

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)

<u>Michael Stephen H. Lao</u>	<u>212-167-776</u>	<u>June 16, 1983</u>
(Company Representative)	(TIN)	(Birth Date)

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Cashier

File Number

Central Receiving Unit

Document ID

LCU

SECURITIES AND EXCHANGE COMMISSION



SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2021.
2. Commission identification number PW-686 3. BIR Tax Identification No. 000-263-340.
4. Exact name of issuer as specified in its charter
Philippine Bank of Communications.
5. Province, country or other jurisdiction of incorporation or organization Philippines.
6. Industry Classification Code: (e Only)
7. Address of issuer's principal office Postal Code
PBCOM Tower 6795 Ayala Ave., Cor. V.A. Rufino St., Makati City 1226.
8. Issuer's telephone number, including area code
(632) 8-830-7000.
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 ☒ No ☐
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
Philippine Stock Exchange Common Stock

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [/] No []

- (b) has been subject to such filing requirements for the past ninety (90) days.

Yes [/] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please see attached

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

Please see attached

PART II--OTHER INFORMATION

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHILIPPINE BANK OF COMMUNICATIONS

By:



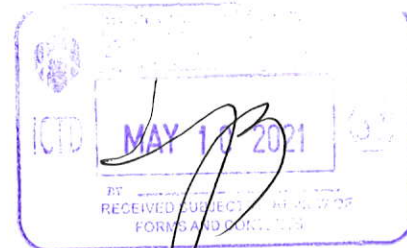
PATRICIA MAY T. SIY
President & CEO



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

May 10, 2021

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
UNAUDITED INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2021
(With Comparative Figures as of December 31, 2020)



	Consolidated		Parent Company	
	March 31, 2021 (Unaudited)	December 31, 2020	March 31, 2021 (Unaudited)	December 31, 2020
(Amounts in Thousands)				
ASSETS				
Cash and Other Cash Items	1,656,998	2,467,099	1,656,998	2,467,099
Due from Bangko Sentral ng Pilipinas	8,632,603	20,597,868	8,632,603	20,597,868
Due from Other Banks	544,402	1,495,485	544,512	1,495,485
Interbank Loans Receivable	791,161	6,054,454	791,161	6,054,454
Financial assets at Fair Value through Profit or Loss	495,370	718,294	495,370	718,294
Financial assets at Fair Value through Other Comprehensive Income	17,247,748	5,137,816	17,247,748	5,137,816
Investment Securities at Amortized Cost	9,236,904	2,263,356	9,236,904	2,263,356
Loans and Other Receivables	57,425,332	57,623,993	57,428,036	57,626,707
Investment in a Subsidiary and Associate	14,156	14,114	20,271	20,252
Property and Equipment	871,005	894,617	871,005	894,617
Investment Properties				
Condominium units for lease	1,776,464	1,788,559	1,776,464	1,788,559
Foreclosed properties	612,947	610,075	612,947	610,075
Office units for lease	2,836	2,923	2,836	2,923
Intangible Assets	589,489	613,526	589,489	613,526
Deferred Tax Assets	172,018	170,608	172,018	170,608
Other Assets	885,986	777,431	884,587	776,034
TOTAL ASSETS	100,955,419	101,230,218	100,962,949	101,237,673
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities				
Demand	33,350,521	30,865,282	33,359,480	30,874,143
Savings	9,793,019	9,664,945	9,793,019	9,664,945
Time	35,220,407	40,367,517	35,220,407	40,367,517
Long-term negotiable certificates of deposits	2,884,978	2,883,668	2,884,978	2,883,668
	81,248,925	83,781,412	81,257,884	83,790,273
Bills Payable	4,654,368	2,182,844	4,654,368	2,182,844
Outstanding Acceptances	156,055	497,813	156,055	497,813
Manager's Checks	350,285	188,100	350,285	188,100
Accrued Interest, Taxes and Other Expenses	801,970	802,785	801,758	802,637
Income Tax payable	246,233	146,866	246,233	146,866
Other Liabilities	1,031,366	1,100,720	1,030,149	1,099,462
TOTAL LIABILITIES	88,489,202	88,700,540	88,496,732	88,707,995
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	106,418	106,418	106,418	106,418
Deficit	(1,379,485)	(1,638,621)	(1,379,485)	(1,638,621)
Unrealized gain on financial assets at fair value through other comprehensive income	(236,847)	100,093	(236,847)	100,093
Cumulative translation adjustment	(197,121)	(211,464)	(197,121)	(211,464)
Remeasurement losses on defined benefit liability	(105,123)	(105,123)	(105,123)	(105,123)
TOTAL EQUITY	12,466,217	12,529,678	12,466,217	12,529,678
TOTAL LIABILITIES AND EQUITY	100,955,419	101,230,218	100,962,949	101,237,673

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



	Consolidated		Parent Company	
	For the three months ended March 31 (January to March)			
	2021	2020	2021	2020
(Amounts in Thousands, Except Earnings per Share)				
INTEREST INCOME				
Investment securities	95,563	242,698	95,563	242,698
Loans and receivables	976,709	1,132,470	976,709	1,132,470
Interbank loans receivable and securities purchased under resale agreements	26,280	19,071	26,280	19,071
Deposits with other banks and others	26,376	6,087	26,376	6,087
	1,124,928	1,400,326	1,124,928	1,400,326
INTEREST AND FINANCE CHARGES				
Deposit liabilities	123,682	288,772	123,682	288,772
Bills payable, borrowings and others	7,249	88,603	7,249	88,603
	130,931	377,375	130,931	377,375
NET INTEREST INCOME				
	993,997	1,022,951	993,997	1,022,951
Trading and securities gain - net	(144,514)	158,653	(144,514)	158,653
Rent Income	152,536	190,784	152,536	190,784
Service charges, fees and commissions	96,304	90,250	96,304	90,250
Foreign exchange gain - net	7,438	5,327	7,438	5,327
Gain (loss) on asset exchange - net	(1,192)	9,581	(1,192)	9,581
Profit from assets sold	1,318	526	1,318	526
Income from trust operations	6,563	6,303	6,563	6,303
Miscellaneous	33,530	30,826	33,531	30,827
TOTAL OPERATING INCOME	1,145,980	1,515,201	1,145,981	1,515,202
Compensation and fringe benefits	232,862	261,247	232,862	261,247
Taxes and licenses	138,122	157,186	138,115	157,185
Depreciation and amortization	99,379	88,689	99,379	88,689
Occupancy and other equipment - related costs	25,540	28,198	25,540	28,198
Provision for impairment losses	9,126	209,892	9,126	209,892
Insurance	42,609	36,942	42,609	36,942
Management and professional fees	23,900	38,764	23,886	38,749
Security, clerical, messengerial and janitorial services	23,551	24,058	23,551	24,058
Entertainment, amusement and recreation	55,641	28,599	55,641	28,599
Communication	11,993	12,241	11,993	12,241
Miscellaneous	98,362	107,834	98,361	107,834
TOTAL OPERATING EXPENSES	761,085	993,650	761,063	993,634
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARY AND AN ASSOCIATE				
	384,895	521,551	384,918	521,568
Share in net income of subsidiary and an associate	42	76	19	59
INCOME BEFORE INCOME TAX	384,937	521,627	384,937	521,627
PROVISION FOR INCOME TAX	125,801	72,965	125,801	72,965
NET INCOME	259,136	448,662	259,136	448,662
Attributable to:				
Equity holders of the Parent Company	259,136	448,662		
Non-controlling interest	-	-		
	259,136	448,662		
Basic/ Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company				
	0.54	0.93		

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

	Consolidated		Parent Company	
	For the three months ended March 31 (January to March)			
	2021	2020	2021	2020
	(Amounts in Thousands)			
NET INCOME	259,136	448,662	259,136	448,662
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	14,343	(30,631)	14,343	(30,631)
Unrealized gain (loss) on financial assets carried at fair value through other comprehensive income	(336,940)	(188,283)	(336,940)	(188,283)
	(322,597)	(218,914)	(322,597)	(218,914)
<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	-	-	-	-
	-	-	-	-
	(322,597)	(218,914)	(322,597)	(218,914)
TOTAL OTHER COMPREHENSIVE INCOME	(63,461)	229,748	(63,461)	229,748
Attributable to:				
Equity holders of the Parent Company	(63,461)	229,748		
Non-controlling interest	-	-		
TOTAL OTHER COMPREHENSIVE INCOME	(63,461)	229,748		

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

	Consolidated		Parent Company	
	For the Three Months Ended			
	March 31			
	2021	2020	2021	2020
	(Amounts in Thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	384,937	521,627	384,937	521,627
Adjustments to reconcile income before income tax to net cash generated from (used for) operations:				
Accretion of interest on unquoted debt securities	(17,281)	(20,582)	(17,281)	(20,582)
Depreciation and amortization	99,379	88,689	99,379	88,689
Provision for impairment losses	9,126	209,892	9,126	209,892
Loss (profit) on asset exchange	1,192	(9,581)	1,192	(9,581)
Gain from asset sold	(1,318)	(526)	(1,318)	(526)
Unrealized (gain) loss on financial assets at FVTPL	(336,940)	(188,283)	(336,940)	(188,283)
Share in net income of a subsidiary and an associate	(42)	(76)	(19)	(59)
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Financial assets at FVTPL	222,924	1,419,803	222,924	1,419,803
Loans and Receivable	177,952	1,064,820	176,552	1,064,812
Other Assets	(97,802)	(25,405)	(97,800)	(25,398)
Increase (decrease) in the amounts of:				
Deposit liabilities	(2,532,487)	2,369,567	(2,532,389)	2,369,566
Manager's checks	162,185	(301,392)	162,185	(301,392)
Accrued interest, taxes and other expenses	(815)	30,207	(879)	30,191
Other liabilities	(76,883)	(63,571)	(76,842)	(63,570)
Net cash generated from (used for) operations	(2,005,873)	5,095,189	(2,007,173)	5,095,189
Income taxes paid	(27,844)	(52,184)	(26,434)	(52,184)
Net cash provided by (used in) operating activities	(2,033,717)	5,043,005	(2,033,607)	5,043,005
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase (decrease) in interbank loans receivable	3,902,952	(2,600,000)	3,902,952	(2,600,000)
Acquisition of:				
Financial assets at FVOCI	(33,781,963)	(30,086,809)	(33,781,963)	(30,086,809)
Property and equipment	(27,566)	(39,840)	(27,566)	(39,840)
Software cost	-	(5,247)	-	(5,247)
Proceeds from disposal of:				
Financial assets at FVOCI	14,698,483	33,101,196	14,698,483	33,101,196
Property and equipment	-	13,480	-	13,480
Investment properties	3,384	36,606	3,384	36,606
Net cash provided by (used in) investing activities	(15,204,711)	419,387	(15,204,711)	419,387
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of:				
Bills payable	26,722,719	36,156,766	26,722,719	36,156,766
Outstanding acceptance	140,846	35,229	140,846	35,229
Marginal deposits	380	31,110	380	31,110
Settlements of:				
Bills payable	(24,251,195)	(40,698,435)	(24,251,195)	(40,698,435)
Outstanding acceptance	(482,604)	(58,317)	(482,604)	(58,317)
Marginal deposits	7,149	(11,931)	7,149	(11,931)
Net cash provided by (used) financing activities	2,137,295	(4,545,578)	2,137,295	(4,545,578)

forward

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

	Consolidated		Parent Company	
	For the Three Months Ended			
	March 31			
	2021	2020	2021	2020
	(Amounts in Thousands)			
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	14,343	(30,631)	14,343	(30,631)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIV	(15,086,790)	886,183	(15,086,680)	886,183
CASH AND CASH EQUIVALENTS AT				
BEGINNING OF THE PERIOD				
Cash and Other Cash Items	2,467,099	2,698,682	2,467,099	2,698,682
Due from Bangko Sentral ng Pilipinas	20,597,868	10,213,521	20,597,868	10,213,521
Due from Other Banks	1,495,485	357,960	1,495,485	357,960
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	2,151,502	717,736	2,151,502	717,736
	26,711,954	13,987,899	26,711,954	13,987,899
CASH AND CASH EQUIVALENTS AT				
ENDING OF THE PERIOD				
Cash and Other Cash Items	1,656,998	2,777,752	1,656,998	2,777,752
Due from Bangko Sentral ng Pilipinas	8,632,603	10,111,492	8,632,603	10,111,492
Due from Other Banks	544,402	290,162	544,512	290,162
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	791,161	1,694,676	791,161	1,694,676
	11,625,164	14,874,082	11,625,274	14,874,082

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

Consolidated										
Equity Attributable to Equity Holders of the Parent Company										
				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, 2021	12,016,129	2,262,246	106,418	(1,638,621)	100,093	(211,464)	(105,123)	12,529,678	-	12,529,678
Total comprehensive income (loss) for the period				259,136	(336,940)	14,343	-	(63,461)	-	(63,461)
Balance at March 31, 2021 (unaudited)	12,016,129	2,262,246	106,418	(1,379,485)	(236,847)	(197,121)	(105,123)	12,466,217	-	12,466,217
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				448,662	(188,283)	(30,631)	-	229,748	-	229,748
Balance at March 31, 2020 (unaudited)	12,016,129	2,262,246	105,952	(2,358,405)	(100,351)	(262,295)	(78,327)	11,584,949	-	11,584,949
Parent Company										
Balance at January 1, 2021	12,016,129	2,262,246	106,418	(1,638,621)	100,093	(211,464)	(105,123)	12,529,678	-	12,529,678
Total comprehensive income (loss) for the period				259,136	(336,940)	14,343	-	(63,461)	-	(63,461)
Balance at March 31, 2021 (unaudited)	12,016,129	2,262,246	106,418	(1,379,485)	(236,847)	(197,121)	(105,123)	12,466,217	-	12,466,217
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				448,662	(188,283)	(30,631)	-	229,748	-	229,748
Balance at March 31, 2020 (unaudited)	12,016,129	2,262,246	105,952	(2,358,405)	(100,351)	(262,295)	(78,327)	11,584,949	-	11,584,949

PHILIPPINE BANK OF COMMUNICATIONS (Consolidated)
AGING OF LOANS & SELECTED RECEIVABLES
As of March 31, 2021
(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	47,942,779	46,319,048	266,633	169,506	839,644	347,947
Agrarian Reform/Other Agricultural Credit Loans	3,692,623	3,660,267	32,357	0	0	0
Bills Purchased	1,988,969	1,847,209	0	0	0	141,760
Customers' Liability on Drafts under LC/TR	156,055	156,055	0	0	0	0
Customers' Liab. for this Bank's Acceptances	3,574,072	3,520,620	0	29,405	2,297	21,750
Restructured Loans	407,873	286,199	0	50,847	63,601	7,225
Items in Litigation	540,816	0	0	47	265,399	275,370
SUB TOTAL	58,303,188	55,789,398	298,990	249,806	1,170,942	794,052
Unquoted Debt Securities	824,238	824,238	0	0	0	0
Accounts Receivable	341,317	274,409	6,212	20,879	23,860	15,959
Accrued Interest Receivable	389,067	366,438	4,505	1,563	12,829	3,731
Sales Contract Receivables	62,082	44,802	956	724	3,244	12,356
GRAND TOTAL	59,919,892	57,299,284	310,662	272,972	1,210,875	826,098

**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
<i>Subsidiary</i>		
PBCom Insurance Services Agency, Inc. (PISAI)	100.00%	Insurance Agent
<i>Associate</i>		
PBCom Finance Corporation	40.00%	Financing Company

On January 11, 2021, the Board of Directors of PBCOM approved the dissolution and retirement of business of PISAI. PISAI, which has been inactive for the past 3-years have continuously remained inactive but continued to incur operating expenses. PBCOM does not see any need for the subsidiary and have decided to retire the business operations.

To date, PBCOM is in the process of filing the retirement of PISAI's business operations.

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 and VFC acquired 0.49 million additional shares in 2019. The Co Family's total stake in the Parent Company is at 53.65% as of March 31, 2021.

As of March 31, 2021, the Parent Bank had a total network of 89 regular branches, 4 branch-lite units and 156 ATMs (89 onsite and 67 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, 2020.

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 March 31, 2021 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

The accounting policies adopted are consistent with those of the previous financial year, except for

the adoption of new standards and amendments effective as of January 1, 2020. The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

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

Amendments

- PFRS 3, Business Combinations, Definition of a B
- PFRS 7, Financial Instruments: Disclosures
- PFRS 9, Financial Instruments, Interest Rate Benchmark Reform
- PAS 1, PAS 1, Presentation of Financial Statements
- PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material
- PFRS 7, Financial Instruments: Disclosures
- Conceptual Framework for Financial Reporting
- PFRS 16, COVID-19-related Rent Concessions

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 March 31, 2021, 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	₱495,370	₱-	₱495,370	₱-
Financial assets at FVTOCI Government securities	17,142,629	2,767,337	14,375,292	-
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, 2020, 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 March 31, 2021. 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 March 31, 2021 and 2020.

AS OF MARCH 31, 2021

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	(83,593)	841,224	128,402	105,915	812	1,237	993,997
Intersegment	370,951	(292,022)	(113,615)	(23,170)	(815)	58,671	-
Net interest income	287,358	549,202	14,787	82,745	(3)	59,908	993,997
Rent income	-	-	-	-	-	152,536	152,536
Service charges, fees and commissions	19,869	68,743	-	1,936	-	5,756	96,304
Foreign Exchange gain - net	1,561	1,918	3,959	-	-	-	7,438
Income from Trust Operations	-	-	-	-	6,563	-	6,563
Trading and securities gain (loss) - net	-	-	(144,514)	-	-	-	(144,514)
Gain on asset exchange	-	-	-	-	-	(1,192)	(1,192)
Profit from asset sold/ exchange	-	-	-	-	-	1,318	1,318
Miscellaneous	3,252	6,077	4,454	3	-	19,744	33,530
Total Operating Income	312,040	625,940	(121,314)	84,684	6,560	238,070	1,145,980
Compensation and fringe benefits	141,534	43,481	13,946	24,738	3,609	5,554	232,862
Taxes and licenses	65,987	36,471	10,506	3,612	229	21,317	138,122
Depreciation and amortization	55,645	11,761	4,339	7,489	1,009	19,136	99,379
Provision for impairment losses	-	6,865	6,135	(6,517)	-	2,643	9,126
Occupancy and Other equipment-related cost	19,882	1,890	650	2,669	114	335	25,540
Other operating expense	121,132	41,289	57,872	19,076	2,243	14,444	256,056
Total Operating Expense	404,180	141,757	93,448	51,067	7,204	63,429	761,085
Income before share in net income of an associate	(92,140)	484,183	(214,762)	33,617	(644)	174,641	384,895
Share in net income of an associate	-	-	-	-	-	42	42
Income before income tax	(92,140)	484,183	(214,762)	33,617	(644)	174,683	384,937
Provision for income Tax	13	446	24,050	-	-	101,292	125,801
Net Income (loss)	(92,153)	483,737	(238,812)	33,617	(644)	73,391	259,136
Segment assets							
Property and equipment	222,890	-	-	-	-	648,115	871,005
Investment properties	-	-	-	-	-	2,392,247	2,392,247
Unallocated assets	9,102,131	51,777,917	29,450,974	4,402,957	84,845	2,873,343	97,692,167
Total segment assets	9,325,021	51,777,917	29,450,974	4,402,957	84,845	5,913,705	100,955,419
Total segment liabilities	79,605,543	204,430	6,921,827	20,556	263	1,736,583	88,489,202

AS OF MARCH 31, 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	(320,309)	962,533	245,483	132,828	771	1,645	1,022,951
Intersegment	708,688	(551,913)	8,876	(69,083)	(1,214)	(95,354)	-
Net interest income	388,379	410,620	254,359	63,745	(443)	(93,709)	1,022,951
Rent income	-	-	-	-	-	190,784	190,784
Service charges, fees and commissions	24,120	56,017	-	6,100	-	4,013	90,250
Foreign Exchange gain - net	2,063	1,736	1,528	-	-	-	5,327
Income from Trust Operations	-	-	-	-	6,303	-	6,303
Trading and securities gain (loss) - net	-	-	158,653	-	-	-	158,653
Gain on asset exchange	-	-	-	-	-	9,581	9,581
Profit from asset sold/ exchange	-	-	-	-	-	526	526
Miscellaneous	(1,596)	6,577	2,252	-	-	23,593	30,826
Total Operating Income	412,966	474,950	416,792	69,845	5,860	134,788	1,515,201
Compensation and fringe benefits	145,795	47,283	18,469	36,265	4,238	9,197	261,247
Taxes and licenses	55,311	58,629	24,387	6,820	318	11,721	157,186
Depreciation and amortization	51,843	9,329	3,528	6,313	747	16,929	88,689
Provision for impairment losses	-	180,502	-	29,457	-	(67)	209,892
Occupancy and Other equipment-related cost	17,761	2,300	565	3,190	70	4,312	28,198
Other operating expense	124,628	37,932	42,701	26,017	3,722	13,438	248,438
Total Operating Expense	395,338	335,975	89,650	108,062	9,095	55,530	993,650
Income before share in net income of an associate	17,628	138,975	327,142	(38,217)	(3,235)	79,258	521,551
Share in net income of an associate	-	-	-	-	-	76	76
Income before income tax	17,628	138,975	327,142	(38,217)	(3,235)	79,334	521,627
Provision for income Tax	846	19,259	49,058	-	-	3,802	72,965
Net income	16,782	119,716	278,084	(38,217)	(3,235)	75,532	448,662
Segment assets							
Property and equipment	290,466	-	-	-	-	424,451	714,917
Investment properties	-	-	-	-	-	2,449,013	2,449,013
Unallocated assets	11,209,429	52,243,091	23,756,274	6,271,384	77,084	3,759,074	97,316,336
Total segment assets	13,077,111	41,748,238	13,775,886	12,726,323	60,358	16,152,581	100,480,266
Total segment liabilities	83,030,459	149,537	4,173,549	659	-	1,541,113	88,895,317

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.

	March 2021	December 2020
Trust department accounts	₱7,697,472	₱7,973,683
Standby LC	796,489	1,112,021
Spot exchange:		
Bought	1,028,763	1,300,002
Sold	1,393,829	1,460,869
Sight LC outstanding	962,332	792,459
Usance LC outstanding	132,929	84,331
Inward bills for collection	30,221	13,108
Outstanding shipping guarantees	474,698	403,601
Currency forwards:		
Bought	3,208	3,811
Sold	51,864	337,400

Outward bills for collection	22,806	32,053
Items held for safekeeping	23	25
Items held as collateral	7	7
Other contingent	5,625	12,700

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 March 31, 2021 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 ₱259.1 Million for the first quarter of 2021, a ₱189.5 Million or 42.2% than the ₱448.7 Million earned in the same period last year. Total operating income decreased by ₱369.2 Million or by 24.4%, primarily from trading losses incurred during the current quarter, causing a ₱303.2 Million decline.

Net interest income for the period amounting to ₱994.0 Million fell slightly by 2.8% primarily from lower loan and investments yields and decline in loan volume. Fees increased mostly due to higher commitment fees while rent income declined due to vacancies of leased floors, pre-terminations, and re-negotiated contracts of tenants as a result of the COVID-19 crisis. These and the trading losses recognized for the first quarter mainly caused the total other operating income to decrease by ₱340.3 Million. Total operating expenses went down by 23.4% mainly because of lower provisions for losses recognized in the current period. Lower compensation costs from lower headcount and decline in taxes and licenses from lower GRT also contributed to the drop in operating expenses.

Total Assets of the Group decreased by ₱274.8 Million from ₱101.2 Billion as of December 2020 to ₱101.0 Billion at the end of the first quarter of 2021. This is primarily due to ₱12.0 Billion lower Due from the BSP from investment in Overnight Deposit Facility (ODF) and ₱5.3 Billion lower Interbank Loans Receivable from investment in GS Repo, offset by ₱12.1 Billion higher investments in Financial Assets at Fair Value through Other Comprehensive Income, ₱7.0 Billion increase in Investment Securities at Amortized Cost.

The Group's gross NPL ratio increased to 5.79% from the end of 2020 level of 3.63%.

Total Liabilities amounted to ₱88.5 Billion with a slight decrease of 0.2% from the last year's end level of ₱88.7 Billion. This resulted mostly from ₱2.53 Billion decline in deposit liabilities, mainly from lower time deposit volume, partially offset by ₱2.47 Billion increase in bills payable. Total Capital amounted to ₱12.47 Billion from ₱12.53 Billion last December 2020. This slight decline is due to unrealized loss on Financial Assets at Fair Value through Other Comprehensive Income, offset by the earnings of the Bank as of the first quarter.

The Group's consolidated Risk-Based Capital Adequacy ratio is 18.50% 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 three (3) months of 2021.

2. Discussion of various key indicators:

A. Key Financial Performance (consolidated)

Ratio	March 2021	March 2020	Remarks
Net Profit Margin (Net income divided by Gross income)	22.61%	29.61%	Net profit margin decreased by 7.0 % pts. due to lower net income driven by lower operating income
Return on Average Asset (Net income divided by Average assets)	0.26%	0.44%	Decrease by 19 bps from lower net income during the current period driven by lower total operating income
Return on Average Equity (Net income divided by Average equity)	2.07%	3.91%	Return on average equity decreased by 1.84 % pts. from lower net income during the current period driven by lower total operating income 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)	18.50%	16.81%	Capital ratio improved by 1.69% as a result of higher qualifying capital by ₱970 million and lower total risk weighted assets by ₱2.15 billion
Basic Earnings per share (Net income divided by average no. of common shares)	0.54	0.93	Decrease in basic earnings per share by ₱0.39 from lower net income during the current period.

B. Financial Soundness (consolidated)

Ratio	March 2021	December 2020	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>	47.51%	46.23%	Ratio increased by 1.28 % pts., mainly due to higher liquid assets in relation to total deposits which declined as of Mar2021
Debt Ratio (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	87.65%	87.62%	Debt ratio slightly increased by 3bps as a result of decrease in total assets mostly in investments in BSP ODF.
Asset to Equity Ratio (Total Asset to Total Equity)	8.10	8.08	Ratio improved by 2bps mainly as result of slight decline in equity as a result of unrealized loss on Financial Assets at Fair Value through Other Comprehensive Income
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	393.97%	238.20%*	Bank's interest rate coverage increased by 155.76 % pts. due to decline in interest expense mainly from lower cost of funds
Net Interest Margin Net interest income over Average Earning assets	1.25%	1.22%*	Ratio went up by 3 bps primarily from higher impact of lower average earning assets than the decline in net interest income

* As of March 2020

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 March 31, 2021, the unspent amount from the approved capital expenditures budget on projects involving technology enhancement, and facilities improvement amounted to ₱43.4 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: March 2021 vs. December 2020 (consolidated)

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(810,101)	-32.84%	Lower cash on hand and those with service provider
Due from BSP	(11,965,265)	-58.09%	Lower mostly due to decline in placement in ODF
Due from Other Banks	(951,083)	-63.60%	Lower funds with foreign banks
Interbank Loans Receivable	(5,263,293)	-86.93%	Lower investment in GS Repo
Financial assets at Fair Value through Profit or Loss	(222,924)	-31.04%	Lower investments in FVTPL
Financial assets at Fair Value thorough Other Comprehensive Income	12,109,932	235.70%	Additional investments in FVOCI
Investment securities at Amortized Cost	6,973,548	308.11%	Additional Investments in HTC
Loans and Receivables	(198,661)	-0.34%	Decline in outstanding loan primarily in import/ export loans and home loans
Investment in a subsidiary and associate	42	0.30%	Share in net income for the period
Property and Equipment	(23,612)	-2.64%	Decline due to depreciation recognized for the period
Investment Properties	(9,310)	-0.39%	Depreciation of ROPA Bldg, condo and office units for lease offset by ROPA acquisitions
Intangible Assets	(24,037)	-3.92%	Lower mostly due to amortization of software during the period, partially offset by acquisitions
Deferred tax assets	1,410	0.83%	
Other Assets	108,555	13.96%	Higher primarily from increase in prepaid expenses
Demand Deposits	2,485,239	8.05%	Higher deposits volume primarily in Demand deposits and Savings Deposits as the Bank prioritizes low-cost funding
Savings Deposits	128,074	1.33%	
Time Deposits	(5,147,110)	-12.75%	
Bills Payable	2,471,524	113.22%	Increase in BP-interbank call loans and bills payable – REPO
Outstanding Acceptances	(341,758)	-68.65%	Due to lower bills of exchange accepted by the Bank
Manager's Checks	162,185	86.22%	Higher un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	(815)	-0.10%	Lower mostly due to lower accrued interest
Income Tax payable	99,367	67.66%	Higher income tax due for the period
Other Liabilities	(69,354)	-6.30%	Lower mainly due to decline in various accounts payables

Statement of Income and Expenses : January-March 2021 vs January-March 2020 (consolidated)

	Increase (Decrease)	Percentage	Remarks
Interest Income on investment securities	(147,135)	-60.62%	Lower interest income mainly due to drop in yields in 2021, partially offset by higher volume
Interest Income on Loans and receivable	(155,761)	-13.75%	Lower interest income mainly due to drop in yields in 2021 and lower average volume
Interest Income on IBCL	7,209	37.80%	Increase from higher volume, mainly in GS REPO
Interest Income on Deposit with other Banks and others	20,289	333.32%	Higher income from increase in volume mainly in ODF
Interest Expense on Deposit Liabilities	(165,090)	-57.17%	Decline from lower cost of funds, mainly in TDs

Interest Expense on Bills payable, borrowings and others	(81,354)	-91.82%	Decrease in interest expense mainly due to lower volume and lower cost of funds
Trading and Securities Gain – net	(303,167)	-191.09%	Lower trading gains, mostly realized
Rent Income	938,248	-20.05%	Lower mainly due to impact of vacancies of leased floors, pre-terminations, and re-negotiated contracts of tenants as a result of the COVID-19 crisis
Service Charges, Fees & Commissions	6,054	6.71%	Higher mostly due to increase in commitment fees
Foreign Exchange Gain (Loss) –Net	2,111	39.63%	Increase is mainly due to higher foreign exchange revaluation gain in 2021
Gain on asset exchange	(10,773)	-112.44%	Lower gain and net loss on ROPA foreclosures vs prior year
Profit/(Loss) from Assets Sold/Exchanged	792	150.57%	Higher gain on sale of ROPA
Income from Trust Operations	260	4.13%	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	2,704	8.77%	Mostly from higher dividends received
Compensation and Fringe Benefits	(28,385)	-10.87%	Lower mainly from lower headcount
Taxes and Licenses	(19,064)	-12.13%	Lower GRT, partially offset by higher DST
Depreciation and Amortization	10,690	12.05%	Higher amortization of software
Occupancy and other equipment-related costs	(2,658)	-9.43%	Lower electricity and water consumption
Provision for impairment losses	(200,766)	-95.65%	Lower provision for credit costs in 1Q
Miscellaneous	7,618	3.07%	Increase in litigation expenses
Provision for income tax	52,836	72.41%	Higher tax expense in 2021 due to shift of tax regime from MCIT to RCIT in 2021