

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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Cashier

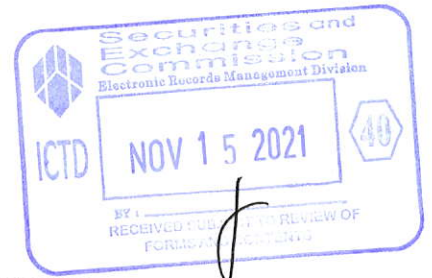
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Central Receiving Unit

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SECURITIES AND EXCHANGE COMMISSION



SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 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: [REDACTED] (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 [ X ] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:  
Philippine Stock Exchange Common Stock

12. Indicate by check mark whether the registrant:

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

Yes [ / ] No [ ]

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

Yes [ / ] No [ ]

#### PART I--FINANCIAL INFORMATION

##### Item 1. Financial Statements.

Please see attached

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

Please see attached

#### PART II--OTHER INFORMATION

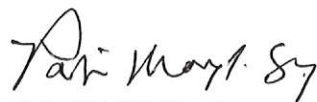
The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such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

#### SIGNATURES

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

#### PHILIPPINE BANK OF COMMUNICATIONS

By:



**PATRICIA MAY T. SIY**  
President & CEO



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

November 15, 2021

**PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY**  
**UNAUDITED INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2021**  
(With Comparative Figures as of December 31, 2020)

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>September 30, 2021 (Unaudited)</b>	<b>December 31, 2020</b>	<b>September 30, 2021 (Unaudited)</b>	<b>December 31, 2020</b>
	(Amounts in Thousands)			
<b>ASSETS</b>				
Cash and Other Cash Items	1,742,316	2,467,099	1,742,316	2,467,099
Due from Bangko Sentral ng Pilipinas	13,118,617	20,597,868	13,118,617	20,597,868
Due from Other Banks	2,392,909	1,495,485	2,393,019	1,495,485
Interbank Loans Receivable	5,441,865	6,054,454	5,441,865	6,054,454
Financial assets at Fair Value through Profit or Loss	-	718,294	-	718,294
Financial assets at Fair Value through Other Comprehensive Income	6,686,815	5,137,816	6,686,815	5,137,816
Investment Securities at Amortized Cost	9,364,157	2,263,356	9,364,157	2,263,356
Loans and Other Receivables	63,405,304	57,623,993	63,408,137	57,626,707
Investment in a Subsidiary and Associate	14,256	14,114	20,330	20,252
Property and Equipment	863,029	894,617	863,029	894,617
Investment Properties				
Condominium units for lease	1,752,273	1,788,559	1,752,273	1,788,559
Foreclosed properties	778,967	610,075	778,967	610,075
Office units for lease	2,661	2,923	2,661	2,923
Intangible Assets	547,565	613,526	547,565	613,526
Deferred Tax Assets	230,626	170,608	230,626	170,608
Other Assets	516,511	777,431	515,150	776,034
<b>TOTAL ASSETS</b>	<b>106,857,871</b>	<b>101,230,218</b>	<b>106,865,527</b>	<b>101,237,673</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
<b>Deposit Liabilities</b>				
Demand	37,718,087	30,865,282	37,727,046	30,874,143
Savings	11,427,028	9,664,945	11,427,028	9,664,945
Time	30,670,321	40,367,517	30,670,321	40,367,517
Long-term negotiable certificates of deposits	2,887,717	2,883,668	2,887,717	2,883,668
	82,703,153	83,781,412	82,712,112	83,790,273
Bills Payable	8,150,781	2,182,844	8,150,781	2,182,844
Outstanding Acceptances	138,909	497,813	138,909	497,813
Manager's Checks	231,840	188,100	231,840	188,100
Accrued Interest, Taxes and Other Expenses	851,898	802,785	851,812	802,637
Income Tax payable	112,724	146,866	112,724	146,866
Other Liabilities	1,233,099	1,100,720	1,231,882	1,099,462
<b>TOTAL LIABILITIES</b>	<b>93,422,404</b>	<b>88,700,540</b>	<b>93,430,060</b>	<b>88,707,995</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>				
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	(461,629)	(1,638,621)	(461,629)	(1,638,621)
Unrealized gain on financial assets at fair value through other comprehensive income	(136,599)	100,093	(136,599)	100,093
Cumulative translation adjustment	(238,466)	(211,464)	(238,466)	(211,464)
Remeasurement losses on defined benefit liability	(112,632)	(105,123)	(112,632)	(105,123)
<b>TOTAL EQUITY</b>	<b>13,435,467</b>	<b>12,529,678</b>	<b>13,435,467</b>	<b>12,529,678</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>106,857,871</b>	<b>101,230,218</b>	<b>106,865,527</b>	<b>101,237,673</b>

**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)			
	2021	2020	2021	2020
	(Amounts in Thousands, Except Earnings per Share)			
<b>INTEREST INCOME</b>				
Investment securities	369,457	395,105	369,457	395,105
Loans and receivables	3,066,702	3,285,055	3,066,702	3,285,055
Interbank loans receivable and securities purchased under resale agreements	52,516	65,336	52,516	65,336
Deposits with other banks and others	37,998	73,946	37,998	73,946
	<b>3,526,673</b>	<b>3,819,442</b>	<b>3,526,673</b>	<b>3,819,442</b>
<b>INTEREST AND FINANCE CHARGES</b>				
Deposit liabilities	334,105	756,063	334,105	756,063
Bills payable, borrowings and others	37,888	135,223	37,888	135,223
	<b>371,993</b>	<b>891,286</b>	<b>371,993</b>	<b>891,286</b>
<b>NET INTEREST INCOME</b>	<b>3,154,680</b>	2,928,156	<b>3,154,680</b>	2,928,156
Trading and securities gain - net	(195,078)	594,967	(195,078)	594,967
Rent Income	402,084	536,942	402,084	536,942
Service charges, fees and commissions	244,094	309,781	244,094	309,781
Foreign exchange gain - net	55,605	42,748	55,605	42,748
Gain (loss) on asset exchange - net	(56,584)	2,682	(56,584)	2,682
Profit from assets sold	13,403	199	13,403	199
Income from trust operations	21,402	19,133	21,402	19,133
Miscellaneous	107,311	84,727	107,313	84,730
<b>TOTAL OPERATING INCOME</b>	<b>3,746,917</b>	4,519,335	<b>3,746,919</b>	4,519,338
Compensation and fringe benefits	758,942	794,552	758,942	794,552
Taxes and licenses	369,795	485,501	369,784	485,496
Depreciation and amortization	291,248	281,607	291,248	281,607
Occupancy and other equipment - related costs	75,193	72,998	75,193	72,998
Provision for impairment losses	50,098	538,664	50,098	538,664
Insurance	122,283	115,873	122,283	115,873
Management and professional fees	71,698	88,844	71,654	88,802
Security, clerical, messengerial and janitorial services	66,398	61,472	66,398	61,472
Entertainment, amusement and recreation	114,105	66,516	114,105	66,516
Communication	36,281	35,468	36,281	35,468
Miscellaneous	304,230	280,238	304,223	280,238
<b>TOTAL OPERATING EXPENSES</b>	<b>2,260,271</b>	2,821,733	<b>2,260,209</b>	2,821,686
<b>INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARY AND AN ASSOCIATE</b>	<b>1,486,646</b>	1,697,602	<b>1,486,710</b>	1,697,652
Share in net income of subsidiary and an associate	142	201	78	151
<b>INCOME BEFORE INCOME TAX</b>	<b>1,486,788</b>	1,697,803	<b>1,486,788</b>	1,697,803
PROVISION FOR INCOME TAX	361,239	185,373	361,239	185,373
<b>NET INCOME</b>	<b>1,125,549</b>	<b>1,512,430</b>	<b>1,125,549</b>	<b>1,512,430</b>
Attributable to:				
Equity holders of the Parent Company	1,125,549	1,512,430		
Non-controlling interest	-	-		
	<b>1,125,549</b>	<b>1,512,430</b>		
<b>Basic/ Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company</b>	<b>2.34</b>	3.15		

**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)			
	2021	2020	2021	2020
(Amounts in Thousands, Except Earnings per Share)				
<b>INTEREST INCOME</b>				
Investment securities	124,114	73,811	124,114	73,811
Loans and receivables	1,044,079	1,137,398	1,044,079	1,137,398
Interbank loans receivable and securities purchased under resale agreements	14,427	29,322	14,427	29,322
Deposits with other banks and others	5,699	41,912	5,699	41,912
	<b>1,188,319</b>	<b>1,282,443</b>	<b>1,188,319</b>	<b>1,282,443</b>
<b>INTEREST AND FINANCE CHARGES</b>				
Deposit liabilities	101,099	195,492	101,099	195,492
Bills payable, borrowings and others	17,847	12,929	17,847	12,929
	<b>118,946</b>	<b>208,421</b>	<b>118,946</b>	<b>208,421</b>
<b>NET INTEREST INCOME</b>	<b>1,069,373</b>	<b>1,074,022</b>	<b>1,069,373</b>	<b>1,074,022</b>
Trading and securities gain - net	(66,404)	230,281	(66,404)	230,281
Rent Income	125,377	155,181	125,377	155,181
Service charges, fees and commissions	77,981	137,569	77,981	137,569
Foreign exchange gain - net	29,744	20,183	29,744	20,183
Gain (loss) on asset exchange - net	(59,735)	(6,005)	(59,735)	(6,005)
Gain/ (loss) from assets sold	4,877	(327)	4,877	(327)
Income from trust operations	7,456	6,647	7,456	6,647
Miscellaneous	27,333	30,215	27,333	30,216
<b>TOTAL OPERATING INCOME</b>	<b>1,216,002</b>	<b>1,647,766</b>	<b>1,216,002</b>	<b>1,647,767</b>
Compensation and fringe benefits	254,279	264,870	254,279	264,870
Taxes and licenses	114,951	172,895	114,951	172,893
Depreciation and amortization	94,741	94,998	94,741	94,998
Occupancy and other equipment - related costs	25,924	26,685	25,924	26,685
Provision for impairment losses	13,124	281,826	13,124	281,826
Insurance	37,348	40,611	37,348	40,611
Management and professional fees	24,106	23,641	24,106	23,627
Security, clerical, messengerial and janitorial services	20,939	17,842	20,939	17,842
Entertainment, amusement and recreation	40,195	18,765	40,195	18,765
Communication	13,450	11,081	13,450	11,081
Miscellaneous	81,656	84,382	81,656	84,382
<b>TOTAL OPERATING EXPENSES</b>	<b>720,713</b>	<b>1,037,596</b>	<b>720,713</b>	<b>1,037,580</b>
<b>INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARY AND AN ASSOCIATE</b>	<b>495,289</b>	<b>610,170</b>	<b>495,289</b>	<b>610,187</b>
Share in net income of subsidiary and an associate	62	67	62	50
<b>INCOME BEFORE INCOME TAX</b>	<b>495,351</b>	<b>610,237</b>	<b>495,351</b>	<b>610,237</b>
<b>PROVISION FOR INCOME TAX</b>	<b>134,231</b>	<b>53,699</b>	<b>134,231</b>	<b>53,699</b>
<b>NET INCOME</b>	<b>361,120</b>	<b>556,538</b>	<b>361,120</b>	<b>556,538</b>
Attributable to:				
Equity holders of the Parent Company	361,120	556,538		
Non-controlling interest	-	-		
	<b>361,120</b>	<b>556,538</b>		

**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)			
	2021	2020	2021	2020
	(Amounts in Thousands)			
<b>NET INCOME</b>	<b>1,125,549</b>	<b>1,512,430</b>	<b>1,125,549</b>	<b>1,512,430</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX</b>				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cumulative translation adjustment	(27,002)	(38,452)	(27,002)	(38,452)
Unrealized gain (loss) on financial assets carried at fair value through other comprehensive income	(238,337)	(30,347)	(238,337)	(30,347)
	<u>(265,339)</u>	<u>(68,799)</u>	<u>(265,339)</u>	<u>(68,799)</u>
<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	-	-	-	-
	-	-	-	-
	<u>(265,339)</u>	<u>(68,799)</u>	<u>(265,339)</u>	<u>(68,799)</u>
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>860,210</b>	<b>1,443,631</b>	<b>860,210</b>	<b>1,443,631</b>
Attributable to:				
Equity holders of the Parent Company	860,210	1,443,631		
Non-controlling interest	-	-		
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>860,210</b>	<b>1,443,631</b>		

**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)			
	2021	2020	2021	2020
	(Amounts in Thousands)			
<b>NET INCOME</b>	<b>361,120</b>	<b>556,538</b>	<b>361,120</b>	<b>556,538</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX</b>				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cumulative translation adjustment	(34,726)	(4,521)	(34,726)	(4,521)
Unrealized gain (loss) on financial assets carried at fair value through other comprehensive income	(121,115)	23,634	(121,115)	23,634
	<u>(155,841)</u>	<u>19,113</u>	<u>(155,841)</u>	<u>19,113</u>
<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	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(155,841)</u>	<u>19,113</u>	<u>(155,841)</u>	<u>19,113</u>
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>205,279</b>	<b>575,651</b>	<b>205,279</b>	<b>575,651</b>
Attributable to:				
Equity holders of the Parent Company	205,279	575,651		
Non-controlling interest	-	-		
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>205,279</b>	<b>575,651</b>		



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

	Consolidated		Parent Company	
	For the Nine Months Ended			
	September 30			
	2021	2020	2021	2020
	(Amounts in Thousands)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	1,486,788	1,697,803	1,486,788	1,697,803
Adjustments to reconcile income before income tax to net cash generated from (used for) operations:				
Accretion of interest on unquoted debt securities	(50,287)	(67,215)	(50,287)	(67,215)
Depreciation and amortization	291,248	281,607	291,248	281,607
Provision for impairment losses	50,098	538,664	50,098	538,664
Loss (profit) on asset exchange	56,584	(2,682)	56,584	(2,682)
Gain from asset sold	(13,403)	(199)	(13,403)	(199)
Unrealized (gain) loss on financial assets at FVTPL	(236,692)	(30,347)	(236,692)	(30,347)
Share in net income of a subsidiary and an associate	(142)	(201)	(78)	(151)
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Financial assets at FVTPL	718,294	338,214	718,294	338,214
Loans and Receivable	(6,096,451.29)	2,442,631	(6,096,607)	2,442,670
Other Assets	215,677	(13,750)	215,677	(13,742)
Increase (decrease) in the amounts of:				
Deposit liabilities	(1,078,259)	9,586,846	(1,078,161)	9,586,732
Manager's checks	43,740	(207,682)	43,740	(207,682)
Accrued interest, taxes and other expenses	49,113	110,997	49,175	111,016
Other liabilities	139,147	9,373	139,189	9,371
Net cash generated from (used for) operations	(4,424,545)	14,684,058	(4,424,435)	14,684,058
Income taxes paid	(411,465)	(182,535)	(411,465)	(182,535)
<b>Net cash provided by (used in) operating activities</b>	<b>(4,836,010)</b>	<b>14,501,523</b>	<b>(4,835,900)</b>	<b>14,501,523</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Increase (decrease) in interbank loans receivable	41,847	(6,359,153)	41,847	(6,359,153)
Acquisition of:				
Financial assets at FVOCI	(71,960,101)	(55,523,256)	(71,960,101)	(55,523,256)
Property and equipment	(30,423)	(75,772)	(30,423)	(75,772)
Software cost	(11,637)	(8,542)	(11,637)	(8,542)
Proceeds from disposal of:				
Financial assets at FVOCI	63,300,301	58,915,006	63,300,301	58,915,006
Investment Securities at Amortized Cost	10,000	11,046,126	10,000	11,046,126
Investment properties	33,410	4,166	33,410	4,166
Proceeds from maturity of Investment securities	-	250,000	-	250,000
<b>Net cash provided by (used in) investing activities</b>	<b>(8,616,603)</b>	<b>8,248,576</b>	<b>(8,616,603)</b>	<b>8,248,576</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Availments of:				
Bills payable	90,800,116	57,541,781	90,800,116	57,541,781
Outstanding acceptance	552,559	1,212,130	552,559	1,212,130
Marginal deposits	25,356	2,980	25,356	2,980
Settlements of:				
Bills payable	(84,832,179)	(68,274,431)	(84,832,179)	(68,274,431)
Outstanding acceptance	(911,463)	(755,630)	(911,463)	(755,630)
Marginal deposits	(32,126)	(19,707)	(32,126)	(19,707)
<b>Net cash provided by (used) financing activities</b>	<b>5,602,264</b>	<b>(10,292,878)</b>	<b>5,602,264</b>	<b>(10,292,878)</b>

forward

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

	Consolidated		Parent Company	
	For the Nine Months Ended			
	September 30			
	2021	2020	2021	2020
	(Amounts in Thousands)			
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	(27,002)	(38,452)	(27,002)	(38,452)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIV	(7,877,352)	12,418,769	(7,877,242)	12,418,769
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
	<b>26,711,954</b>	<b>13,987,899</b>	<b>26,711,954</b>	<b>13,987,899</b>
CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD				
Cash and Other Cash Items	1,742,316	1,685,587	1,742,316	1,685,587
Due from Bangko Sentral ng Pilipinas	13,118,617	22,663,136	13,118,617	22,663,136
Due from Other Banks	2,392,909	685,929	2,393,019	685,929
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	1,580,760	1,372,016	1,580,760	1,372,016
	<b>18,834,602</b>	<b>26,406,668</b>	<b>18,834,712</b>	<b>26,406,668</b>

**PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

	Consolidated									
	Equity Attributable to Equity Holders of the Parent Company									
	Common Stock	Additional Paid-in Capital	Surplus reserves	Deficit	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
Retro tax effect of CREATE law	-	-	-	51,443	1,645	-	(7,509)	45,579	-	45,579
Total comprehensive income (loss) for the period	-	-	-	1,125,549	(238,337)	(27,002)	-	860,210	-	860,210
<b>Balance at September 30, 2021 (unaudited)</b>	<b>12,016,129</b>	<b>2,262,246</b>	<b>106,418</b>	<b>(461,629)</b>	<b>(136,599)</b>	<b>(238,466)</b>	<b>(112,632)</b>	<b>13,435,467</b>	<b>-</b>	<b>13,435,467</b>
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
	<b>Parent Company</b>									
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
Retro tax effect of CREATE law	-	-	-	51,443	1,645	-	(7,509)	45,579	-	45,579
Total comprehensive income (loss) for the period	-	-	-	1,125,549	(238,337)	(27,002)	-	860,210	-	860,210
<b>Balance at September 30, 2021 (unaudited)</b>	<b>12,016,129</b>	<b>2,262,246</b>	<b>106,418</b>	<b>(461,629)</b>	<b>(136,599)</b>	<b>(238,466)</b>	<b>(112,632)</b>	<b>13,435,467</b>	<b>-</b>	<b>13,435,467</b>
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

**PHILIPPINE BANK OF COMMUNICATIONS (Consolidated)**  
**AGING OF LOANS & SELECTED RECEIVABLES**  
As of September 30, 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	52,574,911	49,868,680	284,573	1,198,193	161,536	1,061,929
Agrarian Reform/Other Agricultural Credit Loans	3,634,452	3,608,293	8,315	0	17,844	0
Bills Purchased	2,012,798	1,865,207	0	7,161	0	140,429
Customers' Liability on Drafts under LC/TR	138,909	138,909	0	0	0	0
Customers' Liab. for this Bank's Acceptances	5,244,242	5,126,818	0	27,357	14,510	75,557
Restructured Loans	574,205	200,236	0	351,919	14,144	7,905
Items in Litigation	336,172	0	0	0	0	336,172
<b>SUB TOTAL</b>	<b>64,515,689</b>	<b>60,808,143</b>	<b>292,888</b>	<b>1,584,630</b>	<b>208,035</b>	<b>1,621,993</b>
Unquoted Debt Securities	730,963	730,963	0	0	0	0
Accounts Receivable	293,876	225,214	3,667	13,496	28,368	23,132
Accrued Interest Receivable	343,484	319,962	3,850	8,106	1,971	9,595
Sales Contract Receivables	59,347	40,424	33	5,949	160	12,781
<b>GRAND TOTAL</b>	<b>65,943,359</b>	<b>62,124,705</b>	<b>300,438</b>	<b>1,612,180</b>	<b>238,534</b>	<b>1,667,502</b>

**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:

<b>Entity</b>	<b>Effective ownership</b>	<b>Line of business</b>
<b>Subsidiary</b>		
PBCom Insurance Services Agency, Inc. (PISAI)	100.00%	Insurance Agent
<b>Associate</b>		
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 but continue to incur operating expenses. PBCOM does not see any need for the subsidiary and have decided to retire its business operations.

To date, the filing process on the retirement of PISAI's business operations is ongoing.

*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. In July 2021, VFC acquired 2 million additional shares bringing the Co Family's total stake in the Parent Company at 54.07% as of September 30, 2021.

As of September 30, 2021, the Parent Bank had a total network of 90 regular branches, 4 branch-lite units and 161 ATMs (89 onsite and 72 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 September 30, 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, 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 September 30, 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	₱-	₱-	₱-	₱-
Financial assets at FVTOCI Government securities	6,576,546	3,069,962	3,506,584	-
Equity securities	110,269	-	71,650	38,619

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 September 30, 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 a 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, 2021 and 2020.

AS OF SEPTEMBER 30, 2021

Particulars	Branch Banking	Corporate & Commercial	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Rentals & Headquarters*	Total
<b>Segment results</b>							
Revenue, net of interest expense							
Third party	(227,059)	2,674,545	394,116	306,225	2,517	4,336	3,154,680
Intersegment	1,112,634	(934,830)	(285,163)	(58,662)	(2,421)	168,442	-
Net interest income	885,575	1,739,715	108,953	247,563	96	172,778	3,154,680
Rent income	-	-	-	-	-	402,084	402,084
Service charges, fees and commissions	64,229	162,537	-	2,945	-	14,383	244,094
Foreign Exchange gain - net	6,010	6,279	43,316	-	-	-	55,605
Income from Trust Operations	1	-	-	-	21,401	-	21,402
Trading and securities gain (loss) - net	-	-	(195,078)	-	-	-	(195,078)
Gain on asset exchange	-	-	-	-	-	(56,584)	(56,584)
Profit from asset sold/ exchange	-	-	-	-	-	13,403	13,403
Miscellaneous	7,184	16,636	5,054	(132)	-	78,569	107,311
Total Operating Income	962,999	1,925,167	(37,755)	250,376	21,497	624,633	3,746,917
Compensation and fringe benefits	442,458	144,585	50,927	83,285	15,422	22,265	758,942
Taxes and licenses	150,448	127,396	33,505	16,462	663	41,321	369,795
Depreciation and amortization	162,082	37,955	12,801	20,758	3,637	54,015	291,248
Provision for impairment losses	-	29,436	6,135	12,935	-	1,592	50,098
Occupancy and Other equipment-related cost	58,247	5,791	1,681	8,645	261	568	75,193
Other operating expense	380,394	123,710	107,301	55,385	6,688	41,517	714,995
Total Operating Expense	1,193,629	468,873	212,350	197,470	26,671	161,278	2,260,271
Income before share in net income of an associate	(230,630)	1,456,294	(250,105)	52,906	(5,174)	463,355	1,486,646
Share in net income of an associate	-	-	-	-	-	142	142
Income before income tax	(230,630)	1,456,294	(250,105)	52,906	(5,174)	463,497	1,486,788
Provision for income Tax	-	209,501	77,022	9,266	-	65,450	361,239
Net Income (loss)	(230,630)	1,246,793	(327,127)	43,640	(5,174)	398,047	1,125,549
<b>Segment assets</b>							
Property and equipment	210,446	-	-	-	-	652,583	863,029
Investment properties	-	-	-	-	-	2,533,901	2,533,901
Unallocated assets	9,564,931	58,118,185	28,924,856	4,159,104	90,547	2,603,318	103,460,941
Total segment assets	9,775,377	58,118,185	28,924,856	4,159,104	90,547	5,789,802	106,857,871
Total segment liabilities	83,383,044	182,219	8,012,399	18,977	409	1,825,356	93,422,404

## AS OF SEPTEMBER 30, 2020

Particulars	Branch Banking	Corporate & Commercial	Treasury Segment	Consumer Finance Segment *	Trust and Wealth Management Segment	Rentals & Headquarters	Total
<b>Segment results</b>							
Revenue, net of interest expense							
Third party	(735,848)	2,818,669	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	179,125	855,824	253,981	(282,698)	(9,090)	515,288	1,512,430
<b>Segment assets</b>							
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	30,553,581	5,529,617	69,193	2,939,156	100,277,778
Total segment assets	13,077,111	41,748,238	13,775,886	12,726,323	60,358	16,152,581	103,393,629
Total segment liabilities	83,678,669	606,273	4,738,644	32,103	-	1,539,108	90,594,797

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 2021	December 2020
Trust department accounts	₱8,567,820	₱7,973,683
Standby LC	894,272	1,112,021
Spot exchange:		
Bought	1,570,715	1,300,002
Sold	1,287,678	1,460,869
Sight LC outstanding	507,691	792,459
Usance LC outstanding	49,018	84,331
Inward bills for collection	43,060	13,108
Outstanding shipping guarantees	858,059	403,601
Currency forwards:		
Bought	4,781	3,811
Sold	365,884	337,400

Outward bills for collection	48,074	32,053
Items held for safekeeping	20	25
Items held as collateral	7	7
Other contingent	5,039	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 September 30, 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 ₱1.1 Billion as of the third quarter of the year 2021, 25.58% or ₱386.9 Million lower than the ₱1.5 Billion earned in the same period last year. This is mainly attributable to lower operating income due to net trading losses incurred, lower rent income, and lower fees & commission earned during the current period and from higher provisions for income taxes due to shift to regular corporate income tax (RCIT) from minimum corporate income tax (MCIT) last year. Improvements in net interest income and lower operating expenses have partially offset the impact of the decline in net income.

₱226.5 Million improvements in net interest income was primarily the result of the decline in interest expense due to lower cost of funds, offset by lower interest income from lower yields and lower average loan volume. Decrease in rent income by ₱134.9 Million was due to vacancies of leased floors, pre-terminations, and re-negotiated contracts of tenants as a result of the COVID-19 crisis. Fees & Commission is lower by ₱65.7 Million mainly due to decline in penalty fees in corporate loans. These movements in income and the trading losses recognized for the period caused the total operating income to decrease by ₱772.4 Million. Total operating expenses went down by ₱561.5 Million or 19.9% mainly because of lower provision for losses recognized in the current period. Decline in taxes and licenses due to lower GRT from lower net trading income, rent and interest income and lower DST from lower TD/PN volume, and lower compensation costs from lower headcount also contributed to the drop in operating expenses.

Total Assets of the Group increased by ₱5.6 Billion from ₱101.2 Billion as of December 2020 to ₱106.9 Billion at the end of the third quarter of 2021. This is primarily due to ₱7.1 Billion increase in Investment Securities at Amortized Cost, ₱5.8 Billion increase in Loans and Other Receivables mostly from corporate loans, ₱1.5 Billion increase in Financial assets at Fair Value through Other Comprehensive Income, partially offset by ₱7.5 Billion lower Due from BSP due to lower reserve requirement and lower investment in Overnight Deposit Facility (ODF), and ₱1.3 Billion lower Financial assets at Fair Value through Profit & Loss and Interbank loans receivable.

The Group's gross NPL ratio is at 4.98%, 0.73 % points lower than the 5.71% ratio at the end of 2020.

Total Liabilities increased by ₱4.7 Billion, 5.3% higher from last year's end level of ₱88.7 Billion. This resulted mostly from ₱6.0 Billion increase in bills payable, partly offset by ₱1.0 Billion decline in deposit liabilities, mainly from lower time deposit volume and ₱0.4 Billion lower outstanding acceptances. Total Capital is now at ₱13.4 Billion from ₱12.5 Billion last December 2020. This 7.2% improvement in capital was mainly contributed by the earnings of the Bank as of the third quarter of the year.

On quarter on quarter basis, the Bank registered a net income of ₱361.1 Million for the third quarter of 2021, ₱195.4 Million or 35.1% lower than the ₱556.5 Million earned in the same period last year. This resulted from higher provision for income tax by ₱80.5 Million due to shift of tax regime from MCIT to RCIT in 2021. Total operating income declined by ₱431.8 mainly from trading results as the Bank recognized ₱66.4 Million in losses, a 128.8% or ₱296.7 Million decrease from last year. Fees & Commission is lower by ₱59.6 Million due to decline in penalty fees in corporate loans. Rent income is also lower by ₱29.8 Million due to vacancies of leased floors, pre-terminations, and re-negotiated contracts of tenants brought about by the COVID 19 pandemic. ₱316.9 Million decrease in operating expense primarily from lower provision for credit costs, partially improved net income.

The Group's consolidated Risk-Based Capital Adequacy ratio is 17.49% 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 six (9) months of 2021.

## 2. Discussion of various key indicators:

### A. Key Financial Performance (consolidated)

Ratio	September 2021	September 2020	Remarks
Net Profit Margin (Net income divided by Gross income)	30.04%	33.47%	Net profit margin decreased by 3.43 % pts. due to higher provision for income tax in 2021 due to RCIT position of the Bank
Return on Average Asset (Net income divided by Average assets)	1.44%	1.96%	Decrease by 51 bps from lower net income during the current period driven by higher provision for income tax in 2021 due to RCIT position of the Bank and lower total operating income, primarily due to trading losses incurred in 2021
Return on Average Equity (Net income divided by Average equity)	11.56%	16.70%	Return on average equity decreased by 5.14 % pts. from lower net income during the current period driven by lower total operating income from the results of the current operations and higher provision for income tax in 2021
Capital Adequacy Ratio (Basel 3) (Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)	17.49%	18.05%	Capital ratio decline by 0.56% as a result of higher total risk weighted assets
Basic Earnings per share (Net income divided by average no. of common shares)	2.34	3.15	Decrease in basic earnings per share by ₱0.80 from lower net income during the current period

### B. Financial Soundness (consolidated)

Ratio	September 2021	December 2020	Remarks
<b>Liquidity Ratio</b> (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>	42.93%	42.47%	Ratio increased by 46 bps., mainly due to lower total deposits, mainly in TD's
<b>Debt Ratio</b> (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	87.43%	87.62%	Debt ratio decreased by 20 bps as a result of increase in total assets mostly from investment securities at amortized cost and loans and other receivables, mostly from corporate loans
<b>Asset to Equity Ratio</b> (Total Asset to Total Equity)	7.95	8.08	Ratio is lower by 13 bps mainly as result of the growth in equity
<b>Interest Rate Coverage Ratio</b> (Earnings before interest & taxes to Interest Expense)	499.64%	290.47%*	Bank's interest rate coverage increased by 209.18 % pts. due to decline in interest expense mainly from lower cost of funds and slightly lower average funding volume
<b>Net Interest Margin</b> Net interest income over Average Earning assets	4.26%	4.03%*	Ratio went up by 23 bps primarily from higher drop in cost of funds

\* As of September 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 September 30, 2021, the unspent amount from the approved capital expenditures budget on projects involving technology enhancement, and facilities improvement amounted ₱32.2 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 2021 vs. December 2020 (consolidated)**

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(724,783)	-29.38%	Lower cash on hand mainly those in cash center and with service provider
Due from BSP	(7,479,251)	-36.31%	Lower mostly from ODF
Due from Other Banks	897,424	60.01%	Higher funds with foreign banks
Interbank Loans Receivable	(612,589)	-10.12%	Lower investment in GS Repo
Financial assets at Fair Value through Profit or Loss	(718,294)	-100.00%	Lower due to sale of FVTPL in Sep21
Financial assets at Fair Value thorough Other Comprehensive Income	1,548,999	30.15%	Purchase of investments in FVOCI
Investment securities at Amortized Cost	7,100,801	313.73%	Higher due to higher HTC investments
Loans and Receivables	5,781,311	10.03%	Increase in outstanding loans and receivables, mainly in corporate loans/import bills
Investment in a subsidiary and associate	142	1.01%	Share in net income for the period
Property and Equipment	(31,588)	-3.53%	Decline due to depreciation recognized for the period
Investment Properties	132,344	5.51%	ROPA foreclosures in 2021 partially offset by depreciation recognized for the period
Intangible Assets	(65,961)	-10.75%	Lower mostly due to amortization of software during the period, partially offset by acquisitions
Deferred tax assets	60,018	35.18%	Increase mainly due to allowance for credit losses booked during the year
Other Assets	(260,920)	-33.56%	Decline in ROPA Non-financial assets

Demand Deposits	6,852,805	22.20%	Lower deposits volume primarily in Time deposits due to the Bank's efforts to increase volume of low-cost source of funds
Savings Deposits	1,762,083	18.23%	
Time Deposits	(9,697,196)	-24.02%	
Bills Payable	5,967,937	273.40%	Higher due to higher bills payable - REPO, partly offset by lower BP- deposit substitute
Outstanding Acceptances	(358,904)	-72.10%	Due to lower bills of exchange accepted by the Bank
Manager's Checks	43,740	23.25%	Higher un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	49,113	6.12%	Higher expense accruals as of the period primarily due to accrual of bonuses paid out before end of year
Income Tax payable	(34,142)	-23.25%	Lower taxable income and use of lower income tax rate
Other Liabilities	132,379	12.03%	Higher mainly due to higher advance rent

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

	Increase (Decrease)	Percentage	Remarks
Interest Income on investment securities	(25,648)	-6.49%	Lower interest income mainly due to decline in yields
Interest Income on Loans and receivable	(218,353)	-6.65%	Lower interest income mainly due to lower yields, and lower ave. volume
Interest Income on IBCL	(12,820)	-19.62%	Decrease from lower ave. volume, mainly in GS REPO
Interest Income on Deposit with other Banks and others	(35,948)	-48.61%	Lower income from decrease in ave. volume mainly in ODF
Interest Expense on Deposit Liabilities	(421,958)	-55.81%	Decline from lower cost of funds, mainly in TDs
Interest Expense on Bills payable, borrowings and others	(97,335)	-71.98%	Decrease in interest expense mainly due to lower cost of funds and lower ave. volume
Trading and Securities Gain – net	(790,045)	-132.79%	Higher trading loss, mostly realized
Rent Income	(134,858)	-25.12%	Lower mainly due to downward impact of pre-terminations and re-negotiated contracts of tenants as a result of the COVID-19 crisis
Service Charges, Fees & Commissions	(65,687)	-21.20%	Lower mostly due to decrease in penalties on corporate loans
Foreign Exchange Gain (Loss) –Net	12,857	30.08%	Increase is mainly due to higher foreign exchange revaluation gain in 2021
Gain on asset exchange	(59,266)	-2209.77%	Lower gain on valuation of foreclosed assets
Profit/(Loss) from Assets Sold	13,204	6635.18%	Higher gain on sale of ROPA
Income from Trust Operations	2,269	11.86%	Increase due to higher ave. volume of assets under management
Miscellaneous Income	22,584	26.66%	Mostly from higher recoveries on written-off accounts
Compensation and Fringe Benefits	(35,610)	-4.48%	Lower costs from lower headcount
Taxes and Licenses	(115,706)	-23.83%	Lower from decrease in GRT relative to decrease in income and higher DST on deposits
Depreciation and Amortization	9,641	3.42%	Higher depreciation mainly due to ROPA
Occupancy and other equipment-related costs	2,195	3.01%	Higher electricity costs
Provision for impairment losses	(488,566)	-90.70%	Lower loan provision requirement in 2021
Miscellaneous	66,585	10.27%	Increase is primarily due to higher ROPA related expenses and higher PDIC insurance expenses
Provision for income tax	175,866	94.87%	Higher income tax due to shift of tax regime from MCIT to RCIT in 2021