

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

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, 2022.
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:

<u>Philippine Stock Exchange</u>	<u>Common Stock</u>

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 16, 2022

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
UNAUDITED INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2022
(With Comparative Figures as of December 31, 2021)

	Consolidated		Parent Company	
	March 31, 2022 (Unaudited)	December 31, 2021	March 31, 2022 (Unaudited)	December 31, 2021
	(Amounts in Thousands)			
ASSETS				
Cash and Other Cash Items	1,249,791	2,803,341	1,249,791	2,803,341
Due from Bangko Sentral ng Pilipinas	17,498,743	10,271,486	17,498,743	10,271,486
Due from Other Banks	1,229,751	658,593	1,229,751	658,593
Interbank Loans Receivable	4,409,630	4,195,846	4,409,630	4,195,846
Financial assets at Fair Value through Profit or Loss	-	886,291	-	886,291
Financial assets at Fair Value through Other Comprehensive Income	6,166,550	6,489,287	6,166,550	6,489,287
Investment Securities at Amortized Cost	15,572,270	15,520,279	15,572,270	15,520,279
Loans and Other Receivables	65,453,670	63,497,965	65,456,503	63,500,798
Investment in a Subsidiary and Associate	14,450	14,401	20,524	20,475
Property and Equipment	869,725	882,217	869,725	882,217
Investment Properties				
Condominium units for lease	1,728,082	1,740,177	1,728,082	1,740,177
Foreclosed properties	835,880	834,303	835,880	834,303
Office units for lease	2,601	2,689	2,601	2,689
Intangible Assets	529,159	527,503	529,159	527,503
Deferred Tax Assets	331,446	325,614	331,446	325,614
Other Assets	640,607	579,328	639,357	578,077
TOTAL ASSETS	116,532,355	109,229,320	116,540,012	109,236,976
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities				
Demand	43,444,965	41,166,107	43,453,924	41,175,066
Savings	13,478,528	11,359,112	13,478,528	11,359,112
Time	31,863,749	31,531,570	31,863,749	31,531,570
Long-term negotiable certificates of deposits	2,890,505	2,889,116	2,890,505	2,889,116
	91,677,747	86,945,905	91,686,706	86,954,864
Bills Payable	8,398,056	6,010,988	8,398,056	6,010,988
Outstanding Acceptances	98,044	71,609	98,044	71,609
Manager's Checks	237,046	172,247	237,046	172,247
Accrued Interest, Taxes and Other Expenses	776,605	680,734	776,519	680,648
Income Tax payable	173,330	66,823	173,330	66,823
Other Liabilities	924,188	1,105,196	922,972	1,103,979
TOTAL LIABILITIES	102,285,016	95,053,502	102,292,673	95,061,158
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	106,922	106,922	106,922	106,922
Deficit	348,979	(66,061)	348,979	(66,061)
Unrealized gain on financial assets at fair value through other comprehensive income	(247,932)	53,509	(247,932)	53,509
Cumulative translation adjustment	(279,746)	(237,668)	(279,746)	(237,668)
Remeasurement losses on defined benefit liability	40,741	40,741	40,741	40,741
TOTAL EQUITY	14,247,339	14,175,818	14,247,339	14,175,818
TOTAL LIABILITIES AND EQUITY	116,532,355	109,229,320	116,540,012	109,236,976

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)			
	2022	2021	2022	2021
	(Amounts in Thousands, Except Earnings per Share)			
INTEREST INCOME				
Investment securities	175,552	95,563	175,552	95,563
Loans and receivables	1,017,481	976,709	1,017,481	976,709
Interbank loans receivable and securities purchased under resale agreements	31,299	26,280	31,299	26,280
Deposits with other banks and others	17,607	26,376	17,607	26,376
	1,241,939	1,124,928	1,241,939	1,124,928
INTEREST AND FINANCE CHARGES				
Deposit liabilities	101,655	123,682	101,655	123,682
Bills payable, borrowings and others	17,560	7,249	17,560	7,249
	119,215	130,931	119,215	130,931
NET INTEREST INCOME	1,122,724	993,997	1,122,724	993,997
Trading and securities gain - net	(108,467)	(144,514)	(108,467)	(144,514)
Rent Income	112,486	152,536	112,486	152,536
Service charges, fees and commissions	105,940	96,304	105,940	96,304
Foreign exchange gain - net	11,559	7,438	11,559	7,438
Gain (loss) on asset exchange - net	(1,985)	(1,192)	(1,985)	(1,192)
Profit from assets sold	31,690	1,318	31,690	1,318
Income from trust operations	7,099	6,563	7,099	6,563
Miscellaneous	36,897	33,530	36,897	33,531
TOTAL OPERATING INCOME	1,317,943	1,145,980	1,317,943	1,145,981
Compensation and fringe benefits	273,105	232,862	273,105	232,862
Taxes and licenses	117,907	138,122	117,907	138,115
Depreciation and amortization	98,522	99,379	98,522	99,379
Occupancy and other equipment - related costs	28,698	25,540	28,698	25,540
Provision for impairment losses	29,271	9,126	29,271	9,126
Insurance	42,528	42,609	42,528	42,609
Management and professional fees	26,887	23,900	26,887	23,886
Security, clerical, messengerial and janitorial services	25,190	23,551	25,190	23,551
Entertainment, amusement and recreation	18,592	55,641	18,592	55,641
Communication	10,108	11,993	10,108	11,993
Miscellaneous	92,776	98,362	92,776	98,361
TOTAL OPERATING EXPENSES	763,584	761,085	763,584	761,063
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARY AND AN ASSOCIATE	554,359	384,895	554,359	384,918
Share in net income of subsidiary and an associate	49	42	49	19
INCOME BEFORE INCOME TAX	554,408	384,937	554,408	384,937
PROVISION FOR INCOME TAX	139,368	125,801	139,368	125,801
NET INCOME	415,040	259,136	415,040	259,136
Attributable to:				
Equity holders of the Parent Company	415,040	259,136		
Non-controlling interest	-	-		
	415,040	259,136		
Basic/ Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	0.86	0.54		

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)			
	2022	2021	2022	2021
	(Amounts in Thousands)			
NET INCOME	415,040	259,136	415,040	259,136
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX				
Items that may be reclassified to profit or loss in subsequent periods:				
Net movement in cumulative translation adjustment	(42,078)	14,343	(42,078)	14,343
Unrealized gain (loss) on financial assets carried at fair value through other comprehensive income	(301,441)	(336,940)	(301,441)	(336,940)
	(343,519)	(322,597)	(343,519)	(322,597)
Items that may not be reclassified to profit or loss in subsequent periods:				
Unrealized loss on financial assets carried at fair value through other comprehensive income	-	-	-	-
Remeasurements of defined benefit liabilities	-	-	-	-
	-	-	-	-
	(343,519)	(322,597)	(343,519)	(322,597)
TOTAL OTHER COMPREHENSIVE INCOME	71,521	(63,461)	71,521	(63,461)
Attributable to:				
Equity holders of the Parent Company	71,521	(63,461)		
Non-controlling interest	-	-		
TOTAL OTHER COMPREHENSIVE INCOME	71,521	(63,461)		

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

	Consolidated		Parent Company	
	For the Three Months Ended			
	March 31			
	2022	2021	2022	2021
	(Amounts in Thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	554,408	384,937	554,408	384,937
Adjustments to reconcile income before income tax to net cash generated from (used for) operations:				
Accretion of interest on unquoted debt securities	(50,287)	(17,281)	(50,287)	(17,281)
Depreciation and amortization	98,522	99,379	98,522	99,379
Provision for impairment losses	29,271	9,126	29,271	9,126
Loss (profit) on asset exchange	1,985	1,192	1,985	1,192
Gain from asset sold	(31,690)	(1,318)	(31,690)	(1,318)
Unrealized (gain) loss on financial assets at FVTPL	(301,441)	(336,940)	(301,441)	(336,940)
Share in net income of a subsidiary and an associate	(49)	(42)	(49)	(19)
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Financial assets at FVTPL	886,291	222,924	886,291	222,924
Loans and Receivable	(2,001,963.84)	177,952	(2,001,964)	176,552
Other Assets	(97,874)	(97,802)	(97,874)	(97,800)
Increase (decrease) in the amounts of:				
Deposit liabilities	4,731,842	(2,532,487)	4,731,842	(2,532,389)
Manager's checks	64,799	162,185	64,799	162,185
Accrued interest, taxes and other expenses	95,871	(815)	95,871	(879)
Other liabilities	(188,286)	(62,585)	(188,286)	(62,544)
Net cash generated from (used for) operations	3,791,398	(1,991,575)	3,791,398	(1,992,875)
Income taxes paid	(38,693)	(27,844)	(38,693)	(26,434)
Net cash provided by (used in) operating activities	3,752,705	(2,019,419)	3,752,705	(2,019,309)
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase (decrease) in interbank loans receivable	(197,015)	3,902,952	(197,015)	3,902,952
Acquisition of:				
Financial assets at FVOCI	(13,712,774)	(33,781,963)	(13,712,774)	(33,781,963)
Property and equipment	(13,667)	(27,566)	(13,667)	(27,566)
Proceeds from disposal of:				
Financial assets at FVOCI	13,983,520	14,698,483	13,983,520	14,698,483
Investment properties	70,161	3,384	70,161	3,384
Net cash provided by (used in) investing activities	130,225	(15,204,711)	130,225	(15,204,711)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of:				

forward

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

	Consolidated		Parent Company	
	For the Three Months Ended			
	March 31			
	2022	2021	2022	2021
	(Amounts in Thousands)			
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	(42,078)	14,343	(42,078)	14,343
NET INCREASE (DECREASE) IN CASH AND CASH EQUIV	6,261,634	(15,086,790)	6,261,634	(15,086,680)
CASH AND CASH EQUIVALENTS AT				
BEGINNING OF THE PERIOD				
Cash and Other Cash Items	2,803,341	2,467,099	2,803,341	2,467,099
Due from Bangko Sentral ng Pilipinas	10,271,486	20,597,868	10,271,486	20,597,868
Due from Other Banks	658,593	1,495,485	658,593	1,495,485
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	724,957	2,151,502	724,957	2,151,502
	14,458,377	26,711,954	14,458,377	26,711,954
CASH AND CASH EQUIVALENTS AT				
ENDING OF THE PERIOD				
Cash and Other Cash Items	1,249,791	1,656,998	1,249,791	1,656,998
Due from Bangko Sentral ng Pilipinas	17,498,743	8,632,603	17,498,743	8,632,603
Due from Other Banks	1,229,751	544,402	1,229,751	544,512
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	741,726	791,161	741,726	791,161
	20,720,011	11,625,164	20,720,011	11,625,274

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
 UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

	Consolidated									
	Equity Attributable to Equity Holders of the Parent Company									
	Common Stock	Additional Paid-in Capital	Surplus reserves	Deficit	Unrealized gain (loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Cumulative Translation Adjustment	Remeasurement Losses on Retirement Liabilities	Total	Non- Controlling Interest	Total Equity
Balance at January 1, 2022	12,016,129	2,262,246	106,922	(66,061)	53,509	(237,668)	40,741	14,175,818	-	14,175,818
Total comprehensive income (loss) for the period	-	-	-	415,040	(301,441)	(42,078)	-	71,521	-	71,521
Balance at March 31, 2022 (unaudited)	12,016,129	2,262,246	106,922	348,979	(247,932)	(279,746)	40,741	14,247,339	-	14,247,339
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
	Parent Company									
	Common Stock	Additional Paid-in Capital	Surplus reserves	Deficit	Unrealized gain (loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Cumulative Translation Adjustment	Remeasurement Losses on Retirement Liabilities	Total	Non- Controlling Interest	Total Equity
Balance at January 1, 2022	12,016,129	2,262,246	106,922	(66,061)	53,509	(237,668)	40,741	14,175,818	-	14,175,818
Total comprehensive income (loss) for the period	-	-	-	415,040	(301,441)	(42,078)	-	71,521	-	71,521
Balance at March 31, 2022 (unaudited)	12,016,129	2,262,246	106,922	348,979	(247,932)	(279,746)	40,741	14,247,339	-	14,247,339
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

PHILIPPINE BANK OF COMMUNICATIONS (Consolidated)

AGING OF LOANS & SELECTED RECEIVABLES

As of March 31, 2022

(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	57,111,636	54,847,090	179,539	946,314	164,138	974,554
Agrarian Reform/Other Agricultural Credit Loans	3,587,272	3,532,652	54,620	0	0	0
Bills Purchased	1,933,041	1,775,764	0	16,998	0	140,279
Customers' Liability on Drafts under LC/TR	98,044	98,044	0	0	0	0
Customers' Liab. for this Bank's Acceptances	2,691,217	2,573,988	0	26,162	45,717	45,350
Restructured Loans	756,010	194,720	0	550,769	5,370	5,152
Items in Litigation	389,275	0	0	69,685	0	319,590
SUB TOTAL	66,566,495	63,022,259	234,159	1,609,927	215,226	1,484,925
Unquoted Debt Securities	596,194	596,194	0	0	0	0
Accounts Receivable	545,563	471,225	5,032	10,600	15,519	43,187
Accrued Interest Receivable	455,026	442,291	330	4,604	1,339	6,462
Sales Contract Receivables	60,414	39,095	19,005	303	139	1,871
GRAND TOTAL	68,223,691	64,571,063	258,526	1,625,434	232,223	1,536,445

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.

As of March 31, 2022, the Parent Bank had a total network of 91 regular branches, 4 branch-lite units and 160 ATMs (90 onsite and 70 offsite).

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.

The Monetary Board, in its Resolution No. 96 dated 20 January 2022, approved the grant of a universal banking license to Parent Company, subject to compliance with certain regulatory requirements including the amendment of the Bank's charter documents. On March 15, 2022, the Bank held a special stockholders' meeting to approve the changes to the Bank's Articles of Incorporation to reflect the upgrade of its banking license.

The BSP shall issue a Certificate of Authority to operate as a universal bank once all regulatory conditions are complied with.

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

Sale of PBCOM Rural Bank (PBCRB)

On July 29, 2019, PBCOM sold its stake in PBCom Rural Bank, Inc. as it consolidates its efforts and resources at the parent company level. As of March 31, 2022 and 2021, the Parent Company and PISAI comprise the consolidated financial statements of the Group.

Retirement of Business Operation of PISAI

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

The Company has received clearances in relation to shortening of its corporate life from the Insurance Commission and the Makati Local Government last May 26, 2021 and September 30, 2021, respectively. Clearances from other regulatory agencies are currently being processed as of March 31, 2022.

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, 2021.

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, 2022 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, 2022. 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, Reference to the Conceptual Framework
- PAS 16, Plant and Equipment: Proceeds before Intended Use
- PAS 37, Onerous Contracts – Costs of Fulfilling a Contract
- PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter
- PFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial

liabilities

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, 2022, 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	5,583,605	5,583,605	-	-
Private bonds	456,059	456,059	-	-
Equity securities	126,886	-	91,600	35,286

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, 2021, 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, 2022. 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 March 31, 2022 and 2021.

AS OF MARCH 31, 2022

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	(67,927)	899,768	196,379	91,769	655	2,080	1,122,724
Intersegment	516,884	(448,739)	(107,812)	(15,261)	(692)	55,620	-
Net interest income	448,957	451,029	88,567	76,508	(37)	57,700	1,122,724
Rent income	-	-	-	-	-	112,486	112,486
Service charges, fees and commissions	22,347	73,272	-	4,266	-	6,055	105,940
Foreign Exchange gain - net	3,713	962	6,884	-	-	-	11,559
Income from Trust Operations	1	-	-	-	7,098	-	7,099
Trading and securities gain (loss) - net	-	-	(108,467)	-	-	-	(108,467)
Gain on asset exchange	-	-	-	-	-	(1,985)	(1,985)
Profit from asset sold/ exchange	-	-	-	-	-	31,690	31,690
Miscellaneous	3,443	4,465	2,444	2,437	-	24,108	36,897
Total Operating Income	478,461	529,728	(10,572)	83,211	7,061	230,054	1,317,943
Compensation and fringe benefits	152,716	57,894	21,370	18,498	7,541	15,086	273,105
Taxes and licenses	45,607	44,477	15,045	3,214	572	8,992	117,907
Depreciation and amortization	56,267	10,854	4,291	6,085	1,479	19,546	98,522
Provision for impairment losses	-	33,320	-	5,602	-	(9,651)	29,271
Occupancy and Other equipment-related cost	22,871	1,737	554	1,055	217	2,264	28,698
Other operating expense	126,537	37,505	20,756	10,549	2,726	18,008	216,081
Total Operating Expense	403,998	185,787	62,016	45,003	12,535	54,245	763,584
Income before share in net income of an associate	74,463	343,941	(72,588)	38,208	(5,474)	175,809	554,359
Share in net income of an associate	-	-	-	-	-	49	49
Income before income tax	74,463	343,941	(72,588)	38,208	(5,474)	175,858	554,408
Provision for income Tax	11,306	56,414	39,759	6,652	-	25,237	139,368
Net Income (loss)	63,157	287,527	(112,347)	31,556	(5,474)	150,621	415,040
Segment assets							
Property and equipment	211,884	-	-	-	-	657,841	869,725
Investment properties	-	-	-	-	-	2,566,563	2,566,563
Other allocated assets	10,733,547	60,348,636	36,180,540	3,868,734	101,985	1,862,625	113,096,067
Total segment assets	10,945,431	60,348,636	36,180,540	3,868,734	101,985	5,087,029	116,532,355
Total segment liabilities							
	92,232,959	183,104	8,681,629	12,116	487	1,174,721	102,285,016

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	502,406	(423,477)	(113,615)	(23,170)	(815)	58,671	-
Net interest income	418,813	417,747	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	443,495	494,485	(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	39,315	352,728	(214,762)	33,617	(644)	174,641	384,895
Share in net income of an associate	-	-	-	-	-	42	42
Income before income tax	39,315	352,728	(214,762)	33,617	(644)	174,683	384,937
Provision for income Tax	6,469	58,878	26,818	4,459	-	29,177	125,801
Net income	32,846	293,850	(241,580)	29,158	(644)	145,506	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

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 2022	December 2021
Trust department accounts	₱9,192,753	₱8,631,952
Standby LC	866,687	825,173
Spot exchange:		
Bought	1,147,755	101,998
Sold	1,323,293	362,093
Sight LC outstanding	2,808,220	890,428
Usance LC outstanding	46,970	135,023
Inward bills for collection	163,481	106,075
Outstanding shipping guarantees	613,960	396,019
Currency forwards:		
Bought	1,344	1,987
Sold	75,086	162,464

Outward bills for collection	60,805	13,293
Items held for safekeeping	17	19
Items held as collateral	7	7
Other contingent	3,614	14,241

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, 2022 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 ₦415.0 Million for the first quarter of 2022, 60.2% or ₦155.9 Million higher than the ₦259.1 Million earned in the same period last year. Total operating income increased by ₦172.0 Million or 15.0% primarily from improvements in net interest income, higher trading gains, higher profit from sale of ROPA, and higher fees & commission.

₦128.7 Million improvements in net interest income was primarily the result of ₦80.0 Million increase in interest income from investments from higher yields and higher average volume, ₦40.8 Million increase in interest income from loans from higher average loan volume, and from decline in Interest expense by ₦11.7 Million largely due to drop in cost of funds. Increase on profit from sale of ROPA amounted to ₦30.4 Million, and Fees & commission increased by ₦9.6 Million mainly from loan processing fees received during the period. This is partially offset by decline in rent income by ₦40.0 Million due to vacancies of leased floors, pre-terminations, and re-negotiated contracts of tenants as a result of the COVID-19 crisis. Total operating expenses went up slightly by ₦2.5 Million or 0.3% mainly from higher manpower costs.

Total Assets of the Group increased by ₦7.3 Billion from ₦109.3 Billion as of December 2021 to ₦116.5 Billion at the end of the first quarter of 2022. This is primarily due to ₦7.2 Billion higher Due from BSP from higher investment in Overnight Deposit Facility (ODF), and ₦2.0 Billion increase in Loans and Other Receivables mostly from corporate loans. This was partially offset by ₦1.6 Billion lower Cash on hand mainly those with service providers and cash centers.

The Group's gross NPL ratio is at 4.68%, 0.21 % points lower than the 4.89% ratio at the end of 2021.

Total Liabilities increased by ₦7.2 Billion, 7.6% higher from last year's end level of ₦95.1 Billion. This resulted mostly from ₦4.7 Billion increase in deposit liabilities mainly from higher demand and time deposit volume, and ₦2.4 Billion increase in bills payable. Total Capital amounted to ₦14.25 Billion from ₦14.18 Billion last December 2021. This slight increase in Capital of 0.5% was mainly contributed by the earnings of the Bank as of the first quarter of the year.

The Group's consolidated Risk-Based Capital Adequacy ratio is 17.58% 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 2022.

2. Discussion of various key indicators:

A. Key Financial Performance (consolidated)

Ratio	March 2022	March 2021	Remarks
Net Profit Margin (Net income divided by Gross income)	31.49%	22.61%	Net profit margin increased by 8.88 % pts. due to higher net income mainly driven by higher operating income
Return on Average Asset (Net income divided by Average assets)	1.47%	1.03%	Increase by 45 bps from higher net income during the current period mainly driven by higher operating income
Return on Average Equity (Net income divided by Average equity)	11.68%	8.29%	Return on average equity increased by 3.39% pts. from higher net income during the current period driven by higher 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)	17.58%	18.50%	Capital ratio increase by 0.59% as a result of higher total qualifying capital
Basic Earnings per share (Net income divided by average no. of common shares)	0.86	0.54	Increase in basic earnings per share by ₱0.32 from higher net income during the current period

B. Financial Soundness (consolidated)

Ratio	March 2022	December 2021	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>	33.19%	28.96%	Ratio increased by 4.23 % pts., mainly due to higher liquid assets from higher placement in ODFs
Debt Ratio (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	87.77%	87.02%	Debt ratio increased by 75 bps from impact of increase in total liabilities exceeded the impact of increase in total assets. Increase in liabilities is mainly from higher deposit liabilities and bills payable
Asset to Equity Ratio (Total Asset to Total Equity)	8.18	7.71	Ratio is higher by 47 bps mainly as result of higher growth in assets in relation to the increase in equity
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	565.01%	393.97%*	Bank's interest rate coverage increased by 171.04 % pts. due to higher Earnings before interest & taxes, partially offset by lower interest expense from lower cost of funds
Net Interest Margin Net interest income over Average Earning assets	4.17%	4.15%*	Ratio slightly went up by 2 bps primarily due to impact of improvement of ave yields, and decline in ave COF rates

* As of March 2021

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, 2022, the unspent amount from the approved capital expenditures budget on projects involving technology enhancement, and facilities improvement amounted ₱368.45 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 2022 vs. December 2021 (consolidated)

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(1,553,550)	-55.42%	Lower cash on hand mainly those with service provider and in cash centers
Due from BSP	7,227,257	70.36%	Higher mostly from ODF
Due from Other Banks	571,158	86.72%	Higher funds with foreign banks
Interbank Loans Receivable	213,784	5.10%	Higher foreign interbank loans and GS Repo
Financial assets at Fair Value through Profit or Loss	(886,291)	-100.00%	Sale of investments in FVTPL
Financial assets at Fair Value thorough Other Comprehensive Income	(322,737)	-4.97%	Sale of investments in FVOCI
Investment securities at Amortized Cost	51,911	0.33%	Higher due to purchase of HTC investment
Loans and Receivables	1,955,705	3.08%	Increase in outstanding loans and receivables, mainly in corporate loans
Investment in a subsidiary and associate	49	0.34%	Share in net income for the period
Property and Equipment	(12,492)	-1.42%	Decline due to depreciation recognized for the period
Investment Properties	(10,606)	-0.41%	Depreciation recognized for the period, offset by ROPA foreclosures
Intangible Assets	1,656	0.31%	Higher due to acquisitions, partially offset by amortization of software during the period
Deferred tax assets	5,832	1.79%	Increase mainly due to allowance for credit losses booked during the period
Other Assets	61,279	10.58%	Higher primarily from increase in prepaid expenses
Demand Deposits	2,278,858	5.54%	Higher deposits volume primarily in Demand & Time deposits due to the Bank's efforts to increase volume of low-cost source of funds
Savings Deposits	2,119,416	18.66%	
Time Deposits	332,179	1.05%	Higher due to higher bills payable – REPO FCDU, partially offset by lower deposit substitute
Bills Payable	2,387,068	39.71%	
Outstanding Acceptances	26,435	36.92%	Due to higher bills of exchange accepted by the Bank
Manager's Checks	64,799	37.62%	Higher un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	95,871	14.08%	Increase in expense accruals as of the period
Income Tax payable	106,507	159.39%	Income tax due for the period
Other Liabilities	(181,008)	-16.38%	Lower mainly from lower advance rentals and rental security deposits

Statement of Income and Expenses : January-March 2022 vs January-March 2021 (consolidated)

	Increase (Decrease)	Percentage	Remarks
Interest Income on investment securities	79,989	83.70%	Higher interest income due to higher yields mainly from HTC & FVTPL
Interest Income on Loans and receivable	40,772	4.17%	Higher interest income from higher ave volume , partly offset by lower yields

Interest Income on IBCL	5,019	19.10%	Increase from higher ave. volume, mainly in GS REPO
Interest Income on Deposit with other Banks and others	(8,769)	-33.25%	Lower income from decrease in ave. volume mainly in ODF
Interest Expense on Deposit Liabilities	(22,027)	-17.81%	Decline in interest expense mainly from lower cost of funds and lower ave volume, mainly in TDs
Interest Expense on Bills payable, borrowings and others	10,311	142.24%	Higher mainly due to higher ave volume of Bills Payable – Repo
Trading and Securities Gain – net	36,047	24.94%	Higher trading gain, mostly unrealized
Rent Income	(40,050)	-26.26%	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	9,636	10.01%	Higher mainly due to higher loan processing fees
Foreign Exchange Gain (Loss) –Net	4,121	55.40%	Increase is mainly due to higher realized foreign exchange gain
Gain on asset exchange	(793)	66.53%	Higher loss on valuation of foreclosed assets
Profit/(Loss) from Assets Sold	30,372	2304.40%	Higher gain on sale of ROPA
Income from Trust Operations	536	8.17%	Increase due to higher ave. volume of assets under management
Miscellaneous Income	3,367	10.04%	Higher mainly from forfeiture of security deposits from pre-termination of lease contracts
Compensation and Fringe Benefits	40,243	17.28%	Higher manpower costs for the period
Taxes and Licenses	(20,215)	-14.64%	Lower DST on deposits
Depreciation and Amortization	(857)	-0.86%	Lower mainly due to fully-depreciated FFEs and lower ROPA depreciation
Occupancy and other equipment-related costs	3,158	12.36%	Higher electricity and repair costs
Provision for impairment losses	20,145	220.74%	Higher loan provision requirement during the period
Miscellaneous	(39,975)	-15.61%	Decrease is primarily due to lower ROPA related expenses and lower brokerage fees
Provision for income tax	13,567	10.78%	Higher due to higher taxable income from higher interest income from investments & loans, and higher fees