

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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File Number

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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, 2023.
2. Commission identification number PW-686 3. BIR Tax Identification No. 000-263-340.
4. Exact name of issuer as specified in its charter  
Philippine Bank of Communications.
5. Province, country or other jurisdiction of incorporation or organization Philippines.
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office Postal Code  
PBCOM Tower 6795 Ayala Ave., Cor. V.A. Rufino St., Makati City 1226.
8. Issuer's telephone number, including area code  
(632) 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>   |
| <u></u>                    | <u></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> |
| <u></u>                          | <u></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)

November 13, 2023

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY  
 UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION  
 AS OF SEPTEMBER 30, 2023  
 (With Comparative Figures as of December 31, 2022)

	Consolidated		Parent Company	
	September 30, 2023 (Unaudited)	December 31, 2022	September 30, 2023 (Unaudited)	December 31, 2022
	(Amounts in Thousands)			
<b>ASSETS</b>				
Cash and Other Cash Items	1,192,481	1,404,214	1,192,481	1,404,214
Due from Bangko Sentral ng Pilipinas	10,651,754	11,336,471	10,651,754	11,336,471
Due from Other Banks	973,701	1,089,190	973,701	1,089,190
Interbank Loans Receivable	5,454,711	2,600,579	5,454,711	2,600,579
Financial assets at Fair Value through Profit or Loss	14,565	-	14,565	-
Financial assets at Fair Value through Other Comprehensive Income	9,454,825	5,008,596	9,454,825	5,008,596
Investment Securities at Amortized Cost	28,015,505	21,661,825	28,015,505	21,661,825
Loans and Other Receivables	80,083,001	76,923,878	80,085,834	76,926,711
Investment in a Subsidiary and Associate	16,201	14,715	22,274	20,788
Property and Equipment	775,905	803,837	775,905	803,837
Investment Properties				
Condominium units for lease	1,655,509	1,691,796	1,655,509	1,691,796
Foreclosed properties	980,743	962,112	980,743	962,112
Office units for lease	2,075	2,338	2,075	2,338
Intangible Assets	533,901	525,605	533,901	525,605
Deferred Tax Assets	375,635	390,567	375,635	390,568
Other Assets	450,118	462,776	448,812	461,469
<b>TOTAL ASSETS</b>	<b>140,630,630</b>	<b>124,878,499</b>	<b>140,638,230</b>	<b>124,886,099</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
<b>Deposit Liabilities</b>				
Demand	36,945,096	45,499,687	36,953,999	45,508,590
Savings	11,874,721	12,667,907	11,874,721	12,667,907
Time	54,248,416	38,382,737	54,248,416	38,382,737
Long-term negotiable certificates of deposits	2,898,444	2,893,897	2,898,444	2,893,897
	105,966,677	99,444,228	105,975,580	99,453,131
Bills Payable	14,877,825	7,594,019	14,877,825	7,594,019
Outstanding Acceptances	53,580	50,218	53,580	50,218
Manager's Checks	615,897	221,535	615,897	221,535
Accrued Interest, Taxes and Other Expenses	1,353,409	864,400	1,353,323	864,314
Income Tax payable	61,276	118,813	61,276	118,813
Other Liabilities	978,030	1,019,239	976,813	1,018,022
<b>TOTAL LIABILITIES</b>	<b>123,906,694</b>	<b>109,312,452</b>	<b>123,914,294</b>	<b>109,320,052</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	107,115	212,838	107,115	212,838
Retained earnings	2,924,058	1,459,710	2,924,058	1,459,710
Unrealized loss on financial assets at fair value through other comprehensive income	(522,765)	(314,585)	(522,765)	(314,585)
Cumulative translation adjustment	(98,561)	(106,005)	(98,561)	(106,005)
Remeasurement gain on defined benefit liability	35,714	35,714	35,714	35,714
<b>TOTAL EQUITY</b>	<b>16,723,936</b>	<b>15,566,047</b>	<b>16,723,936</b>	<b>15,566,047</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>140,630,630</b>	<b>124,878,499</b>	<b>140,638,230</b>	<b>124,886,099</b>



PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY  
UNAUDITED INTERIM STATEMENTS OF INCOME

	Consolidated		Parent Company	
			For the Nine Months ended September 30 (January to September)	
	2023	2022	2023	2022
(Amounts in Thousands, Except Earnings per Share)				
<b>INTEREST INCOME</b>				
Investment securities	1,229,699	641,122	1,229,699	641,122
Loans and receivables	4,336,730	3,301,423	4,336,730	3,301,423
Interbank loans receivable and securities purchased under resale agreements	100,247	62,421	100,247	62,421
Deposits with other banks and others	21,055	27,792	21,055	27,792
	<b>5,687,731</b>	<b>4,032,758</b>	<b>5,687,731</b>	<b>4,032,758</b>
<b>INTEREST AND FINANCE CHARGES</b>				
Deposit liabilities	1,706,131	344,234	1,706,131	344,234
Bills payable, borrowings and others	504,644	93,465	504,644	93,465
	<b>2,210,775</b>	<b>437,699</b>	<b>2,210,775</b>	<b>437,699</b>
<b>NET INTEREST INCOME</b>	<b>3,476,956</b>	<b>3,595,059</b>	<b>3,476,956</b>	<b>3,595,059</b>
Trading and securities gain (loss) - net	52,137	(294,751)	52,137	(294,751)
Rent Income	302,317	313,501	302,317	313,501
Service charges, fees and commissions	310,919	299,713	310,919	299,713
Foreign exchange gain - net	72,681	84,110	72,681	84,110
Gain (loss) on asset exchange - net	14,267	(18,143)	14,267	(18,143)
Profit from assets sold	11,763	45,334	11,763	45,334
Income from trust operations	27,713	23,021	27,713	23,021
Miscellaneous	107,220	99,000	107,220	99,000
<b>TOTAL OPERATING INCOME</b>	<b>4,375,973</b>	<b>4,146,844</b>	<b>4,375,973</b>	<b>4,146,844</b>
Compensation and fringe benefits	901,764	826,760	901,764	826,760
Taxes and licenses	542,020	363,077	542,020	363,077
Depreciation and amortization	256,963	296,905	256,963	296,905
Occupancy and other equipment - related costs	118,889	100,205	118,889	100,205
Provision for (recovery from) impairment losses	(19,501)	121,630	(19,501)	121,630
Insurance	151,322	129,588	151,322	129,588
Management and professional fees	75,036	132,810	75,036	132,810
Security, clerical, messengerial and janitorial services	96,742	81,255	96,742	81,255
Entertainment, amusement and recreation	67,397	57,125	67,397	57,125
Communication	36,749	40,094	36,749	40,094
Miscellaneous	318,186	296,735	318,186	296,735
<b>TOTAL OPERATING EXPENSES</b>	<b>2,545,567</b>	<b>2,446,184</b>	<b>2,545,567</b>	<b>2,446,184</b>
<b>INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARY AND AN ASSOCIATE</b>	<b>1,830,406</b>	<b>1,700,660</b>	<b>1,830,406</b>	<b>1,700,660</b>
Share in net income of subsidiary and an associate	1,486	215	1,486	215
<b>INCOME BEFORE INCOME TAX</b>	<b>1,831,892</b>	<b>1,700,875</b>	<b>1,831,892</b>	<b>1,700,875</b>
<b>PROVISION FOR INCOME TAX</b>	<b>473,267</b>	<b>411,214</b>	<b>473,267</b>	<b>411,214</b>
<b>NET INCOME</b>	<b>1,358,625</b>	<b>1,289,661</b>	<b>1,358,625</b>	<b>1,289,661</b>
Attributable to:				
Equity holders of the Parent Company	1,358,625	1,289,661		
Non-controlling interest	-	-		
	<b>1,358,625</b>	<b>1,289,661</b>		
<b>Basic/ Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company</b>	<b>2.83</b>	<b>2.68</b>		

**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)			
	2023	2022	2023	2022
(Amounts in Thousands, Except Earnings per Share)				
INTEREST INCOME				
Investment securities	442,402	258,357	442,402	258,357
Loans and receivables	1,567,018	1,202,371	1,567,018	1,202,371
Interbank loans receivable and securities purchased under resale agreements	69,140	1,396	69,140	1,396
Deposits with other banks and others	9,916	1,619	9,916	1,619
	2,088,476	1,463,743	2,088,476	1,463,743
INTEREST AND FINANCE CHARGES				
Deposit liabilities	706,408	136,931	706,408	136,931
Bills payable, borrowings and others	216,246	55,412	216,246	55,412
	922,654	192,343	922,654	192,343
NET INTEREST INCOME	1,165,822	1,271,400	1,165,822	1,271,400
Trading and securities gain (loss) - net	(43,095)	13,292	(43,095)	13,292
Rent Income	93,033	102,436	93,033	102,436
Service charges, fees and commissions	98,647	107,882	98,647	107,882
Foreign exchange gain - net	29,255	42,653	29,255	42,653
Gain (loss) on asset exchange - net	4,103	(11,906)	4,103	(11,906)
Profit from assets sold	5,111	9,605	5,111	9,605
Income from trust operations	9,479	8,100	9,479	8,100
Miscellaneous	34,442	37,338	34,442	37,338
TOTAL OPERATING INCOME	1,396,797	1,580,800	1,396,797	1,580,800
Compensation and fringe benefits	320,302	285,365	320,302	285,365
Taxes and licenses	201,690	126,395	201,690	126,395
Depreciation and amortization	88,892	99,211	88,892	99,211
Occupancy and other equipment - related costs	36,302	37,454	36,302	37,454
Provision for (recovery from) impairment losses	(2,087)	55,203	(2,087)	55,203
Insurance	50,903	45,524	50,903	45,524
Management and professional fees	26,015	58,956	26,015	58,956
Security, clerical, messengerial and janitorial services	31,975	27,673	31,975	27,673
Entertainment, amusement and recreation	24,444	19,147	24,444	19,147
Communication	12,579	17,354	12,579	17,354
Miscellaneous	102,376	96,703	102,376	96,703
TOTAL OPERATING EXPENSES	893,391	868,985	893,391	868,985
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARY AND AN ASSOCIATE	503,406	711,815	503,406	711,815
Share in net income of subsidiary and an associate	1,326	103	1,326	103
INCOME BEFORE INCOME TAX	504,732	711,918	504,732	711,918
PROVISION FOR INCOME TAX	146,069	149,527	146,069	149,527
NET INCOME	358,663	562,391	358,663	562,391
Attributable to:				
Equity holders of the Parent Company	358,663	562,391		
Non-controlling interest	-	-		
	358,663	562,391		

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

	Consolidated		Parent Company	
	For the Nine Months ended September 30 (January to September)			
	2023	2022	2023	2022
	(Amounts in Thousands)			
NET INCOME	1,358,625	1,289,661	1,358,625	1,289,661
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	7,444	(43,664)	7,444	(43,664)
Unrealized gain (loss) on financial assets carried at fair value through other comprehensive income	(208,180)	(580,664)	(208,180)	(580,664)
	(200,736)	(624,328)	(200,736)	(624,328)
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	-	-	-	-
	-	-	-	-
	(200,736)	(624,328)	(200,736)	(624,328)
TOTAL OTHER COMPREHENSIVE INCOME	1,157,889	665,333	1,157,889	665,333
Attributable to:				
Equity holders of the Parent Company	1,157,889	665,333		
Non-controlling interest	-	-		
TOTAL OTHER COMPREHENSIVE INCOME	1,157,889	665,333		

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

	Consolidated		Parent Company	
	For the Three Months ended September 30 (July to September)			
	2023	2022	2023	2022
	(Amounts in Thousands)			
NET INCOME	358,663	562,391	358,663	562,391
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cumulative translation adjustment	12,771	204	12,771	204
Unrealized gain (loss) on financial assets carried at fair value through other comprehensive income	(213,686)	(144,028)	(213,686)	(144,028)
	(200,915)	(143,824)	(200,915)	(143,824)
<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	-	-	-	-
	(200,915)	(143,824)	(200,915)	(143,824)
TOTAL OTHER COMPREHENSIVE INCOME	157,748	418,567	157,748	418,567
Attributable to:				
Equity holders of the Parent Company	157,748	418,567		
Non-controlling interest	-	-		
TOTAL OTHER COMPREHENSIVE INCOME	157,748	418,567		



**PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY**  
**UNAUDITED INTERIM STATEMENTS OF CASH FLOWS**

	Consolidated		Parent Company	
	For the Nine Months Ended			
	September 30			
	2023	2022	2023	2022
	(Amounts in Thousands)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	1,831,892	1,700,875	1,831,892	1,700,875
Adjustments to reconcile income before income tax to net cash generated from (used for) operations:				
Accretion of interest on unquoted debt securities	(32,164)	(45,728)	(32,164)	(45,728)
Depreciation and amortization	256,963	296,905	256,963	296,905
Provision for (recovery from) impairment losses	(19,501)	121,630	(19,501)	121,630
Loss (profit) on asset exchange	(14,267)	18,143	(14,267)	18,143
Gain from asset sold	(11,763)	(45,334)	(11,763)	(45,334)
Unrealized gain on financial assets at FVTPL	(3,095)	(3,832)	(3,095)	(3,832)
Share in net income of a subsidiary and an associate	(1,486)	(215)	(1,486)	(215)
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Financial assets at FVTPL	(14,565)	785,136	(14,565)	785,136
Loans and Receivable	(3,192,305)	(12,307,546)	(3,192,305)	(12,307,546)
Other Assets	(5,922)	100,654	(5,922)	100,654
Increase (decrease) in the amounts of:				
Deposit liabilities	6,522,449	2,523,103	6,522,449	2,523,103
Manager's checks	394,362	393,588	394,362	393,588
Accrued interest, taxes and other expenses	489,009	158,380	489,009	158,380
Other liabilities	(44,885)	(39,794)	(44,885)	(39,794)
Net cash generated from (used for) operations	6,154,722	(6,344,035)	6,154,722	(6,344,035)
Income taxes paid	(515,871)	(369,852)	(515,871)	(369,852)
<b>Net cash provided by (used in) operating activities</b>	<b>5,638,851</b>	<b>(6,713,887)</b>	<b>5,638,851</b>	<b>(6,713,887)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Increase (decrease) in interbank loans receivable	(2,684,320)	3,470,889	(2,684,320)	3,470,889
Acquisition of:				
Financial assets at FVOCI	(53,207,953)	(41,630,805)	(53,207,953)	(41,630,805)
Investment securities at amortized cost	(5,923,550)	(6,212,250)	(5,923,550)	(6,212,250)
Property and equipment	(63,726)	(37,920)	(63,726)	(37,920)
Software cost	(39,012)	(27,552)	(39,012)	(27,552)
Proceeds from disposal of:				
Financial assets at FVOCI	46,763,709	42,107,444	46,763,709	42,107,444
Investment properties	12,786	98,899	12,786	98,899
Proceeds from maturity of Investment securities	1,362,800	75,000	1,362,800	75,000
<b>Net cash used in investing activities</b>	<b>(13,779,266)</b>	<b>(2,156,295)</b>	<b>(13,779,266)</b>	<b>(2,156,295)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Availments of:				
Bills payable	260,939,931	167,626,048	260,939,931	167,626,048
Outstanding acceptance	2,441,365	1,025,326	2,441,365	1,025,326
Marginal deposits	35,579	49,781	35,579	49,781
Settlements of:				
Bills payable	(253,656,125)	(159,108,130)	(253,656,125)	(159,108,130)
Outstanding acceptance	(2,438,003)	(985,473)	(2,438,003)	(985,473)
Marginal deposits	(31,903)	(42,770)	(31,903)	(42,770)
<b>Net cash provided by financing activities</b>	<b>7,290,844</b>	<b>8,564,782</b>	<b>7,290,844</b>	<b>8,564,782</b>

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

	Consolidated		Parent Company	
	For the Nine Months Ended			
	September 30			
	2023	2022	2023	2022
	(Amounts in Thousands)			
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	7,444	(43,664)	7,444	(43,664)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(842,127)	(349,064)	(842,127)	(349,064)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD				
Cash and Other Cash Items	1,404,214	1,515,914	1,404,214	1,515,914
Due from Bangko Sentral ng Pilipinas	11,336,471	10,271,486	11,336,471	10,271,486
Due from Other Banks	1,089,190	658,593	1,089,190	658,593
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	34,899	724,957	34,899	724,957
	13,864,774	13,170,950	13,864,774	13,170,950
CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD				
Cash and Other Cash Items	1,192,481	1,334,054	1,192,481	1,334,054
Due from Bangko Sentral ng Pilipinas	10,651,754	10,587,440	10,651,754	10,587,440
Due from Other Banks	973,701	828,027	973,701	828,027
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	204,711	72,365	204,711	72,365
	13,022,647	12,821,886	13,022,647	12,821,886

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY  
UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

Consolidated									
Equity Attributable to Equity Holders of the Parent Company									
	Common Stock	Additional Paid-in Capital	Surplus reserves	Retained Earnings (Deficit)	Other Comprehensive Income	Cumulative Translation Adjustment	Remeasurement Gain on Retirement assets	Non-Controlling Interest	Total Equity
Balance at January 1, 2023	12,016,129	2,262,246	212,838	1,459,710	(314,585)	(106,005)	35,714	-	15,566,047
Release of appropriation during the year			(105,723)	105,723	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	1,358,625	(208,180)	7,444	-	-	1,157,889
<b>Balance at September 30, 2023 (unaudited)</b>	<b>12,016,129</b>	<b>2,262,246</b>	<b>107,115</b>	<b>2,924,058</b>	<b>(522,765)</b>	<b>(98,561)</b>	<b>35,714</b>	<b>-</b>	<b>16,723,936</b>
Balance at January 1, 2022	12,016,129	2,262,246	106,922	(66,061)	53,509	(237,668)	40,741	-	14,175,818
Appropriation during the year			105,723	(105,723)	-	-	-	-	-
Total comprehensive income (loss) for the period				1,289,661	(580,664)	(43,664)	-	-	665,333
Balance at September 30, 2022 (unaudited)	12,016,129	2,262,246	212,645	1,117,877	(527,155)	(281,332)	40,741	-	14,841,151

Parent Company									
Unrealized gain (loss) on Financial Assets at Fair Value Through Other Comprehensive Income									
	Common Stock	Additional Paid-in Capital	Surplus reserves	Retained Earnings (Deficit)	Other Comprehensive Income	Cumulative Translation Adjustment	Remeasurement Gain on Retirement assets		Total
Balance at January 1, 2023	12,016,129	2,262,246	212,838	1,459,710	(314,585)	(106,005)	35,714	-	15,566,047
Release of appropriation during the year			(105,723)	105,723	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	1,358,625	(208,180)	7,444	-	-	1,157,889
<b>Balance at September 30, 2023 (unaudited)</b>	<b>12,016,129</b>	<b>2,262,246</b>	<b>107,115</b>	<b>2,924,058</b>	<b>(522,765)</b>	<b>(98,561)</b>	<b>35,714</b>	<b>-</b>	<b>16,723,936</b>
Balance at January 1, 2022	12,016,129	2,262,246	106,922	(66,061)	53,509	(237,668)	40,741	-	14,175,818
Appropriation during the year			105,723	(105,723)	-	-	-	-	-
Total comprehensive income (loss) for the period				1,289,661	(580,664)	(43,664)	-	-	665,333
Balance at September 30, 2022 (unaudited)	12,016,129	2,262,246	212,645	1,117,877	(527,155)	(281,332)	40,741	-	14,841,151

**PHILIPPINE BANK OF COMMUNICATIONS (Consolidated)**  
**AGING OF LOANS & SELECTED RECEIVABLES**  
As of September 30, 2023  
(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	67,728,438	66,704,273	86,733	25,129	11,496	900,807
Agrarian Reform/Other Agricultural Credit Loans	4,614,219	4,430,171	21,764	44,382	0	117,902
Bills Purchased	1,979,265	1,974,223	0	0	0	5,042
Customers' Liability on Drafts under LC/TR	53,580	53,580	0	0	0	0
Customers' Liab. for this Bank's Acceptances	4,959,540	4,927,838	0	0	0	31,702
Restructured Loans	848,669	744,958	27,834	35,416	13,469	26,992
Items in Litigation	889,585	0	0	0	228,969	660,616
<b>SUB TOTAL</b>	<b>81,073,297</b>	<b>78,835,044</b>	<b>136,332</b>	<b>104,927</b>	<b>253,934</b>	<b>1,743,061</b>
Unquoted Debt Securities	458,124	458,124	0	0	0	0
Accounts Receivable	744,931	679,154	2,517	5,511	6,932	50,817
Accrued Interest Receivable	651,726	640,973	566	286	3,922	5,979
Sales Contract Receivables	61,318	53,496	2,004	5,100	379	340
<b>GRAND TOTAL</b>	<b>82,989,397</b>	<b>80,666,791</b>	<b>141,418</b>	<b>115,825</b>	<b>265,166</b>	<b>1,800,197</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 universal 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 September 30, 2023, the Parent Bank had a network of 91 regular branches, four branch-lite units, and 166 ATMs (92 onsite and 74 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 Parent Company's Board of Directors (BOD) 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 regular commercial banking.

The Monetary Board, in its Resolution No. 96 dated January 20, 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.

Subsequently, the Parent Bank secured the approval of the *Securities and Exchange Commission* for the amendment of its Articles of Incorporation, reflecting the change of its primary license to universal banking. The official Certificate of Filing of Amended Articles of Incorporation was issued on August 17, 2022.

On November 10, 2022, PBCOM secured its Certificate of Authority to operate as a universal bank from the Bangko Sentral ng Pilipinas. PBCOM started its operations as a Universal Bank last December 1, 2022.

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

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

**Retirement of Business Operation of PISAI**

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

business operations.

The Company received clearances with the shortening of its corporate life from the Insurance Commission and the Makati Local Government last May 26, 2021, and September 30, 2021, respectively. The Bureau of Internal Revenue granted the Company tax clearance on April 19, 2023. The Company is currently preparing the requirements to secure approval on shortening its corporate life from the Securities and Exchange Commission.

## 2. Summary of Significant Accounting and Financial Reporting Policies

### Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared following 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. They should be read in conjunction with the Group's annual audited financial statements as of the end of the year ended December 31, 2022.

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, 2023, had been prepared following Philippine Financial Reporting Standards (PFRS).

### Basis of Consolidation

The unaudited interim condensed consolidated financial statements comprise the Parent Company's and its subsidiary's financial statements. They are prepared for the same reporting period as the Parent Company using consistent accounting policies. The subsidiary is consolidated from the date 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 affect its returns.

Generally, there is a presumption that majority 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 changes to one or more of the three control elements. 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 subsidiary's financial statements to align its 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 the 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 a 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 recycled 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 adopting new standards and amendments effective January 1, 2023. 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 to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

#### *Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures*, *Sale or contribution of assets between an investor and its associate or JV*

#### 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 for identical assets or liabilities in an active market.
- 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 significant to the fair value measurement is unobservable, i.e., not based on observable market data.

As of September 30, 2023, the Bank used the following level of measurement:

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	₱14,317	₱14,317	₱-	₱-
Sovereign bonds	248	248		
	14,565	14,565		
Financial assets at FVTOCI				
Government securities	4,218,135	4,218,135	-	-
Private bonds	1,053,771	1,053,771	-	-
Sovereign bonds	4,032,725	4,032,725		
Equity securities	150,194	-	123,146	27,048
	9,454,824	9,304,630	123,146	27,048

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 an arm's length basis.

#### 5. Financial Risk Management

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

Compared with December 31, 2022, 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, 2023. 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

The Group manages and controls credit risk 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 the output of complex models with several underlying assumptions regarding variable inputs' choice and interdependencies.

## 6. Consolidated Segment Information

The following tables present income and profit and particular asset and liability information regarding the Group's operating segments as of September 30, 2023, and 2022.

AS OF SEPTEMBER 30, 2023

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	(1,707,616)	4,065,644	893,795	218,308	2,209	4,616	3,476,956
Intersegment	2,766,069	(2,284,772)	(847,401)	(109,190)	(4,654)	479,948	-
Net interest income	1,058,453	1,780,872	46,394	109,118	(2,445)	484,564	3,476,956
Rent income	-	-	-	-	-	302,317	302,317
Service charges, fees and commissions	70,568	205,760	1,791	17,549	-	15,251	310,919
Foreign Exchange gain - net	12,600	4,418	55,663	-	-	-	72,681
Income from Trust Operations	-	-	-	-	27,713	-	27,713
Trading and securities gain (loss) - net	-	-	52,137	-	-	-	52,137
Gain on asset exchange	-	-	-	-	-	14,267	14,267
Profit from asset sold	-	-	-	-	-	11,763	11,763
Miscellaneous	7,170	40,098	857	21,207	-	37,888	107,220
<b>Total Operating Income</b>	<b>1,148,791</b>	<b>2,031,148</b>	<b>156,842</b>	<b>147,874</b>	<b>25,268</b>	<b>866,050</b>	<b>4,375,973</b>
Compensation and fringe benefits	512,771	194,918	64,677	55,202	28,036	46,160	901,764
Taxes and licenses	221,433	191,738	97,047	7,481	2,263	22,058	542,020
Depreciation and amortization	126,372	39,248	11,006	26,752	3,317	50,268	256,963
Provision for (recovery from) impairment losses	-	12,931	-	(31,332)	-	(1,100)	(19,501)
Occupancy and Other equipment-related costs	96,155	8,477	2,370	3,930	1,010	6,947	118,889
Other operating expense	431,019	140,576	75,298	47,759	10,261	40,519	745,432
<b>Total Operating Expense</b>	<b>1,387,750</b>	<b>587,888</b>	<b>250,398</b>	<b>109,792</b>	<b>44,887</b>	<b>164,852</b>	<b>2,545,567</b>
Income before share in net income of an associate	(238,959)	1,443,260	(93,556)	38,082	(19,619)	701,198	1,830,406
Share in net income of an associate	-	-	-	-	-	1,486	1,486
Income before income tax	(238,959)	1,443,260	(93,556)	38,082	(19,619)	702,684	1,831,892
Provision for income Tax	-	176,675	207,592	839	-	88,161	473,267
<b>Net Income (loss)</b>	<b>(238,959)</b>	<b>1,266,585</b>	<b>(301,148)</b>	<b>37,243</b>	<b>(19,619)</b>	<b>614,523</b>	<b>1,358,625</b>
<b>Segment assets</b>							
Property and equipment	371,386	-	-	-	-	404,519	775,905
Investment properties	-	-	-	-	-	2,638,327	2,638,327
Other allocated assets	12,796,235	75,298,374	44,305,480	3,283,560	128,752	1,403,997	137,216,398
<b>Total segment assets</b>	<b>13,167,621</b>	<b>75,298,374</b>	<b>44,305,480</b>	<b>3,283,560</b>	<b>128,752</b>	<b>4,446,843</b>	<b>140,630,630</b>
<b>Total segment liabilities</b>							
	<b>108,380,568</b>	<b>142,057</b>	<b>14,058,042</b>	<b>5,313</b>	<b>644</b>	<b>1,320,070</b>	<b>123,906,694</b>

## AS OF SEPTEMBER 30, 2022

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	(262,628)	2,961,861	623,355	264,870	1,912	5,689	3,595,059
Intersegment	1,670,453	(1,497,804)	(317,827)	(50,752)	(2,370)	198,300	-
Net interest income	1,407,825	1,464,057	305,528	214,118	(458)	203,989	3,595,059
Rent income	-	-	-	-	-	313,501	313,501
Service charges, fees and commissions	67,903	203,601	-	9,362	-	18,847	299,713
Foreign Exchange gain - net	11,087	4,912	68,111	-	-	-	84,110
Income from Trust Operations	-	-	-	-	23,021	-	23,021
Trading and securities gain (loss) - net	-	-	(294,751)	-	-	-	(294,751)
Loss on asset exchange	-	-	-	-	-	(18,143)	(18,143)
Profit from asset sold	-	-	-	-	-	45,334	45,334
Miscellaneous	8,683	18,697	2,841	11,280	-	57,499	99,000
Total Operating Income	1,495,498	1,691,267	81,729	234,760	22,563	621,027	4,146,844
Compensation and fringe benefits	462,604	175,615	65,239	55,111	24,051	44,140	826,760
Taxes and licenses	131,104	143,502	56,503	11,210	1,889	18,869	363,077
Depreciation and amortization	169,895	33,316	12,646	19,466	4,105	57,477	296,905
Provision for (recovery from) impairment losses	-	177,300	-	(54,560)	-	(1,110)	121,630
Occupancy and Other equipment-related costs	79,186	6,816	2,125	3,678	804	7,596	100,205
Other operating expense	403,951	144,380	71,717	45,713	12,251	59,595	737,607
Total Operating Expense	1,246,740	680,929	208,230	80,618	43,100	186,567	2,446,184
Income before share in net income of an associate	248,758	1,010,338	(126,501)	154,142	(20,537)	434,460	1,700,660
Share in net income of an associate	-	-	-	-	-	215	215
Income before income tax	248,758	1,010,338	(126,501)	154,142	(20,537)	434,675	1,700,875
Provision for income Tax	37,097	171,810	122,797	14,851	-	64,659	411,214
Net income	211,661	838,528	(249,298)	139,291	(20,537)	370,016	1,289,661
<b>Segment assets</b>							
Property and equipment	380,677	-	-	-	-	422,057	802,734
Investment properties	-	-	-	-	-	2,603,515	2,603,515
Unallocated assets	10,931,379	71,706,553	30,085,341	3,585,787	111,876	1,725,124	118,146,060
Total segment assets	11,312,056	71,706,553	30,085,341	3,585,787	111,876	4,750,696	121,552,309
Total segment liabilities	93,955,480	161,113	11,111,828	8,784	117	1,473,836	106,711,158

## 7. Commitments and Contingent Liabilities

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

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

	September 2023	December 2022
Trust department accounts	₱11,954,961	₱10,814,414
Standby LC	1,458,367	970,552
Spot exchange:		
Bought	1,609,122	251,584
Sold	2,519,590	561,113
Sight LC outstanding	778,638	347,188
Usance LC outstanding	150,899	596,009
Inward bills for collection	298,639	196,173
Outstanding shipping guarantees	2,046,667	1,684,193
Currency forwards:		
Bought	-	808
Sold	798	75,420

Outward bills for collection	60,661	61,043
Items held for safekeeping	15	16
Items held as collateral	7	7
Other contingents	5,408	13,223

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

8. No other items affect 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 judgments 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 previous financial years that may have a material effect in the current interim period.
10. The Parent Bank declared or paid no dividends as of September 30, 2023.
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 Group registered a net income of ₱1.4 Billion as of the third quarter of the year 2023, ₱69.0 Million or 5.4% higher than the ₱1.3 Billion earned during the same period last year. This is attributable to ₱229.1 Million higher operating income largely from ₱346.9 Million better trading performance.

Interest income expanded by 41.0% or ₱1.7 Billion due to higher asset yields and growth in both loan and securities portfolios. Interest expense, however, also increased on the account of higher cost of funds due to current high interest rates environment and caused ₱1.8 Billion decline in net interest income. Total operating expenses went up by ₱99.4 Million mainly because of volume-driven costs - higher GRT, higher DST and PDIC insurance from growth in deposit volume, and higher manpower costs, offset by lower provision for impairment losses and lower depreciation and amortization. Income taxes also increased by ₱62.1M, mainly from higher final taxes on interest income on peso government securities and onshore income and lower DTA recognized.

Total Assets of the Group increased by ₱15.8 Billion from ₱124.9 Billion as of December 2022 to ₱140.6 Billion at the end of the third quarter of 2023. This is primarily due to increases in inventories of debt securities carried at HTC and FVOCI by ₱6.4 Billion and ₱4.4 Billion, respectively, growth in loan volume by ₱3.2 Billion, and growth in interbank receivables and SPURA by ₱2.9 Billion.

The Group's gross NPL ratio is 2.56%, 0.67 % points lower than the 3.23% ratio at the end of 2022.

Total Liabilities increased by ₱14.6 Billion, 13.4% higher than last year's end level of ₱109.3 Billion. This resulted mostly from ₱7.3 Billion increase in bills payable and ₱6.5 Billion increase in deposit liabilities, mainly from higher time deposits partially offset by lower demand deposits. Total Capital is now at ₱16.7 Billion from ₱15.6 Billion last December 2022. This 7.4% increase 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 ₱358.7 Million for the third quarter of 2023, ₱203.7 Million or 36.2% lower than the ₱562.4 Million earned in the same period last year. This is largely due to ₱184.0M lower operating income this quarter resulting mainly from ₱105.6 Million decline in net interest income, trading performance at ₱43.1 Million loss compared to ₱13.3 Million gains in the same period last year, and ₱24.4 Million or 2.8% higher operating expense.

The Group's consolidated Risk-Based Capital Adequacy ratio is 17.17% under BASEL 3 and is well above the 10% minimum requirement. The ratio covers credit, market, and operational risks for the first nine (9) months of 2023.



## 2. Discussion of various key indicators:

### A. Key Financial Performance (consolidated)

Ratio	September 2023	September 2022	Remarks
Net Profit Margin (Net income divided by Gross income)	31.05%	31.10%	Decreased slightly by 5 bps mainly from higher interest expense due to higher cost of funds, offset by impact of net trading gains (net trading loss in 2022)
Return on Average Asset (Net income divided by Average assets)	1.36%	1.49%	Decline in the ratio is primarily driven by high cost funds which pulled down the net returns generated from higher volume of earning assets during the period
Return on Average Equity (Net income divided by Average equity)	11.22%	11.85%	Decline in the ratio is mainly due to lower net interest income, mainly driven by higher interest expense due to increase in cost of funds.
Capital Adequacy Ratio (Basel 3) (Qualifying capital divided by the total of risk-weighted assets that include credit, market, and operational risk)	17.17%	16.40%	Increased by 76 bps significantly due to higher total qualifying capital offset by higher total risk-weighted assets.
Basic Earnings per share (Net income divided by average no. of common shares)	2.83	2.68	Increase in basic earnings per share by P0.14 from higher net income during the current period

### B. Financial Soundness (consolidated)

Ratio	September 2023	December 2022	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 the peso and foreign currency deposits.</i>	26.04%	21.41%	Higher total deposits were coupled by a relative increase in liquid assets mainly from debt securities and interbank loans. Incorporating debt securities as a significant portion of liquid assets is beneficial to the Bank as this enhanced the Bank's liquidity management and provided safety and stability through predictable stream of income, thereby shows the Bank's capacity to honor deposit withdrawals without resorting to selling illiquid assets or relying on external funding sources
<b>Debt Ratio</b> (Total Liability to Total Assets) <i>Debt refers to the total liabilities, while assets refer to total Assets</i>	88.11%	87.54%	Ratio increased due to increase in deposit liabilities and bills payable - Repo as funding source to acquire inventory increase in debt securities and disburse loans
<b>Asset to Equity Ratio</b> (Total Asset to Total Equity)	8.41	8.02	Ratio increased as a result of increase in earning assets mainly receivable from customers, debt securities at HTC, FVOCI, & Interbank
<b>Interest Rate Coverage Ratio</b> (Earnings before interest & taxes to Interest Expense)	182.79%	488.55%*	Decreased due to increase in interest expense from high cost deposits from rising cost of funds given the BSP interest hikes. Its impact is partially offset by improvement in Earnings before Interest & Taxes driven by higher interest income from loans and investments
<b>Net Interest Margin</b> Net interest income over Average Earning assets	3.98%	4.36%*	The Bank's core lending and investment activities showed a decline in its net interest margin by 86 bps due to impact of increase in average COF rates which overtaken the improvement in average yields

\* As of Sep 2022

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

- a. The Bank does not have any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), or other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- b. As of September 30, 2023, the unspent amount from the approved capital expenditures budget on projects involving technology enhancement and facilities improvement amounted to ₱649.5 Million.
- c. The Bank has taken prudent steps to mitigate the risk through a more careful credit process and tighter credit policies. More importantly, it continues its assessment of its portfolio by regularly doing the stress test exercise.
- d. There is no recorded significant quarterly income or losses that did not come from the Bank's regular operations.
- e. Interest income on the 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, no seasonal aspect has a material impact on the Bank's interest revenues. Non-interest revenues, on the other hand, are primarily dependent on market dynamics and economic trends rather than seasonal factors.

#### Statement of Condition: September 2023 vs. December 2022 (consolidated)

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(211,733)	-15.08%	Lower cash in cash centers, lower cash on hand, & lower cash in ATM
Due from BSP	(684,717)	-6.04%	Lower mainly in ODF
Due from Other Banks	(115,489)	-10.60%	Lower funds mainly with local banks
Interbank Loans Receivable	2,854,132	109.75%	Higher mainly from GS Repo and interbank call loans
Financial assets at Fair Value through Profit or Loss	14,565	100.00%	Purchase of investments in FVTPL
Financial assets at Fair Value thorough Other Comprehensive Income	4,446,229	88.77%	Purchase of debt investments in FVOCI
Investment securities at Amortized Cost	6,353,680	29.33%	Increase due to the purchase of HTC securities
Loans and Receivables	3,159,123	4.11%	Increase in outstanding receivables, mainly in corporate loans
Investment in a subsidiary and associate	1,486	10.10%	Share in net income as of 3rd Quarter of the year
Property and Equipment	(27,932)	-3.47%	Decline due to depreciation recognized for the period
Investment Properties	(17,919)	-0.67%	Decline due to depreciation recognized for the period offset by higher ROPA foreclosures
Intangible Assets	8,296	1.58%	Purchase of software made in 1st Quarter and software licenses in 3rd Quarter
Deferred tax assets	(14,932)	-3.82%	Decrease mainly due to lower lease liability, advance rental, & Unamortized past service
Other Assets	(12,658)	-2.74%	Decrease mainly due to lower doc stamps on hand, offset by higher prepaid expenses on PDIC insurance premium and higher prepaid expenses on banking fees
Demand Deposits	(8,554,591)	-18.80%	Higher deposits volume mainly in Time Deposits, partially offset by Demand & Savings deposits
Savings Deposits	(793,186)	-6.26%	
Time Deposits	15,865,679	41.34%	
Bills Payable	7,283,806	95.92%	Increase in Deposit substitutes - REPO & FCDU bills payable -- REPO
Outstanding Acceptances	3,362	6.69%	Increase due to higher bills of exchange accepted by the Bank



Manager's Checks	394,362	178.01%	Higher un-negotiated MC's as of quarter-end
Accrued Interest, Taxes and Other Expenses Payable	489,009	56.57%	Increase mainly due to Deposits interest accruals, other operating expenses accruals
Income Tax payable	(57,537)	-48.43%	Lower income tax payable for the period
Other Liabilities	(41,209)	-4.04%	Lower mainly from decrease in advance rentals, accounts payable to foreign clients, finance lease payables, rental deposits, partially offset by higher accounts payable - trade loans and withholding tax payable on deposits

**Statement of Income and Expenses: January-September 2023 vs. January-September 2022**  
**(consolidated)**

	Increase (Decrease)	Percentage	Remarks
Interest Income on investment securities	588,577	91.80%	Higher interest income due to higher yields (mainly from HTC & FVOCI), and from higher average volume, mainly HTC)
Interest Income on Loans and receivable	1,035,307	31.36%	Higher interest income largely from higher yields and growth in average volume (from impact of new loan availments, mainly from corporate loans)
Interest Income on IBCL	37,826	60.60%	Higher interest income from higher volume and higher yields
Interest Income on Deposit with other Banks and others	(6,737)	-24.24%	Lower interest income mainly from decrease in average volume mainly in ODF with BSP, offset by higher yields
Interest Expense on Deposit Liabilities	1,361,897	395.63%	Increase is primarily from higher cost of funds
Interest Expense on Bills payable, borrowings and others	411,179	439.93%	Increase is mainly from higher cost and average volume due to new repos during the year
Trading and Securities Gain – net	346,888	117.69%	Higher net trading gain mostly realized, compared to net trading loss in the same period last year
Rent Income	(11,184)	-3.57%	Lower from impact of lease terminations as a result of the COVID-19 crisis, offset by lease commencements from new tenants
Service Charges, Fees & Commissions	11,206	3.74%	Higher mainly due to higher trade finance receivables charges, insurance fees income, offset by lower corporate loan penalty fees, and processing fees
Foreign Exchange Gain (Loss) –Net	(11,429)	-13.59%	Lower realized and unrealized foreign exchange gain
Gain on asset exchange	32,410	178.64%	Net gain on asset exchange compared to net loss in the prior year
Profit/(Loss) from Assets Sold	(33,571)	-74.05%	Lower gain on sale of foreclosed ROPA assets
Income from Trust Operations	4,692	20.38%	Increase is mainly due to impact of higher ADB assets under management
Miscellaneous Income	8,220	8.30%	Higher mainly from higher GRT shouldered by clients and higher recovery on written-off accounts, offset by impact of income from forfeiture of security deposits of lessees from pre-termination of lease contracts in the prior year
Compensation and Fringe Benefits	75,004	9.07%	Higher manpower costs for the period due to salary adjustments and higher headcount
Taxes and Licenses	178,943	49.29%	Increase due to higher GRT costs due to increase in interest income from loans & investments and higher DST from deposits
Depreciation and Amortization	(39,942)	-13.45%	Lower amortization on software assets
Occupancy and other equipment-related costs	18,684	18.65%	Higher mainly from increase in electricity costs and maintenance cost
Provision for (recovery from) impairment losses	(141,131)	-116.03%	Lower loan provision requirements during the period
Miscellaneous	7,825	1.06%	Increase is primarily due to higher security, messengerial, & janitorial services from higher basic wage, and higher PDIC insurance from higher volume of deposits
Provision for income tax	62,053	15.09%	Increase mainly due to higher final taxes on interest income on peso government securities and onshore income and lower DTA recognized, partly offset by lower taxable income as of Sep23