA acquisitions
Intangible Assets	(19,486)	-2.62%	Lower due to amortization of software during the period partially offset by acquisitions
Other Assets	121,090	17.35%	Higher mostly due to higher prepaid expenses on the early quarters of the year (PDIC insurance, manpower benefits, etc.) and increase in chattel acquisitions
Demand Deposits	1,639,621	8.45%	Higher demand deposits volume and higher TD volume due to the Bank's efforts to increase volume of low-cost source of funds
Savings Deposits	(298,899)	-3.59%	
Time Deposits	2,172,956	5.05%	
Bills Payable	(1,048,830)	-8.35%	Lower due to placements in BSP OLF in 2017
Outstanding Acceptances	(9,709)	-15.15%	Due to lower bills of exchange accepted by the Bank
Manager's Checks	(55,503)	-12.99%	Lower un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	161,802	37.19%	Higher expense accruals, taxes and licenses and accrued interest payable
Other Liabilities	(54,962)	-6.61%	Lower accounts payable

Statement of Income and Expenses : January-June 2018 vs January-June 2017 (conso)

	Increase (Decrease)	Percentage	Remarks
Interest Income on investment securities	(62,444)	-16.12%	Decline in interest income mainly due to interest income accrual on Peace bonds withheld funds booked in 2017
Interest Income on Loans and receivable	320,672	21.05%	Higher interest income mainly due to increase in volume and higher yields
Interest Income on IBCL & SPURA	4,403	20.00%	Higher income due to increase in ave. volume and yields
Interest Income on Deposit with other Banks and others	(3,302)	-39.25%	Lower investment in SDA with BSP and DFOB
Interest Expense on Deposit Liabilities	134,363	34.54%	Higher due to higher volume and cost of funds
Interest Expense on Bills payable, borrowings and others	48,494	44.98%	Increase in interest expense mainly due to increase in REPO & DBP borrowings and higher cost of funds
Trading and Securities Gain – net	41,357	400.90%	Higher realized and unrealized trading gains
Rent Income	35,447	12.70%	Higher contract rates from renewals
Service Charges, Fees & Commissions	4,310	2.51%	Increase mainly because of higher TFR income
Foreign Exchange Gain (Loss) –Net	(16,545)	-52.43%	Decline is mainly due to fx reval loss in 2018 vs fx reval gain in 2017
Profit/(Loss) from Assets Sold/Exchanged	60,139	1,864.20%	Increase in gain on sale of ROPA vs prior year
Income from Trust Operations	(351)	-4.48%	The Bank registered lower trust fees during the comparative period
Share in net income of subsidiaries and an associate	(7)	-6.19%	Lower income from affiliate for the period
Miscellaneous Income	(19,452)	-24.50%	Decline is primarily because of lower other rent income in 2018
Compensation and Fringe Benefits	5,427	0.94%	Higher manpower costs for the period
Taxes and Licenses	69,026	30.83%	Higher DST mainly as a result of TRAIN law
Depreciation and Amortization	(6,039)	-2.97%	Lower due to fully depreciated FFE's and lower leasehold improvement amortization
Occupancy and other equipment-related costs	8,961	7.63%	Higher rent due to new branches and escalations, higher repairs and maintenance expenses. Other increases are due to higher allocation to income for utilities charged to PBCOM Tower tenants
Provision (reversal) for impairment losses	69,253	145.27%	Higher provision requirement in 2018
Miscellaneous	12,755	3.04%	Increase is mainly due to higher PDIC insurance from higher volume of deposits and higher penalties on agri-agra
Provision for income tax	16,261	16.30%	Higher income tax due to higher taxable income base