

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

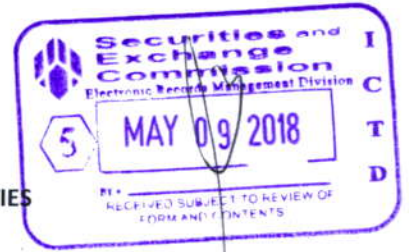
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SECURITIES AND EXCHANGE COMMISSION

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 March 31, 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: (SEC Use 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


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

May 9, 2018

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF CONDITION
(In Thousands)

	<i>Consolidated</i>		<i>Parent</i>	
	MAR 2018	<i>As restated*</i> DEC 2017	MAR 2018	<i>As restated*</i> DEC 2017
	Unaudited		Unaudited	
ASSETS				
Cash and Other Cash Items	930,841	974,207	900,145	941,823
Due from Bangko Sentral ng Pilipinas	14,730,415	15,340,711	14,674,363	15,279,084
Due from Other Banks	667,085	1,166,063	491,792	965,820
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	2,409,037	534,925	2,409,037	534,925
Financial assets at Fair Value through Profit or Loss	384,744	2,740,471	384,744	2,740,471
Investment Securities at Fair Value through				
Other Comprehensive Income	3,010,723	90,639	3,010,723	90,639
Investment Securities at Amortized Cost	13,838,162	15,417,201	13,838,162	15,417,201
Loans and Receivables	55,574,675	53,352,967	53,779,179	51,619,999
Investment in Subsidiaries and Associate	13,110	13,068	1,053,163	1,011,380
Property and Equipment	1,059,349	1,085,297	956,670	983,855
Investment Properties				
Condominium units for lease	1,871,073	1,883,696	1,871,073	1,883,696
Foreclosed properties	777,497	742,752	585,465	547,825
Office units for lease	3,912	3,999	3,912	3,999
Goodwill	182,227	182,227	-	-
Intangible Assets	737,573	744,179	474,030	480,433
Deferred Tax Assets	122,813	123,566	67,638	67,638
Other Assets	858,214	697,943	838,324	683,599
	97,171,450	95,093,911	95,338,420	93,252,387
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities				
Demand	26,460,500	19,400,193	26,496,018	19,480,422
Savings	7,843,217	8,329,526	7,258,978	7,790,785
Time	40,643,195	43,006,098	39,540,233	41,773,807
	74,946,912	70,735,817	73,295,229	69,045,014
Bills Payable	9,831,343	12,567,399	9,831,343	12,567,399
Outstanding Acceptances	39,086	64,085	39,086	64,085
Manager's checks	463,383	427,405	463,225	427,405
Accrued Interest, Taxes and Other Expenses	575,862	435,124	515,028	406,716
Deferred Tax Liabilities - Net	108,935	108,935	-	-
Other Liabilities	1,138,905	831,201	1,118,097	808,429
	87,104,426	85,169,966	85,262,008	83,319,048
Equity				
Common stock	12,016,129	12,016,129	12,016,129	12,016,129
Subscribed common stock - net	-	-	-	-
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	(4,153,958)	(4,330,833)	(4,153,958)	(4,330,833)
Unrealized gain on investment securities carried at fair value through other comprehensive income	40,477	64,104	40,477	64,104
Revaluation increment on land and condo properties				
Cumulative translation adjustment	(132,438)	(122,263)	(132,438)	(122,263)
Remeasurement losses on defined benefit liability	(61,868)	(61,868)	(61,868)	(61,868)
Non-controlling interest	32	26	-	-
	10,067,024	9,923,945	10,076,412	9,933,339
	97,171,450	95,093,911	95,338,420	93,252,387

* 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	
	MAR 2018	<i>As restated*</i> MAR 2017	MAR 2018	<i>As restated*</i> MAR 2017
INTEREST INCOME				
Investment securities	159,200	229,027	159,200	229,027
Loans and receivables	873,076	739,127	807,807	682,820
Interbank loans receivable and securities purchased under resale agreements	11,759	15,587	11,759	15,587
Deposits with other banks and others	2,786	5,031	2,577	4,168
	1,046,821	988,772	981,343	931,602
INTEREST AND FINANCE CHARGES				
Deposit liabilities	248,748	193,577	235,777	178,322
Bills payable, borrowings and others	66,746	54,291	66,746	54,291
	315,494	247,868	302,523	232,613
NET INTEREST INCOME	731,327	740,904	678,820	698,989
Trading and securities gain (loss) - net	21,900	(13,537)	21,900	(13,537)
Rent Income	152,347	140,617	152,347	140,572
Service charges, fees and commissions	88,024	93,487	82,119	72,744
Foreign exchange gain - net	5,210	20,485	5,210	20,485
Profit from assets sold/ exchange	7,430	3,475	7,281	2,139
Income from trust operations	3,740	3,928	3,740	3,928
Share in net income of subsidiaries and an associate	43	57	41,784	3,599
Miscellaneous	88,740	14,456	21,143	7,300
TOTAL OPERATING INCOME	1,098,761	1,003,872	1,014,344	936,219
Compensation and fringe benefits	284,286	289,756	255,134	263,578
Taxes and licenses	140,431	112,416	129,978	104,829
Depreciation and amortization	98,288	98,813	93,897	93,510
Occupancy and other equipment - related costs	60,843	38,366	56,993	35,215
Provision for impairment losses	60,949	45,474	59,317	38,534
Miscellaneous	204,692	209,045	189,022	192,957
TOTAL OPERATING EXPENSES	849,489	793,870	784,341	728,623
NET INCOME BEFORE TAX	249,272	210,002	230,003	207,596
PROVISION FOR INCOME TAX	72,391	76,376	53,128	73,855
NET INCOME	176,881	133,626	176,875	133,741
<i>Attributable to:</i>				
Equity holders of the Parent Company	176,875	133,741		
Non-controlling interest	6	(115)		
	176,881	133,626		

Basic Earnings Per Share

1.47

1.78

* Please refer to Note 1

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

	Consolidated		Parent	
	Unaudited for the period		Unaudited for the period	
	MAR 2018	<i>As restated*</i> MAR 2017	MAR 2018	<i>As restated*</i> MAR 2017
NET INCOME	176,881	133,626	176,875	133,741
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cumulative translation adjustment	(10,175)	(59,862)	(10,175)	(59,862)
Changes in net unrealized gain (loss) on investment securities	(23,627)	-	(23,627)	-
<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)	(33,802)	(59,862)	(33,802)	(59,862)
TOTAL COMPREHENSIVE INCOME	143,079	73,764	143,073	73,879

* 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	
	MAR 2018	<i>As restated*</i> MAR 2017	MAR 2018	<i>As restated*</i> MAR 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	249,272	210,002	230,003	207,596
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:				
Depreciation and amortization	98,288	98,813	93,897	93,510
Provision for impairment losses	60,949	45,474	59,317	38,534
Profit from asset sold or exchange	(7,430)	(3,475)	(7,281)	(2,139)
Unrealized (gain) loss on financial assets at FVTPL	(7,077)	4,069	(7,077)	4,069
Equity in net earnings of subsidiaries and an associate	(42)	(56)	(41,784)	(3,599)
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Loans and Receivable	(2,221,708)	(1,174,983)	(2,159,180)	(1,148,317)
Other Assets	(221,220)	(172,715)	(214,042)	(157,922)
Financial assets at FVTPL	2,362,804	(1,017,177)	2,362,804	(1,017,177)
Increase (decrease) in the amounts of:				
Deposit liabilities	4,211,095	396,085	4,250,215	445,573
Manager's checks	35,978	221,760	35,820	221,760
Accrued interest, taxes and other expenses	140,738	96,166	108,312	86,289
Other liabilities	307,704	67,659	309,669	75,093
Net cash generated from (used for) operations	5,009,351	(1,228,379)	5,020,673	(1,156,730)
Income taxes paid	(71,638)	(79,539)	(53,128)	(73,855)
Net cash provided (used) by operating activities	4,937,713	(1,307,917)	4,967,545	(1,230,585)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in:				
Investment Securities at amortized cost	1,579,039	15,616	1,579,039	15,616
Investment securities at FVOCI	(2,943,711)	(0)	(2,943,711)	(0)
Property and equipment	(72,340)	(55,318)	(66,712)	(50,220)
Investment properties	(14,605)	13,072	(17,649)	2,831
Software cost	6,606	8,223	6,403	7,720
Net cash used by investing activities	(1,445,011)	(18,408)	(1,442,630)	(24,054)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in:				
Bills payable	(2,736,056)	(181,911)	(2,736,056)	(181,911)
Outstanding acceptance	(24,999)	(1,293)	(24,999)	(1,293)
Net cash provided by financing activities	(2,761,055)	(183,204)	(2,761,055)	(183,204)
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	(10,175)	(59,862)	(10,175)	(59,862)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	721,472	(1,569,391)	753,685	(1,497,705)
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	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	15,732,360

* 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)	64,104	301,846	(122,263)	(61,868)	56	12,930,364
Effect of the adoption of cost method for investment properties and land					(2,704,543)		(301,846)			(30)	(3,006,419)
Balance at January 1, 2018, as restated	12,016,129	-	2,252,826	105,824	(4,330,833)	64,104	-	(122,263)	(61,868)	26	9,923,945
Total comprehensive income (loss) for the period					176,875	(23,627)	-	(10,175)	-	6	143,079
Balance at March 31, 2018	12,016,129	-	2,252,826	105,824	(4,153,958)	40,477	-	(132,438)	(61,868)	32	10,067,024
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					(2,407,528)		(280,228)				(2,687,756)
Balance at January 1, 2017, as restated	7,489,114	4,581,340	813,515	105,772	(4,752,771)	33,621	-	(72,739)	(95,679)	(8,193)	8,093,980
Total comprehensive income (loss) for the period					133,741		-	(59,862)	-	(115)	73,764
Balance at March 31, 2017	7,489,114	4,581,340	813,515	105,772	(4,619,030)	33,621	-	(132,601)	(95,679)	(8,308)	8,167,744
Parent											
Balance at January 1, 2018	12,016,129	-	2,262,246	105,824	(1,626,290)	64,104	301,846	(122,263)	(61,868)	-	12,939,728
Effect of the adoption of cost method for investment properties and land					(2,704,543)		(301,846)				(3,006,389)
Balance at January 1, 2018, as restated	12,016,129	-	2,262,246	105,824	(4,330,833)	64,104	-	(122,263)	(61,868)	-	9,933,339
Total comprehensive income for the period					176,875	(23,627)	-	(10,175)	-	-	143,073
Balance at March 31, 2018	12,016,129	-	2,262,246	105,824	(4,153,958)	40,477	-	(132,438)	(61,868)	-	10,076,412
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					(2,407,528)		(280,228)				(2,687,756)
Balance at January 1, 2017, as resta Total comprehensive income for the period	7,489,114	4,581,340	813,601	105,772	(4,752,771)	33,621	-	(72,739)	(95,679)	-	8,102,259
Balance at March 31, 2017	7,489,114	4,581,340	813,601	105,772	(4,619,030)	33,621	-	(132,601)	(95,679)	-	8,176,138

PHILIPPINE BANK OF COMMUNICATIONS
AGING OF LOANS & SELECTED RECEIVABLES
As of March 31, 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	41,948,090	40,724,074	247,365	122,185	173,527	680,939
Agrarian Reform/Other Agricultural Credit Loans	3,478,174	3,395,284	34,564	0	0	48,326
Bills Purchased	2,317,023	2,049,914	116,586	0	13,568	136,955
Customers' Liability on Drafts under LC/TR	3,173,643	2,885,236	0	0	0	288,407
Customers' Liab. for this Bank's Acceptances	39,086	39,086				
Restructured Loans	182,444	159,494	2,346	2,434	5,826	12,343
Items in Litigation	772,913	0	0	19,975	36,734	716,204
SUB TOTAL	51,911,373	49,253,089	400,861	144,595	229,655	1,883,174
Accounts Receivable	237,179	216,589	1,440	2,823	4,157	12,170
Accrued Interest Receivable	707,573	296,285	3,705	3,587	4,972	399,025
GRAND TOTAL	52,856,126	49,765,962	406,006	151,004	238,784	2,294,370

PHILIPPINE BANK OF COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 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 (FVOCI).

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 January 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 March 31, 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 Audited 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>		
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, the 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 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' meeting. 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.

As of March 31, 2018, the Parent Bank had a total network of 89 branches and 144 ATMs (85 onsite and 59 offsite). BDI has 19 branches, 8 Other Banking Offices (OBO) and 1 onsite ATM. The following were the four branches that opened in the first quarter of 2018:

Branch name	Address	Date Opened
S&R Commonwealth	S&R Membership Commonwealth ave., cor Quirino Highway, Novaliches, Quezon City	February 9, 2018
S&R Dau	S&R Membership shopping NLEX access Road, Mabalacat, Pampanga	March 9, 2018
Libis branch	UGF, F. Aspire Tower, Novu City, 150 E. Rodriguez Ave., Calle Industria, Bagumbaya, QC	March 15, 2018
Ormoc branch	Unit 105, GF, L&R Bldg, Bonifacio Str., District 8, Ormoc, Leyte	March 16, 2018

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

7. PFRS 9, Financial Instruments

The Bank has 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 introduced 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 March 31, 2018, the unrealized loss for debt securities classified to this account under Equity amounted to ₱23.6 Million.

For impairment, the Bank is required to record based on expected credit losses (ECL) on all debt-type assets that are not measured at fair value through profit or loss. The new ECL model will result in the earlier recognition of losses enabled through the introduction of a three-stage process to recognize changes in credit quality from the time of initial recognition. This involves measuring 12-month ECL for financial instruments with no significant increase in credit risk since initial recognition and measuring lifetime ECL for instruments with significant increase in credit risk.

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, 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	₱384,744	₱384,744	₱-	₱-
Financial assets at FVTOCI				
Government securities	1,132,305	1,132,305	-	-
Private bonds	1,787,778	-	1,787,778	-
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 March 31, 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 MARCH 31, 2018

Particulars	Branch Banking	Corporate Banking	Treasury Segment	Consumer Finance Segment *	Trust and Wealth Management Segment	Rentals & Headquarters	Total
Segment results							
Net Interest Income	289,149	169,610	57,683	160,545	(203)	54,542	731,327
Trading and securities gain (loss) - net	-	-	21,900	-	-	-	21,900
Rent income	-	-	-	-	-	152,347	152,347
Service charges, fees and commissions	18,804	48,721	1	19,730	-	768	88,024
Foreign Exchange gain - net	5,058	2,261	(2,110)	-	-	-	5,210
Profit from asset sold/ exchange	-	-	-	149	-	7,281	7,430
Income from Trust Operations	-	-	-	-	3,740	-	3,740
Miscellaneous	4,961	1,774	(2,688)	67,597	-	17,139	88,783
Total Operating Income	317,973	222,367	74,786	248,021	3,537	232,077	1,098,761
Compensation and Fringe benefits	71,012	20,108	10,484	58,866	2,011	121,805	284,286
Taxes and licenses	59,527	24,173	17,490	25,186	277	13,776	140,431
Depreciation and amortization	27,146	946	431	6,235	144	63,387	98,288
Occupancy and Other equipment-related cost	42,149	5,575	207	7,538	450	4,925	60,843
Provision for impairment losses	-	20,000	-	42,954	-	(2,006)	60,949
Other operating expense	66,344	13,348	14,973	28,938	324	80,765	204,692
Total Operating Expense	266,177	84,151	43,585	169,717	3,207	282,653	849,489
Segment profit (loss)	51,795	138,216	31,201	78,304	331	(50,575)	249,272
Provision for income Tax	14	3,505	33,432	19,263	-	16,177	72,391
Net Income (loss)	51,782	134,711	(2,231)	59,041	331	(66,753)	176,881
Total segment assets	12,787,504	39,063,457	24,229,375	14,410,470	70,430	6,610,214	97,171,450
Total segment liabilities	69,537,820	1,750,852	12,052,044	1,880,970	-	1,882,740	87,104,426

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	-	1,773	14,512
Total Operating Income	222,215	237,116	89,421	188,560	3,729	262,832	1,003,872
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	59,452	98,813
Occupancy and Other equipment-related cost	42,194	2,787	199	5,940	303	(13,057)	38,366
Provision for impairment	-	(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	48,822	167,602	4,268	266,639	793,870
Segment profit (loss)	(27,107)	179,898	40,600	20,957	(539)	(3,807)	210,002
Provision for income Tax	-	2,483	32,493	2,521	-	38,879	76,376
Net Income (loss)	(27,107)	177,415	8,107	18,436	(539)	(42,686)	133,626
Total segment assets	9,730,274	35,542,063	22,071,544	10,358,500	69,700	5,736,261	83,508,342
Total segment liabilities	51,205,132	3,626,787	16,957,834	2,077,934	-	1,472,915	75,340,602

* include rural bank subsidiaries

Bank's core banking business expands year-on-year as net income from Branch Banking and Consumer Finance segment improved by 291% and 220%, respectively. Likewise Operating costs related to Branch Banking and Corporate Banking decreased by 6.8% and 47.1%, respectively, compared to the same period last year.

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

	March 2018	December 2017
Trust department accounts	5,241,943	5,267,279
Standby LC	930,683	2,074,784
Spot exchange:		
Bought	305,714	274,615
Sold	644,717	574,195
Sight LC outstanding	391,180	401,085
Usance LC outstanding	22,118	86,900
Deficiency claims receivable	27,498	27,498
Inward bills for collection	48,922	51,995
Outstanding shipping guarantees	1,101,985	944,839
Currency forwards:		
Bought	251,508	48,688
Sold	407,988	49,665

Outward bills for collection	50,191	26,772
Items held for safekeeping	154	157
Items held as collateral	17	9
Other contingent	59,912	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 ₦176.9 Million for the first quarter of 2018, sustaining its business focus and strategies as it brought in 32.37% higher profit than last year's first quarter net income of ₦133.6 Million. The increase was primarily driven by 18.12% higher interest income from loans and receivables that increased by ₦133.9 Million from the same of last year's level of ₦739.1 Million as the Bank grew its corporate and consumer loan portfolios. Low-cost deposit volume has remarkably improved as the Bank grew its deposit base to ₦74.9 Billion from ₦70.7 Billion at the close of the previous year. Increase in interest expense by ₦67.6 Million is a result of the growth in volume for the period. Net trading and securities gain also contributed ₦21.9 Million to the Bank's bottom line while rent income grew by ₦11.7 Million. These were partially offset by lower foreign exchange gains by ₦15.3 Million and decline in fees by ₦5.5 Million. Total operating income increased by 9.45%. On the other hand, total operating expenses is higher by 7.01%, primarily from higher DST as a result of TRAIN law and higher provision for impairment losses.

Total assets of PBCOM Group stood at ₦97.2 Billion as the Bank continue to grow its core lending activities. Total loans and receivables are higher by ₦2.2 Billion in a quarter's time, from ₦53.4 Billion as of December 2017. The Group's gross NPL ratio declined to 5.05% from the year-end level of 5.09% as a result of continuous improvement in collection efforts. Total Liquid assets remain stable at ₦35.9 Billion which is slightly lower by 0.81% from year-end level. Moreover, total liabilities amounted to ₦87.1 Billion with an increase of 2.27% from last quarter. Total deposits increased by 5.95% while reducing total bills payable by 21.77% versus the close of year 2017. 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 ₦10.1 Billion from ₦9.9 Billion last December 2017. Improvement in capital by 1.44% was mainly contributed by the first quarter earnings of the Bank.

The Group's consolidated Risk-Based Capital Adequacy ratio is 15.25% under BASEL 3 and is well above the 10% minimum requirement. The ratio covers credit, market and operational risk for the first quarter of 2018.

2. Discussion of various key indicators:

A. Key Financial Performance (consolidated)

Ratio	March 2018	As restated December 2017	Remarks
Net Profit Margin (Net income divided by Gross income)	16.10%	13.31%*	Ratio improves by 2.79% due primarily on higher net income for the current period.
Return on Average Asset (Net income divided by Average assets)	0.74%	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)	7.08%	4.85%	Return on Average Equity increased due to combination of higher annualized net income and Average Equity by 61.98% and 10.95%, respectively.
Capital Adequacy Ratio (Basel 3) (Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)	15.25%	15.85%	Capital ratio decline by 0.61% due to higher Total credit risk weighted assets by ₦4.1 Billion despite increase by ₦195 Million in qualifying capital for the period.
Basic Earnings per share (Net income divided by average no. of common shares)	1.47	1.78*	A decline in amount was a result of higher weighted average common shares due to recent full payment of subscribed shares by stockholder.

* As of March 2017

B. Financial Soundness (consolidated)

Ratio	March 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>	48.00%	51.27%	Ratio decline by 3.27%, resulting from higher deposit based which increased by ₱4.2 Billion for 9 months period.
Debt Ratio (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	89.64%	89.56%	Debt ratio is slightly higher by 0.08% vs Dec 2017.
Asset to Equity Ratio (Total Asset to Total Equity)	965.25%	958.237%	Ratio is higher as result of ₱2.1 Billion increase in total Assets which outpace the improvement in Equity.
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	179.01%	184.72%*	Bank's interest rate coverage decline as a result of increase in interest expenses which outpace the improvement of income registered in 2018.
Net Interest Margin Net interest income over Average Earning assets	3.92%	4.26%	Ratio slightly dropped by 0.34% as interest income remain steady at ₱2.9 Million while average earning assets improved for the period.

* As of March 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 March 31, 2018, the unspent amount from the approved capital expenditures budget on technology enhancement, realignment and facility improvement amounted to ₱144.5 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: March 2018 vs. December 2017 (conso)

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(43,366)	-4.45%	Lower cash on hand
Due from BSP	(610,296)	-3.98%	Lower reserves requirement
Due from Other Banks	(498,978)	-42.79%	Lower maintain balance in DFOB's
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	1,874,112	350.35%	Higher investment in interbank loans during the period
Financial assets at Fair Value through Profit or Loss	(2,355,727)	-85.96%	Lower investment in FVTPL due to market condition
Investment securities at Fair Value through Other Comprehensive Income	2,920,084	3,221.66%	Increase as a result of the new FVOCI model adopted by the Bank in Jan 2018
Investment securities at Amortized Cost	(1,579,039)	-10.24%	Decline mainly as a result of reclassification of HTC securities to FVOCI
Loans and Receivables	2,221,708	4.16%	Increase in loan volume during the reporting period
Investment in Subsidiaries and Associate	42	0.32%	Share in net income of affiliate (PBCOM Finance) during the period
Property and Equipment	(25,948)	-2.39%	Depreciation recognized for the period
Investment Properties	22,035	0.84%	ROPA acquisitions
Intangible Assets	(6,606)	-0.89%	Lower due to amortization of software during the period partially offset by acquisitions
Other Assets	160,271	22.96%	Higher mostly due to higher prepaid expenses on the 1 st quarter of the year (PDIC insurance, manpower benefits, etc.)
Demand Deposits	7,060,307	36.39%	Higher demand deposits volume and lower TD volume due to the Bank's efforts to increase volume of low-cost deposits
Savings Deposits	(486,309)	-5.84%	
Time Deposits	(2,362,903)	-5.49%	
Bills Payable	(2,736,056)	-21.77%	Lower due to lower placements in BSP OLF
Outstanding Acceptances	(24,999)	-39.01%	Due to lower bills of exchange accepted by the Bank
Manager's Checks	35,978	8.42%	Increase in un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	140,738	32.34%	Higher expense accruals, taxes and licenses and income tax payable
Other Liabilities	307,704	37.02%	Increase mainly from advance rentals and security deposits related to PBCOM Tower leasing, banking fees accrual, etc.

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

	Increase (Decrease)	Percentage	Remarks
Interest Income on investment securities	(69,827)	-30.49%	Slight decline in interest income mainly due to interest income accrual on Peace bonds withheld funds booked in 2017
Interest Income on Loans and receivable	133,949	18.12%	Higher interest income mainly due to increase in volume and higher yields
Interest Income on IBCL & SPURA	(3,828)	-24.56%	Lower income due to lower average volume
Interest Income on Deposit with other Banks and others	(2,245)	-44.62%	Lower investment in SDA with BSP and DFOB
Interest Expense on Deposit Liabilities	55,171	28.50%	Higher due to higher volume and cost of funds
Interest Expense on Bills payable, borrowings and others	12,455	22.94%	Increase in interest expense mainly due to borrowings from BSP OLF
Trading and Securities Gain – net	35,437	-261.78%	Higher realized and unrealized trading gains
Rent Income	11,730	8.34%	Higher contract rates from renewals
Service Charges, Fees & Commissions	(5,463)	-5.84%	Higher mainly due to lower SBLC and RCOCI fees
Foreign Exchange Gain (Loss) –Net	(15,275)	-74.57%	Higher realized fx gains
Profit/(Loss) from Assets Sold/Exchanged	3,955	113.81%	The Bank has recognized higher net gains from the sale of ROPA properties during the reporting period
Income from Trust Operations	(188)	-4.79%	The Bank registered lower trust fees during the comparative period
Share in net income of subsidiaries and an associate	(14)	-24.56%	Lower income registered by PBCOM Finance for the period
Miscellaneous Income	74,284	513.86%	Higher mainly due to recoveries of income from utilities charged to PBCOM Tower tenants
Compensation and Fringe Benefits	(5,470)	-1.89%	Lower compensation for the period
Taxes and Licenses	28,015	24.92%	Higher DST as a result of TRAIN law
Occupancy and other equipment-related costs	22,477	58.59%	Higher mainly because of change of allocation of recoveries from utilities charged to PBCOM Tower tenants
Provision (reversal) for impairment losses	15,475	34.03%	Higher provision requirement in 2018
Miscellaneous	(4,353)	-2.08%	Lower brokerage and consultancy fees
Provision for income tax	(3,985)	-5.22%	Lower income tax provision for the period