

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)

8-830-7000
(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)

Michael Stephen H. Lao
(Company Representative)

212-167-776
(TIN)

June 16, 1983
(Birth Date)

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Central Receiving Unit

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Securities and Exchange Commission
Electronic Records Management Division
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RECEIVED SUBJECT TO REVIEW OF
FORM AND CONTENTS
SECURITIES

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

- | Title of each Class | Number of shares of common stock outstanding and amount of debt outstanding |
|---------------------|---|
| PBCOM Common Shares | 480,645,163 shares |

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)

November 13, 2020

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
UNAUDITED INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020
(With Comparative Figures as of December 31, 2019)

	Consolidated		Parent Company	
	September 30, 2020 (Unaudited)	December 31, 2019	September 30, 2020 (Unaudited)	December 31, 2019
	(Amounts in Thousands)			
ASSETS				
Cash and Other Cash Items	1,685,587	2,698,682	1,685,587	2,698,682
Due from Bangko Sentral ng Pilipinas	22,663,136	10,213,521	22,663,136	10,213,521
Due from Other Banks	685,929	357,960	685,929	357,960
Interbank Loans Receivable	7,731,169	717,736	7,731,169	717,736
Financial assets at Fair Value through Profit or Loss	1,329,613	1,667,827	1,329,613	1,667,827
Financial assets at Fair Value through Other Comprehensive Income	4,266,146	8,094,362	4,266,146	8,094,362
Investment Securities at Amortized Cost	1,989,840	12,849,500	1,989,840	12,849,500
Loans and Other Receivables	58,238,351	61,257,040	58,241,065	61,259,793
Investment in a Subsidiary and Associate	14,050	13,849	20,204	20,053
Property and Equipment	687,219	725,739	687,219	725,739
Investment Properties				
Condominium units for lease	1,800,655	1,836,941	1,800,655	1,836,941
Foreclosed properties	624,966	588,451	624,966	588,451
Office units for lease	3,011	3,274	3,011	3,274
Intangible Assets	631,738	673,089	631,738	673,089
Other Assets	1,042,219	1,042,533	1,040,822	1,041,144
TOTAL ASSETS	103,393,629	102,740,504	103,401,100	102,748,072
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities				
Demand	33,668,859	27,204,604	33,677,721	27,213,580
Savings	9,129,741	9,180,273	9,129,741	9,180,273
Time	39,767,355	36,594,232	39,767,355	36,594,232
Long-term negotiable certificates of deposits	2,902,730	2,902,730	2,902,730	2,902,730
	85,468,685	75,881,839	85,477,547	75,890,815
Bills Payable	2,332,174	13,064,824	2,332,174	13,064,824
Outstanding Acceptances	548,355	91,855	548,355	91,855
Manager's Checks	235,129	442,811	235,129	442,811
Accrued Interest, Taxes and Other Expenses	823,425	712,428	823,293	712,277
Income Tax payable	26,279	23,441	26,279	23,441
Deferred Tax Liabilities - Net	782	782	782	782
Other Liabilities	1,159,968	1,167,323	1,158,709	1,166,066
TOTAL LIABILITIES	90,594,797	91,385,303	90,602,268	91,392,871
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Common stock	12,016,129	12,016,129	12,016,129	12,016,129
Additional paid-in capital	2,262,246	2,262,246	2,262,246	2,262,246
Surplus reserves	105,952	105,952	105,952	105,952
Deficit	(1,294,637)	(2,807,067)	(1,294,637)	(2,807,067)
Unrealized gain on financial assets at fair value through other comprehensive income	57,585	87,932	57,585	87,932
Cumulative translation adjustment	(270,116)	(231,664)	(270,116)	(231,664)
Remeasurement losses on defined benefit liability	(78,327)	(78,327)	(78,327)	(78,327)
	12,798,832	11,355,201	12,798,832	11,355,201
NON-CONTROLLING INTEREST	-	-	-	-
TOTAL EQUITY	12,798,832	11,355,201	12,798,832	11,355,201
TOTAL LIABILITIES AND EQUITY	103,393,629	102,740,504	103,401,100	102,748,072

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
UNAUDITED INTERIM CONDENSED STATEMENTS OF INCOME

	Consolidated		Parent Company	
	For the nine months ended September 30 (January to September)			
	2020	2019	2020	2019
(Amounts in Thousands, Except Earnings per Share)				
INTEREST INCOME				
Investment securities	395,105	544,323	395,105	544,323
Loans and receivables	3,285,055	3,303,882	3,285,055	3,303,882
Interbank loans receivable and securities purchased under resale agreements	65,336	36,891	65,336	36,891
Deposits with other banks and others	73,946	9,124	73,946	9,124
	3,819,442	3,894,220	3,819,442	3,894,220
INTEREST AND FINANCE CHARGES				
Deposit liabilities	756,063	1,210,996	756,063	1,210,996
Bills payable, borrowings and others	135,223	473,181	135,223	473,181
	891,286	1,684,177	891,286	1,684,177
NET INTEREST INCOME				
	2,928,156	2,210,043	2,928,156	2,210,043
Trading and securities gain - net	594,967	433,123	594,967	433,123
Rent Income	536,942	546,228	536,942	546,259
Service charges, fees and commissions	309,781	301,997	309,781	301,997
Foreign exchange gain - net	42,748	39,604	42,748	39,604
Gain (loss) on asset exchange - net	2,682	(2,409)	2,682	(2,409)
Profit from assets sold	199	8,613	199	8,613
Income from trust operations	19,133	15,320	19,133	15,320
Miscellaneous	84,727	104,278	84,730	104,350
TOTAL OPERATING INCOME	4,519,335	3,656,797	4,519,338	3,656,900
Compensation and fringe benefits	794,552	724,087	794,552	723,371
Taxes and licenses	485,501	446,839	485,496	446,833
Depreciation and amortization	281,607	324,622	281,607	324,622
Occupancy and other equipment - related costs	72,998	132,950	72,998	132,930
Provision for impairment losses	538,664	213,785	538,664	213,785
Insurance	115,873	106,430	115,873	106,430
Management and professional fees	88,844	76,929	88,802	76,929
Security, clerical, messengerial and janitorial services	61,472	73,561	61,472	73,555
Entertainment, amusement and recreation	66,516	64,670	66,516	64,670
Communication	35,468	37,089	35,468	37,089
Miscellaneous	280,238	304,013	280,238	304,012
TOTAL OPERATING EXPENSES	2,821,733	2,504,975	2,821,686	2,504,226
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARY AND AN ASSOCIATE				
	1,697,602	1,151,822	1,697,652	1,152,674
Share in net income (loss) of subsidiary and an associate	201	383	151	(469)
INCOME BEFORE INCOME TAX	1,697,803	1,152,205	1,697,803	1,152,205
PROVISION FOR INCOME TAX	185,373	164,116	185,373	164,116
NET INCOME FROM CONTINUING OPERATIONS	1,512,430	988,089	1,512,430	988,089
NET LOSS FROM DISCONTINUED OPERATIONS	-	(228,408)	-	(228,408)
NET INCOME	1,512,430	759,681	1,512,430	759,681
Attributable to:				
Equity holders of the Parent Company	1,512,430	759,681		
Non-controlling interest	-	-		
	1,512,430	759,681		
Basic/ Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company				
	3.15	1.58		

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
UNAUDITED INTERIM CONDENSED STATEMENTS OF INCOME

	Consolidated		Parent Company	
	For the three months ended September 30 (July to September)			
	2020	2019	2020	2019
(Amounts in Thousands, Except Earnings per Share)				
INTEREST INCOME				
Investment securities	73,811	164,392	73,811	164,392
Loans and receivables	1,137,398	1,076,394	1,137,398	1,076,394
Interbank loans receivable and securities purchased under resale agreements	29,322	28,047	29,322	28,047
Deposits with other banks and others	41,912	3,110	41,912	3,110
	1,282,443	1,271,943	1,282,443	1,271,943
INTEREST AND FINANCE CHARGES				
Deposit liabilities	195,492	356,218	195,492	356,218
Bills payable, borrowings and others	12,929	120,245	12,929	120,245
	208,421	476,463	208,421	476,463
NET INTEREST INCOME	1,074,022	795,480	1,074,022	795,480
Trading and securities gain - net	230,281	126,997	230,281	126,997
Rent Income	155,181	188,485	155,181	188,516
Service charges, fees and commissions	137,569	111,127	137,569	111,127
Foreign exchange gain - net	20,183	11,868	20,183	11,868
Gain (loss) on asset exchange - net	(6,005)	3,680	(6,005)	3,680
Loss from assets sold	(327)	(10,760)	(327)	(10,760)
Income from trust operations	6,647	4,856	6,647	4,856
Miscellaneous	30,215	35,306	30,216	35,378
TOTAL OPERATING INCOME	1,647,766	1,267,039	1,647,767	1,267,142
Compensation and fringe benefits	264,870	234,047	264,870	234,047
Taxes and licenses	172,895	170,872	172,893	170,870
Depreciation and amortization	94,998	106,248	94,998	106,248
Occupancy and other equipment - related costs	26,685	46,425	26,685	46,453
Provision for impairment losses	281,826	37,346	281,826	37,346
Insurance	40,611	35,488	40,611	35,488
Management and professional fees	23,641	18,606	23,627	18,656
Security, clerical, messengerial and janitorial services	17,842	23,539	17,842	23,540
Entertainment, amusement and recreation	18,765	26,842	18,765	26,842
Communication	11,081	11,747	11,081	11,747
Miscellaneous	84,382	112,848	84,382	112,849
TOTAL OPERATING EXPENSES	1,037,596	824,008	1,037,580	824,086
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARY AND AN ASSOCIATE	610,170	443,031	610,187	443,056
Share in net income of subsidiary and an associate	67	125	50	100
INCOME BEFORE INCOME TAX	610,237	443,156	610,237	443,156
PROVISION FOR INCOME TAX	53,699	49,087	53,699	49,087
NET INCOME FROM CONTINUING OPERATIONS	556,538	394,069	556,538	394,069
NET LOSS FROM DISCONTINUED OPERATIONS	-	(227,354)	-	(227,354)
NET INCOME	556,538	166,715	556,538	166,715
Attributable to:				
Equity holders of the Parent Company	556,538	166,715		
Non-controlling interest	-	-		
	556,538	166,715		

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
UNAUDITED INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated		Parent Company	
	For the nine months ended September 30 (January to September)			
	2020	2019	2020	2019
	(Amounts in Thousands)			
NET INCOME FROM CONTINUING OPERATIONS	1,512,430	988,089	1,512,430	988,089
NET LOSS FROM DISCONTINUED OPERATIONS	-	(228,408)	-	(228,408)
NET INCOME	1,512,430	759,681	1,512,430	759,681
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX				
Items that may be reclassified to profit or loss in subsequent periods:				
Net movement in cumulative translation adjustment	(38,452)	(50,959)	(38,452)	(50,959)
Unrealized gain (loss) on financial assets carried at fair value through other comprehensive income	(30,347)	46,475	(30,347)	46,475
	(68,799)	(4,484)	(68,799)	(4,484)
Items that may not be reclassified to profit or loss in subsequent periods:				
Unrealized loss on financial assets carried at fair value through other comprehensive income	-	-	-	-
Remeasurements of defined benefit liabilities	-	-	-	-
	-	-	-	-
	(68,799)	(4,484)	(68,799)	(4,484)
TOTAL OTHER COMPREHENSIVE INCOME	1,443,631	755,197	1,443,631	755,197
Attributable to:				
Equity holders of the Parent Company	1,443,631	755,197		
Non-controlling interest	-	-		
TOTAL OTHER COMPREHENSIVE INCOME	1,443,631	755,197		

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
UNAUDITED INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated		Parent Company	
	For the three months ended September 30 (July to September)			
	2020	2019	2020	2019
	(Amounts in Thousands)			
NET INCOME FROM CONTINUING OPERATIONS	556,538	394,069	556,538	394,069
NET LOSS FROM DISCONTINUED OPERATIONS	-	(227,354)	-	(227,354)
NET INCOME	556,538	166,715	556,538	166,715
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cumulative translation adjustment	(4,521)	(323)	(4,521)	(323)
Unrealized gain (loss) on financial assets carried at fair value through other comprehensive income	23,634	(10,128)	23,634	(10,128)
	19,113	(10,451)	19,113	(10,451)
<i>Items that may not be reclassified to profit or loss in subsequent periods:</i>				
Unrealized loss on financial assets carried at fair value through other comprehensive income	-	-	-	-
Remeasurements of defined benefit liabilities	-	-	-	-
	-	-	-	-
	19,113	(10,451)	19,113	(10,451)
TOTAL OTHER COMPREHENSIVE INCOME	575,651	156,264	575,651	156,264
Attributable to:				
Equity holders of the Parent Company	575,651	156,264		
Non-controlling interest	-	-		
TOTAL OTHER COMPREHENSIVE INCOME	575,651	156,264		

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
UNAUDITED INTERIM STATEMENT OF CASH FLOWS

	Consolidated		Parent Company	
	For the Nine Months Ended			
	September 30			
	2020	2019	2020	2019
(Amounts in Thousands)				
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax from continuing operations	1,697,803	1,152,205	1,697,803	1,152,205
Income before income tax from discontinued operations	-	(228,408)	-	(228,408)
Income before income tax	1,697,803	923,797	1,697,803	923,797
Adjustments to reconcile income before income tax to net cash generated from (used for) operations:				
Accretion of interest on unquoted debt securities	(67,215)	(115,789)	(67,215)	(115,789)
Depreciation and amortization	281,607	324,622	281,607	324,622
Provision for impairment losses	538,664	213,785	538,664	213,785
Loss (profit) on asset exchange	(2,682)	2,409	(2,682)	2,409
Loss on sale of a subsidiary	-	-	-	171,173
Gain from asset sold	(199)	(8,613)	(199)	(8,613)
Unrealized (gain) loss on financial assets at FVTPL	(30,347)	46,475	(30,347)	46,475
Share in net income of a subsidiary and an associate	(201)	(383)	(151)	469
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Financial assets at FVTPL	338,214	893,216	338,214	893,216
Loans and Receivable	2,442,631	2,580,533	2,442,670	2,580,533
Other Assets	(13,750)	(573,142)	(13,742)	(505,258)
Increase (decrease) in the amounts of:				
Deposit liabilities	9,586,846	(1,063,196)	9,586,732	(1,063,196)
Manager's checks	(207,682)	205,167	(207,682)	205,167
Accrued interest, taxes and other expenses	110,997	57,696	111,016	57,696
Other liabilities	9,373	595,686	9,371	595,262
Net cash generated from (used for) operations	14,684,058	4,082,262	14,684,058	4,321,747
Income taxes paid	(182,535)	(152,822)	(182,535)	(152,822)
Net cash provided by (used in) operating activities	14,501,523	3,929,440	14,501,523	4,168,925
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase (decrease) in interbank loans receivable	(6,359,153)	(2,586,856)	(6,359,153)	(2,586,856)
Acquisition of:				
Financial assets at FVOCI	(55,523,256)	(65,137,537)	(55,523,256)	(65,137,537)
Property and equipment	(75,772)	(85,281)	(75,772)	(85,281)
Software cost	(8,542)	(31,711)	(8,542)	(31,711)
Proceeds from disposal of:				
Financial assets at FVOCI	58,915,006	68,466,992	58,915,006	68,466,992
Investment Securities at Amortized Cost	11,046,126	146,893	11,046,126	146,893
Investment properties	4,166	156,470	4,166	156,470
Proceeds from maturity of Investment securities	250,000	-	250,000	-
Net cash provided by (used in) investing activities	8,248,576	928,970	8,248,576	928,970
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of:				
Bills payable	57,541,781	320,419,704	57,541,781	320,419,704
Outstanding acceptance	1,212,130	452,485	1,212,130	452,485
Marginal deposits	2,980	584,258	2,980	584,258
Settlements of:				
Bills payable	(68,274,431)	(328,620,510)	(68,274,431)	(328,620,510)
Outstanding acceptance	(755,630)	(321,701)	(755,630)	(321,701)
Marginal deposits	(19,707)	(547,967)	(19,707)	(547,967)
Net cash provided by (used) financing activities	(10,292,878)	(8,033,732)	(10,292,878)	(8,033,732)

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PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
UNAUDITED INTERIM STATEMENT OF CASH FLOWS

	Consolidated	Parent Company		
	For the Nine Months Ended September 30			
	2020	2019	2020	2019
	(Amounts in Thousands)			
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	(38,452)	(50,959)	(38,452)	(50,959)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIV	12,418,769	(3,226,281)	12,418,769	(2,986,796)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD				
Cash and Other Cash Items	2,698,682	1,389,869	2,698,682	1,357,609
Due from Bangko Sentral ng Pilipinas	10,213,521	15,224,382	10,213,521	15,168,302
Due from Other Banks	357,960	379,723	357,960	228,578
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	717,736	193,820	717,736	193,820
	13,987,899	17,187,794	13,987,899	16,948,309
CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD				
Cash and Other Cash Items	1,685,587	1,929,286	1,685,587	1,929,286
Due from Bangko Sentral ng Pilipinas	22,663,136	11,351,147	22,663,136	11,351,147
Due from Other Banks	685,929	375,164	685,929	375,164
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	1,372,016	305,916	1,372,016	305,916
	26,406,668	13,961,513	26,406,668	13,961,513

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

Consolidated										
Equity Attributable to Equity Holders of the Parent Company										
	Common Stock	Additional Paid-in Capital	Surplus reserves	Deficit	Unrealized gain (loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Cumulative Translation Adjustment	Remeasurement Losses on Retirement Liabilities	Total	Non-Controlling Interest	Total Equity
Balance at January 1, 2020	12,016,129	2,262,246	105,952	(2,807,067)	87,932	(231,664)	(78,327)	11,355,201	-	11,355,201
Total comprehensive income (loss) for the period				1,512,430	(30,347)	(38,452)	-	1,443,631	-	1,443,631
Balance at September 30, 2020 (unaudited)	12,016,129	2,262,246	105,952	(1,294,637)	57,585	(270,116)	(78,327)	12,798,832	-	12,798,832
Balance at January 1, 2019	12,016,129	2,252,826	105,893	(3,916,336)	19,416	(177,059)	25,021	10,325,890	24	10,325,914
Effect of the adoption of PFRS 16, Leases				6,407				6,407		6,407
Effect of asset disposal		9,420					(1,796)	7,624	(24)	7,600
Total comprehensive income (loss) for the period				759,681	46,475	(50,959)		755,197	-	755,197
Balance at September 30, 2019 (unaudited)	12,016,129	2,262,246	105,893	(3,150,248)	65,891	(228,018)	23,225	11,095,118	-	11,095,118
Parent Company										
Balance at January 1, 2020	12,016,129	2,262,246	105,952	(2,807,067)	87,932	(231,664)	(78,327)	11,355,201	-	11,355,201
Total comprehensive income (loss) for the period				1,512,430	(30,347)	(38,452)	-	1,443,631		1,443,631
Balance at September 30, 2020 (unaudited)	12,016,129	2,262,246	105,952	(1,294,637)	57,585	(270,116)	(78,327)	12,798,832	-	12,798,832
Balance at January 1, 2019	12,016,129	2,262,246	105,893	(3,916,336)	19,416	(177,059)	25,021	10,335,310	-	10,335,310
Effect of the adoption of PFRS 16, Leases				6,407				6,407		6,407
Total comprehensive income (loss) for the period				759,681	46,475	(50,959)	(1,796)	753,401		753,401
Balance at September 30, 2019 (unaudited)	12,016,129	2,262,246	105,893	(3,150,248)	65,891	(228,018)	23,225	11,095,118	-	11,095,118

PHILIPPINE BANK OF COMMUNICATIONS (Consolidated)
AGING OF LOANS & SELECTED RECEIVABLES
As of September 30, 2020
(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	41,622,951	39,610,552	601,237	687,072	189,473	534,617
Agrarian Reform/Other Agricultural Credit Loans	4,103,417	4,033,582	35,000	19,538	3,900	11,397
Bills Purchased	7,387,245	7,357,083	5,000	7,318	5,334	12,510
Customers' Liability on Drafts under LC/TR	548,355	548,355	0	0	0	0
Customers' Liab. for this Bank's Acceptances	4,139,819	4,114,539	25,280	0	0	0
Restructured Loans	128,513	56,455	0	45,821	9,569	16,667
Items in Litigation	505,487	0	0	17,966	71,971	415,551
SUB TOTAL	58,435,787	55,720,567	666,517	777,714	280,248	990,742
Unquoted Debt Securities	845,935	845,935	0	0	0	0
Accounts Receivable	584,371	328,801	24,273	11,048	208,119	12,129
Accrued Interest Receivable	322,108	293,773	7,721	3,856	4,985	11,774
Sales Contract Receivables	73,883	1,584	25,752	31,739	13,082	1,725
GRAND TOTAL	60,262,084	57,190,660	724,263	824,358	506,434	1,016,370

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Philippine Bank of Communications (the Parent Company) is a publicly listed domestic commercial bank organized in the Philippines, primarily to engage in commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services. The Parent Company's principal place of business is at the PBCOM Tower, 6795 Ayala Avenue corner V. A. Rufino Street, Makati City.

The Parent Company's original Certificate of Incorporation was issued by the Securities and Exchange Commission (SEC) on August 23, 1939. On June 21, 1988, the Board of Directors (BOD) of the Parent Company approved the amendment of Article IV of its Amended Articles of Incorporation to extend the corporate life of the Parent Company for another 50 years or up to August 23, 2039. The Amended Articles of Incorporation was approved by the SEC on November 23, 1988.

The Parent Company acquired a license to operate as an expanded commercial bank from the Bangko Sentral ng Pilipinas (BSP) on December 24, 1993. On March 31, 2000, the BSP's Monetary Board approved the amendment of the Parent Company's license to a regular commercial banking.

Sale of PBCOM Rural Bank (PBCRB)

On July 29, 2019, the Parent Bank sold its entire stake at PBCOM Rural Bank to Producers Savings Bank. The total amount of consideration is ₱555.8 million for 99.98% shareholdings. The move is meant to consolidate the efforts and resources at the Parent Bank which set its strategy to focus on its core business and expand its market through the ecosystem with other Lucio Co – led companies. The sale resulted to the Parent Company losing control and significant influence in PBCRB, thus beginning September 2019 report, the said company is no longer included in the Bank's consolidated financial statements.

The Parent Company's subsidiary and an associate are engaged in the following businesses:

Entity	Effective ownership	Line of business
Subsidiary		
PBCom Insurance Services Agency, Inc. (PISAI)	100.00%	Insurance Agent
Associate		
PBCom Finance Corporation	40.00%	Financing Company

On July 26, 2018, the Monetary Board of BSP, in its Resolution No. 1220, approved the Parent Company's issuance of the Long Term Negotiable Certificate of Deposits (LTNCD) of up to ₱5.0 billion 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 years. The purpose of the issuance is for long term funding.

The Parent Bank was able to raise ₱2.9 billion in its maiden issuance of LTNCD with fixed interest rate of 5.625% per annum, payable quarterly from October 8, 2018 until April 8, 2024. The amount raised was more than the initial planned volume of ₱2.0 billion.

Strategic third party investors

On August 5, 2014, the Parent Company signed a subscription agreement with P.G. Holdings Inc. (PGH), for the latter's subscription of the Parent Company's 181,080,608 common shares valued at ₱33.00 per share. These shares were issued out of the unissued portion of the Parent Company's authorized capital stock.

The subscription by PGH to the new shares of the Parent Company amounting to ₱5.98 billion was approved by the BSP on September 23, 2014. The first installment of ₱1.79 billion was paid by PGH on September 25, 2014. Subsequently, on October 1, 2014, VFC Land Resources Inc. (VFC) bought 59.24 million shares at ₱33.00 per share from the ISM Group. PGH and VFC are beneficially owned by the family of Mr. Lucio Co, bringing his total stake in the Parent Company to 49.99%.

On September 22, 2015, June 29, 2016 and September 11, 2017, the Parent Company received the second, third and final installment payments, respectively, each amounting to ₱1.39 billion for the subscribed shares of PGH (see Note 23 of AFS).

In 2015, both PGH and VFC bought additional 2.40 million shares. The following year, an additional 0.49 million shares and 9.49 million shares were acquired by PGH and VFC, respectively. In 2018, PGH bought an additional 2.27 million shares. VFC acquired 0.49 million additional shares in 2019 bringing the Co Family's total stake in the Parent Company at 53.65% as of September 30, 2020.

As of September 30, 2020, the Parent Bank had a total network of 89 regular branches, 4 branch-lite units and 149 ATMs (89 onsite and 60 offsite).

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual audited financial statements as at and for the year ended December 31, 2019.

The unaudited interim condensed consolidated financial statements of the Parent Company and its subsidiary (the Group) have been prepared on a historical cost basis, except for Financial Assets at Fair Value through Profit or Loss (FVTPL) and Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI) that are measured at fair value.

The financial statements are presented in Philippine Peso (PHP) and all values are rounded to the nearest thousands, unless otherwise stated.

Statement of Compliance

The unaudited interim condensed consolidated financial statements as of and for the three months ended September 30, 2020 had been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The unaudited interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary and are prepared for the same reporting period as the Parent Company using consistent accounting policies. The subsidiary is consolidated from the date on which control is transferred to the Parent Company.

The Parent Company controls an investee if, and only if, the Parent Company has:

- Power over the investee (that is, existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to effect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual agreements; and
- The Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of the subsidiary to align their accounting policies with the Parent Company's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for within equity as an adjustment to 'Additional paid-in capital'. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

When a change in ownership interest in a subsidiary occurs, resulting in loss of control over the subsidiary, the Parent Company:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the related OCI recorded in equity and recycle the same to the statement of income or surplus;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained; and
- Recognizes any surplus or deficit in the statement of income.

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company.

Non-controlling interests are presented separately in the unaudited interim condensed consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to the equity holders of the Parent Company. Any losses applicable to the non-controlling interests are allocated against

the interests of the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. Changes in Accounting Policies and Disclosures

PFRS 16, Leases

PFRS 16 supersedes Philippine Accounting Standard (PAS) 17, Leases, Philippine Interpretation IFRIC 4, Determining whether an Arrangement contains a Lease, Philippine Interpretation SIC-15, Operating Leases-Incentives and Philippine Interpretation SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Upon adoption, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Philippine Interpretation IFRIC 23, Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, Income Taxes. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when

making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its tax compliance assessment, in consultation with its tax counsel, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

The adoption of the following pronouncements did not have any significant impact on the Group's financial position or performance:

Amendments

- PFRS 9 (Amendment), Prepayment Features with Negative Compensation
- PAS 19 (Amendments), Employee Benefits, Plan Amendment, Curtailment or Settlement
- PAS 28 (Amendments), Long-term Interests in Associates and Joint Ventures

Annual Improvements to PFRS 2015-2018 Cycle

- Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation
- Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments
- Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization

4. Fair Value Measurement

The Bank uses three level hierarchies as a valuation technique in determining and disclosing the fair value of financial instruments:

- Level 1 – quoted (unadjusted) market prices in active market for identical assets or liabilities.
- Level 2 – valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable i.e. not based on observable market data.

As of September 30, 2020, the Bank used the following level of measurements:

Assets measured at fair value	Carrying value	Quoted Price in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets at FVTPL Government securities	₱1,329,613	₱319,258	₱1,010,355	₱-
Financial assets at FVTOCI Government securities	2,685,020	2,395,254	289,766	-
Private bonds	1,476,007	1,476,007	-	-
Equity securities	105,119	-	74,210	30,909

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.

5. Financial Risk Management

Risk is inherent in the Group's activities but is managed through a continuing and pro-active process of identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

Compared with December 31, 2019, there have been no changes in the financial risk exposures that may materially affect the unaudited interim condensed consolidated financial statements of the Group as of September 30, 2020. The Group is exposed to the following risks from its financial instruments:

- a. Credit risk
- b. Liquidity risk
- c. Market risk
 - i. Interest rate risk
 - ii. Foreign currency risk
 - iii. Equity price risk

On credit risk, the Group manages and control it by setting limits on the amount of risk it is willing to accept for individual borrowers and groups of borrowers, as well as limits on large lines and industry concentrations. Credit risk management was likewise strengthened with the implementation of ECL models. The Group's ECL calculations are output of complex models with number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

6. Consolidated Segment Information

The following tables present income and profit and certain asset and liability information regarding the Group's operating segments as of September 30, 2020 and 2019.

AS OF SEPTEMBER 30, 2020

Particulars	Branch Banking	Corporate & Commercial	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Rentals & Headquarters*	Total
Segment results							
Revenue, net of interest expense							
Third party	(735,848)	2,818,969	477,883	355,599	2,328	9,225	2,928,156
Intersegment	2,054,911	(1,427,964)	(483,604)	(172,087)	(2,017)	30,761	-
Net interest income	1,319,063	1,391,005	(5,721)	183,512	311	39,986	2,928,156
Rent income	-	-	-	-	-	536,942	536,942
Service charges, fees and commissions	59,521	193,771	-	14,864	-	41,625	309,781
Foreign Exchange gain - net	5,259	4,508	32,981	-	-	-	42,748
Income from Trust Operations	-	-	-	-	19,133	-	19,133
Trading and securities gain (loss) - net	-	-	594,967	-	-	-	594,967
Gain on asset exchange	-	-	-	-	-	2,682	2,682
Profit from asset sold/ exchange	-	-	-	-	-	199	199
Miscellaneous	1,969	18,430	7,009	-	-	57,319	84,727
Total Operating Income	1,385,812	1,607,714	629,236	198,376	19,444	678,753	4,519,335
Compensation and fringe benefits	441,850	145,453	57,629	108,894	13,767	26,959	794,552
Taxes and licenses	202,712	157,198	85,507	15,569	1,526	22,989	485,501
Depreciation and amortization	166,030	31,313	11,205	20,681	2,742	49,636	281,607
Provision for impairment losses	-	267,337	-	270,939	-	388	538,664
Occupancy and Other equipment-related cost	41,375	11,707	2,115	6,687	576	10,538	72,998
Other operating expense	348,215	99,494	98,032	58,304	9,923	34,443	648,411
Total Operating Expense	1,200,182	712,502	254,488	481,074	28,534	144,953	2,821,733
Income before share in net income of an associate	185,630	895,212	374,748	(282,698)	(9,090)	533,800	1,697,602
Share in net income of an associate	-	-	-	-	-	201	201
Income before income tax	185,630	895,212	374,748	(282,698)	(9,090)	534,001	1,697,803
Provision for income Tax	6,505	39,388	120,767	-	-	18,713	185,373
Net Income (loss)	179,125	855,824	253,981	(282,698)	(9,090)	515,288	1,512,430
Segment assets							
Property and equipment	238,101	-	-	-	-	449,118	687,219
Investment properties	-	-	-	-	-	2,428,632	2,428,632
Unallocated assets	9,766,914	51,419,337	30,553,561	5,529,617	69,193	2,939,156	100,277,778
Total segment assets	10,005,015	51,419,337	30,553,561	5,529,617	69,193	5,816,906	103,393,629
Total segment liabilities	83,678,669	606,273	4,738,644	32,103	-	1,539,108	90,594,797

* Methodology on allocation of expenses for headquarters was changed starting 2020

AS OF SEPTEMBER 30, 2019

Particulars	Branch Banking	Corporate & Commercial	Treasury Segment	Consumer Finance Segment *	Trust and Wealth Management Segment	Rentals & Headquarters	Total
Segment results							
Revenue, net of interest expense							
Third party	(1,417,919)	2,523,900	322,778	646,538	1,533	133,213	2,210,043
Intersegment	2,603,906	(1,919,885)	(228,273)	(420,862)	(3,013)	(31,873)	-
Net interest income	1,185,987	604,015	94,505	225,676	(1,480)	101,340	2,210,043
Rent income	-	-	-	-	-	546,228	546,228
Service charges, fees and commissions	66,316	198,829	1	26,223	-	10,628	301,997
Foreign Exchange gain - net	7,285	6,209	26,110	-	-	-	39,604
Income from Trust Operations	-	-	-	-	15,320	-	15,320
Trading and securities gain (loss) - net	-	-	433,123	-	-	-	433,123
Gain on asset exchange	-	-	-	-	-	(2,409)	(2,409)
Profit from asset sold/ exchange	-	-	-	-	-	8,613	8,613
Miscellaneous	6,163	16,189	368	6	-	81,552	104,278
Total Operating Income	1,265,751	825,242	554,107	251,905	13,840	745,952	3,656,797
Compensation and fringe benefits	229,173	48,353	32,004	38,170	10,594	365,793	724,087
Taxes and licenses	161,606	129,350	50,742	32,724	909	71,508	446,839
Depreciation and amortization	113,289	1,812	2,219	3,015	594	203,693	324,622
Provision for impairment losses	-	329,623	680	(3,143)	-	(113,375)	213,785
Occupancy and Other equipment-related cost	92,309	19,027	703	10,952	1,436	8,523	132,950
Other operating expense	239,039	39,008	78,140	31,106	3,253	272,146	662,692
Total Operating Expense	835,416	567,173	164,488	112,824	16,786	808,288	2,504,975
Income before share in net income of an associate	430,335	258,069	389,619	139,081	(2,946)	(62,336)	1,151,822
Share in net income of an associate	-	-	-	-	-	383	383
Income before income tax	430,335	258,069	389,619	139,081	(2,946)	(61,953)	1,152,205
Provision for income Tax	-	4,371	46,146	-	-	113,599	164,116
Net Income (loss)							
from continuing operations	430,335	253,698	343,473	139,081	(2,946)	(175,552)	988,089
Net loss from discontinued operation	-	-	-	(228,408)	-	-	(228,408)
Net income	430,335	253,698	343,473	(89,327)	(2,946)	(175,552)	759,681
Segment assets							
Property and equipment	308,998	-	-	-	-	533,351	842,349
Investment properties	-	-	-	-	-	2,559,711	2,559,711
Unallocated assets	12,139,057	47,517,602	12,437,446	6,522,328	70,043	12,334,548	91,021,024
Total segment assets	12,448,055	47,517,602	12,437,446	6,522,328	70,043	15,427,610	94,423,084
Total segment liabilities	76,946,865	370,976	1,427,666	1,772	-	4,580,687	83,327,966

7. Commitments and Contingent Liabilities

In the normal course of operations of the Group, there are outstanding commitments and contingent liabilities and bank guarantees that are not reflected in the financial statements. The Group does not anticipate losses that will materially affect its financial position and financial performance as a result of these transactions.

The following is a comparative summary of the Bank's commitments and contingent liabilities at their equivalent peso amounts.

	September 2020	December 2019
Trust department accounts	₱7,555,055	₱7,144,650
Standby LC	1,098,231	1,340,632
Spot exchange:		
Bought	1,213,126	1,052,313
Sold	1,241,241	927,871
Sight LC outstanding	284,156	80,843
Usance LC outstanding	203,234	218,883
Inward bills for collection	25,783	594,933
Outstanding shipping guarantees	209,191	117,541

Currency forwards:		
Bought	248,220	-
Sold	241,372	354,445
Outward bills for collection	10,700	22,916
Items held for safekeeping	30	37
Items held as collateral	7	7
Other contingent	2,333	16,055

Changes on the above figures are part of the regular operations of the Bank.

8. There are no other items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.
9. Except for the effect of PFRS 9 on ECL models used for impairment of financial assets which are considered significant accounting judgements and estimates, there are no other 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 may have a material effect in the current interim period.
10. There were no dividends declared or paid as of September 30, 2020 by the Parent Bank.
11. There are no contingencies and any other events or transactions that are material for the current interim period.

SEC Form 17-Q

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

1. Management's Discussion & Analysis

The Bank registered a net income of ₱1.5 Billion for the first three quarters of 2020, ₱752.7 Million or 99.1% higher than the ₱759.7 Million earned in the same period last year. Total operating income increased by ₱862.5 Million or by 23.6% amidst the COVID-19 pandemic. ₱718.1 Million improvements in net interest income was primarily a result of the decline in interest expense from lower cost of fund and lower volume. This has compensated the drop in interest income due to the loan payment holiday as a result of the Bayanihan to Heal as One Act. Other operating income also contributed to the increase in net income, which is mainly driven by higher trading gain in 2020. Total operating expenses went up by 12.6% mainly because of higher provisions for losses recognized in the current period due to deterioration of the credit scores due to the effect of the COVID-19 pandemic. Higher compensation costs from higher headcount and higher contribution to retirement fund and increase in taxes and licenses from higher GRT and higher DST on deposits also contributed to the increase in operating expenses.

Total Assets of the Group increased by ₱653.1 Million from ₱102.7 Billion as of December 2019 to ₱103.4 Billion at the end of the third quarter of 2020. This is primarily due to ₱12.45 Billion higher Due from the BSP from investment in Overnight Deposit Facility (ODF) and ₱7.01 Billion higher Interbank Loans Receivable from investment in GS Repo, offset by ₱10.9 Billion decrease in Financial Assets at Amortized Cost due to the HTC-Legacy sale in June 2020, ₱3.8 Billion decrease in Financial Assets at FVOCI and ₱3.0 Billion lower Loans & Other Receivables. The Group's gross NPL ratio slightly decreased to 3.17% from the end of 2019 level of 3.82%.

Total Liabilities amounted to ₱90.6 Billion with a decrease of 0.9% from the last year's end level of ₱91.4 Billion. This resulted mostly from lower bills payable by ₱10.7 Billion partially offset by ₱9.6 Billion increase in Deposits, mostly in Demand deposits by ₱6.5 Billion due to the Bank's efforts to increase volume of low-cost source of funds and Time Deposits by ₱3.2 Billion. Total Capital, on the other hand, amounted to ₱12.8 Billion from ₱11.4 Billion last December 2019. Improvement in capital by 12.7% was mainly contributed by the earnings of the Bank as of September 2020.

On quarter by quarter basis, the Bank registered a net income of ₱556.5 Million for the third quarter of 2020, ₱389.8 Million or 233.8% higher than the ₱166.7 Million earned in the same period last year. This was driven by ₱380.7 Million increase in total operating income or by 30.0%, which is mainly attributable to ₱278.5 Million improvements in net interest margin because of the decline in interest expense mostly from lower cost of funds. Trading results also improved further this quarter as the Bank recognized ₱230.3 Million in gains, an 81.3% increase compared to the same quarter last year. ₱213.6 Million increase in operating expenses, primarily from higher provision for credit costs partially pulled down the revenues.

The Group's consolidated Risk-Based Capital Adequacy ratio is 18.05% under BASEL 3 and is well above the 10% minimum requirement despite the global crisis on COVID-19. The ratio covers credit, market and operational risks for the first nine (9) months of 2020.

2. Discussion of various key indicators:

A. Key Financial Performance (consolidated)

Ratio	September 2020	September 2019	Remarks
Net Profit Margin (Net income divided by Gross income)	33.47%	20.77%	Net profit margin increased by 12.69 % pts. due to higher net income driven by higher total operating income and higher net income from discontinuing operations due to loss on sale

			recognized in 2019.
Return on Average Asset (Net income divided by Average assets)	1.47%	0.77%	Increase by 70bps from higher net income during the current period driven by higher total operating income and higher net income from discontinuing operations due to loss on sale recognized in 2019.
Return on Average Equity (Net income divided by Average equity)	12.52%	7.09%	Return on average equity increased by 5.43 % pts. from higher net income during the current period driven by higher total operating income and higher net income from discontinuing operations due to loss on sale recognized in 2019. The ratio increased despite an upward movement in equity by 12.8% primarily from the results of the current operations.
Capital Adequacy Ratio (Basel 3) (Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)	18.05%	17.11%	Capital ratio improved by 94 bps as a result of higher qualifying capital by ₱1.4 Billion.
Basic Earnings per share (Net income divided by average no. of common shares)	3.15	1.58	Increase in basic earnings per share by ₱1.57 from higher net income during the current period driven by higher total operating income and higher net income from discontinuing operations due to loss on sale recognized in 2019.

B. Financial Soundness (consolidated)

Ratio	September 2020	December 2019	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>	47.21%	48.23%	Ratio slightly declined by 1.02 % pts., mainly due to higher outstanding deposits arising from increase in demand and time deposits of ₱9.6 billion.
Debt Ratio (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	87.62%	88.95%	Debt ratio is lower by 1.33 % pts. as a result of decrease in total liabilities by ₱790.5 million (0.87%) and increase in total assets increase by ₱653.1 million (0.64%). Total Liabilities declined primarily as a result of lower Bills Payable, partially offset by higher Total Deposits while Total Assets increased mostly due to higher liquid assets.
Asset to Equity Ratio (Total Asset to Total Equity)	8.08	9.05	Ratio is lower by 0.97bps mainly as result of ₱1.4 billion higher equity arising from the net income generated during nine months' performance of the Bank. Total Assets slightly increased by ₱0.6 billion (0.64%) which partially offset the decline in ratio.
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	290.47%	168.39%*	Bank's interest rate coverage increased by 122.08 % pts. Due to decline in interest expense mainly from lower cost of funds.
Net Interest Margin Net interest income over Average Earning assets	3.68%	2.81%*	Ratio went up by 0.87 bps primarily from lower interest expense from lower cost of funds.

* As of September 2019

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

- a. The Bank has experienced an increase in past due levels in loans due to the outbreak of COVID-19. This necessitated an increase in loan provisions. However, a gradual pick-up in business activity is expected as the government gradually relaxes the quarantine measures.
- b. The Bank does not have any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- c. As of September 30, 2020, the unspent amount from the approved capital expenditures budget on technology enhancement, realignment and facility improvement amounted to ₱356.3 Million.
- d. The full impact of the pandemic is still unknown and this may affect the performance of the Bank should this further prolong. However, the Bank has taken prudent steps to mitigate the risk through more prudent credit process, tighter credit policies and, more importantly, continue its assessment of our portfolio by regularly doing the stress test exercise.
- 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: September 2020 vs. December 2019 (consolidated)

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(1,013,095)	-37.54%	Lower cash on hand mainly those in extended vault
Due from BSP	12,449,615	121.89%	Higher mostly from ODF
Due from Other Banks	327,969	91.62%	Higher funds with foreign banks
Interbank Loans Receivable	7,013,433	977.16%	Higher investment in GS Repo in 2020
Financial assets at Fair Value through Profit or Loss	(338,214)	-20.28%	Lower investments in FVTPL
Financial assets at Fair Value thorough Other Comprehensive Income	(3,828,216)	-47.29%	Sale of investments in FVOCI
Investment securities at Amortized Cost	(10,859,660)	-84.51%	Lower due to sale of HTC in 2020
Loans and Receivables	(3,018,689)	-4.93%	Decline in outstanding loan primarily in corporate loans
Investment in a subsidiary and associate	201	1.45%	Share in net income for the period
Property and Equipment	(38,520)	-5.31%	Decline due to depreciation recognized for the period
Investment Properties	(34)	0.00%	Depreciation of ROPA Bldg, condo and office units for lease offset by ROPA acquisitions
Intangible Assets	(41,351)	-6.14%	Lower mostly due to amortization of software during the period, partially offset by acquisitions
Other Assets	(314)	-0.03%	Lower due to depreciation of ROU asset
Demand Deposits	6,464,255	23.76%	Higher deposits volume primarily in Demand deposits and Time Deposits
Savings Deposits	(50,532)	-0.55%	
Time Deposits	3,173,123	8.67%	
Bills Payable	(10,732,650)	-82.15%	Lower due to lower BP-BSP, BP-interbank call loans and bills payable -- REPO, partially offset by higher BP- deposit substitute

Outstanding Acceptances	456,500	496.98%	Due to higher bills of exchange accepted by the Bank
Manager's Checks	(207,682)	-46.90%	Lower un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	110,997	15.58%	Higher expense accruals as of the period primarily due to accrual of bonuses paid out before end of year
Income Tax payable	2,838	12.11%	Higher income tax due for the period
Other Liabilities	(7,355)	-0.63%	Lower mainly due to decline in marginal deposits and ATM fees payables

Statement of Income and Expenses : January-September 2020 vs January-September 2019 (consolidated)

	Increase (Decrease)	Percentage	Remarks
Interest Income on investment securities	(149,218)	-27.41%	Lower interest income mainly due to decrease in volume mainly in HTC as a result of the sale in 2020
Interest Income on Loans and receivable	(18,827)	-0.57%	Lower interest income mainly due to adjustment in interest income in relation to the loan payment holiday of Bayanihan Act and decline in yields partially offset by the growth in volume of corporate loans
Interest Income on IBCL	28,445	77.11%	Increase from higher volume, mainly in GS REPO
Interest Income on Deposit with other Banks and others	64,822	710.46%	Higher income from increase in volume mainly in ODF
Interest Expense on Deposit Liabilities	(454,933)	-37.57%	Decline from lower cost of funds, mainly in TDs
Interest Expense on Bills payable, borrowings and others	(337,958)	-71.42%	Decrease in interest expense mainly due to lower cost of funds and lower volume
Trading and Securities Gain – net	161,844	37.37%	Higher trading gains, mostly realized
Rent Income	(9,286)	-1.70%	Lower mainly due to impact of re-negotiated contracts of tenants as a result of the COVID-19 crisis
Service Charges, Fees & Commissions	7,784	2.58%	Higher mostly due to increase in penalties on loans
Foreign Exchange Gain (Loss) –Net	3,144	7.94%	Increase is mainly due to higher foreign exchange revaluation gain in 2020
Gain on asset exchange	5,091	-211.33%	Higher gain on ROPA foreclosure vs prior year
Profit/(Loss) from Assets Sold/Exchanged	(8,414)	-97.69%	Lower gain on sale of ROPA
Income from Trust Operations	3,813	24.89%	Higher trust fees during the comparative period due to diversification of products and services, coupled with appropriate pricing strategy to differentiate products/services according to complexity
Miscellaneous Income	(19,551)	-18.75%	Lower due to decline in aircon extension of tenants mostly due to limited operation during ECQ, and write-off of branch LRI in 2020
Compensation and Fringe Benefits	70,465	9.73%	Higher costs from higher headcount and higher contribution to retirement fund
Taxes and Licenses	38,662	8.65%	Higher from increase in GRT from higher income and higher DST on deposits
Depreciation and Amortization	(43,015)	-13.25%	Lower depreciation mainly from fully amortized LRI of branches, fully depreciated furniture and fixture and office equipment in 2019 and lower AL ROPA depreciation due to sale in 2019
Occupancy and other equipment-related costs	(59,952)	-45.09%	Lower rent expense due to inclusion of more lease contracts in compliance to PFRS 16 where rent expense is reversed and depreciation of right of use asset is otherwise recognized
Provision for impairment losses	324,879	151.97%	Higher provision requirement in 2020 mostly due to deterioration of credit scores as the impact of the pandemic
Miscellaneous	(14,281)	-2.15%	Decline primarily due to lower security services because of the impact of closure of some branches and lower cost of security services during ECQ, lower litigation expenses and lower credit investigation fees
Provision for income tax	21,257	12.95%	Higher income tax due to higher taxable income base
Net income (loss) from discontinued operations	228,408	-100.00%	Higher due to the loss incurred by PBCRB in 2019 and the loss on the sale recognized when PBCRB was sold in 3Q of 2019