



Bank of Commerce

An affiliate of San Miguel Corporation



November 14, 2023

Director Vicente Graciano Felizmenio, Jr.
Head, Markets and Securities Regulation Department (MSRD) G/F
Secretariat Building
Securities and Exchange Commission PICC
Complex, Roxas Boulevard Pasay City
1307

Dear Director Felizmenio,

We submit herewith the September 30, 2023 SEC 17-Q report of Bank of Commerce.

Thank you.

Very truly yours,

ANTONIO S. LAQUINDANUM
EVP/Chief Financial Officer

cc: The Philippine Stock Exchange, Inc.
6/F PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

SEC Number 24221
PSE Code _____
File Number _____

BANK OF COMMERCE

(Company's Full Name)

**San Miguel Properties Centre
No. 7 St. Francis Street Mandaluyong City**

(Company's Address)

8982-6000

(Telephone Number)

December 31

(Fiscal Year Ending)

SEC FORM 17-Q

Form Type

Amendment Designation (if applicable)

September 30, 2023

For the Quarterly Period Ended

(Secondary License Type and File Number)

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended **September 30, 2023**
2. Commission identification number **24221**
3. BIR Tax Identification No **000 440 440**
4. Exact name of issuer as specified in its charter **BANK OF COMMERCE**
5. Province, country or other jurisdiction of incorporation or organization **PHILIPPINES**
6. Industry Classification Code: (SEC Use Only)
SAN MIGUEL PROPERTIES CENTRE, NO. 7 ST FRANCIS STREET, MANDALUYONG CITY 1550, PH
7. Address of issuer's principal office Postal Code
8. Issuer's telephone number, including area code **+63-2-8982 6000**
9. Former name, former address and former fiscal year, if changed since last report **N/A**
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
Common Stocks	1,403,013,920

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

Yes No

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

The Philippine Stock Exchange, Inc: Common Shares

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

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of MANDALUYONG CITY on November 14, 2023.

14 NOV 2023

BANK OF COMMERCE

Issuer

By:




ANTONIO S. LAQUINDANUM
EVP/Chief Financial Officer

14 NOV 2023

SUBSCRIBED AND SWORN to before me this _____ day of _____ 20__ affiant(s) exhibiting to me his/their government issued ID, as follows:

Names	Identification No.	Place of Issue	Expiry Date
Antonio S. Laquindanum	Passport No. P7572781B	DFA Manila	September 9, 2031



JOYSHA D. MAGMANLAC
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT AS **Notary Public**
UNTIL DECEMBER 31, 2023
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 5109324/01-03-2023/MANDALUYONG CITY
IBP LIFETIME NO. 09035
ROLL OF ATTORNEYS NO. 58611

Doc. No.: 419
Page No.: 85
Book No.: X
Series: 2023

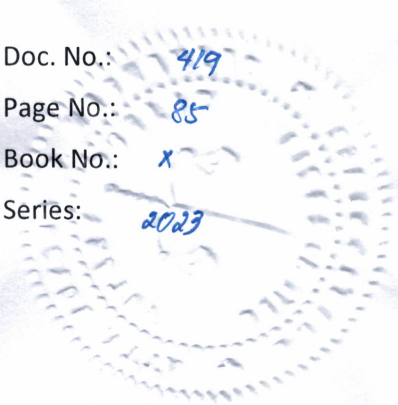


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BANK OF COMMERCE

INTERIM CONDENSED FINANCIAL STATEMENTS

**As of September 30, 2023 (Unaudited) and December 31, 2022 (Audited)
and for the nine months ended September 30, 2023 and 2022 (Unaudited)**

BANK OF COMMERCE
INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS			
Cash and Other Cash Items		P3,119,381,878	P2,735,170,691
Due from Bangko Sentral ng Pilipinas		17,578,466,284	23,675,469,821
Due from Other Banks		1,584,749,012	1,044,255,360
Interbank Loans Receivable and Securities			
Purchased under Resale Agreements	8	19,844,866,733	18,378,744,387
Financial Assets at Fair Value through Profit or Loss	9	550,087,907	381,001,468
Financial Assets at Fair Value through Other Comprehensive Income	10	13,998,427,878	5,805,050,520
Investment Securities at Amortized Cost	11	47,366,642,146	52,208,769,061
Loans and Receivables	12	111,581,380,387	105,091,228,764
Investment in an Associate		35,684,649	39,522,627
Property, Equipment and Right-of-Use Assets		1,582,167,153	1,425,418,610
Investment Properties		3,569,670,599	3,399,986,749
Deferred Tax Assets		570,407,606	612,090,088
Other Assets		2,931,923,990	2,721,190,526
		P224,313,856,222	P217,517,898,672
LIABILITIES AND EQUITY			
Deposit Liabilities			
Demand		P53,438,372,124	P51,792,969,578
Savings		102,138,110,404	101,651,552,858
Time		16,057,547,927	17,793,297,530
Long-term negotiable certificates		5,029,420,000	5,029,420,000
		176,663,450,455	176,267,239,966
Financial Liabilities at Fair Value through Profit or Loss	9	9,069,481	283,329
Bills Payable	13	912,115,822	-
Bonds Payable	14	7,469,073,854	7,442,251,269
Manager's Checks		1,768,728,200	661,453,914
Accrued Interest, Taxes and Other Expenses		1,213,808,768	1,165,765,820
Other Liabilities		6,478,329,738	3,950,329,366
Total Liabilities		194,514,576,318	189,487,323,664
Equity			
Capital stock	15	18,196,805,900	18,196,805,900
Paid-in surplus	15	7,229,275,360	7,229,275,360
Surplus reserves		898,518,609	983,407,496
Retained earnings		4,529,111,738	2,425,229,109
Net unrealized losses on financial assets at fair value through other comprehensive income	10	(759,257,873)	(730,966,925)
Remeasurement losses on retirement liability		(294,931,536)	(77,723,200)
Share in other comprehensive loss of an associate		(4,536,186)	(1,331,685)
Cumulative translation adjustment		4,293,892	5,878,953
Total Equity		29,799,279,904	28,030,575,008
		P224,313,856,222	P217,517,898,672

See Notes to Interim Condensed Financial Statements.

BANK OF COMMERCE
UNAUDITED INTERIM CONDENSED STATEMENTS OF INCOME

	Nine Months Ended September 30		Quarter Ended September 30	
Note	2023	2022	2023	2022
INTEREST INCOME				
Interest income calculated using the effective interest method:				
Loans and receivables	P6,036,509,206	P3,843,669,716	P2,130,189,310	P1,452,706,554
Investment securities at fair value through other comprehensive income and at amortized cost	1,603,335,689	1,180,135,991	575,754,048	419,736,503
Interbank loans receivable and securities purchased under resale agreements	624,546,190	324,418,815	208,452,121	161,644,761
Due from Bangko Sentral ng Pilipinas and other banks	204,582,950	170,058,961	94,503,194	19,607,346
Other interest income:				
Financial assets at fair value through profit or loss	19,508,647	4,467,561	4,893,265	635,250
	8,488,482,682	5,522,751,044	3,013,791,938	2,054,330,414
INTEREST EXPENSE				
Deposit liabilities	2,049,403,517	593,013,069	761,177,657	238,878,885
Bonds payable	309,551,968	70,489,679	103,308,017	70,489,679
Lease liabilities	23,643,140	21,006,277	9,009,795	6,937,331
Bills payable and others	25,682,691	19,631,234	13,795,512	2,158,396
	2,408,281,316	704,140,259	887,290,981	318,464,291
NET INTEREST INCOME	6,080,201,366	4,818,610,785	2,126,500,957	1,735,866,123
Service charges, fees and commissions	640,248,391	550,585,922	192,224,071	189,063,848
Gains on foreclosure and sale of property and equipment and foreclosed assets - net	346,141,790	287,933,761	94,584,346	119,533,032
Foreign exchange gains - net	115,009,917	114,309,499	34,203,776	46,115,687
Trading and investment securities gains (losses) - net	(467,800)	(37,909,045)	(12,181,466)	1,742,929
Miscellaneous	117,167,073	90,754,192	8,073,891	65,645,586
TOTAL OPERATING INCOME	7,298,300,737	5,824,285,114	2,443,405,575	2,157,967,205
Compensation and fringe benefits	1,608,784,821	1,396,947,102	639,661,388	495,846,048
Taxes and licenses	741,490,394	659,902,662	267,698,459	207,972,493
Rent and utilities	479,021,373	442,126,530	159,808,331	156,525,072
Depreciation and amortization	342,195,386	320,411,933	122,128,438	108,489,085
Insurance	252,353,760	259,669,541	82,286,089	84,921,465
Service fees and commissions	246,975,874	181,290,892	106,743,041	64,869,758
Provision for (reversal of) credit and impairment losses	222,432,716	(76,913,787)	234,260,829	(31,378,502)
Subscription fees	132,926,530	81,116,481	42,614,655	34,368,214
Management and professional fees	101,756,117	80,227,621	31,428,551	32,827,315
Amortization of software costs	55,819,560	49,449,172	22,156,956	13,262,174
Miscellaneous	364,775,135	469,855,273	115,115,009	196,583,474
TOTAL OPERATING EXPENSES	4,548,532,266	3,864,083,420	1,823,901,746	1,364,286,596
INCOME BEFORE SHARE IN NET LOSS (INCOME) OF AN ASSOCIATE AND INCOME TAX EXPENSE	2,749,768,471	1,960,201,694	619,503,829	793,680,609
SHARE IN NET LOSS (INCOME) OF AN ASSOCIATE	633,477	(9,301)	207,699	125,511
INCOME BEFORE INCOME TAX EXPENSE	2,749,134,994	1,960,210,995	619,296,130	793,555,098
INCOME TAX EXPENSE	737,981,246	471,720,516	195,388,791	191,974,268
NET INCOME	P2,011,153,748	P1,488,490,479	P423,907,339	P601,580,830
Earnings Per Share Attributable to Equity Holders of the Bank				
	18			
Basic	P1.34	P1.06	P0.27	P0.43
Diluted	1.11	0.86	0.23	0.35

See Notes to Interim Condensed Financial Statements.

BANK OF COMMERCE
**UNAUDITED INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE
INCOME**

	<i>Note</i>	Nine Months Ended September 30		Quarter Ended September 30	
		2023	2022	2023	2022
NET INCOME		P2,011,153,748	P1,488,490,479	P423,907,339	P601,580,830
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may not be reclassified to profit or loss					
Net change in remeasurement losses on retirement liability		(217,208,336)	-	(188,394,780)	-
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	10	1,915,000	3,209,992	235,000	(13,365,000)
		(215,293,336)	3,209,992	(188,159,780)	(13,365,000)
Items that may be reclassified to profit or loss					
Net change in fair value of debt securities at FVOCI	10	(15,401,593)	(686,248,237)	(110,832,386)	(146,768,475)
Net change in fair value of debt securities at FVOCI taken to profit or loss	10	(6,964,361)	-	(2,892,983)	-
Share in other comprehensive loss of an associate		(3,204,501)	(5,524)	(4,824)	2,268
Net movement in cumulative translation adjustment		(1,585,061)	3,777,805	4,370,809	7,826,186
		(27,155,516)	(682,475,956)	(109,359,384)	(138,940,021)
		(242,448,852)	(679,265,964)	(297,519,164)	(152,305,021)
TOTAL COMPREHENSIVE INCOME		P1,768,704,896	P809,224,515	P126,388,175	P449,275,809

See Notes to Interim Condensed Financial Statements.

BANK OF COMMERCE
UNAUDITED INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	Capital Stock (Note 15)	Paid-in Surplus (Note 15)	Surplus Reserves	Retained Earnings	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Remeasurement Losses on Retirement Liability	Share in Other Comprehensive Loss of an Associate	Cumulative Translation Adjustment	Total Equity
Balance as at December 31, 2022		P18,196,805,900	P7,229,275,360	P983,407,496	P2,425,229,109	(P730,966,925)	(P77,723,200)	(P1,331,685)	P5,878,953	P28,030,575,008
Net income for the year		-	-	-	2,011,153,748	-	-	-	-	2,011,153,748
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	-	(217,208,336)	-	-	(217,208,336)
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)		-	-	-	-	1,915,000	-	-	-	1,915,000
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	(15,401,593)	-	-	-	(15,401,593)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	(6,964,361)	-	-	-	(6,964,361)
Share in other comprehensive loss of associate		-	-	-	-	-	-	(3,204,501)	-	(3,204,501)
Net movement in cumulative translation adjustment		-	-	-	-	-	-	-	(1,585,061)	(1,585,061)
Total comprehensive income for the year		-	-	-	2,011,153,748	(20,450,954)	(217,208,336)	(3,204,501)	(1,585,061)	1,768,704,896
Transaction within equity:										
Transfer from surplus reserves		-	-	(84,888,887)	84,888,887	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	7,839,994	(7,839,994)	-	-	-	-
		-	-	(84,888,887)	92,728,881	(7,839,994)	-	-	-	-
Balance as at September 30, 2023		P18,196,805,900	P7,229,275,360	P898,518,609	P4,529,111,738	(P759,257,873)	(P294,931,536)	(P4,536,186)	P4,293,892	P29,799,279,904

Forward

	Note	Capital Stock (Note 15)	Paid-in Surplus (Note 15)	Surplus Reserves	Retained Earnings	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Remeasurement Losses on Retirement Liability	Share in Other Comprehensive Loss of an Associate	Cumulative Translation Adjustment	Total Equity
Balance as at December 31, 2021		P15,390,777,900	P6,776,694,869	P755,806,267	P852,471,738	(P156,154,761)	(P262,547,387)	(P1,325,908)	P7,010,814	P23,362,733,532
Net income for the year		-	-	-	1,488,490,479	-	-	-	-	1,488,490,479
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	-	-	-	-	-
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)		-	-	-	-	3,209,992	-	-	-	3,209,992
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	(686,248,237)	-	-	-	(686,248,237)
Net movement in cumulative translation adjustment		-	-	-	-	-	-	-	3,777,805	3,777,805
Share in other comprehensive income of associate		-	-	-	-	-	-	(5,524)	-	(5,524)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	1,488,490,479	(683,038,245)	-	(5,524)	3,777,805	809,224,515
Issuance of common stock		2,806,028,000	453,044,942	-	-	-	-	-	-	3,259,072,942
Transaction within equity:										
Transfer to surplus reserves		-	-	220,745,338	(220,745,338)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	140,000	(140,000)	-	-	-	-
		2,806,028,000	453,044,942	220,745,338	(220,605,338)	(140,000)	-	-	-	3,259,072,942
Balance as at September 30, 2022		P18,196,805,900	P7,229,739,811	P976,551,605	P2,120,356,879	(P839,333,006)	(P262,547,387)	(P1,331,432)	P10,788,619	P27,431,030,989

See Notes to Interim Condensed Financial Statements.

BANK OF COMMERCE
UNAUDITED INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30		
	<i>Note</i>	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax expense		P2,749,134,994	P1,960,210,995
Adjustments for:			
Gain on foreclosure and sale of property and equipment and foreclosed assets - net		(346,141,790)	(287,933,761)
Depreciation and amortization		342,195,986	320,411,933
Interest expense on bonds payable		309,551,968	70,489,679
Provision for (reversal of) credit and impairment losses		222,432,716	(76,913,787)
Amortization of software costs		55,819,560	49,449,172
Interest expense on lease liabilities		23,643,140	21,006,277
Unrealized losses (gains) on financial assets and liabilities at fair value through profit or loss (FVPL)		(11,096,343)	7,143,968
Gain on sale of financial assets at fair value through other comprehensive income (FVOCI)	10	(6,964,361)	-
Share in net loss (income) of associate		633,477	(9,301)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Financial assets at FVPL		(149,203,944)	540,490,644
Loans and receivables		(6,772,235,324)	(18,141,607,197)
Other assets		(318,717,276)	(116,468,184)
Increase (decrease) in:			
Deposit liabilities		396,210,489	(7,998,997,243)
Manager's checks		1,107,274,286	(18,769,960)
Accrued interest, taxes and other expenses		34,439,635	(36,836,250)
Other liabilities		2,462,052,478	1,594,977,188
Net cash generated from (absorbed by) operations		99,029,691	(22,113,355,827)
Income taxes paid		(682,695,451)	(407,651,892)
Net cash used in operating activities		(583,665,760)	(22,521,007,719)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale or redemption of:			
Investment securities at amortized cost		55,265,553,811	26,767,725,000
Financial assets at FVOCI		963,068,067	593,125,000
Investment properties		140,356,000	229,958,063
Property and equipment		33,474,012	40,047,597
Additions to:			
Investment securities at amortized cost		(50,422,918,689)	(32,429,299,067)
Financial assets at FVOCI		(9,170,907,589)	(1,862,245,648)
Property and equipment		(230,011,371)	(111,908,192)
Software costs		(133,131,463)	(123,658,251)
Investment properties		(20,175,601)	(2,372,662)
Net cash used in investing activities		(3,574,692,823)	(6,898,628,160)

Forward

	Nine Months Ended September 30		
	<i>Note</i>	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bills payable		P912,115,822	P -
Payment of interest on bonds		(282,729,383)	(12,352,864)
Payment of lease liability		(176,184,185)	(171,917,677)
Issuance of bonds payable		-	7,431,985,851
Issuance of common stock		-	3,259,987,372
Net cash provided by financing activities		453,202,254	10,506,788,252
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		(1,573,432)	3,909,109
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(3,706,729,761)	(18,908,938,518)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items		2,735,170,691	2,747,780,890
Due from Bangko Sentral ng Pilipinas		23,678,666,441	45,373,267,996
Due from other banks		1,044,396,366	1,039,596,824
Interbank loans receivable and securities purchased under resale agreements		18,381,225,853	19,136,088,591
		45,839,459,351	68,296,734,301
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items		3,119,381,878	2,391,798,433
Due from Bangko Sentral ng Pilipinas		17,580,839,804	21,341,477,079
Due from other banks		1,584,961,756	3,730,162,360
Interbank loans receivable and securities purchased under resale agreements		19,847,546,152	21,924,357,911
		P42,132,729,590	P49,387,795,783
CASH FLOWS FROM INTEREST AND DIVIDENDS			
Operating Activities			
Interest received		P6,975,388,352	P4,362,380,931
Interest paid		2,030,488,191	616,395,400
Investing Activities			
Interest received		P1,583,572,767	P1,099,494,445
Dividends received		1,612,352	1,612,352
Financing Activities			
Interest paid		P306,372,523	P33,684,097

See Notes to Interim Condensed Financial Statements.

BANK OF COMMERCE
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

1. Reporting Entity

Bank of Commerce (the “Bank”) is a domestic corporation registered with the Securities and Exchange Commission (SEC) on December 16, 1963. The Bank’s shares were listed with the Philippine Stock Exchange, Inc. (PSE) on March 31, 2022, as approved by the SEC on February 15, 2022. The Bangko Sentral ng Pilipinas (BSP) approved the upgrade of the Bank’s banking license from commercial bank to universal bank on December 23, 2021. On August 11, 2022, the SEC approved the application of the Bank to act as underwriter of securities engaged in dealing government securities. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. On November 2, 2022, the Bank officially started operations as a universal bank.

The Bank provides services such as deposit products, loans and trade finance, domestic and foreign fund transfers, foreign exchange, credit card, and trust services. The Bank’s principal place of business is at San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City. The Bank has a total of 140 branches nationwide as at September 30, 2023 and December 31, 2022.

San Miguel Properties, Inc. (SMPI) and San Miguel Corporation Retirement Plan (SMCRP) hold 31.91% and 30.84% ownership of the Bank’s issued common shares, respectively, as at September 30, 2023 and December 31, 2022. Each of these shareholders has significant influence over the Bank. SMC Equivest Corporation holds 100% ownership of the Bank’s issued non-voting preferred shares as at September 30, 2023 and December 31, 2022.

The Bank’s original authority for its banking license was approved under Monetary Board (MB) Resolution No. 1045 dated October 4, 1963 as The Overseas Bank of Manila. The Bank received its Foreign Currency Deposit Unit (the “FCDU”) license and launched its FCDU operations on September 23, 1983. The Bank received its Expanded FCDU license on March 10, 2010. The Bank was renamed Commercial Bank of Manila, Inc. on October 20, 1980, further renamed Boston Bank of the Philippines on July 27, 1988, and finally, Bank of Commerce on November 28, 1991.

Under Section 11, Corporate Term of the Revised Corporation Code issued on February 23, 2019, a corporation shall have perpetual existence unless its articles of incorporation provides otherwise. On January 30, 2020, the Board of Directors (BOD) approved the Amended Articles of Incorporation to reflect that the Bank’s term of existence shall be perpetual. The said amendment was approved by the SEC on June 9, 2020.

2. Basis of Preparation

Statement of Compliance

The interim condensed financial statements of the Bank have been prepared in compliance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*, and should be read in conjunction with the Bank’s last annual financial statements as at and for the year ended December 31, 2022 (last annual audited financial statements). They do not include all information required for a complete set of financial statements that is compliant with Philippine Financial Reporting Standards (PFRSs). However, selected explanatory notes are included to explain events and

transactions that are significant to an understanding of the changes in the Bank's financial position and performance since the last annual audited financial statements.

Basis of Measurement

The interim condensed financial statements of the Bank have been prepared on a historical cost basis, except for the following items:

Items	Measurement Bases
Financial assets and liabilities at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Lease liability	Present value of remaining lease payments, discounted using the Bank's incremental borrowing rate
Net retirement liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The interim condensed financial statements include accounts maintained in the Regular Banking Unit (the "RBU") and the FCDU. The functional currency of the RBU and the FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated to their equivalents in PHP. The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

All values are rounded to the nearest peso unless otherwise stated.

Presentation of Financial Statements

The Bank presents its interim condensed statements of financial position broadly in the order of liquidity.

3. Summary of Accounting Policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those applied in the Bank's last annual audited financial statements as at and for the year ended December 31, 2022, except for the adoption of the following amended standards, which became effective beginning January 1, 2023. Unless otherwise indicated, the adoption of these amended standards did not have an impact on the interim condensed financial statements of the Bank. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- *Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting

policies remains unchanged. The amendments also provide examples on the application of the new definition.

- *Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements)*. The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12 Income Taxes)*. The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

4. Critical Judgments and Estimates

The preparation of financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses, and disclosures of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant accounting judgments and estimates of the Bank were the same as those disclosed in the last annual audited financial statements.

5. Financial Risk Management Objectives and Policies

Compared with the December 31, 2022 audited financial statements of the Bank, there have been no changes in the financial risk exposures that materially affect the interim condensed financial statements of the Bank as at September 30, 2023. The Bank has exposures to the following risks from its use of financial instruments: (a) credit; (b) interests rate risk in the banking book; (c) liquidity; and (d) market risks. Related discussions below should be read in conjunction with Note 5, Financial Risk Management Objectives and Policies of the Bank's 2022 audited financial statements.

Risk Management Structure

The BOD is ultimately responsible for identifying and controlling risks. Supporting the BOD in this function are certain Board-level committees such as Board Risk Oversight Committee (BROC), Corporate Governance Committee, Related Party Transactions Committee (RPTCom), Audit Committee and management committees and independent units such as Asset Liability Management Committee (ALCO), Credit and Collections Committee (Crecom), Internal Capital Adequacy Assessment Process (ICAAP) Steering Committee, Internal Audit Division, Legal Services Division, Compliance Division and Risk Management Division (RSK). They are responsible for managing and monitoring financial risk.

Risk Measurement and Reporting Systems

The Bank's capital adequacy is determined by measuring credit, market and operational risk exposures using standardized or basic approaches as suggested by BSP. Risk exposures are measured both individually and in aggregate amounts.

Risk measurements are done by respective risk-taking personnel and groups but are independently validated, analyzed and reported by the RSK.

Market risks are measured by mark-to-market and Value-at-Risk (VAR) analyses on the overall exposure, on a portfolio level, and on each individual financial instrument. These exposures are also subjected to stress testing using a variety of historical and hypothetical scenarios.

Quality of credit risks are measured via risk classifications of accounts using ICRRS together with BSP risk classification of borrowing accounts. The Bank's front office recommends the credit risk rating of borrowing accounts and classifications and allowance for losses including changes thereon, when necessary. All risk information is processed, analyzed and consolidated for proper reporting to the BOD through the BROC and Audit Committee, as well as the Senior Executive Team and various management committees of the Bank.

Actual and estimated risk exposures/losses at Treasury, Corporate, Consumer Business and Credit Cards, Operations and Information Technology, Trust and Branches are consolidated for regular reporting. Reports include, among others, portfolio mix, liquidity and maturity matching, interest rate matching, trading gains and losses, sensitivity and back-testing results, top borrowers, non-performing assets and loans, industry exposures, large exposures, fines and penalties, employee fraud cases, service level of major information technology systems and ATMs.

Risk Mitigation

To mitigate market risk exposures, other financial instruments are used to manage exposures resulting from changes in foreign currency and interest rate risk. The Bank also observes limits on positions, losses, and market sensitivities to contain these risk exposures.

The Bank maintains a capital adequacy ratio (CAR) of ten percent (10.0%) or better at all times, for regulatory compliance purposes.

Risk Concentration

The Bank manages loan concentration by controlling its mix of counterparties or borrowers in accordance with conditions permitted by regulators. Borrowers that are considered large in size are regularly monitored and reported to the BROC. Also, the limits for exposure on specific economic activity groups are in place allowing the Bank to maintain a strategic breakdown of credit risk of the different segments. Having these controls in place allows the Bank to proactively monitor exposure status and act upon limit breaches whenever necessary.

Credit Risk

The Bank considers credit risk as the possibility of loss arising from the counterparty's or customer's inability or unwillingness to settle his/her obligations on time or in full as expected or previously contracted.

The Bank has in place a credit policy manual that defines all practices, policies and procedures regarding loan activities from identification of target markets, credit initiation, documentation and disbursement, loan administration, remedial management, and loan unit organization and staffing. Also, it has in place credit approval authorities and respective limits duly approved by the BOD.

The Bank's primary element of credit risk management is the detailed risk assessment of every credit exposure associated with the counterparty. Risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of underlying credit exposures as mandated by the circulars issued by BSP. The risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the monitoring procedure applied to the ongoing exposures.

Liquidity Risk and Funding Management

Liquidity risk is the risk to the Bank's earnings and capital arising from its inability to meet funding requirements in a timely manner. To measure and monitor this risk, the Bank generates a report on future cash flows and liquidity on a daily basis. To ensure sufficient liquidity, the Bank has a set of internal limits incorporated in its annual budget that allocates a portion of its liabilities into cash, investment securities and other liquid assets. Concentration on a single funding source is also regularly monitored to control the Bank's reliance on a specific product or counterparty.

The Bank has available credit lines from various counterparties that it can utilize to meet sudden liquidity demands. It also maintains a portfolio of high quality liquid assets (HQLA) that can be converted to cash in a short period of time and with minimal loss incurred. This ensures compliance with Liquidity Coverage Ratio (LCR) as required by Basel III regulations. LCR checks if there is sufficient HQLA to offset short-term net outflows or short-term obligations under stressed conditions. The Bank also expands its sources of stable funds in order to support asset growth and meet the Net Stable Funding Ratio (NSFR) regulatory limit. NSFR ensures that the Bank is not overly reliant on short-term funding in funding its long-term assets. The Bank's liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating both to the market in general and to events specific to the Bank. A contingency funding plan, which covers quantitative and procedural measures, is in place and may be applied under different stress scenarios.

The Bank also manages its liquidity position through the monitoring of a Maximum Cumulative Outflow against a Board-approved limit. This process measures and estimates projected funding requirements that the Bank will need at specific time horizons.

Interest Rate Risk in the Banking Book

The loans provided by the Bank to its borrowers are mostly funded by the deposits of its branch and corporate customers. The difference in the interest revenues from loans and the interest expense in servicing deposits provide the bulk of the Bank's Net Interest Income (NII). Aside from loans, interest revenue is also generated from holdings in debt securities, repurchase agreements (repo), and other interest-bearing assets. Occasionally, the Bank taps interbank loans and other sources of funding to supplement deposits, which are subject to additional interest expense.

The Bank utilizes Funds Transfer Pricing (FTP) as a mechanism to charge the asset businesses for funding (e.g., term loans, housing loans) and to compensate fund raisers (e.g., branch deposits). FTP helps units evaluate profitability and calculate returns upon deal origination. Furthermore, the FTP framework insulates them from interest rate risk. The Central Funding Unit (CFU), under the Treasury Management Group, manages the Bank's overall IRRBB. CFU is the first line of defense for both IRRBB and Liquidity Risk. While the Bank does not have intentions to hedge IRRBB via interest rate swaps in the short-term, it actively manages IRRBB by growing its sources of stable funds to match long-term assets.

The FTP policy is properly documented and is transparent to all parties. The FTP interest rates are anchored by widely-used and market-driven benchmark rates such as BVAL and BSP interest rate corridor rates for Peso; CME Term SOFR Reference Rates and USD-denominated bonds issued by the Philippines for USD. Trends, forecasts, and adjustments to the FTP are discussed and approved in the regular ALCO meeting.

The NII, and ultimately earnings and capital, is vulnerable to adverse fluctuations interest rates. The Bank also measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of asset-liability gap analysis on a monthly basis.

This analysis focuses on the repricing profile of its rate sensitive assets and liabilities, and the impact of interest rate movements on the Bank's accrual earnings. The interest rate repricing gap report assigns all assets and liabilities into various time buckets according to the remaining days to maturity for fixed-rate items, remaining days to next re-pricing for floating-rate items, or based on behavioral assumptions, if more applicable.

The difference between the total of the repricing (interest rate-sensitive) assets and repricing (interest rate-sensitive) liabilities gives an indication of the Bank's repricing risk exposure. A positive gap means more assets mature or have to be repriced than liabilities. In this case, the Bank is said to be "asset sensitive" in that time bucket and it benefits from an increase of interest rates as the assets will be repriced faster than liabilities.

A bank with a negative gap is considered "liability sensitive" since it has more liabilities to be repriced during such period than assets. It is negatively affected by a hike in interest rates. An example would be a bank that uses short-term deposits to fund long-term loans at fixed rates. It may encounter a decline in its net interest income if the interest rates increase since the cost of funds (the deposit rates) will increase while the earnings from loans remain fixed.

RSK monitors the mismatches in the repricing of its assets and liabilities through the interest rate gap reports presented to ALCO and BROCO on a monthly basis. To ensure that the Bank's net interest income is preserved, the Bank has set a limit for the maximum repricing gap, either positive or negative, for tenors up to 1 year. These limits are reviewed annually and form part of the Bank's risk appetite statements.

The Bank makes use of an internally developed Earnings-at-Risk (EAR) model for measuring IRRBB. EAR simulates the contraction of the projected NII over the next 12 months using historical changes in interest rate benchmarks such as BVAL for PHP and CME Term SOFR Reference Rates for USD. The balance sheet size and shape are assumed to remain static for the next 12 months. Non-maturity deposits (NMD) or current-savings accounts (CASA) are split into two classifications, core deposits and volatile deposits.

The volatile or non-core portion of the NMD/CASA is spread over short-term buckets based on behavioral average life. Core deposits are slotted in the 3 - 5 years bucket. Interest rate option risk embedded in loans and time deposits that alter the timing of balance sheet items are incorporated in the model. The model captures the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario simulated by the model impacts the exercise of the interest rate option. More prepayment is expected if interest rates decline while more pre-termination is expected as interest rates increase.

Market Risk

Market risk arises from the potential decline in earnings and capital due to adverse changes in market conditions and the underlying risk factors, which in turn affect the value and future cash flows of financial instruments, products, and transactions. The Bank is primarily exposed to two sources of market risk, namely: 1) market price risk in the trading book; and 2) foreign exchange risk from open foreign currency exposures. The Bank also has equity-related holdings which is a source of equity price risk, although deemed as minimal compared to the first two.

Market Price Risk in the Trading Book

The market price of financial instruments and transactions in the trading book may change unfavorably as a result of movements in interest rates, foreign exchange rates, credit spreads, and other risk factors. The Bank employs an internally developed VAR model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The Bank's RSK simulates the trading book's VAR on a daily basis and the results are compared against Board-approved limits. In addition to the limit on VAR, the trading portfolio is also subject to limits on aggregate exposures, sensitivity metrics, monthly and yearly losses.

Value-at-Risk Methodology

VAR serves as the Bank's key metric in the measurement of risk arising from market price changes of financial assets and foreign currency exposures. Given data for the market risk factors over a 1-year period (260 business days), VAR is the maximum probable loss that may be incurred from positions exposed to market risk. The maximum probable loss is calculated from simulations of daily profit and losses assuming that historical movements in market risk factors will recur, subject to a 99% confidence level and a 1-day holding period.

The Bank's VAR methodology is based on the widely used historical simulation method but with a modification on the usual assumption of equal probabilities in the simulation data points. Profit and loss simulations derived from older data are given less importance by assigning them with progressively lower probabilities of occurrence when used in the calculation of the maximum probable loss.

Currency Risk

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Bank believes that its profile of foreign currency exposure based on its assets and liabilities is within conservative limits for a financial institution engaged in a type of business similar to that of the Bank.

Foreign currency deposits are generally used to fund the foreign currency-denominated loan and investment portfolios in the FCDU. Banks are required by BSP to match the foreign currency liabilities held in the FCDU with foreign currency assets. In addition, BSP requires a 30.0% liquidity reserve on all foreign currency liabilities held in the FCDU.

Similar to market price risk in the trading book, the Bank employs limits and a VAR model to manage the risk that possible interest or currency movements pose. Such limits are prudently set and the position status is monitored on a daily basis.

Equity Price Risk

Given the nature and amount of the Bank's equity investments portfolio for the six months ended September 30, 2023 and year ended December 31, 2022, management believes the Bank's exposure to equity price risk is considered minimal.

6. Categories and Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair values of financial and non-financial assets and liabilities are as follows:

Cash and Other Cash Items, Due from BSP and Other Banks and Interbank Loans Receivable and Securities Purchased under Resale Agreements (SPURA) - Fair values approximate carrying amounts given the short-term nature of the instruments.

Debt Securities (Financial Assets at FVPL, Financial Assets at FVOCI, and Investment Securities at Amortized Cost) - Fair values are generally based on quoted market prices. If not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using discounted cash flow methodology.

Equity Securities (Financial Assets at FVOCI) - Fair values are determined based on market prices quoted in an established exchange, or on published quotes by accredited brokers.

Derivative Instruments (Financial Assets and Financial Liabilities at FVPL) - Fair values are determined based on published quotes or price valuations provided by counterparties or calculations using market-accepted valuation techniques.

Loans and Receivables - The estimated fair values of long-term receivables from customers and sales contract receivables are equal to the estimated future cash flows expected to be received which are discounted using current market rates (i.e., BVAL and CME Term SOFR Reference Rates). Fair value of short-term receivable from customers, sales contract receivables, accounts receivables, accrued interest receivables, and returned checks and other cash items (RCOCI) approximates carrying amounts given the short-term nature of the accounts.

Investment Properties - Fair value is determined based on valuations performed by external and in-house appraisers using the market data approach. Valuations are derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining the fair values include the following:

Location	Location of comparative properties whether on a main road or secondary road. Road width could also be a consideration if data is available. As a rule, properties along a main road are superior to properties along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable confirms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current

date is superior to historic data.

Discount Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Deposit Liabilities - Fair values of long-term time deposits are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e., BVAL and CME Term SOFR Reference Rates) and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term time deposits approximate fair value. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

Bonds and Bills Payable - For long-term bonds and bills payable, fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e., BVAL and CME Term SOFR Reference Rates) and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term bonds and bills payable approximate fair value.

Manager's Checks, Accrued Interest and Other Expenses and Other Liabilities (excluding non-financial liabilities) - Carrying amounts approximate fair values due to the short-term nature of the accounts. Due to preferred shareholders is determined to be long term in nature due to a pending dispute which affects maturity. Fair value cannot be estimated reliably due to lack of supportable data available.

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values should be disclosed (amounts in thousands):

	September 30, 2023 (Unaudited)				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets Measured at Fair Value					
<i>Financial Assets</i>					
Financial assets at FVPL:					
Government securities held for trading	P286,765	P214,449	P72,316	P -	P286,765
Private debt securities	233,258	-	-	233,258	233,258
Derivative assets	30,065	-	30,065	-	30,065
Financial assets at FVOCI:					
Government securities	13,819,116	3,145,812	10,673,304	-	13,819,116
Equity securities	179,312	141,225	-	38,087	179,312
	P14,548,516	P3,501,486	P10,775,685	P271,345	P14,548,516
Liabilities Measured at Fair Value					
<i>Financial Liabilities</i>					
Derivative liabilities	P9,069	P -	P9,069	P -	P9,069
Assets for which Fair Values are Disclosed					
<i>Financial Assets</i>					
Investment securities at amortized cost:					
Government securities	P45,120,811	P7,366,446	P35,693,948	P -	P43,060,394
Private debt securities	2,245,831	379,954	1,606,469	-	1,986,423
Loans and receivables:					
Receivables from customers	109,828,744	-	-	111,628,375	111,628,375
Less unearned interest	47,424	-	-	47,424	47,424
	109,781,320	-	-	111,580,951	111,580,951
Sales contract receivables	345,983	-	-	356,134	356,134
	157,493,945	7,746,400	37,300,417	111,937,085	156,983,902
<i>Non-financial Assets</i>					
Investment properties	3,569,671	-	-	10,195,056	10,195,056
	P161,063,616	P7,746,400	P37,300,417	P122,132,141	P167,178,958
Liabilities for which Fair Values are Disclosed					
<i>Financial Liabilities</i>					
Deposit liabilities:					
Time	P16,057,548	P -	P16,018,986	P -	P16,018,986
Long-term negotiable certificates	5,029,420	-	4,859,448	-	4,859,448
Bonds payable	7,469,074	-	7,469,074	-	7,469,074
	P28,556,042	P -	P28,347,508	P -	P28,347,508

	December 31, 2022 (Audited)				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets Measured at Fair Value					
<i>Financial Assets</i>					
<i>Financial assets at FVPL:</i>					
Government securities held for trading	P7,259	P3,569	P3,690	P -	P7,259
Private debt securities	344,809	-	-	344,809	344,809
Derivative assets	28,933	-	28,933	-	28,933
<i>Financial assets at FVOCI:</i>					
Government securities	5,619,272	511,282	5,107,990	-	5,619,272
Equity securities	185,779	147,253	-	38,526	185,779
	P6,186,052	P662,104	P5,140,613	P383,335	P6,186,052
Liabilities Measured at Fair Value					
<i>Financial Liabilities</i>					
Derivative liabilities	P283	P -	P283	P -	P283
Assets for which Fair Values are Disclosed					
<i>Financial Assets</i>					
<i>Investment securities at amortized cost:</i>					
Government securities	P49,444,750	P12,626,246	P34,050,746	P -	P46,676,992
Private debt securities	2,764,019	375,615	2,035,004	-	2,410,619
<i>Loans and receivables:</i>					
Receivables from customers	103,340,539	-	-	102,468,646	102,468,646
Less unearned interest	43,155	-	-	43,155	43,155
	103,297,384	-	-	102,425,491	102,425,491
Sales contract receivables	325,653	-	-	380,020	380,020
	155,831,806	13,001,861	36,085,750	102,805,511	151,893,122
<i>Non-financial Assets</i>					
Investment properties	3,399,987	-	-	9,969,666	9,969,666
	P159,231,793	P13,001,861	P36,085,750	P112,775,177	P161,862,788
Liabilities for which Fair Values are Disclosed					
<i>Financial Liabilities</i>					
<i>Deposit liabilities:</i>					
Time	P17,793,298	P -	P17,735,829	P -	P17,735,829
Long-term negotiable certificates	5,029,420	-	4,787,902	-	4,787,902
Bonds payable	7,442,251	-	7,386,764	-	7,386,764
	P30,264,969	P -	P29,910,495	P -	P29,910,495

In 2023 and 2022, due to changes in market conditions for certain government securities measured at FVOCI, quoted prices in active markets were not available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities at FVOCI, with carrying amounts of P324.6 million and P306.1 million in 2023 and 2022, respectively, were transferred from Level 1 to Level 2 of the fair value hierarchy.

In 2023, securities at FVOCI, with carrying amount of P1.1 billion were transferred from Level 2 to Level 1 of the fair value hierarchy since quoted prices in active markets were already available. There have been no transfers from Level 2 to Level 1 of the fair value hierarchy in 2022.

In 2023 and 2022, there have been no transfers into and out of Level 3 of the fair value hierarchy.

The carrying values of financial assets and liabilities not included in the fair value hierarchy table shown above approximate their respective fair values as at September 30, 2023 and December 31, 2022.

7. Segment Reporting

The Bank's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to Senior Management who is responsible for allocating resources to the segments and assessing their performance. Segment performance is evaluated based on net income before provision/reversal of credit and impairment losses, share in net loss of an associate and income tax expense. The

Bank's business segments follow:

Treasury Management Group - principally provides money market, trading and treasury services, as well as management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks.

Corporate Banking Group - principally handles loans and other credit facilities for corporate institutional, and middle market clients.

Branch Banking Group - principally supervises customers' deposits and offers standard customer transactional services through the branch network.

Consumer Group - principally manages home, automobile, and salary loans for individual customers.

Others - includes but not limited to Investment Banking, Credit Cards, Transaction Banking, Trust, and Acquired Assets. Other operations of the Bank also include operations and financial control groups.

Segment assets and liabilities comprise operating assets and liabilities, including borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment. Transactions between the business segments are carried out at arm's length. The Bank uses an Internal Funds Transfer Pricing rate to allocate the cost of funds or to recognize internal revenue for deposit takers. The Bank has no significant customers which contributes 10.00% or more of the Bank's revenue net of interest expense. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The segment information of the Bank for the nine months ended September 30, 2023 and 2022 for statement of income items, and as at September 30, 2023 and December 31, 2022 for statement of financial position items follow (amounts in millions):

	September 30, 2023 (Unaudited)					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P2,004	P5,158	(P1,867)	P705	P80	P6,080
Intersegment	(1,564)	(4,190)	4,971	(480)	1,263	-
Net interest income	440	968	3,104	225	1,343	6,080
Non-interest income	103	56	71	34	954	1,218
Total revenues	543	1,024	3,175	259	2,297	7,298
Other expenses	204	269	1,585	136	2,132	4,326
Income before provision for credit losses and income tax expense	P339	P755	P1,590	P123	P165	P2,972
Provision for credit and impairment losses						P222
Share in net loss of an associate						1
Income tax expense						738
Net income						P2,011
Other Segment Information						
Capital expenditures	P3	P6	P116	P2	P82	P209
Depreciation and amortization	P3	P3	P42	P6	P288	P342

September 30, 2023 (Unaudited)						
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Financial Position						
Total assets	P80,657	P98,910	P23,971	P12,877	P7,899	P224,314
Total Liabilities	9,128	34	176,427	132	8,794	194,515
September 30, 2022 (Unaudited)						
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P1,507	P3,084	(P511)	P667	P72	P4,819
Intersegment	(1,073)	(2,043)	3,821	(400)	(305)	-
Net interest income	434	1,041	3,310	267	(233)	4,819
Non-interest income	76	115	65	32	718	1,006
Total revenues	510	1,156	3,375	299	485	5,825
Other expenses	157	183	1,567	115	1,920	3,942
Income (losses) before provision for credit losses and income tax expense	P353	P973	P1,808	P184	(P1,435)	P1,883
Reversal of credit and impairment losses						(P77)
Share in net loss of an associate						-
Income tax expense						472
Net income						P1,488
Other Segment Information						
Capital expenditures	P5	P2	P45	P3	P44	P99
Depreciation and amortization	P3	P2	P40	P5	P270	P320
December 31, 2022 (Audited)						
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Financial Position						
Total assets	P80,035	P93,631	P23,810	P12,063	P7,979	P217,518
Total Liabilities	9,995	35	172,912	116	6,429	189,487

Non-Interest income consists of trading and investment securities gains (losses), service charges, fees and commissions, foreign exchange gains, gain on foreclosure, and sale of property and equipment and foreclosed assets and miscellaneous income.

Other expenses consist of compensation and fringe benefits, taxes and licenses, rent and utilities, depreciation and amortization, insurance, service fees and commissions, subscription fees, management and professional fees, amortization of software costs, and miscellaneous expense.

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
SPURA	P15,800,000,000	P14,538,857,444
Interbank loans receivable	4,047,546,152	3,842,368,409
	19,847,546,152	18,381,225,853
Less allowance for credit losses	2,679,419	2,481,466
	P19,844,866,733	P18,378,744,387

SPURA represents overnight lending placements with the BSP where the underlying securities cannot be sold or re-pledged to parties other than the BSP.

Interbank loans receivable consists of short-term loans granted to other banks.

9. Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial assets at FVPL consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Government securities held-for-trading	P286,765,259	P7,258,797
Private debt securities	233,258,125	344,809,237
Derivative assets	30,064,523	28,933,434
	P550,087,907	P381,001,468

As at September 30, 2023 and December 31, 2022, financial assets and liabilities at FVPL are adjusted for unrealized gain of P11.1 million and P3.0 million, respectively.

As at September 30, 2023 and December 31, 2022, there are no outstanding embedded derivatives.

Derivative Financial Instruments

This includes warrants amounting to \$50 thousand acquired by the Bank in June 2008. The warrants give the Bank the option or right to exchange its holding of certain Republic of the Philippines Global Bonds into peso-denominated government securities upon occurrence of a predetermined credit event. The warrants will mature in November 2032.

Forward swaps refer to spot purchase or sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future. As at September 30, 2023, these pertain to six contracts with notional amount of \$5.0 million each and two contracts with notional amount of \$1.0 million each. The Bank has one contract with notional amount of \$1.0 million and three contracts with notional amount of \$0.5 million each as at December 31, 2022.

The table below shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amount and leverage exposure. The leverage exposure is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The leverage exposure indicates the volume of transactions outstanding as at September 30, 2023 and December 31, 2022 and is not indicative of either market risk or credit risk.

	September 30, 2023 (Unaudited)			December 31, 2022 (Audited)		
	Derivative Assets	Notional Amount	Leverage Exposure	Derivative Assets	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Warrants	P28,287,500	\$50,000	\$ -	P27,877,500	\$50,000	\$ -
Forwards	1,777,023	\$10,000,000	-	1,055,934	1,000,000	-
	P30,064,523	\$10,050,000	\$ -	P28,933,434	\$1,050,000	\$ -

	September 30, 2023 (Unaudited)			December 31, 2022 (Audited)		
	Derivative Liabilities	Notional Amount	Leverage Exposure	Derivative Liabilities	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Forwards	P9,069,481	\$22,000,000	\$ -	P283,329	\$1,500,000	\$ -

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Government securities	P13,819,115,796	P5,619,271,980
Equity securities	179,312,082	185,778,540
	P13,998,427,878	P5,805,050,520

As at September 30, 2023 and December 31, 2022, the expected credit loss (ECL) allowance on debt securities at FVOCI included under “Net unrealized losses on financial assets at FVOCI” amounted to P1.6 million and P0.6 million, respectively.

Net Unrealized Losses on Financial Assets at FVOCI

The movements of net unrealized gains (losses) on financial assets at FVOCI follow:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	(P730,966,925)	(P156,154,761)
Net unrealized losses recognized as OCI	(14,463,117)	(574,495,027)
Realized gains taken to profit or loss	(6,964,361)	-
ECL on debt securities at FVOCI	976,524	(27,137)
Net change in unrealized gains (losses) recorded in OCI	(20,450,954)	(574,522,164)
Realized gains taken to retained earnings	(7,839,994)	(290,000)
Balance at end of year	(P759,257,873)	(P730,966,925)

11. Investment Securities at Amortized Cost

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Government securities	P45,126,144,126	P49,450,521,816
Private debt securities	2,246,066,062	2,764,316,045
	47,372,210,188	52,214,837,861
Less allowance for credit losses	5,568,042	6,068,800
	P47,366,642,146	P52,208,769,061

No investment securities at amortized cost were sold in 2023 and 2022.

12. Loans and Receivables

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Receivables from customers:		
Term loans	P84,867,671,369	P86,583,033,586
Agri-agra loans	10,060,404,216	2,537,887,089
Housing loans	8,476,415,906	8,222,608,912
Auto loans	4,080,644,501	3,652,024,507
Bills purchased, import bills and trust receipts	1,625,460,329	1,384,577,563
Direct advances	511,141,027	605,327,618
Others	2,699,137,017	2,597,626,608
	112,320,874,365	105,583,085,883
Less unearned interest income	47,423,705	43,154,930
	112,273,450,660	105,539,930,953
Accrued interest receivable:		
Loans and receivables	832,136,159	848,790,235
Trading and investment securities	444,242,988	422,998,451
Interbank loans receivable and SPURA	4,735,249	5,715,175
Due from BSP and other banks	-	2,193,333
Accounts receivable	1,053,964,486	1,057,747,032
Sales contract receivables	403,157,215	382,621,585
Unquoted debt securities	291,578,215	291,578,213
RCOCI	351,074	249,146
	115,303,616,046	108,551,824,123
Less allowance for credit losses	3,722,235,659	3,460,595,359
	P111,581,380,387	P105,091,228,764

Bills purchased, import bills and trust receipts include bills purchased with contra account in "Bills purchased - contra" under "Other Liabilities" amounting to P1.6 billion and P1.3 billion as at September 30, 2023 and December 31, 2022, respectively.

The non-performing loans of the Bank amounted to P2.55 billion and P2.52 billion as at September 30, 2023 and December 31, 2022, respectively. Gross and net NPL ratios of the Bank are 1.98% and 0.51%, respectively, as at September 30, 2023, and 2.10% and 0.60%, respectively, as at December 31, 2022.

13. Bills Payable

As at September 30, 2023, short-term borrowings from securities sold under repurchase agreements (SSURA) amounted to P912.1 million and no short-term borrowings from local banks, respectively. As at December 31, 2022, there were no short-term borrowings from local banks and no financial assets pledged and transferred under SSURA transactions.

As at September 30, 2023, the carrying and fair value of foreign currency-denominated financial assets at amortized cost pledged and transferred under SSURA transactions amounted to P1.2 billion and P1.0 billion, respectively.

14. Bonds Payable

On July 29, 2022, the Bank issued P7.5 billion fixed rate bonds due on July 29, 2024. The bonds were priced at par with a coupon rate of 5.0263% payable on a quarterly basis commencing on October 29, 2022. The bonds were listed in Philippine Dealing and Exchange Corporation (PDEX). Transaction costs on the issuance of bonds amounted to P72.4 million.

Interest expense on bonds payable amounted to P309.6 million and P70.5 million for the nine months ended September 30, 2023 and 2022, respectively. As at September 30, 2023 and December 31, 2022, unamortized bond transaction costs amounted to P30.9 million and P57.7 million, respectively.

15. Capital

As at September 30, 2023 and December 31, 2022, the Bank's capital stock consists of the following:

	Shares		Amount	
	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Authorized Capital Stock				
Common stock, P10 par value	1,702,511,470	1,702,511,470	P17,025,114,700	P17,025,114,700
Preferred stock, P10 par value	455,000,000	455,000,000	4,550,000,000	4,550,000,000
	2,157,511,470	2,157,511,470	P21,575,114,700	P21,575,114,700
Issued and Outstanding				
Common stock	1,403,013,920	1,403,013,920	P14,030,139,200	P14,030,139,200
Preferred stock	416,666,670	416,666,670	4,166,666,700	4,166,666,700
	1,819,680,590	1,819,680,590	P18,196,805,900	P18,196,805,900
Paid-in Surplus				
Common stock			P5,995,503,421	P5,995,503,421
Preferred stock			1,233,771,939	1,233,771,939
			P7,229,275,360	P7,229,275,360

Subject to the approval of the relevant government regulatory agencies, the Stockholders and BOD approved on April 25, 2023 and February 28, 2023, respectively, the amendment of the Articles of Incorporation to increase the Bank's authorized capital stock from P21,575,114,700 (divided into 1,702,511,470 common shares and 455,000,000 preferred shares) to P28,198,773,840 (divided into 2,364,877,384 common shares and 455,000,000 preferred shares).

On the same date, the Stockholders and BOD also approved the amendment to the By-laws to (a) change the schedule of the annual stockholders' meeting from April to May, and (b) comply with Section 132 of the MORB, Section 29 and 34 of the Revised Corporation Code and Section 3 of the SEC Memorandum Circular No. 20 series of 2020.

16. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities. The Bank's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- associates and companies linked directly or indirectly to the Bank through one or more intermediaries or are members of the same group, is controlled by, is under the same significant influence, or is under common control with the Bank; and
- post-employment benefit plans for the benefit of the Bank's employees.

The Bank has various transactions with its related parties and with certain directors, officers, stockholders, and related interests (DOSRI). These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks.

As at September 30, 2023 and December 31, 2022, DOSRI loans of the Bank amounted to P0.2 million and P0.3 million, respectively.

17. Commitments and Contingencies

In the normal course of operations, the Bank makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at September 30, 2023 and December 31, 2022:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Contingent assets:		
Future/spot exchange bought	P3,762,333,640	P1,146,547,214
Fixed income securities purchased	1,991,106,892	5,074,247
Outward bills for collection	209,708	255,590
	P5,753,650,240	P1,151,877,051
Commitments and contingent liabilities:		
Trust department accounts	P67,521,301,774	P70,335,329,532
Committed credit line	9,859,541,291	7,470,632,437
Unused commercial letters of credit	6,873,429,289	15,638,084,869
Outstanding guarantees	5,199,512,229	3,438,552,342
Future/spot exchange sold	4,017,189,210	1,954,996,944
Credit card lines	3,594,316,272	3,601,177,914
Fixed income securities sold	60,348,745	5,074,247
Late deposits/payments received	50,096,068	137,803,664
Inward Bills For Collection-Domestic	27,031,580	-
Items held for safekeeping/securities held as collateral	46,985	44,835
	P97,202,813,443	P102,581,696,784

The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

As at September 30, 2023, the carrying and fair value of assets pledged by the Bank to secure outstanding liabilities amounted to P1.2 billion and P1.0 billion, respectively. The related liability and expense amounted P912.1 million and P24.4 million, respectively, as at September 30, 2023. No asset is being pledged by the Bank to secure outstanding liabilities as at December 31, 2022.

18. Financial Performance Indicators

Basic earnings per share amounts were computed as follows:

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
a. Net income	P2,011,153,748	P1,488,490,479
b. Dividends on preferred shares*	132,916,668	103,125,001
c. Net income to equity holders of the Bank	1,878,237,080	1,385,365,478
d. Weighted average number of outstanding common shares	1,403,013,920	1,311,535,352
e. Basic earnings per share (c/d)	P1.34	P1.06

* potential dividends on preferred shares as these were not assumed to be converted.

Diluted earnings per share attributable to equity holders of the Bank were computed as follows:

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
a. Net income to equity holders of the Bank	P2,011,153,748	P1,488,490,479
b. Weighted average number of outstanding common shares and dilutive preferred shares		
Outstanding common shares	1,403,013,920	1,311,535,352
Potential common shares from assumed conversion of preferred shares	416,666,670	416,666,670
c. Total weighted average common shares	1,819,680,590	1,728,202,022
d. Diluted earnings per share (a/c)	P1.11	P0.86

The following basic ratios measure the financial performance of the Bank:

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Return on average equity	9.27%	7.81%
Return on average assets	1.21%	0.98%
Net interest margin on average earning assets	4.24%	3.71%

19. Other Matters

Other than the disclosures enumerated above, the Bank has no significant matters to report on the following during the quarter ended September 30, 2023:

- Unusual items because of their nature, size or incidents affecting assets, liabilities, equity, net income or cash flows;
- Any known trends, demands, commitments, events or uncertainties that will have a material impact on liquidity and on sales/revenues from continuing operations;
- Explanatory comments about seasonality or cyclicity of interim operations;
- Issuances, repurchases, and repayments of debt securities; and
- Any material commitments for capital expenditures.

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
BANK OF COMMERCE**

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Current ratio	0.60	0.61
Acid test ratio	0.59	0.60
Debt-to-equity ratio	6.53	6.76
Asset-to-equity ratio	7.53	7.76
Debt-to-asset ratio	0.87	0.87
Loans to deposit Ratio	0.75	0.70
Non-performing loans ratio - Gross (%)*	1.98	2.10
Non-performing loans ratio - Net (%)*	0.51	0.60
Non-performing loan (NPL) cover (%)	97.88	89.05
Capital Adequacy Ratio (%)	19.18	17.97

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Return on average assets (%)	1.21	0.98
Return on average equity (%)	9.27	7.81
Net interest margin (%)	4.24	3.71
Net profit margin (%)	27.56	25.56
Cost to income ratio	0.59	0.68
Interest rate coverage ratio	2.14	3.78
Solvency ratio	0.02	0.01

*Calculated based on BSP Circulars 941 and 1011.

BANK OF COMMERCE
AGING OF ACCOUNTS RECEIVABLE
AS OF SEPTEMBER 30, 2023
(in thousands)

No. of Days Outstanding	Amount
0 to 30 days	P 343,284
31 to 60 days	11,142
61 to 90 days	8,241
91 to 360 days	79,910
above 360 days	611,387
Accounts Receivable - Gross	1,053,964
Less: Allowance for Probable Losses	716,673
Accounts Receivable - Net	P 337,291

MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Condition as of 30 September 2023 vs. 31 December 2022

BankCom's Total Assets totaled ₱224.31 billion as of 30 September 2023, 3.12% up from the ₱217.52 billion as of 31 December 2022. This was mainly driven by the growth in Loans and Investment Securities.

Material movements are as follows:

Cash and Other Cash Items increased by 14.05% to ₱3.12 billion. Meanwhile, Due from Other Banks decreased by 22.48% to ₱19.16 billion from ₱24.72 billion due to lower term deposit facility (TDF) and overnight deposit facility (ODF) placements with the Bangko Sentral ng Pilipinas (BSP), partially tempered by higher placements with foreign banks.

Financial Assets at Fair Value through Other Comprehensive Income grew by ₱8.19 billion or 141.14% to ₱14 billion due to additional investments. Investments at amortized cost declined by ₱4.84 billion or 9.27% to ₱47.37 billion.

Loans and Other Receivables increased by ₱6.49B to ₱111.58 billion on the back of robust growth in corporate portfolio. Interbank loans receivable increased to ₱19.84 billion, 7.98% up from ₱18.38 billion on the notable rise in interbank loans booked.

Property and Equipment grew by 11% to ₱1.58 billion from ₱1.43 billion, attributable to purchase of office equipment, computers and furniture and fixtures. Investment Properties grew by 4.99% or ₱169.68 million to ₱3.57 billion due to accumulated gains from foreclosures and dacion. Other Assets also increased by 7.74% to ₱2.93 billion from ₱2.72 billion on account of higher prepaid tax, prepaid expense and unissued supplies. On the other hand, Investment in Associate dropped by 9.71% to ₱35.68 million.

Total liabilities amounted to ₱194.51 billion, 2.65% higher than last years' ₱189.49 billion. Major changes in liabilities are as follows:

Deposit liabilities, representing 90.82% of the Bank's Total Liabilities, is up 0.22% or ₱396.21 million to ₱176.66 billion from ₱176.27. This is mainly attributable to the 3.18% and 0.48% growths in current and savings deposit levels, respectively, to ₱53.44 billion and ₱102.14 billion.

Financial Liabilities at FVPL increased by ₱8.79 million as foreign exchange derivatives grew. Bills Payable totaled ₱912.12 million, whilst Bonds Payable inched up by ₱26.82 million to ₱7.47 billion from ₱7.44 billion. Manager's Checks rose 2.7x to ₱1.77 billion from ₱661.45 million on account of increased corporate transactions. Accrued Interest, Taxes and Other Expenses amounted to ₱1.21 billion, 4.12% up from ₱1.17 billion. Also, Other Liabilities reached ₱6.48 billion, higher by 63.99% from ₱3.95 billion.

The Bank's total capital funds stood at ₱29.80 billion as of 30 September 2023, 6.31% more than the ₱28.03 billion as of 31 December 2022 due to higher retained earnings for the current period.

Statement of Income for the period ended 30 September 2023 vs 30 September 2022

As 30 September 2023, BankCom posted a Net Income of ₱2.01 billion, 35.11% growth from the ₱1.49 billion in the same period last year, backed by broad-based growth across its core revenue streams.

Interest income on loans and receivables, representing 82.71% of the total revenue, grew by 57.05% to ₱6.04 billion, resulting from higher corporate loans and higher repricing given the rising interest rate environment. Interest income on investment securities at fair value through other comprehensive income (FVOCI) and at amortized cost also increased by 35.86% or ₱423.20 million to ₱1.60 billion from ₱1.18 million last year.

Interest income on Financial Assets at fair value through profit or loss (FVTPL) rose 4.4x to ₱19.51 million. Similarly, interest on interbank loans receivable and SPURA increased to ₱624.55 million, 1.9x higher than the ₱324.42 million.

Total Interest Expense surged 3.4x to ₱2.41 billion from last year's ₱704.14 million on account of rising interest rates and the issuance of bonds in the second half of 2022. Broken down, Interest Expense on Deposit Liabilities rose to ₱2.05 billion; Interest Expense on Bonds Payable totaled ₱309.55 million; Interest expense on lease liabilities was at ₱23.64 million. Meanwhile, interest expense on bills payable grew by 30.83% to ₱25.68 million.

Net Interest Income increased by 26.18% to ₱6.08 billion from ₱4.82 billion last year, notwithstanding the elevated interest rates.

Total other income rose to ₱1.22 billion, 21.12% higher than the previous year's ₱1.00 billion, owing to steady flow of the bank's fee-based income.

Service charges, fees and commissions rose to ₱640.25 million largely driven by Investment Banking, Credit Card, Trust, and Trade Finance fees. Foreign exchange (FX) gains inched up by 0.61% to ₱115.01 million, from ₱114.31 million. Trading and investment securities losses amounted to (₱468) thousand, an improvement from the (₱37.91) million last year.

ROPA related revenue amounted to ₱346.14 million, 20.22% higher than last year's ₱287.93 million due to increased gains on foreclosures. Moreover, miscellaneous income amounted to ₱117.17 million, 29.10% up from the ₱90.75 million in the same period last year due to income on recovery on charged-off asset.

Total expenses, excluding provision for credit and impairment losses totaled ₱4.33 billion, 9.77% up from the ₱3.94 billion last year. Compensation and fringe benefits rose by ₱211.84 million or 15.16% to ₱1.61 billion. Taxes and licenses grew by 12.36% to ₱741.49 million on account of heightened income generating activities. Rent and utilities also went up to ₱479.02 million, 8.34% higher from ₱442.13 million mainly due to higher cost of security, power, light and water as well as rent on bank premises.

Depreciation and amortization rose by 6.80% to ₱342.20 million, owing mostly to higher depreciation charges on computer equipment and other assets.

Service fees and commissions expenses grew by 36.23% to ₱246.98 million on account of higher volume of business operations, particularly Investment Banking, Credit Card and Trust. Subscription fees increased 1.6x to ₱132.93 million due to IT subscriptions.

Management and Professional fees amounted to ₱101.76 million, 26.83% up than last year's ₱80.23 million.

Amortization of software costs grew by 12.88% to ₱55.82 million, while miscellaneous expenses were cut by 22.36% to ₱364.78 million from ₱469.86 million in the comparable period last year.

BankCom maintains a conservative stance by setting aside ₱222.43 million as Provision for credit and impairment losses, resulting to a Non-performing loans coverage ratio of 97.88%.

The Bank's share in the net loss of associate recorded at ₱0.63 million for the period ended 30 September 2023.

Income Tax expense rose to ₱737.98 million, up 56.44% from the ₱471.72 million last year mainly due to the higher income for the period.