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S.E.C. Registration Number

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(Company's Full Name)

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(Business Address: No. Street City/Town/ Province)

Atty. Michael Stephen H. Lao

Contact Person

(02) 8830-7000

Company Telephone Number

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Month Day
Fiscal Year

17 - Q

FORM TYPE

6	11
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Month Day
Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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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 June 30, 2024.
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: (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)

August 14, 2024

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF POSITION
AS AT JUNE 30, 2024

(With Comparative Audited Figures at December 31, 2023)

	June 30, 2024 (Unaudited)	December 31, 2023
	(Amounts in Thousands)	
ASSETS		
Cash and Other Cash Items	P926,127	P1,562,747
Due from Bangko Sentral ng Pilipinas (Note 7)	10,612,062	12,204,980
Due from Other Banks	633,537	485,530
Interbank Loans Receivable and Securities Purchased under Resale Agreements (Note 8)	1,083,823	492,353
Financial assets at Fair Value through Profit or Loss (Note 9)	479,697	–
Financial Assets at Fair Value through Other Comprehensive Income (Note 9)	13,924,895	8,415,559
Investment Securities at Amortized Cost (Notes 9 and 15)	25,274,646	27,776,391
Loans and Receivables (Notes 10 and 15)	89,992,716	91,774,314
Investments in an Associate (Note 1)	16,683	16,343
Property and Equipment (Note 11)	818,363	814,490
Investment Properties (Note 12)		
Condominium units for lease	1,579,977	1,603,231
Foreclosed properties	1,996,364	975,759
Office units for lease	1,812	1,988
Intangible Assets (Note 13)	518,990	525,218
Deferred Tax Assets - Net	402,795	404,323
Other Assets (Note 14)	385,045	424,464
TOTAL ASSETS	P148,647,532	P147,477,690
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities (Note 16)		
Demand	P41,202,362	P41,395,954
Savings	11,617,120	13,314,707
Time	59,453,306	59,089,567
Long-term negotiable certificates of deposits	–	2,900,016
	112,272,788	116,700,244
Bills Payable (Note 17)	14,671,928	9,686,755
Outstanding Acceptances	125,181	105,410
Manager's Checks	572,976	632,058
Accrued Interest, Taxes and Other Expenses	1,436,867	1,549,139
Income Tax Payable	125,985	100,584
Other Liabilities (Note 14)	1,065,534	1,047,749
TOTAL LIABILITIES	130,271,259	129,821,939
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		
Common stock (Note 18)	12,016,129	12,016,129
Additional paid-in capital	2,262,246	2,262,246
Surplus reserves (Note 18)	454,283	454,283
Surplus	4,144,268	3,115,836
Unrealized losses on financial assets carried at fair value through other comprehensive income	(357,462)	(38,155)
Cumulative translation adjustment	(96,027)	(107,424)
Remeasurement losses on retirement liability	(47,164)	(47,164)
TOTAL EQUITY	18,376,273	17,655,751
TOTAL LIABILITIES AND EQUITY	P148,647,532	P147,477,690

See accompanying Notes to Unaudited Interim Condensed Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For the Semesters Ended		For the Quarters Ended	
	June 30		June 30	
	2024	2023	2024	2023
	(Amounts in Thousands)			
INTEREST INCOME				
Loans and receivables (Note 10)	₱3,556,814	₱2,769,712	₱541,974	₱423,851
Investment securities (Note 9)	1,021,438	787,297	1,783,321	1,427,211
Interbank loans receivable and securities purchased under resale agreements (Note 8)	29,661	31,107	10,823	6,745
Deposits with other banks and others	13,474	11,139	5,743	3,004
	4,621,387	3,599,255	2,341,861	1,860,811
INTEREST AND FINANCE CHARGES				
Deposit liabilities (Note 16)	1,565,659	999,723	746,625	560,633
Bills payable, borrowings and others (Note 17)	427,729	288,398	239,020	166,859
	1,993,388	1,288,121	985,645	727,492
NET INTEREST INCOME	2,627,999	2,311,134	1,356,216	1,133,319
Service charges, fees and commissions	229,774	212,272	124,104	112,722
Rent income	178,008	209,284	84,989	98,625
Trading and securities gain - net (Note 9)	70,242	95,232	18,965	46,394
Foreign exchange gain - net	46,510	43,426	22,910	22,598
Gain on asset exchange - net	29,279	10,164	28,807	7,625
Income from trust operations	19,766	18,234	10,177	9,488
Profit from assets sold (Note 12)	12,675	6,652	10,413	4,646
Miscellaneous (Note 11 and 19)	76,255	72,778	32,736	37,187
TOTAL OPERATING INCOME	3,290,508	2,979,176	1,689,317	1,472,604
Compensation and fringe benefits	653,782	581,462	314,999	293,029
Taxes and licenses	422,919	340,330	215,498	182,878
Depreciation and amortization	175,050	168,071	91,484	82,709
Insurance	116,719	100,419	58,566	49,814
Occupancy and other equipment - related costs	92,229	82,587	46,643	43,538
Security, clerical, messengerial and janitorial services	65,207	64,767	32,651	32,517
Management and professional fees	50,887	49,021	24,265	23,617
Entertainment, amusement and recreation	45,243	42,953	21,963	21,366
Communication	25,339	24,170	12,994	11,777
Provision for (recovery from) impairment losses	(5,387)	(17,414)	(3,568)	(8,501)
Miscellaneous (Note 19)	235,016	215,810	123,732	113,971
TOTAL OPERATING EXPENSES	1,877,004	1,652,176	939,227	846,715
INCOME BEFORE SHARE IN NET INCOME OF AN ASSOCIATE	1,413,504	1,327,000	750,090	625,889
Share in net income of an associate	340	160	157	84
INCOME BEFORE INCOME TAX	1,413,844	1,327,160	750,247	625,973
PROVISION FOR INCOME TAX (Note 20)	385,412	327,198	217,947	167,411
NET INCOME	₱1,028,432	₱999,962	₱532,300	458,562
Basic/ Diluted Earnings Per Share (Note 21)	₱2.14	₱2.08	₱1.11	₱0.95

See accompanying Notes to Unaudited Interim Condensed Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	For the Semesters Ended		For the Quarters Ended	
	June 30		June 30	
	2024	2023	2024	2023
	(Amounts in Thousands)			
NET INCOME	₱1,028,432	₱999,962	₱532,300	₱458,562
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	11,397	(5,327)	9,836	10,697
Unrealized gain (loss) on debt securities carried at fair value through other comprehensive income	(329,124)	5,507	(190,228)	(32,983)
	(317,727)	180	(180,392)	(22,286)
Items that may not be reclassified to profit or loss in subsequent periods:				
Unrealized loss on equity securities carried at fair value through other comprehensive income	9,817	23,111	9,817	23,111
	(307,910)	23,291	(170,575)	825
TOTAL OTHER COMPREHENSIVE INCOME	₱720,522	₱1,023,253	₱361,725	₱459,387

See accompanying Notes to Unaudited Interim Condensed Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months ended June 30	
	2024	2023
	(Amounts in Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱1,413,844	₱1,327,160
Adjustments to reconcile income before income tax to net cash generated from (used for) operations:		
Depreciation and amortization	175,050	168,071
Amortization of premium on investment securities	156,580	122,243
Gain on asset exchange - net	(29,279)	(10,164)
Trading gains on financial assets at FVTOCI (Note 9)	(23,117)	(29,412)
Profit from asset sold (Noted 12)	(12,675)	(6,652)
Accretion of interest on unquoted debt securities (Note 10)	(12,038)	(22,644)
Amortization of interest on lease liability	6,351	6,463
Provision for (recovery from) impairment losses	(5,387)	(17,414)
Unrealized loss (gain) on financial assets at FVTPL	(731)	14,716
Share in net income of an associate	(340)	(160)
Changes in operating assets and liabilities		
Decrease (increase) in the amounts of:		
Financial assets at FVTPL	(478,966)	(1,089,951)
Loans and receivable	715,459	(1,860,899)
Other assets	38,164	8,210
Increase (decrease) in the amounts of:		
Deposit liabilities	(4,427,456)	(1,798,130)
Manager's checks	(59,082)	1,599,168
Accrued interest, taxes and other expenses	(112,272)	226,774
Other liabilities	(8,024)	(36,328)
Net cash used for operations	(2,663,919)	(1,398,949)
Income taxes paid	(359,574)	(345,304)
Net cash used in operating activities	(3,023,493)	(1,744,253)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase interbank loans receivables and securities purchased under resale agreements	-	2,866,079
Acquisition of:		
Financial assets at FVOCI	(59,034,163)	(38,102,833)
Investment securities at amortized cost	(3,199,557)	(6,462,230)
Property and equipment	(23,548)	(71,401)
Software cost	(10,643)	(29,443)
Proceeds from disposal of:		
Financial assets at FVOCI	53,176,336	34,264,012
Property and equipment	7,024	-
Investment properties	61,930	7,453
Proceeds from maturity of Investment securities	5,598,114	225,800
Net cash used in investing activities	(3,424,507)	(7,302,563)

(Forward)

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months ended June 30	
	2024	2023
	(Amounts in Thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Bills payable	₱144,872,589	₱170,121,303
Outstanding acceptance	234,028	2,337,917
Marginal deposits	19,699	25,539
Settlements of:		
Bills payable	(139,887,416)	(164,073,257)
Outstanding acceptance	(214,257)	(1,697,518)
Marginal deposits	(17,864)	(21,863)
Lease liability	(60,237)	(56,329)
Net cash provided by financing activities	4,946,542	6,635,792
EFFECTS OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	11,397	(5,327)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,490,061)	(2,416,351)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
Cash and Other Cash Items	1,562,747	1,404,214
Due from Bangko Sentral ng Pilipinas	12,204,980	11,336,471
Due from Other Banks	485,530	1,089,190
Interbank Loans Receivable	492,353	34,899
	14,745,610	13,864,774
CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD		
Cash and Other Cash Items	926,127	1,293,396
Due from Bangko Sentral ng Pilipinas	10,612,062	8,747,925
Due from Other Banks	633,537	914,749
Interbank Loans Receivable	1,083,823	492,353
	₱13,255,549	₱11,448,423
OPERATIONAL CASH FLOWS FROM INTEREST		
	For the Six Months ended June 30	
	2024	2023
Interest paid	₱2,115,022	₱1,107,816
Interest received	4,461,837	3,475,870

See accompanying Notes to Unaudited Interim Condensed Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY

NOTES TO UNAUDITED INTERIM CONDENSED 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 Company's principal place of business is at the PBCOM Tower, 6795 Ayala Avenue, corner V. A. Rufino Street, Makati City.

As of June 30, 2024, the Parent Company had a network of 89 regular branches, four branch-lite units, and 166 ATMs (91 onsite and 75 offsite).

The Company's original Certificate of Incorporation was issued by the Securities and Exchange Commission (SEC) on August 23, 1939. On June 21, 1988, the 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 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 Company, subject to compliance with certain regulatory requirements, including the amendment of the Parent Company's charter documents. On March 15, 2022, the Parent Company held a special stockholders' meeting to approve the changes to the Parent Company's Articles of Incorporation to reflect the upgrade of its banking license.

Subsequently, the Parent Company 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 associate are engaged in the following businesses:

Entity	Effective Percentage of Ownership		Principal Place of Business and Country of Incorporation	Line of Business
	2024	2023		
Subsidiary				
PBCom Insurance Services Agency, Inc. (PISAI)	–	100.00%	Philippines	Insurance Agent
Associate				
PBCom Finance Corporation (PBCom Finance)	40.00%	40.00%	Philippines	Financing Company

Retirement of Business Operation of PISAI and Derecognition of Investment in Subsidiary

On January 11, 2021, the Board of Directors of the Parent Company approved the dissolution and liquidation of PISAI, which had been inactive since the termination of its general agency agreement with Pru Life UK in September 2017. Subsequently, on March 4, 2021, PISAI's Board of Directors resolved to shorten the company's corporate term to June 30, 2021.

Considering several requirements for the termination of business that had to be complied with, the effectivity of the PISAI's corporate term was extended until April 2024. PISAI submitted its application for amending its Articles of Incorporation on November 15, 2023. The SEC approved this amendment on April 3, 2024, extending the corporate term until April 30, 2024.

On May 3, 2024, PISAI completed the settlement of its liabilities and liquidated its remaining assets for distribution to its stockholders. Following this, the Parent Company received the release of PISAI's remaining assets and derecognized its investment in PISAI. As a result, the Parent Company no longer consolidates PISAI's financial statements.

Bond Offering Transaction

On March 20, 2024, The Bank's Board of Directors has approved a ₱15 billion peso-denominated bond program, to be issued in multiple tranches, with a minimum tenor of 1.5 years, subject to market demand, and an interest rate to be determined based on prevailing market conditions. The bond program is intended to raise funds for general corporate purposes, including refinancing debt obligation, diversifying funding sources, and supporting loan growth. As part of this program, the Board also approved the issuance of the first tranche, targeting at least ₱2 billion with an oversubscription option, contingent on regulatory approvals and market conditions. Target first tranche bond issuance is within 4th quarter of 2024.

2. Material Accounting Policy Information

Basis of Presentation

The accompanying unaudited interim condensed financial statements have been prepared following Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed 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, 2023 prepared under Philippine Financial Reporting Standards (PFRS).

New Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of the unaudited interim condensed consolidation financial statements of the Group are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2023, except for the adoption of the following amendments to PFRS effective beginning January 1, 2024. 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 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

3. Summary of Accounting Judgements and Estimates

The significant judgments and assumptions made in the unaudited interim condensed consolidated financial statements of the Group are consistent with the most recent annual financial statements issued.

4. Fair Value Measurement

The Group 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 June 30, 2024, the Group used the following level of measurement:

	Carrying value	Fair Values			
		Total	Quoted Price in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value					
Currency forwards	P65	P65	P-	P65	P-
Financial assets at FVTPL					
Government securities	361,055	361,055	361,055	-	-
Sovereign bonds	118,642	118,642	118,642	-	-
	479,762	479,762	479,697	65	-
Financial assets at FVTOCI					
Government securities	9,914,485	9,914,485	9,914,485	-	-
Private bonds	1,814,121	1,814,121	1,814,121	-	-
Sovereign bonds	1,997,683	1,997,683	1,997,683	-	-
Equity securities	198,606	198,606	-	164,576	34,030
	14,404,657	14,404,657	14,205,986	164,641	34,030
Assets for which fair values are disclosed					
Investment securities at amortized cost:					
Government securities	24,670,705	23,157,816	23,157,816	-	-
Sovereign bonds	603,941	600,468	600,468	-	-
Loans and receivables:					
Loans and receivable:	87,280,190	86,293,527	-	-	86,293,527
Unquoted debt securities	240,499	232,680	-	-	232,680
	112,795,335	110,284,491	23,758,284	-	86,526,207
Investment properties:					
Condominium units for lease	1,579,977	8,064,781	-	-	8,064,781
Foreclosed properties	1,996,364	5,017,653	-	-	5,017,653
Office units for lease	1,812	29,123	-	-	29,123
	3,578,153	13,111,557	-	-	13,111,557
	P116,373,488	P123,396,048	P23,758,284	P-	P99,637,764
Liabilities for which fair values are disclosed					
Financial liabilities at amortized cost:					
Time deposits	P59,453,306	P59,457,376	P-	P-	P59,457,376
Bills payable	14,671,928	14,674,292	-	-	14,674,292
	P74,125,234	P74,131,668	P-	P-	P74,131,668

* Included in 'Other assets'

As of December 30, 2023, the Group used the following level of measurement:

	Carrying Value	Fair Value			
		Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value					
Currency Forwards *	₱125	₱125	₱-	₱125	₱-
Financial assets at FVTOCI:					
Debt securities:					
Government securities	7,298,910	7,298,910	7,298,910	-	-
Private bonds	928,952	928,952	928,952	-	-
Equity securities	187,697	187,697	-	153,667	34,030
	8,415,684	8,415,684	8,227,862	153,792	34,030
Assets for which fair values are disclosed					
Investment securities at amortized cost:					
Government securities	27,205,670	27,212,447	27,212,447	-	-
Sovereign bonds	570,721	595,848	595,848	-	-
Loans and receivables:					
Receivables from customers:					
Corporate loans	85,840,916	84,761,313	-	-	84,761,313
Auto loans	436,850	434,745	-	-	434,745
Home loans	2,788,280	2,262,220	-	-	2,262,220
Personal loans	28,483	39,747	-	-	39,747
Unquoted debt securities	366,737	379,442	-	-	379,442
	117,237,657	115,692,015	27,808,295	-	87,883,720
Investment properties:					
Condominium units for lease	1,603,231	8,064,781	-	-	8,064,781
Foreclosed properties	975,759	4,269,282	-	-	4,269,282
Office units for lease	1,988	29,123	-	-	29,123
	2,580,978	12,363,186	-	-	12,363,186
	₱128,234,319	₱136,470,885	₱36,036,157	₱153,792	₱100,280,936
Liabilities for which fair value is disclosed					
Financial liabilities at amortized cost:					
Time deposits	₱59,089,567	₱59,160,967	₱-	₱-	59,160,967
LTNCD	2,900,016	2,905,860	-	2,905,860	-
Bills payable	9,686,755	9,687,278	-	-	9,687,278
	₱71,676,338	₱71,754,105	₱-	₱2,905,860	₱68,848,245

* Included in 'Other assets'

Movements in the fair value measurement of 'Financial assets at FVTOCI' categorized within Level 3 pertain only to the changes in fair value of unquoted equity securities.

There are no transfers between Levels 1 and 2 and no transfers into and out of Level 3.

The Group 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.

The methods and assumptions used by the Group in estimating the fair value of its assets and liabilities are remained consistent with previous periods, ensuring reliable and accurate reporting under current market conditions. These are as follows:

Investment Securities

Debt Securities

Fair values are based on quoted market prices or consensus prices from Bloomberg if market prices are unavailable.

Equity Securities (Club Shares)

Valued using published prices from recognized sources like GG&A Club Shares and G&W Club Shares.

Unquoted Equity Securities

Fair values are estimated using the guideline publicly-traded company method, relying on comparable publicly-traded companies.

Loans and Receivables:

Fair values are estimated using the discounted cash flow methodology, applying the Group's current incremental lending rates.

Derivative Assets/Liabilities:

Valued based on prevailing interest differentials and spot exchange rates, considering the remaining term to maturity.

Financial Liabilities at Amortized Cost:

Fair values of deposit liabilities and bills payable are calculated using discounted cash flow methods with current incremental borrowing rates.

Investment Properties:

Fair values are determined using the market sales comparison or income capitalization approach, depending on the property type, with significant unobservable inputs like rental rates and capitalization rates.

Significant Unobservable Inputs:

The Group provides detailed disclosures on Level 3 fair value measurements, including the sensitivity of these valuations to changes in significant unobservable inputs.

5. Financial Risk Management Objectives and Policies

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, 2023, there have been no changes in the financial risk exposures that may materially affect the unaudited interim condensed financial statements of the Group as of June 30, 2024. 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. Segment Information

The following tables present income and profit and particular asset and liability information regarding the Group's operating segments as of June 30, 2024, and 2023:

	Consolidated							Total
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental		
2024								
Segment results								
Revenue, net of interest expense								
Third party	(P1,686,896)	P3,391,516	P773,358	P143,613	P2,791	P3,617	P2,627,999	
Intersegment	2,214,182	(1,863,164)	(663,288)	(72,322)	(3,507)	388,099		
Net interest income	527,286	1,528,352	110,070	71,291	(716)	391,716	2,627,999	
Rent income	-	-	-	-	-	178,008	178,008	
Service charges, fees and commissions	46,788	159,045	2,920	9,920	-	11,101	229,774	
Foreign Exchange gain - net	12,917	1,150	32,443	-	-	-	46,510	
Income from Trust Operations	-	-	-	-	19,766	-	19,766	
Trading and securities gain (loss) - net	-	-	70,242	-	-	-	70,242	
Gain on asset exchange	-	-	-	-	-	29,279	29,279	
Profit from asset sold	-	-	-	-	-	12,675	12,675	
Miscellaneous	3,568	28,085	732	14,594	-	29,276	76,255	
Total Operating Income	590,559	1,716,632	216,407	95,805	19,050	652,055	3,290,508	
Compensation and fringe benefits	359,177	143,557	44,318	46,074	20,194	40,462	653,782	
Taxes and licenses	175,238	155,741	71,206	5,565	1,619	13,550	422,919	
Depreciation and amortization	86,271	29,071	6,501	20,833	2,059	30,315	175,050	
Provision for (recovery from) impairment losses	-	56,396	-	(60,902)	-	(881)	(5,387)	
Occupancy and Other equipment-related costs	73,872	7,441	1,741	4,028	1,034	4,113	92,229	
Other operating expense	348,670	45,243	55,649	37,164	6,535	45,150	538,411	
Total Operating Expense	1,043,228	437,449	179,415	52,762	31,441	132,709	1,877,004	
Income before share in net income of an associate	(452,669)	1,279,183	36,992	43,043	(12,391)	519,346	1,413,504	
Share in net income of an associate	-	-	-	-	-	340	340	
Income before income tax	(452,669)	1,279,183	36,992	43,043	(12,391)	519,686	1,413,844	
Provision for income Tax	-	138,222	171,460	-	-	75,730	385,412	
Net Income (loss)	(P452,669)	P1,140,961	(P134,468)	P43,043	(P12,391)	P443,956	P1,028,432	
Segment assets								
Property and equipment	370,271	-	-	-	-	448,092	818,363	
Investment properties	-	-	-	-	-	3,578,153	3,578,153	
Other allocated assets	11,201,016	84,580,576	43,339,747	3,232,894	147,898	1,748,885	144,251,016	
Total segment assets	P11,571,287	P84,580,576	P43,339,747	P3,232,894	P147,898	P5,775,130	P148,647,532	
Total segment liabilities	P116,891,486	P218,647	P11,555,452	P2,502	P147	P1,603,025	P130,271,259	

Consolidated 2023							
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Segment results							
Revenue, net of interest expense							
Third party	(₱978,919)	₱2,586,327	₱553,030	₱146,223	₱1,467	₱3,006	₱2,311,134
Intersegment	1,678,704	(1,396,452)	(504,201)	(69,164)	(2,921)	294,034	–
Net interest income	699,785	1,189,875	48,829	77,059	(1,454)	297,040	2,311,134
Rent income	–	–	–	–	–	209,284	209,284
Service charges, fees and commissions	46,547	144,957	1,291	9,675	–	9,802	212,272
Foreign Exchange gain - net	8,012	2,984	32,430	–	–	–	43,426
Income from Trust Operations	–	–	–	–	18,234	–	18,234
Trading and securities gain (loss) - net	–	–	95,232	–	–	–	95,232
Loss on asset exchange	–	–	–	–	–	10,164	10,164
Profit from asset sold	–	–	–	–	–	6,652	6,652
Miscellaneous	4,608	26,914	723	12,981	–	27,552	72,778
Total Operating Income	758,952	1,364,730	178,505	99,715	16,780	560,494	2,979,176
Compensation and fringe benefits	336,207	123,257	40,786	33,913	17,965	29,334	581,462
Taxes and licenses	131,611	123,453	64,037	4,764	1,503	14,962	340,330
Depreciation and amortization	82,136	25,504	6,859	17,521	2,171	33,880	168,071
Provision for (recovery from) impairment losses	–	6,687	–	(21,482)	–	(2,619)	(17,414)
Occupancy and Other equipment-related costs	66,343	5,737	1,781	2,752	770	5,204	82,587
Other operating expense	284,199	91,957	52,580	33,586	7,062	27,756	497,140
Total Operating Expense	900,496	376,595	166,043	71,054	29,471	108,517	1,652,176
Income before share in net income of an associate	(141,544)	988,135	12,462	28,661	(12,691)	451,977	1,327,000
Share in net income of an associate	–	–	–	–	–	160	160
Income before income tax	(141,544)	988,135	12,462	28,661	(12,691)	452,137	1,327,160
Provision for income Tax	–	128,150	140,006	928	–	58,114	327,198
Net income	(₱141,544)	₱859,985	₱(127,544)	₱27,733	(₱12,691)	₱394,023	₱999,962
Segment assets							
Property and equipment	367,912	–	–	–	–	416,337	784,249
Investment properties	–	–	–	–	–	2,655,394	2,655,394
Unallocated assets	9,368,772	73,654,363	40,741,109	3,346,766	127,273	1,812,860	129,051,143
Total segment assets	₱9,736,684	₱73,654,363	₱40,741,109	₱3,346,766	₱127,273	₱4,884,591	₱132,490,786
Total segment liabilities	₱98,599,320	₱731,425	₱15,138,433	₱7,276	₱731	₱1,447,413	₱115,924,598

7. Due from Bangko Sentral ng Pilipinas

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023
Demand deposit	₱10,612,062	₱11,704,980
Overnight deposit facility	–	500,000
	₱10,612,062	₱12,204,980

8. Interbank Loans Receivable and Securities Purchased under Resale Agreement (SPURA)

Interbank loans receivable of the Group is ₱1.08 billion and ₱492.35 million as of June 30, 2024 and December 31, 2023, respectively, while no outstanding SPURA as of June 30, 2024 and December 31, 2023.

Interest income on Interbank loans receivable and SPURA as follows:

	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)
SPURA	₱23,410	₱29,175
Interbank	6,251	1,932
	₱29,661	₱31,107

9. Trading and Investment Securities

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023
Financial assets at FVTPL	₱479,697	₱-
Financial assets at FVOCI	13,924,895	8,415,559
Investment securities at amortized cost	25,274,646	27,776,391
	₱39,679,238	₱36,191,950

The Groups' Financial assets at FVTPL consist of the following:

	June 30, 2024 (Unaudited)	December 31, 2023
Government	₱361,055	₱-
Sovereign bond	118,642	-
	₱479,697	₱-

The Groups' Financial assets at FVOCI consist of the following:

	June 30, 2024 (Unaudited)	December 31, 2023
Debt Securities		
Government	₱9,914,485	₱7,298,910
Corporate	1,814,121	928,952
Sovereign bond	1,997,683	-
	13,726,289	8,227,862
Equity Securities		
Quoted	164,576	153,667
Unquoted	34,030	34,030
	198,606	187,697
	₱13,924,895	₱8,415,559

The Group's Investment securities at amortized cost consist of the following:

	June 30, 2024 (Unaudited)	December 31, 2023
Government	₱24,682,985	₱27,217,801
Sovereign bond	604,736	571,392
Less: Allowance for ECL (Note 15)	(13,075)	(12,802)
	₱25,274,646	₱27,776,391

The interest income on investment securities follows:

	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)
Investment securities at amortized cost	₱613,473	₱590,741
Financial assets at FVOCI	351,734	164,075
Financial assets at FVTPL	56,231	32,481
	₱1,021,438	₱787,297

The Group's Trading and securities gain - net follows:

	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)
Financial assets at FVTPL	₱47,185	₱62,378
Financial assets at FVOCI	23,117	29,412
Derivatives	(60)	3,442
	₱70,242	₱95,232

10. Loans and Receivable

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023
Receivable from customers		
Loans and receivable	₱79,970,838	₱82,842,169
Customer's liabilities on letters of credit and Trust receipts	7,689,261	2,446,661
Bills purchased	2,483,535	6,662,836
	90,143,634	91,951,666
Unquoted debt securities	240,672	366,900
Accrued interest receivable	1,134,965	972,204
Sales contract receivables	65,432	63,567
Accounts receivables	1,349,178	1,360,704
	2,790,247	2,763,375
	92,933,881	94,715,041
Less: Unearned and other deferred income	(65,206)	(61,995)
Allowance for ECL (Note 15)	(2,875,959)	(2,878,732)
	₱89,992,716	₱91,774,314

Unquoted Debt Securities

As of June 30, 2024 and December 31, 2023, unquoted debt securities of the Group consist of Metro Rail Transit (MRT) bonds with gross amount of ₱240.7 million and ₱366.9 million, respectively, and an allowance for ECL amounting to ₱0.17 million and ₱0.16 million, in 2024 and 2023, respectively.

Interest Income

Interest income on loans and receivables consist of:

	June 30, 2024	June 30, 2023
	(Unaudited)	(Unaudited)
Receivable from customers	₱3,536,019	₱2,733,597
Unquoted debt securities	17,264	33,679
Others	3,531	2,436
	₱3,556,814	₱2,769,712

11. Property and Equipment

For the six-month period ended June 30, 2024, the Group purchased assets with total cost of ₱23.5 million. For the same periods, the Group disposed property and equipment with net book value of ₱1.57 million recognizing gain on sale of ₱5.45 million included as part of “Profit from asset sold” account.

For the six-month period ended June 30, 2023, the Group purchased assets with total cost of ₱71.4 million. For the same periods, the Group disposed property and equipment with net book value of ₱1.51 million recognizing nil gain on sale.

12. Investment Properties

For the six-month period ended June 30, 2024, the Group foreclosed investment properties amounting to ₱1.08 billion. For the same periods, the Group disposed investment properties with net book value of ₱25.67 million, recognizing gain on sale of ₱6.98 million included as part of “Profit from assets sold” account.

For the six-month period ended June 30, 2023, the Group foreclosed investment properties amounting to ₱61.2 million. For the same periods, the Group disposed investment properties with net book value of ₱12.5 million, recognizing gain on sale of ₱6.65 million included as part of “Profit from assets sold” account.

13. Intangible Assets

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023
Branch licenses	₱364,700	₱364,700
Bank license	25,000	25,000
Software cost	129,290	135,518
	₱518,990	₱525,218

14. Other Assets and Other Liabilities

Other Assets

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023
Financial		
Refundable security deposit	₱36,813	₱43,027
RCOCI	1,191	1,311
	38,004	44,338
Non-financial		
Prepaid expenses	117,781	103,021
Advances to BIR	99,828	119,524
Documentary Stamp Taxes (DST)	38,261	49,514
Stationery and supplies	21,064	24,677
Chattel mortgage	18,318	7,365
Advance rentals	15,707	19,048
Tax credits	5,528	1,304
Receivable from BIR	32	5,528
Others	36,094	55,574
	352,613	385,698
	390,617	430,036
Less: Allowance for ECL and impairment losses (Note 15)	(5,572)	(5,572)
	₱385,045	₱424,464

Other Liabilities

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023
Financial		
Accounts payable	₱335,275	₱314,711
Refundable security deposits	104,688	109,864
Miscellaneous	27,554	31,528
	467,517	456,103
Non-financial		
Lease liability	213,212	189,236
Deferred credits	150,999	156,978
Withholding taxes payable	69,405	76,801
Due to the Treasury of the Philippines	57,329	56,832
Miscellaneous (Note 15)	107,072	111,799
	598,017	591,646
	₱1,065,534	₱1,047,749

15. Allowance for Impairment, Credit and Other Losses

Movements in this account follows:

	June 30, 2024 (Unaudited)	December 31, 2023
Balances at beginning of the period		
Loans and receivables	₱2,878,732	₱2,946,963
Investment securities at FVTOCI	9,791	8,336
Investment securities at amortized cost	12,802	14,322
Investment properties	53,395	55,766
Other assets	5,572	1,564
Commitment and guarantees	5,720	-
	2,966,012	3,026,951
Provision for credit and impairment losses	(5,387)	(24,409)
Accounts written-off, revaluation, and others	1,872	(36,530)
	(3,515)	(60,939)
Balances at ending of the period		
Loans and receivables	2,875,959	2,878,732
Investment securities at FVTOCI	10,050	9,791
Investment securities at amortized cost	13,075	12,802
Investment properties	52,121	53,395
Other assets	5,572	5,572
Commitment and Guarantees	5,720	5,720
	₱2,962,497	₱2,966,012

Upon adoption of PFRS 9, BSP requires appropriation of a portion of the Group's Surplus at an amount necessary to bring to at least 1% the allowance for credit losses on loans (Note 18). The Bank appropriated ₱241.17 million in 2023, respectively to meet prudential requirements on 1% general loan loss provisioning.

16. Deposit Liabilities

In 2023, the Bangko Sentral ng Pilipinas (BSP) issued Circular No. 1175 that reduces the reserve requirement for universal and commercial banks to 9.5% while Long-Term Negotiable Certificates of Deposits (LTNCDs) remain at 4.00%.

On July 26, 2018, the Monetary Board of the BSP, through its Resolution No. 1220, approved the Group's issuance of LTNCDs up to ₱5.00 billion in one or more tranches within one year, with a minimum tenor of 5 years and 1 day and a maximum of 7 years. This issuance was intended specifically for long-term funding.

On October 8, 2018, the Group issued ₱2.90 billion worth of LTNCDs with a tenor of 5 years and 6 months. These LTNCDs, maturing on April 8, 2024, have a fixed interest rate of 5.625% per annum, payable quarterly in arrears on October 8, January 8, April 8, and July 8 of each year, starting from January 8, 2019. The LTNCDs are listed on the Philippine Dealing & Exchange Corp.'s trading platform for secondary market trading.

As of June 30, 2024, the Group's LTNCDs were fully settled on their maturity date.

Interest expense on deposit liabilities consists of:

	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)
Demand	₱22,210	₱22,591
Savings	6,203	5,997
Time	1,490,538	886,498
LTNCD	46,708	84,637
	₱1,565,659	₱999,723

17. Bills Payable

This account consists of the Group's borrowings from:

	June 30, 2024 (Unaudited)	December 31, 2023
Private firms and individual	₱8,755,790	₱8,530,857
Banks and other financial institution	5,916,138	1,155,898
	₱14,671,928	₱9,686,755

Interest expense on bills payable and other borrowings consists of:

	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)
Borrowed funds	₱421,378	₱281,935
Lease liability	6,351	6,463
	₱427,729	₱288,398

18. Equity

Common Stock

Details and movement of common stock follows (amounts in thousands, except for par value):

	Shares	Amount
Common – ₱25 par value		
Authorized	760,000	₱19,000,000
Issued and outstanding		
Balance at the beginning and end of the period	480,645	₱12,016,129

The Group's Surplus Reserve consists of:

	June 30, 2024 (Unaudited)	December 31, 2023
Reserve under BSP Circular 1011 (Note 15)	₱346,888	₱346,888
Reserves for trust business	90,277	90,277
Reserves for self-insurance	17,118	17,118
	₱454,283	₱454,283

Regulatory Reporting for Capital Management

	June 30, 2024 (Unaudited)	December 31, 2023
CET1 Capital/ Tier 1 Capital	₱16,848,433	₱16,549,326
Total Qualifying Capital	19,528,225	19,102,073
Total Risk-Weighted Asset	119,130,933	115,417,702
CET 1 Ratio/ Tier 1 Ratio	14.14	14.34
CAR	16.39	16.55

19. Miscellaneous Income and Expense

Miscellaneous Income

Details of this account are as follows:

	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)
Penalties	₱28,337	₱26,960
Rental charges	21,080	28,704
Dividend income	1,382	1,612
Others (Note 11)	25,456	15,502
	₱76,255	₱72,778

Miscellaneous Expense

Details of this account are as follows:

	June 30, 2024	June 30, 2023
	(Unaudited)	(Unaudited)
Information technology	₱62,695	₱49,216
Transaction dues	28,166	27,549
Litigation and assets acquired - related expenses	12,916	26,921
Brokerage fees	12,336	17,228
Fuel and lubricants	7,361	7,380
Travel	7,104	1,249
Freight	4,552	3,054
Stationery and supplies	2,757	5,429
Advertising	1,618	1,587
Fines, penalties and other charges	99	26,388
Others	95,412	49,809
	₱235,016	₱215,810

20. Income and Other Taxes

Details of this account are as follows:

	June 30, 2024	June 30, 2023
	(Unaudited)	(Unaudited)
Current		
Regular	₱205,093	₱174,633
Final	179,882	141,477
	384,975	316,110
Deferred	437	11,088
	₱385,412	₱327,198

21. Earnings Per Share

Earnings per share are calculated as follows:

	June 30, 2024	June 30, 2023
	(Unaudited)	(Unaudited)
a) Net income attributable to equity shareholders of the Parent Company	₱1,028,432	₱999,962
b) Weighted average number of common shares for basic earnings	480,645	480,645
c) Basic and diluted earnings per share	₱2.14	₱2.08

There are no potential common shares with dilutive effect on the basic earnings per share.

22. Related Party Transactions

Details on significant related party transactions of the Group follows:

June 30, 2024 (Unaudited)			
Category	Volume	Outstanding Balance	Nature, Terms and Conditions
Significant investors:			
Deposit liabilities	(P4,223,07)	P4,708,660	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.5%.
Lease liability	53,690		Branch and office space leased for five years ending in various years, with 5.00% annual escalation
Loans and receivables	143,736	493,659	Loans with annual interest rates from 7.00% to 8.5%
Affiliate:			
Deposit liabilities	(858)	22,522	Demand, savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.50%.
Key management personnel:			
Deposit liabilities	51,666	107,068	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.50%.
Provident fund:			
Deposit liabilities	15,427	34,272	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.50%.
Retirement fund:			
Deposit liabilities	31,535	50,383	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.50%
December 31, 2023			
Category	Volume	Outstanding Balance	Nature, Terms and Conditions
Significant investors:			
Deposit liabilities	(P2,344,552)	P8,931,717	Savings and time deposit accounts with annual interest rates ranging from 0.1% to 4.25%.
Lease liability	31,983		Branch and office space leased for five years ending in various years, with 5.00% annual escalation
Loans and receivables	(114,602)	349,924	Loans with annual interest rates from 7.00% to 8.25%
Affiliate:			
Deposit liabilities	5,392	23,381	Demand, savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.50%.
Subsidiary:			
Deposit liabilities	-	8,902	Non-interest demand deposit account
Key management personnel:			
Deposit liabilities	14,186	55,402	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.50%.
Provident fund:			
Deposit liabilities	(6,975)	18,845	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 5.1%.
Provident fund:			
Deposit liabilities	(23,734)	18,848	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 5.1%.
Category	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)	Nature, Terms and Conditions
Significant investors:			
Interest expense	86,847	9,126	Interest expense from savings and time deposit accounts with annual interest rates ranging from 0.1% to 4.5%.
Depreciation expense	12,905	12,928	Depreciation of leased branch and office space for five years ending in various years, with 5.00% annual escalation
Rent income	1,008	1,008	Five year lease of branches, subject to pretermination, with 5% annual escalation
Affiliate:			
Interest expense	736	223	Interest expense of demand, savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.50%.
Rent income	103	77	Five year lease expiring in July 2028 with 5% annual escalation
Key management personnel:			
Interest expense	522	124	Interest expense from savings and time deposit accounts with annual interest rates ranging from 0.1% to 4.5%.
Provident fund:			
Interest expense	443	168	Interest expense from savings and time deposit accounts with annual interest rates ranging from 0.1% to 4.5%.
Trust fee	1,069	1,011	A certain percentage of the monthly ending market value of the fund depending on the agreement.
Retirement fund:			
Interest expense	526	163	Interest expense from savings and time deposit accounts with annual interest rates ranging from 0.1% to 4.5%.
Trust fee	1,332	1,238	A certain percentage of the monthly ending market value of the fund depending on the agreement.

23. 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. The Group does not anticipate losses that will materially affect its financial position and performance.

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

	June 30, 2024 (Unaudited)	December 31, 2023
Trust department accounts	₱12,954,362	₱12,009,189
Standby LC	799,193	941,632
Spot exchange:		
Bought	496,370	594,332
Sold	2,782,373	2,175,019
Sight LC outstanding	272,160	593,802
Usance LC outstanding	35,054	3,207
Inward bills for collection	254,428	501,739
Outstanding shipping guarantees	2,642,955	1,442,970
Currency forwards:		
Bought	1,661	781
Sold	-	50,122
Outward bills for collection	-	60,661
Items held for safekeeping	18	15
Items held as collateral	7	7
Other contingents	19,162	7,738

24. Notes to Statement of Cash Flows

Summary of noncash activities

	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)
Noncash operating activities:		
Additions to investment properties from settlement of loans	₱1,082,290	₱40,375
Additions to chattel mortgage from settlement of loans	16,672	9,907
Noncash investing activities:		
Transfer to property and equipment and other assets	-	1,698
Transfer to other assets from property and equipment	1,959	-
Unrealized gain (loss) on financial assets at FVOCI	(319,307)	28,618
Additions to right-of-use assets	77,860	33,365
Additions to lease liability	(77,860)	(33,365)

Changes in liabilities arising from financing activities:

	January 1, 2024	Cash Flows	Non-Cash activities	June 30, 2024
Bills payable	₱9,686,755	₱4,985,173	₱-	₱14,671,928
Outstanding acceptance	105,410	19,771	-	125,181
Marginal deposit	9,803	1,835	-	11,638
Lease liabilities	189,236	(60,237)	84,213	213,212

	January 1, 2023	Cash Flows	Non-Cash activities	June 30, 2023
Bills payable	₱7,594,019	₱6,048,046	₱-	₱13,642,065
Outstanding acceptance	50,218	640,399	-	690,617
Marginal deposit	-	3,676	-	3,676
Lease liabilities	214,195	(56,329)	39,828	197,694

25. Other Matters

- No other items affect assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.
- The Group declared or paid no dividends as of June 30, 2024.
- There are no contingencies and any other events or transactions that are material for the current interim period.

SEC Form 17-Q

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

1. Management's Discussion & Analysis

The Bank registered a net income of ₱1.03 Billion as of the 1st half of the year 2024, ₱28.5 Million or 2.9% higher than the ₱1.0 Billion earned during the same period last year. This is attributable to ₱311.3 Million higher operating income mainly from ₱316.9 Million improvements in net interest income. This is partially offset by higher operating expenses by ₱224.8 Million.

Interest income expanded by 28.4% or ₱1.0 Billion due to higher asset growth and yields in both loan and securities portfolios. To fund this growth, deposits and REPO volumes increased despite higher cost of funds due to current high interest rates environment, causing interest expense to increase by ₱705.3 Million. Likewise, total operating expenses went up by ₱224.8 Million mainly because of higher volume-driven costs - higher GRT, higher DST and PDIC insurance, manpower costs, and higher occupancy and other equipment related costs. Income taxes also increased by ₱58.2M, mainly due to higher taxable income and higher final taxes on interest income on peso government securities and onshore income

Total Assets of the Bank increased by ₱1.2 Billion from ₱147.5 Billion as of December 2023 to ₱148.6 Billion at the end of the 2nd quarter of 2024. This is primarily due to growth in debt securities by ₱3.5 Billion and increase in foreclosed properties by ₱1.0 Billion, partially offset by decline in loan volume by ₱3.9 Billion, and decrease in due from BSP by ₱1.6 Billion.

The Bank's gross NPL ratio is 3.54%, 77 bps higher than the 2.77% ratio at the end of 2023.

Total Liabilities increased by ₱441.7 Million, 34bps higher than last year's end level of ₱129.8 Billion. This resulted mostly from ₱5.0 Billion increase in bills payable, partially offset by ₱4.4 Billion decline in deposits, mainly because of the maturity of the Bank's LTNCD in the 2nd quarter. Total Capital is now at ₱18.4 Billion from ₱17.7 Billion last December 2023. This 4.0% increase in Capital was mainly contributed by the earnings of the Bank as of the first half of the year.

On quarter on quarter basis, the Bank registered a net income of ₱532.3 Million for the second quarter of 2024, ₱73.7 Million or 16.0% higher than the ₱458.6 Million earned in the same period last year. This is largely due to ₱216.7 Million higher operating income this quarter resulting mainly from growth in net interest income, partially offset by ₱92.5 Million or 11.0% higher operating expense mainly because of higher volume-driven costs - higher GRT, higher DST and PDIC insurance, ₱50.5 Million or 30.2% higher income tax and lower trading gains by ₱27.4 Million.

The Bank's consolidated Risk-Based Capital Adequacy ratio is 16.39% under BASEL 3 and is well above the 10% minimum requirement. The ratio covers credit, market, and operational risks for the first six (6) months of 2024.

2. Discussion of various key indicators:

A. Key Financial Performance

Ratio	June 2024	June 2023	Remarks
Net Profit Margin (Net income divided by Gross income)	31.25%	33.57%	2.31 % pts decrease in the ratio primarily from higher operating expenses
Return on Average Asset (Net income divided by Average assets)	1.39%	1.55%	The ratio slightly decreased by 16 bps, mainly from higher operating expenses and slower improvement in NIM due to higher effective COF
Return on Average Equity (Net income divided by Average equity)	11.42%	12.44%	Decline by 1.02 % pts., mainly from higher operating expenses and slower improvement in NIM due to higher effective COF
Capital Adequacy Ratio (Basel 3) (Qualifying capital divided by the total of risk-weighted assets that include credit, market, and operational risk)	16.39%	17.27%	Decline due to higher total risk-weighted assets, partially offset by higher total qualifying capital
Basic Earnings per share (Net income divided by average no. of common shares)	2.14	2.08	Increase in basic earnings per share by PHP0.06 from higher net income during the current period

B. Financial Soundness

Ratio	June 2024	December 2023	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>	24.46%	19.69%	Increased by 4.77 % pts driven by higher level of liquid assets mainly financial assets at FVOCI & FVPL ,offset by lower Due from BSP. This is supplemented by decrease in total deposits (maturity of LTNCD, and lower low-cost deposits (savings and demand))
Debt Ratio (Total Liability to Total Assets) <i>Debt refers to the total liabilities, while assets refer to total Assets</i>	87.64%	88.03%	Ratio slightly decreased due to higher total assets driven by higher debt securities (FVOCI & FVPL) and increase in ROPA due to dacion in 2024, offset by decrease in financials assets at HTC and total receivables from customers
Asset to Equity Ratio (Total Asset to Total Equity)	8.09	8.35	Ratio decreased as a result of the growth in equity due to reinvestment of net income, offset by the impact of higher total assets driven by higher financial assets at FVOCI & FVPL
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	170.93%	203.03%*	Bank's interest rate coverage decreased due to impact of increase in interest expense from rising cost of funds
Net Interest Margin Net interest income over Average Earning assets	4.03%	4.07%*	Ratio is slightly lower as increase in average COF rates outweighed the increase in average asset yields

* As of June 2023

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 June 30, 2024, the unspent amount from the approved capital expenditures budget on projects involving technology enhancement and facilities improvement amounted to ₱673.3 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: June 2024 vs. December 2023

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(636,620)	-40.74	Decline in cash in cash machines (due to update in classification), lower cash on hand, and lower cash in ATMs
Due from BSP	(1,592,918)	-13.05	Lower mainly due to lower statutory reserve requirements and ODF
Due from Other Banks	148,007	30.48	Lower funds mainly with foreign banks
Interbank Loans Receivable	591,470	120.13	Higher interbank call loans
Financial assets at Fair Value through Profit or Loss	479,697	100.00	Purchase of investments in FVTPL
Financial assets at Fair Value through Other Comprehensive Income	5,509,336	65.47	Purchase of investments in FVOCI
Investment securities at Amortized Cost	(2,501,745)	-9.01	Maturity of HTC investments
Loans and Receivables	(1,781,598)	-1.94	Decrease in outstanding receivables, mainly in commercial loans, partially offset by higher import bills
Investment in a subsidiary and associate	340	2.08	Share in net income for the 1st half of the year
Property and Equipment	3,873	0.48	Increase due to PBCOM Tower improvements, offset by decline from depreciation recognized for the period
Investment Properties	997,175	38.64	Increase from higher ROPA foreclosures than ROPA sale, offset by depreciation recognized for the period
Intangible Assets	(6,228)	-1.19	Decline due to amortization recognized for the period, offset by software-related purchases made throughout the year
Deferred tax assets	(1,528)	-0.38	Lower DTA movement for the period
Other Assets	(39,419)	-9.29	Lower mainly due to miscellaneous assets-withholding taxes on deposits paid in advance to BIR and lower DST on hand
Demand Deposits	(193,592)	-0.47	Lower deposits volume in CASA, offset by higher time deposits volume
Savings Deposits	(1,697,587)	-12.75	
Time Deposits	363,739	0.62	
Long-term negotiable certificates of deposits	(2,900,016)	-100.00	LTNCD maturity
Bills Payable	4,985,173	51.46	Increase in Deposit substitutes - REPO
Outstanding Acceptances	19,771	18.76	Increase due to higher bills of exchange accepted by the Bank
Manager's Checks	(59,082)	9.35	Lower un-negotiated MC's as of the period
Accrued Interest, Taxes and Other Expenses Payable	(112,272)	-7.25	Decline mainly due to lower Deposits & Bills payable interest accrual
Income Tax payable	25,401	25.25	Higher income tax payable for the period
Other Liabilities	17,785	1.70	Higher mainly due to increase in finance lease payables

Statement of Income and Expenses: January-June 2024 vs. January-June 2023

	Increase (Decrease)	Percentage	Remarks
Interest Income on investment securities	234,141	29.74	Higher interest income due to higher average volume mainly from FVOCI & FVPL and higher yields
Interest Income on Loans and receivable	787,102	28.42	Higher interest income due to higher average volume and higher yields mainly from corporate loans
Interest Income on IBCL	(1,446)	-4.65	Lower interest income due to lower average volume, offset by higher yields
Interest Income on Deposit with other Banks and others	2,335	20.96	Higher interest income due to higher yields, partially offset by lower average volume
Interest Expense on Deposit Liabilities	565,936	56.61	Higher interest exp due to higher average volume and higher cost of funds mainly from TDs
Interest Expense on Bills payable, borrowings and others	139,331	48.31	Higher interest exp due to higher average volume and higher cost of funds, mainly from Repos
Trading and Securities Gain – net	(24,990)	-26.24	Lower net trading gain, mostly realized
Rent Income	(31,276)	-14.94	Lower due to the impact of lease terminations, offset by lease commencements from new tenants
Service Charges, Fees & Commissions	17,502	8.25	Increase primarily from higher corporate loan penalty fees and higher TFR fees
Foreign Exchange Gain (Loss) –Net	3,084	7.10	Higher realized foreign exchange gains, partially offset by lower unrealized gains
Gain on asset exchange	19,115	188.07	Higher net gain on foreclosure
Profit/(Loss) from Assets Sold	6,023	90.54	Higher ROPA gain on sale in 2024
Income from Trust Operations	1,532	8.40	Increase is mainly due to impact of higher ADB assets under management
Miscellaneous Income	3,477	4.78	Increase mainly due to gain from sale of bank-owned property, gain on derecognition of investment in PISAI, offset by lower PBCOM Tower income from aircon extension
Compensation and Fringe Benefits	72,320	12.44	Higher manpower costs for the period due to higher headcount and salary adjustments
Taxes and Licenses	82,589	24.27	Increase mainly due to higher DST costs from deposits and higher GRT costs
Depreciation and Amortization	6,979	4.15	Increase mainly due to higher ROPA depreciation, higher ROU asset depreciation, and higher branches' LRI amortization, offset by fully-depreciated office equipment and computers
Occupancy and other equipment-related costs	9,642	11.67	Increase mainly due to higher electricity & water costs, and higher rent expense, offset by lower repairs
Provision for (recovery from) impairment losses	12,027	69.07	Increase from lower net release of allowance (from ROPA foreclosures) during the period
Miscellaneous	41,271	8.30	Increase mainly due to higher PDIC insurance from higher volume of deposits, higher IT costs, higher contractual services from higher volume of transactions, and higher messengerial services from higher basic wage
Provision for income tax	58,214	17.79	Increase mainly due to higher taxable income and higher final taxes on interest income on peso government securities and onshore income

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY

INTERIM AGING OF LOANS & SELECTED RECEIVABLES

(Unaudited)

**PHILIPPINE BANK OF COMMUNICATIONS (Consolidated)
AGING OF LOANS & SELECTED RECEIVABLES**

As of June 30, 2024

(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 receivable	79,970,839	77,044,069	76,681	821,998	326,081	1,702,010
Customer's liabilities on letters of credit and trust receipts	7,689,261	7,609,206	0	0	0	80,054
Bills purchased	2,483,535	2,327,591	0	0	0	155,944
Total	90,143,635	86,980,866	76,681	821,998	326,081	1,938,008
Unquoted Debt Securities	240,672	240,672	0	0	0	0
Accrued Interest Receivable	1,134,965	1,119,953	374	4,925	4,228	5,485
Sales Contract Receivables	65,432	63,562	940	659	36	234
Accounts Receivable	1,349,178	1,280,542	2,421	9,940	7,227	49,048
	2,790,247	2,704,730	3,735	15,523	11,492	54,766
Total	92,933,881	89,685,596	80,416	837,522	337,573	1,992,775
Less: Unearned and other deferred income	(65,206)	(70,624)	0	0	34	5,384
Allowance for credit losses	(2,875,959)	(1,140,677)	(16,723)	(80,326)	(138,080)	(1,500,153)
NET Loans and Receivable	89,992,716	88,474,295	63,693	757,195	199,527	498,005