

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, 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>

11. Are any or all of the securities listed on a Stock Exchange?

Yes [X] No []

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

Philippine Stock Exchange Common Stock

12. Indicate by check mark whether the registrant:

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

Yes [/] No []

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

Yes [/] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please see attached

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

Please see attached

PART II--OTHER INFORMATION

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

SIGNATURES

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

PHILIPPINE BANK OF COMMUNICATIONS

By:



PATRICIA MAY T. SIY
President & CEO



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

April 28, 2023

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

	Consolidated		Parent Company	
	March 31, 2023 (Unaudited)	December 31, 2022	March 31, 2023 (Unaudited)	December 31, 2022
	(Amounts in Thousands)			
ASSETS				
Cash and Other Cash Items	1,175,999	1,404,214	1,175,999	1,404,214
Due from Bangko Sentral ng Pilipinas	10,439,848	11,336,471	10,439,848	11,336,471
Due from Other Banks	1,170,393	1,089,190	1,170,393	1,089,190
Interbank Loans Receivable	1,789,253	2,600,579	1,789,253	2,600,579
Financial assets at Fair Value through Profit or Loss	56,155	-	56,155	-
Financial assets at Fair Value through Other Comprehensive Income	7,552,795	5,008,596	7,552,795	5,008,596
Investment Securities at Amortized Cost	27,780,568	21,661,825	27,780,568	21,661,825
Loans and Other Receivables	74,058,554	76,923,878	74,061,387	76,926,711
Investment in a Subsidiary and Associate	14,791	14,715	20,864	20,788
Property and Equipment	794,971	803,837	794,971	803,837
Investment Properties				
Condominium units for lease	1,679,700	1,691,796	1,679,700	1,691,796
Foreclosed properties	978,544	962,112	978,544	962,112
Office units for lease	2,250	2,338	2,250	2,338
Intangible Assets	546,532	525,605	546,532	525,605
Deferred Tax Assets	385,483	390,567	385,483	390,568
Other Assets	537,961	462,776	536,655	461,469
TOTAL ASSETS	128,963,797	124,878,499	128,971,397	124,886,099
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities				
Demand	38,716,608	45,499,687	38,725,511	45,508,590
Savings	11,910,866	12,667,907	11,910,866	12,667,907
Time	43,309,520	38,382,737	43,309,520	38,382,737
Long-term negotiable certificates of deposits	2,895,368	2,893,897	2,895,368	2,893,897
	96,832,362	99,444,228	96,841,265	99,453,131
Bills Payable	12,586,686	7,594,019	12,586,686	7,594,019
Outstanding Acceptances	592,577	50,218	592,577	50,218
Manager's Checks	591,714	221,535	591,714	221,535
Accrued Interest, Taxes and Other Expenses	989,555	864,400	989,469	864,314
Income Tax payable	205,919	118,813	205,919	118,813
Other Liabilities	1,035,072	1,019,239	1,033,855	1,018,022
TOTAL LIABILITIES	112,833,885	109,312,452	112,841,485	109,320,052
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	212,838	212,838	212,838	212,838
Retained earnings	2,001,110	1,459,710	2,001,110	1,459,710
Unrealized loss on financial assets at fair value through other comprehensive income	(276,096)	(314,585)	(276,096)	(314,585)
Cumulative translation adjustment	(122,029)	(106,005)	(122,029)	(106,005)
Remeasurement gain on defined benefit liability	35,714	35,714	35,714	35,714
TOTAL EQUITY	16,129,912	15,566,047	16,129,912	15,566,047
TOTAL LIABILITIES AND EQUITY	128,963,797	124,878,499	128,971,397	124,886,099

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
UNAUDITED INTERIM STATEMENTS OF INCOME

	Consolidated		Parent Company	
	For the Three Months ended March 31 (January to March)			
	2023	2022	2023	2022
	(Amounts in Thousands, Except Earnings per Share)			
INTEREST INCOME				
Investment securities	363,446	175,552	363,446	175,552
Loans and receivables	1,342,501	1,017,481	1,342,501	1,017,481
Interbank loans receivable and securities purchased under resale agreements	24,362	31,299	24,362	31,299
Deposits with other banks and others	8,135	17,607	8,135	17,607
	1,738,444	1,241,939	1,738,444	1,241,939
INTEREST AND FINANCE CHARGES				
Deposit liabilities	439,090	101,655	439,090	101,655
Bills payable, borrowings and others	121,539	17,560	121,539	17,560
	560,629	119,215	560,629	119,215
NET INTEREST INCOME	1,177,815	1,122,724	1,177,815	1,122,724
Trading and securities gain (loss) - net	48,838	(108,467)	48,838	(108,467)
Rent Income	110,659	112,486	110,659	112,486
Service charges, fees and commissions	99,550	105,940	99,550	105,940
Foreign exchange gain - net	20,828	11,559	20,828	11,559
Gain (loss) on asset exchange - net	2,539	(1,985)	2,539	(1,985)
Profit from assets sold	2,006	31,690	2,006	31,690
Income from trust operations	8,746	7,099	8,746	7,099
Miscellaneous	35,591	36,897	35,591	36,897
TOTAL OPERATING INCOME	1,506,572	1,317,943	1,506,572	1,317,943
Compensation and fringe benefits	288,433	273,105	288,433	273,105
Taxes and licenses	157,452	117,907	157,452	117,907
Depreciation and amortization	85,362	98,522	85,362	98,522
Occupancy and other equipment - related costs	39,049	28,698	39,049	28,698
Provision for impairment losses	(8,913)	29,271	(8,913)	29,271
Insurance	50,605	42,528	50,605	42,528
Management and professional fees	25,404	26,887	25,404	26,887
Security, clerical, messengerial and janitorial services	32,250	25,190	32,250	25,190
Entertainment, amusement and recreation	21,587	18,592	21,587	18,592
Communication	12,393	10,108	12,393	10,108
Miscellaneous	101,839	92,776	101,839	92,776
TOTAL OPERATING EXPENSES	805,461	763,584	805,461	763,584
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARY AND AN ASSOCIATE	701,111	554,359	701,111	554,359
Share in net income of subsidiary and an associate	76	49	76	49
INCOME BEFORE INCOME TAX	701,187	554,408	701,187	554,408
PROVISION FOR INCOME TAX	159,787	139,368	159,787	139,368
NET INCOME	541,400	415,040	541,400	415,040
Attributable to:				
Equity holders of the Parent Company	541,400	415,040		
Non-controlling interest	-	-		
	541,400	415,040		
Basic/ Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	1.13	0.86		

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

	Consolidated		Parent Company	
	For the Three Months ended March 31 (January to March)			
	2023	2022	2023	2022
	(Amounts in Thousands)			
NET INCOME	541,400	415,040	541,400	415,040
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	(16,024)	(42,078)	(16,024)	(42,078)
Unrealized gain (loss) on financial assets carried at fair value through other comprehensive income	38,489	(301,441)	38,489	(301,441)
	22,465	(343,519)	22,465	(343,519)
<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	-	-	-	-
	-	-	-	-
	22,465	(343,519)	22,465	(343,519)
TOTAL OTHER COMPREHENSIVE INCOME	563,865	71,521	563,865	71,521
Attributable to:				
Equity holders of the Parent Company	563,865	71,521		
Non-controlling interest	-	-		
TOTAL OTHER COMPREHENSIVE INCOME	563,865	71,521		

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

	Consolidated		Parent Company	
	For the Three Months Ended			
	March 31			
	2023	2022	2023	2022
	(Amounts in Thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	701,187	554,408	701,187	554,408
Adjustments to reconcile income before income tax to net cash generated from (used for) operations:				
Accretion of interest on unquoted debt securities	(11,864)	(15,203)	(11,864)	(15,203)
Depreciation and amortization	85,362	98,522	85,362	98,522
Provision for impairment losses	(8,913)	29,271	(8,913)	29,271
Loss (profit) on asset exchange	(2,539)	1,985	(2,539)	1,985
Gain from asset sold	(2,006)	(31,690)	(2,006)	(31,690)
Unrealized gain on financial assets at FVTPL	(4,568)	(16,903)	(4,568)	(16,903)
Share in net income of a subsidiary and an associate	(76)	(49)	(76)	(49)
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Financial assets at FVTPL	(56,155)	886,291	(56,155)	886,291
Loans and Receivable	2,748,235.85	(749,621)	2,748,235.85	(749,621)
Other Assets	(101,535)	(97,874)	(101,535)	(97,874)
Increase (decrease) in the amounts of:				
Deposit liabilities	(2,611,866)	4,731,842	(2,611,866)	4,731,842
Manager's checks	370,179	64,799	370,179	64,799
Accrued interest, taxes and other expenses	125,155	95,871	125,155	95,871
Other liabilities	15,833	(188,286)	15,833	(188,286)
Net cash generated from (used for) operations	1,246,430	5,363,363	1,246,430	5,363,363
Income taxes paid	(67,596)	(38,693)	(67,596)	(38,693)
Net cash provided by (used in) operating activities	1,178,834	5,324,670	1,178,834	5,324,670
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in interbank loans receivable	1,940,540	(197,015)	1,940,540	(197,015)
Acquisition of:				
Financial assets at FVOCI	(21,632,978)	(13,917,270)	(21,632,978)	(13,917,270)
Investment securities at amortized cost	(6,420,519)	(80,042)	(6,420,519)	(80,042)
Property and equipment	(27,112)	(13,667)	(27,112)	(13,667)
Software cost	(4,700)	-	(4,700)	-
Proceeds from disposal of:				
Financial assets at FVOCI	19,433,612	13,983,520	19,433,612	13,983,520
Investment properties	98,900	70,161	98,900	70,161
Net cash provided by (used in) investing activities	(6,612,258)	(154,313)	(6,612,258)	(154,313)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of:				
Bills payable	96,269,198	24,311,741	96,269,198	24,311,741
Outstanding acceptance	1,565,388	204,411	1,565,388	204,411
Marginal deposits	16,703	27,565	16,703	27,565
Settlements of:				
Bills payable	(91,276,531)	(21,924,673)	(91,276,531)	(21,924,673)
Outstanding acceptance	(1,023,029)	(177,976)	(1,023,029)	(177,976)
Marginal deposits	(16,703)	(20,286)	(16,703)	(20,286)
Net cash provided by (used) financing activities	5,535,026	2,420,782	5,535,026	2,420,782

forward

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

	Consolidated		Parent Company	
	For the Three Months Ended			
	March 31			
	2023	2022	2023	2022
	(Amounts in Thousands)			
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	(16,024)	(42,078)	(16,024)	(42,078)
NET INCREASE IN CASH AND CASH EQUIVALENTS	85,579	7,549,061	85,579	7,549,061
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	1,175,999	1,249,791	1,175,999	1,249,791
Due from Bangko Sentral ng Pilipinas	10,439,848	17,498,743	10,439,848	17,498,743
Due from Other Banks	1,170,393	1,229,751	1,170,393	1,229,751
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	1,164,113	741,726	1,164,113	741,726
	13,950,353	20,720,011	13,950,353	20,720,011

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
 UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY
 FOR THE THREE MONTHS ENDED MARCH 31, 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	Total	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	-	15,566,047
Total comprehensive income (loss) for the period	-	-	-	541,400	38,489	(16,024)	-	563,865	-	563,865
Balance at March 31, 2023 (unaudited)	12,016,129	2,262,246	212,838	2,001,110	(276,096)	(122,029)	35,714	16,129,912	-	16,129,912
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
Parent Company										
	Common Stock	Additional Paid-in Capital	Surplus reserves	Retained Earnings (Deficit)	Other Comprehensive Income	Cumulative Translation Adjustment	Remeasurement Gain on Retirement assets	Total		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		15,566,047
Total comprehensive income (loss) for the period	-	-	-	541,400	38,489	(16,024)	-	563,865		563,865
Balance at March 31, 2023 (unaudited)	12,016,129	2,262,246	212,838	2,001,110	(276,096)	(122,029)	35,714	16,129,912		16,129,912
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

PHILIPPINE BANK OF COMMUNICATIONS (Consolidated)
AGING OF LOANS & SELECTED RECEIVABLES
As of March 31, 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	60,811,503	59,699,039	106,601	40,733	25,440	939,689
Agrarian Reform/Other Agricultural Credit Loans	3,859,734	3,739,697	0	1,895	0	118,142
Bills Purchased	2,374,689	2,369,407	0	0	0	5,282
Customers' Liability on Drafts under LC/TR	592,577	592,577	0	0	0	0
Customers' Liab. for this Bank's Acceptances	5,571,339	5,539,637	672	0	0	31,031
Restructured Loans	1,145,314	760,451	339,562	12,606	10,582	22,112
Items in Litigation	666,811	0	0	0	55,149	611,662
SUB TOTAL	75,021,966	72,700,808	446,835	55,235	91,172	1,727,917
Unquoted Debt Securities	553,317	553,317	0	0	0	0
Accounts Receivable	785,810	715,939	3,317	6,691	6,193	53,671
Accrued Interest Receivable	577,486	565,970	4,861	63	462	6,130
Sales Contract Receivables	57,905	37,869	12,470	6,292	325	949
GRAND TOTAL	76,996,484	74,573,903	467,482	68,281	98,152	1,788,666

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 March 31, 2023, the Parent Bank had a network of 91 regular branches, four branch-lite units, and 168 ATMs (94 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
Subsidiary		
PBCom Insurance Services Agency, Inc. (PISAI)	100.00%	Insurance Agent
Associate		
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. Clearances from other regulatory agencies are still in process as of March 31, 2023.

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 March 31, 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 March 31, 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	₱56,155	₱56,155	₱-	₱-
Financial assets at FVTOCI				
Government securities	6,255,161	6,255,161	-	-
Private bonds	1,147,438	1,147,438	-	-
Equity securities	150,194	-	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 March 31, 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 March 31, 2023, and 2022.

AS OF MARCH 31, 2023

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	(426,340)	1,247,891	278,843	75,385	717	1,319	1,177,815
Intersegment	777,730	(640,045)	(238,250)	(32,242)	(1,374)	134,181	-
Net interest income	351,390	607,846	40,593	43,143	(657)	135,500	1,177,815
Rent income	-	-	-	-	-	110,659	110,659
Service charges, fees and commissions	23,326	65,473	752	4,945	-	5,054	99,550
Foreign Exchange gain - net	3,811	1,490	15,527	-	-	-	20,828
Income from Trust Operations	-	-	-	-	8,746	-	8,746
Trading and securities gain (loss) - net	-	-	48,838	-	-	-	48,838
Loss on asset exchange	-	-	-	-	-	2,539	2,539
Profit from asset sold	-	-	-	-	-	2,006	2,006
Miscellaneous	2,730	10,346	884	6,185	-	15,446	35,591
Total Operating Income	381,257	685,155	106,594	54,273	8,089	271,204	1,506,572
Compensation and fringe benefits	162,089	62,140	21,816	18,212	9,208	14,968	288,433
Taxes and licenses	61,116	58,838	29,917	2,712	717	4,152	157,452
Depreciation and amortization	42,168	12,783	3,417	8,849	1,052	17,093	85,362
Provision for impairment losses	-	875	-	(10,031)	-	243	(8,913)
Occupancy and Other equipment-related costs	33,975	2,381	630	890	318	855	39,049
Other operating expense	142,275	42,425	25,034	20,008	3,132	11,204	244,078
Total Operating Expense	441,623	179,442	80,814	40,640	14,427	48,515	805,461
Income before share in net income of an associate	(60,366)	505,713	25,780	13,633	(6,338)	222,689	701,111
Share in net income of an associate	-	-	-	-	-	76	76
Income before income tax	(60,366)	505,713	25,780	13,633	(6,338)	222,765	701,187
Provision for income Tax	-	64,558	66,151	462	-	28,616	159,787
Net Income (loss)	(60,366)	441,155	(40,371)	13,171	(6,338)	194,149	541,400
Segment assets							
Property and equipment	387,317	-	-	-	-	407,654	794,971
Investment properties	-	-	-	-	-	2,660,494	2,660,494
Other allocated assets	11,271,184	69,041,658	39,822,843	3,420,290	122,183	1,830,174	125,508,332
Total segment assets	11,658,501	69,041,658	39,822,843	3,420,290	122,183	4,898,322	128,963,797
Total segment liabilities	96,652,764	635,955	13,962,248	11,577	736	1,570,605	112,833,885

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)
Loss on asset exchange	-	-	-	-	-	(1,985)	(1,985)
Profit from asset sold	-	-	-	-	-	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 costs	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	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
Unallocated 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

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.

	March 2023	December 2022
Trust department accounts	₱11,223,276	₱10,814,414
Standby LC	921,094	970,552
Spot exchange:		
Bought	1,484,538	251,584
Sold	2,708,584	561,113
Sight LC outstanding	477,516	347,188
Usance LC outstanding	51,605	596,009
Inward bills for collection	247,789	196,173
Outstanding shipping guarantees	1,299,664	1,684,193
Currency forwards:		
Bought	765	808
Sold	-	75,420
Outward bills for collection	61,043	61,043
Items held for safekeeping	17	16

Items held as collateral	7	7
Other contingents	7,834	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 March 31, 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 ₱541.4 Million as of the first quarter of the year 2023, ₱126.4 Million or 30.4% higher than the ₱415.0 Million earned during the same period last year. This is attributable to ₱188.6 Million higher operating income largely due to ₱157.3 Million better trading performance, ₱55.1 Million improvement in net interest income, ₱9.3 Million higher foreign exchange gain, partially offset by ₱29.7 Million lower net gain from ROPA sales, and ₱6.4 Million lower fees & commission. ₱41.9 Million higher operating expenses and ₱20.4 Million higher income taxes in the current period partially offset the increase in operating income.

Growth in net interest income is a result of ₱325.0 Million increase in interest income from loans, due to 95 bps higher yields and 16.7% Million higher average volume, ₱187.9 Million increase in interest income from investments from 1.81 % pts higher yields, and 0.3% higher average volume, offset by from ₱441.4 Million increase in interest expense mainly due to 1.58 % pts higher cost of funds and 9.0% higher average CASA volume & Repos. Total operating expenses went up by ₱41.9 Million mainly because of higher taxes due to higher GRT and DST, higher PDIC insurance from growth in deposit volume, higher manpower costs, and higher security service costs offset by lower provision for impairment losses. Income tax also increased by ₱20.4M, mainly from higher final taxes on interest income on peso government securities and onshore income.

Total Assets of the Group increased by ₱4.1 Billion from ₱124.9 Billion as of December 2022 to ₱129.0 Billion at the end of the first quarter of 2023. This is primarily due to an increase in inventory of debt securities carried at HTC and FVOCI amounting to ₱6.2 Billion and ₱2.5Billion, respectively, partially offset by ₱2.9 Billion decrease in Loans and Other Receivables, mostly from corporate loans.

The Group's gross NPL ratio is 3.01%, 0.23 % points lower than the 3.23% ratio at the end of 2022.

Total Liabilities increased by ₱3.5 Billion, 3.22% higher than last year's end level of ₱109.3 Billion. This resulted mostly from ₱5.0 Billion increase in bills payable offset by ₱2.6 Billion decrease in deposit liabilities, mainly from lower demand deposits. Total Capital is now at ₱16.1 Billion from ₱15.6 Billion last December 2022. This 3.6% increase in Capital 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 17.31% under BASEL 3 and is well above the 10% minimum requirement. The ratio covers credit, market, and operational risks for the first three (3) months of 2023.

2. Discussion of various key indicators:

A. Key Financial Performance (consolidated)

Ratio	March 2023	March 2022	Remarks
Net Profit Margin (Net income divided by Gross income)	35.94%	31.49%	Net profit margin increased by 4.4 % pts mainly due to higher net trading gain and higher net interest margin from higher interest income from loans & investments
Return on Average Asset (Net income divided by Average assets)	1.71%	1.47%	Slight increase of 24 bps due to higher net income during the current period, mainly driven by higher net interest margin, offset by the impact of an increase in average assets
Return on Average Equity (Net income divided by Average equity)	13.66%	11.68%	Return on average equity increased by 1.98 % points due to higher net income during the period driven by higher net trading gain and higher net interest margin
Capital Adequacy Ratio (Basel 3) (Qualifying capital divided by the total of risk-weighted assets that include credit, market, and operational risk)	17.31%	17.58%	The capital ratio decreased by 0.27% due to higher total credit risk-weighted assets.
Basic Earnings per share (Net income divided by average no. of common shares)	1.13	0.86	Increase in basic earnings per share by P0.26 from higher net income during the current period

B. Financial Soundness (consolidated)

Ratio	March 2023	December 2022	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 the peso and foreign currency deposits.</i>	22.70%	21.41%	Ratio increased by 1.29 % pts increase due to a higher inventory of FVOCI and HTC debt investments supplemented by a decrease in total deposits, mainly demand deposits for the current period
Debt Ratio (Total Liability to Total Assets) <i>Debt refers to the total liabilities, while assets refer to total Assets</i>	87.49%	87.54%	Debt ratio slightly decreased by four bps due to the impact of an increase in total assets due to higher inventory of FVOCI and HTC debt investments, in relation to the impact of an increase in total liabilities due to an increase in FCDU Bills Payable REPO.
Asset to Equity Ratio (Total Asset to Total Equity)	8.00	8.02	Ratio is lower by 2.7 % pts mainly as a result of an increase in equity due to higher net income in relation to growth in assets
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	225.06%	565.01%*	Bank's interest rate coverage decreased by 339.95 % pts due to an increase in interest expense from the rising cost of funds, mainly from time deposits, partially offset by higher earnings before interest & taxes
Net Interest Margin Net interest income over Average Earning assets	4.27%	4.17%*	Ratio went up by nine bps due to the higher impact of improvement of ave yields than the impact of an increase in ave COF rates

* As of March 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 March 31, 2023, the unspent amount from the approved capital expenditures budget on projects involving technology enhancement and facilities improvement amounted to ₱669.7 Million.
- c. Due to the pandemic, 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: March 2023 vs. December 2022 (consolidated)

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(228,215)	-16.25%	Lower cash on hand
Due from BSP	(896,623)	-7.91%	Higher mostly from Overnight Deposit Facility (ODF)
Due from Other Banks	81,203	7.46%	Higher funds with foreign banks
Interbank Loans Receivable	(811,326)	-31.20%	Lower GS Repo partially offset by higher foreign interbank loans
Financial assets at Fair Value through Profit or Loss	56,155	0.00%	Purchase of investments in FVTPL
Financial assets at Fair Value thorough Other Comprehensive Income	2,544,199	50.80%	Purchase of debt investments in FVOCI
Investment securities at Amortized Cost	6,118,743	28.25%	Increase due to the purchase of HTC securities
Loans and Receivables	(2,865,324)	-3.72%	Decrease in outstanding receivables, mainly in corporate loans
Investment in a subsidiary and associate	76	0.52%	Share in net income for the period
Property and Equipment	(8,866)	-1.10%	Decline due to depreciation recognized for the period
Investment Properties	4,248	0.16%	Higher ROPA foreclosures, offset by depreciation recognized for the period
Intangible Assets	20,927	3.98%	Capitalization of 30% downpayment for software cost during the quarter
Deferred tax assets	(5,084)	-1.30%	Decrease mainly due to a drop in advance rent
Other Assets	75,185	16.25%	Higher primarily due to PDIC insurance premiums and an increase in WIP-infotech
Demand Deposits	(6,783,079)	-14.91%	Lower deposits volume, mainly in Savings & Demand deposits, partially offset by higher Time Deposits
Savings Deposits	(757,041)	-5.98%	
Time Deposits	4,926,783	12.84%	
Bills Payable	4,992,667	65.74%	Increase in FCDU bills payable - REPO
Outstanding Acceptances	542,359	1080.01%	Increase due to higher bills of exchange accepted by the Bank
Manager's Checks	370,179	167.10%	Higher un-negotiated MC's as of quarter-end
Accrued Interest, Taxes and Other Expenses Payable	125,155	14.48%	Increase mainly due to Time Certificate of Deposits interest accrual and employee bonus accrual
Income Tax payable	87,106	73.31%	Higher Income tax due for the period
Other Liabilities	15,833	1.55%	Higher mainly from an increase in withholding tax payable

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

	Increase (Decrease)	Percentage	Remarks
Interest Income on investment securities	187,894	107.03%	Higher interest income due to higher yields (mainly from HTC & FVOCI, and from higher ave volume, mainly HTC)
Interest Income on Loans and receivable	325,020	31.94%	Higher interest income mainly from higher yields and growth in ave volume (from the impact of new loan availments, mainly from corporate loans)
Interest Income on IBCL	(6,937)	-22.16%	Lower interest income from lower volume
Interest Income on Deposit with other Banks and others	(9,472)	-53.80%	Lower interest income mainly from a decrease in ave. volume mainly in ODF offset by higher yields
Interest Expense on Deposit Liabilities	337,435	331.94%	Increase is primarily from a higher cost of funds and CASA volume
Interest Expense on Bills payable, borrowings and others	103,979	592.14%	Increase is mainly from higher cost and ave volume due to new repos during the year
Trading and Securities Gain – net	157,305	145.03%	Higher net trading gain was mostly realized, compared to a net trading loss in the same period last year
Rent Income	(1,827)	-1.62%	Lower from the impact of lease terminations as a result of the COVID-19 crisis, offset by lease commencements from new tenants
Service Charges, Fees & Commissions	(6,390)	-6.03%	Lower mainly due to lower loan processing fees
Foreign Exchange Gain (Loss) –Net	9,269	80.19%	Higher foreign exchange gain, mostly unrealized
Gain on asset exchange	4,524	227.91%	Net gain on asset exchange compared to a net loss in the prior year
Profit/(Loss) from Assets Sold	(29,684)	-93.67%	Lower gain on sale of foreclosed ROPA assets
Income from Trust Operations	1,647	23.20%	Increase is mainly due to the impact of higher ADB of assets under management
Miscellaneous Income	(1,306)	-3.54%	Lower mainly from the impact of forfeiture of security deposits from pre-termination of lease contracts in the prior year, partially offset by lower recovery on written-off accounts
Compensation and Fringe Benefits	15,328	5.61%	Higher manpower costs for the period due to higher headcount and salary adjustments
Taxes and Licenses	39,545	33.54%	Increase due to higher GRT costs due to the rise in interest income from loans & investments and higher DST
Depreciation and Amortization	(13,160)	-13.36%	Lower amortization on software assets
Occupancy and other equipment-related costs	10,351	36.07%	Higher mainly from an increase in electricity costs and maintenance cost
Provision for impairment losses	(38,184)	-130.45%	Lower loan provision requirements during the period
Miscellaneous	27,997	12.96%	Increase is primarily due to higher PDIC insurance from a higher volume of deposits, higher security services from higher basic wage, and higher brokerage and PDEX fees
Provision for income tax	20,419	14.65%	Increase from higher taxable income in 2023 is mainly due to higher final taxes, lower DTA recognized, and higher taxable income for the period