



Bank of Commerce

An affiliate of San Miguel Corporation



November 10, 2022

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, 2022 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, 2022

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, 2022**
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

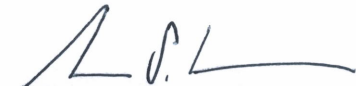
SIGNATURES

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 10, 2022.

BANK OF COMMERCE

Issuer

By:


ANTONIO S. LAQUINDANUM
EVP/Chief Financial Officer

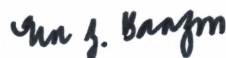
MANDALUYONG CITY **NOV 10 2022**

SUBSCRIBED AND SWORN to before me this _____ day of _____ 20__ affiant(s) exhibiting to me his valid Gov't-issued ID , as follows:

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

Notary Public

Doc. No.: 47
Page No.: 11
Book No.: VII
Series: 2022



EVA Z. BANZON
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0529-19
EXTENDED UNTIL 31 DECEMBER 2022
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 3067590/01-12-2022/MANDALUYONG CITY
IBP OR No. 177161/02-05-2022
ROLL OF ATTORNEYS NO. 62160

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BANK OF COMMERCE

INTERIM CONDENSED FINANCIAL STATEMENTS

**As of September 30, 2022 (Unaudited) and December 31, 2021 (Audited)
and for the nine months ended September 30, 2022 and 2021 (Unaudited)**

BANK OF COMMERCE
INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	<i>Note</i>	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS			
Cash and Other Cash Items		P2,391,798,433	P2,747,780,890
Due from Bangko Sentral ng Pilipinas		21,338,595,980	45,367,142,605
Due from Other Banks		3,729,658,789	1,039,456,479
Interbank Loans Receivable and Securities Purchased under Resale Agreements	8	21,921,398,123	19,133,505,219
Financial Assets at Fair Value through Profit or Loss	9	446,978,160	994,612,772
Financial Assets at Fair Value through Other Comprehensive Income	10	5,641,250,152	5,055,116,576
Investment Securities at Amortized Cost	11	48,570,937,486	42,909,057,404
Loans and Receivables	12	92,470,172,466	74,374,125,167
Investment in an Associate		39,665,366	39,661,589
Property and Equipment		1,409,030,126	1,472,398,367
Investment Properties		3,435,909,778	3,448,314,535
Deferred Tax Assets		744,578,523	743,505,416
Other Assets		2,645,837,929	2,387,937,153
		P204,785,811,311	P199,712,614,172
LIABILITIES AND EQUITY			
Deposit Liabilities			
Demand		P55,566,597,220	P48,702,339,755
Savings		92,122,792,245	108,874,919,612
Time		10,996,016,532	9,107,143,873
Long-term negotiable certificates		5,029,420,000	5,029,420,000
		163,714,825,997	171,713,823,240
Bonds Payable	13	7,437,552,488	-
Manager's Checks		932,690,537	951,460,497
Accrued Interest, Taxes and Other Expenses		1,102,501,461	1,021,625,802
Other Liabilities		4,167,209,839	2,662,971,101
Total Liabilities		177,354,780,322	176,349,880,640
Equity			
Capital stock	14	18,196,805,900	15,390,777,900
Paid-in surplus	14	7,229,739,811	6,776,694,869
Surplus reserves		976,551,605	755,806,267
Retained earnings		2,120,356,879	852,471,738
Net unrealized losses on financial assets at fair value through other comprehensive income	10	(839,333,006)	(156,154,761)
Remeasurement losses on retirement liability		(262,547,387)	(262,547,387)
Cumulative translation adjustment		10,788,619	7,010,814
Share in other comprehensive loss of an associate		(1,331,432)	(1,325,908)
Total Equity		27,431,030,989	23,362,733,532
		P204,785,811,311	P199,712,614,172

See Notes to Interim Condensed Financial Statements.

BANK OF COMMERCE
UNAUDITED INTERIM CONDENSED STATEMENTS OF INCOME

	Nine Months Ended September 30		Quarters Ended September 30	
Note	2022	2021	2022	2021
INTEREST INCOME				
Interest income calculated using the effective interest method:				
Loans and receivables	P3,843,669,716	P3,232,283,498	P1,452,706,554	P1,079,560,630
Investment securities at fair value through other comprehensive income and at amortized cost	1,180,135,991	865,855,376	419,736,503	329,581,483
Interbank loans receivable and securities purchased under resale agreements	324,418,815	234,590,010	161,644,761	81,282,677
Due from Bangko Sentral ng Pilipinas and other banks	170,058,961	164,555,803	19,607,346	50,334,293
Other interest income:				
Financial assets at fair value through profit or loss	4,467,561	10,497,933	635,250	5,288,462
	5,522,751,044	4,507,782,620	2,054,330,414	1,546,047,545
INTEREST EXPENSE				
Deposit liabilities	593,013,069	490,769,620	238,878,885	155,868,520
Bonds Payable	70,489,679	-	70,489,679	-
Lease liabilities	21,006,277	27,204,622	6,937,331	8,551,750
Bills payable and others	19,631,234	361,567	2,158,396	(804)
	704,140,259	518,335,809	318,464,291	164,419,466
NET INTEREST INCOME	4,818,610,785	3,989,446,811	1,735,866,123	1,381,628,079
OTHER INCOME				
Service charges, fees and commissions	550,585,922	385,691,744	189,063,848	136,437,054
Gains on foreclosure and sale of property and equipment and foreclosed assets - net	287,933,761	231,041,350	119,533,032	123,727,536
Foreign exchange gains - net	114,309,499	20,496,533	46,115,687	16,360,268
Trading and investment securities gains (losses) - net	(37,909,045)	(10,570,095)	1,742,929	372,904
Miscellaneous	90,754,192	35,381,747	65,645,586	10,930,102
	1,005,674,329	662,041,279	422,101,082	287,827,864
OTHER EXPENSES				
Compensation and fringe benefits	1,396,947,102	1,358,682,147	495,846,048	470,163,347
Taxes and licenses	659,902,662	561,126,796	207,972,493	194,740,725
Rent and utilities	442,126,530	393,877,553	156,525,072	126,828,901
Depreciation and amortization	320,411,933	355,899,654	108,489,085	108,575,292
Insurance	259,669,541	251,067,675	84,921,465	86,180,685
Service fees and commissions	181,290,892	183,022,994	64,869,758	86,730,045
Management and professional fees	80,227,621	57,350,256	32,827,315	22,017,016
Subscription fees	81,116,481	80,781,479	34,368,214	25,231,184
Reversal of credit and impairment losses	(76,913,787)	(4,071,487)	(31,378,502)	(60,718,362)
Entertainment and recreation	56,284,808	72,634,956	19,059,088	23,288,537
Amortization of software costs	49,449,172	36,952,538	13,262,174	13,289,033
Miscellaneous	413,570,465	340,602,654	177,524,386	112,696,842
	3,864,083,420	3,687,927,215	1,364,286,596	1,209,023,245
INCOME BEFORE SHARE IN NET LOSS (INCOME) OF AN ASSOCIATE AND INCOME TAX EXPENSE	1,960,201,694	963,560,875	793,680,609	460,432,698
SHARE IN NET LOSS (INCOME) OF AN ASSOCIATE	(9,301)	874,621	125,511	128,710
INCOME BEFORE INCOME TAX EXPENSE	1,960,210,995	962,686,254	793,555,098	460,303,988
INCOME TAX EXPENSE	471,720,516	336,960,918	191,974,268	138,950,709
NET INCOME	P1,488,490,479	P625,725,336	P601,580,830	P321,353,279
Earnings Per Share Attributable to Equity Holders of the Bank				
Basic	P1.06	P0.54	P0.43	P0.27
Diluted	0.86	0.51	0.35	0.26

See Notes to Interim Condensed Financial Statements.

BANK OF COMMERCE
UNAUDITED INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE
INCOME

	Note	Nine Months Ended September 30		Quarters Ended September 30	
		2022	2021	2022	2021
NET INCOME		P1,488,490,479	P625,725,336	P601,580,830	P321,353,279
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may not be reclassified to profit or loss					
Net change in remeasurement losses on retirement liability		-	126,807,928	-	126,807,928
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	10	3,209,992	31,375,000	(13,365,000)	4,225,171
		3,209,992	158,182,928	(13,365,000)	131,033,099
Items that may be reclassified to profit or loss					
Net change in fair value of debt securities at FVOCI	10	(686,248,237)	(204,481,351)	(146,768,475)	(115,547,638)
Net movement in cumulative translation adjustment		3,777,805	21,939,448	7,826,186	6,709,813
Share in other comprehensive income (loss) of an associate		(5,524)	17,457	2,268	7,318
Net change in fair value of debt securities at FVOCI taken to profit or loss	10	-	(11,709,675)	-	(6,420,425)
		(682,475,956)	(194,234,121)	(138,940,021)	(115,250,932)
		(679,265,964)	(36,051,193)	(152,305,021)	15,782,167
TOTAL COMPREHENSIVE INCOME		P809,224,515	P589,674,143	P449,275,809	P337,135,446

See Notes to Interim Condensed Financial Statements.

BANK OF COMMERCE
UNAUDITED INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

As at September 30, 2022

<i>Note</i>	Capital Stock (Note 14)	Paid-in Surplus (Note 14)	Surplus Reserves	Retained Earnings	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Remeasurement Losses on Retirement Liability	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate	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)	P7,010,814	(P1,325,908)	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 loss 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)	-	3,777,805	(5,524)	809,224,515	
Issuance of common stock	14	2,806,028,000	453,044,942	-	-	-	-	-	3,259,072,942	
Transaction within equity:										
Transfer from 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)	-	-	-	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)	P10,788,619	(P1,331,432)	P27,431,030,989

Forward

As at September 30, 2021

	Note	Capital Stock (Note 14)	Paid-in Surplus (Note 14)	Surplus Reserves	Retained Earnings (Deficit)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 10)	Remeasurement Losses on Retirement Liability	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate	Total Equity
Balance as at December 31, 2020		P11,224,111,200	P5,594,079,646	P395,602,340	(P51,156,715)	P69,657,563	(P449,088,000)	(P15,404,017)	(P1,339,376)	P16,766,462,641
Net income for the year		-	-	-	625,725,336	-	-	-	-	625,725,336
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		-	-	-	-	-	126,807,928	-	-	126,807,928
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)		-	-	-	-	31,375,000	-	-	-	31,375,000
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	(204,481,351)	-	-	-	(204,481,351)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	(11,709,675)	-	-	-	(11,709,675)
Net movement in cumulative translation adjustment		-	-	-	-	-	-	21,939,448	-	21,939,448
Share in other comprehensive income of associate		-	-	-	-	-	-	-	17,457	17,457
Total comprehensive income for the year		-	-	-	625,725,336	(184,816,026)	126,807,928	21,939,448	17,457	589,674,143
Issuance of preferred stock	14	4,166,666,700	1,291,666,676							5,458,333,376
Transactions within equity:										
Transfer from surplus reserves		-	-	69,724,089	(69,724,089)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	5,615,500	(5,615,500)	-	-	-	-
		4,166,666,700	1,291,666,676	69,724,089	(64,108,589)	(5,615,500)	-	-	-	5,458,333,376
Balance as at September 30, 2021		P15,390,777,900	P6,885,746,322	P465,326,429	P510,460,032	(P120,773,963)	(P322,280,072)	P6,535,431	(P1,321,919)	P22,814,470,160

See Notes to Interim Condensed Financial Statements.

BANK OF COMMERCE
UNAUDITED INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30		
	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax expense		P1,960,210,995	P962,686,254
Adjustments for:			
Depreciation and amortization		320,411,933	355,899,654
Gain on foreclosure and sale of property and equipment and foreclosed assets - net		(287,933,761)	(231,041,350)
Reversal of credit and impairment losses		(74,277,833)	(4,055,507)
Amortization of software costs		49,449,172	36,952,538
Unrealized losses on financial assets and liabilities at fair value through profit or loss (FVPL)		7,143,968	12,926,420
Amortization of transaction costs on bonds payable		5,566,637	-
Share in net loss (income) of associate		(9,301)	874,621
Gain on sale of financial assets at fair value through other comprehensive income (FVOCI)		-	(11,709,675)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Interbank loans receivables		-	106,515,133
Financial assets at FVPL		540,490,644	59,342,991
Loans and receivables		(18,141,607,197)	(2,535,251,176)
Other assets		(116,468,184)	(231,522,694)
Increase (decrease) in:			
Deposit liabilities		(7,998,997,243)	18,357,221,710
Manager's checks		(18,769,960)	(98,335,258)
Accrued interest, taxes and other expenses		15,733,928	74,947,954
Other liabilities		1,594,977,188	155,379,797
Net cash generated from (absorbed by) operations		(22,144,079,014)	17,010,831,412
Income taxes paid		(407,651,892)	(250,632,734)
Net cash provided by (used in) operating activities		(22,551,730,906)	16,760,198,678
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale or redemption of:			
Investment securities at amortized cost		26,767,725,000	7,938,850,000
Financial assets at FVOCI		593,125,000	15,152,970,954
Investment properties		229,958,063	260,759,658
Property and equipment		40,047,597	34,158,146
Additions to:			
Investment securities at amortized cost		(32,429,299,067)	(38,187,801,903)
Financial assets at FVOCI		(1,862,245,648)	(7,318,701,448)
Property and equipment		(111,908,192)	(106,867,067)
Software costs		(123,658,251)	(21,074,132)
Investment properties		(2,372,662)	(214,831)
Net cash used in investing activities		(6,898,628,160)	(22,247,920,623)

Forward

Nine Months Ended September 30

	<i>Note</i>	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of bonds payable	13	P7,431,985,851	P -
Proceeds from issuance of common stock	14	3,259,072,942	-
Payment of lease liability		(150,911,400)	(140,797,021)
Proceeds from issuance of preferred stock		-	5,458,333,376
Settlement of bills payable		-	(18,675)
Net cash provided by financing activities		10,540,147,393	5,317,517,680
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		3,777,805	21,939,448
NET DECREASE IN CASH AND CASH EQUIVALENTS		(18,906,433,868)	(148,264,817)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items		P2,747,780,890	P2,420,504,742
Due from Bangko Sentral ng Pilipinas		45,367,142,605	39,547,210,722
Due from other banks		1,039,456,479	1,023,255,562
Interbank loans receivable and securities purchased under resale agreements		19,133,505,219	21,949,327,179
		68,287,885,193	64,940,298,205
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items		2,391,798,433	1,878,231,813
Due from Bangko Sentral ng Pilipinas		21,338,595,980	34,576,957,213
Due from other banks		3,729,658,789	4,574,706,832
Interbank loans receivable and securities purchased under resale agreements		21,921,398,123	23,762,137,530
		P49,381,451,325	P64,792,033,388
CASH FLOWS FROM INTEREST AND DIVIDENDS			
Operating Activities			
Interest received		P4,362,380,931	P3,727,211,824
Interest paid		616,395,400	507,268,747
Investing Activities			
Interest received		P1,099,494,445	P599,396,896
Dividends received		1,612,352	5,709,161
Financing Activities			
Interest paid		P33,684,097	P27,567,951

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, subject to certain regulatory requirements.

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, 2022 and December 31, 2021.

San Miguel Properties, Inc. (SMPI) holds 31.91% and 39.89% ownership of the Bank’s issued common shares as at September 30, 2022 and December 31, 2021, respectively. San Miguel Corporation Retirement Plan (SMCRP) holds 30.84% and 38.54% ownership of the Bank’s issued common shares as at September 30, 2022 and December 31, 2021, respectively. 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, 2022 and December 31, 2021.

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, 2021 (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:

<u>Items</u>	<u>Measurement Bases</u>
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, 2021, except for the adoption of the following amended standards, which became effective beginning January 1, 2022. Unless otherwise indicated, the adoption of these amended standards did not have an impact on the condensed interim 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.

- *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, Property, Plant and Equipment)*. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

- *Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, Provisions, Contingent Liabilities and Contingent Assets)*. The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e., it comprises both incremental costs and an allocation of other direct costs
- *Annual Improvements to PFRS Standards 2018-2020*.
 - *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9)*. The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - *Lease Incentives (Amendment to Illustrative Examples Accompanying PFRS 16 Leases)*. The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

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 except for the expected credit losses (ECL) on financial assets, loan commitments and financial guarantees.

In 2022, the Bank updated its ECL methodology and applied the following changes:

- For loans secured by hold-out deposits, removed the 1% floor of the outstanding balance and applied the ECL parameters (probability of default, loss given default and exposure at default) used for corporate loans;
- For loan commitments and financial guarantees, applied the ECL parameters for corporate loans;
- For financial assets at amortized cost and debt securities at FVOCI, applied the discounted losses approach in the ECL.

5. Financial Risk Management Objectives and Policies

Compared with the December 31, 2021 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, 2022. 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 2021 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 BROCC. 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; US Treasuries 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 BROCC 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

US Treasuries 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 as at September 30, 2022 and December 31, 2021, 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:

COCI, 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 US Treasury Yield Curve 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 US Treasury Yield Curve 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.

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, 2022 (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:					
Private debt securities	P398,055	P -	P -	P398,055	P398,055
Government securities held for trading	19,610	3,605	16,005	-	19,610
Derivative assets	29,313	-	29,313	-	29,313
Financial assets at FVOCI:					
Government securities	5,456,424	4,286,550	1,169,874	-	5,456,424
Equity securities	184,826	146,837	-	37,989	184,826
Private debt securities	-	-	-	-	-
	P6,088,228	P4,436,992	P1,215,192	P436,044	P6,088,228
Assets for which Fair Values are Disclosed					
<i>Financial Assets</i>					
Investment securities at amortized cost:					
Government securities	P45,677,978	P20,909,781	P22,046,888	P -	P42,956,669
Private debt securities	2,892,959	387,158	2,192,725	-	2,579,883
Loans and receivables:					
Receivables from customers	91,076,246	-	-	74,137,530	74,137,530
Less unearned interest	36,687	-	-	36,687	36,687
	91,039,559	-	-	74,100,843	74,100,843
Sales contract receivables	332,506	-	-	387,340	387,340
	139,943,002	21,296,939	24,239,613	74,488,183	120,024,735
Non-financial Assets					
Investment properties	3,435,910	-	-	9,493,029	9,493,029
	P143,378,912	P21,296,939	P24,239,613	P83,981,212	P129,517,764
Liabilities for which Fair Values are Disclosed					
<i>Financial Liabilities</i>					
Deposit liabilities					
Time	P10,996,017	P -	P10,944,088	P -	P10,944,088
Long-term negotiable certificates	5,029,420	-	4,852,905	-	4,852,905
Bonds payable	7,437,552	-	7,491,813	-	7,491,813
	P23,462,989	P -	P23,288,806	P -	P23,288,806

	December 31, 2021 (Audited)				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets Measured at Fair Value					
<i>Financial Assets</i>					
Financial assets at FVPL:					
Private debt securities	P490,888	P -	P -	P490,888	P490,888
Government securities held for trading	478,225	283,418	194,807	-	478,225
Derivative assets	25,500	-	25,500	-	25,500
Financial assets at FVOCI:					
Government securities	4,569,701	918,851	3,650,850	-	4,569,701
Private debt securities	303,522	303,522	-	-	303,522
Equity securities	181,894	144,565	-	37,329	181,894
	P6,049,730	P1,650,356	P3,871,157	P528,217	P6,049,730
Assets for which Fair Values are Disclosed					
<i>Financial Assets</i>					
Investment securities at amortized cost:					
Government securities	P40,326,340	P15,617,463	P24,219,580	P -	P39,837,043
Private debt securities	2,582,717	2,059,920	521,950	-	2,581,870
Loans and receivables:					
Receivables from customers	73,132,658	-	-	95,269,564	95,269,564
Less unearned interest	37,309	-	-	37,309	37,309
	73,095,349	-	-	95,232,255	95,232,255
Sales contract receivables	351,703	-	-	427,310	427,310
	116,356,109	17,677,383	24,741,530	95,659,565	138,078,478
<i>Non-financial Assets</i>					
Investment properties	3,448,315	-	-	9,297,901	9,297,901
	P119,804,424	P17,677,383	P24,741,530	P104,957,466	P147,376,379
Liabilities for which Fair Values are Disclosed					
<i>Financial Liabilities</i>					
Deposit liabilities:					
Time	P9,107,144	P -	P9,098,652	P -	P9,098,652
Long-term negotiable certificates	5,029,420	-	5,116,369	-	5,116,369
	P14,136,564	P -	P14,215,021	P -	P14,215,021

In 2022, due to changes in market conditions for certain government securities measured at FVPL and 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 P306.6 million in 2022, were transferred from Level 1 to Level 2 of the fair value hierarchy. There have been no transfers from Level 1 to Level 2 of the fair value hierarchy in 2021.

In 2022, securities at FVOCI, with carrying amount of P3.3 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 2021.

In 2022 and 2021, 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, 2022 and December 31, 2021.

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. 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.

September 30, 2021 (Audited)						
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P1,120	P2,519	(P423)	P680	P93	P3,989
Intersegment	(913)	(997)	2,857	(453)	(494)	-
Net interest income	207	1,522	2,434	227	(401)	3,989
Non-interest income	17	64	61	18	502	662
Total revenues	224	1,586	2,495	245	101	4,651
Other expenses	112	153	1,511	108	1,108	3,692
Income (losses) before provision for credit losses and income tax expense	P112	P1,433	P984	P137	(P1,707)	P959
Reversal of credit and impairment losses						(P4)
Share in net loss of an associate						1
Income tax expense						337
Net income						P625
Other Segment Information						
Capital expenditures	P1	P1	P42	P6	P38	P88
Depreciation and amortization	P3	P2	P48	P5	P298	P356

December 31, 2021 (Audited)						
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Financial Position						
Total assets	P93,887	P63,564	P22,497	P12,386	P7,379	P199,713
Total Liabilities	7,845	69	164,790	102	3,544	176,350

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, entertainment and recreation, management and professional fees, amortization of software costs, share in net loss of associate and miscellaneous expense.

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
SPURA	P16,235,517,260	P15,800,317,280
Interbank loans receivable	5,688,840,651	3,335,771,311
	21,924,357,911	19,136,088,591
Less allowance for credit losses	2,959,788	2,583,372
	P21,921,398,123	P19,133,505,219

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

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

9. Financial Assets at Fair Value through Profit or Loss

Financial assets at FVPL consist of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Private debt securities	P398,055,367	P490,887,983
Government securities held-for-trading	19,610,293	478,225,289
Derivative assets	29,312,500	25,499,500
	P446,978,160	P994,612,772

As at September 30, 2022 and December 31, 2021, financial assets at FVPL are adjusted for unrealized loss of P7.1 million and P4.2 million, respectively.

As at September 30, 2022 and December 31, 2021, 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. The Bank has no forward swaps as at September 30, 2022 and December 31, 2021.

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, 2022 and December 31, 2021 and is not indicative of either market risk or credit risk.

	September 30, 2022 (Unaudited)			December 31, 2021 (Audited)		
	Derivative Assets	Notional Amount	Leverage Exposure	Derivative Assets	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Warrants	P29,312,500	\$50,000	\$ -	P25,499,500	\$50,000	\$ -

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Government securities	P5,456,423,769	P4,569,700,778
Equity securities	184,826,383	181,893,798
Private debt securities	-	303,522,000
	P5,641,250,152	P5,055,116,576

As at September 30, 2022 and December 31, 2021, the ECL allowance on debt securities at FVOCI included under "Net unrealized losses on financial assets at FVOCI" amounted to P0.6 million and P0.7 million, respectively.

Net Unrealized Losses on Financial Assets at FVOCI

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

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of year	(P156,154,761)	P69,657,563
Net unrealized losses recognized as OCI	(682,997,402)	(293,920,562)
Realized gains taken to retained earnings	(140,000)	(6,056,500)
ECL on debt securities at FVOCI	(40,843)	(1,108,339)
Realized gains taken to profit or loss	-	68,883,753
Effect of tax	-	6,389,324
Balance at end of year	(P839,333,006)	(P156,154,761)

11. Investment Securities at Amortized Cost

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Government securities	P45,683,250,640	P40,331,752,498
Private debt securities	2,893,266,390	2,583,066,258
	48,576,517,030	42,914,818,756
Less allowance for credit losses	5,579,544	5,761,352
	P48,570,937,486	P42,909,057,404

No investment securities at amortized cost were sold before maturity in 2022 and 2021.

12. Loans and Receivables

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Receivables from customers:		
Term loans	P74,769,452,122	P59,050,250,905
Housing loans	8,225,243,125	8,329,292,292
Auto loans	3,504,812,826	3,543,209,363
Agri-agra loans	3,140,873,735	1,241,364,426
Bills purchased, import bills and trust receipts	727,252,301	463,352,225
Direct advances	622,224,687	537,504,714
Others	2,409,665,250	2,319,120,588
	93,399,524,046	75,484,094,513
Less unearned interest income	36,686,727	37,309,436
	93,362,837,319	75,446,785,077
Accrued interest receivable:		
Loans and receivables	679,671,557	614,200,832
Trading and investment securities	436,391,416	358,148,082
Interbank loans receivable and SPURA	1,565,099	702,236
Due from BSP and other banks	588,333	1,429,147
Accounts receivable	844,915,611	794,692,800
Sales contract receivables	389,544,333	408,965,309
Unquoted debt securities	291,578,219	291,578,204
RCOCI	57,830	822,302
	96,007,149,717	77,917,323,989
Less allowance for credit losses	3,536,977,251	3,543,198,822
	P92,470,172,466	P74,374,125,167

Other receivables from customers pertain to consumer loans such as benefit loans, salary loans, and credit cards.

Bills purchased, import bills and trust receipts include bills purchased with contra account in "Bills purchased - contra" under "Other Liabilities" amounting to P648.7 million and P420.0 million as at September 30, 2022 and December 31, 2021, respectively.

As at September 30, 2022 and December 31, 2021, the non-performing loans of the Bank amounted to P3.0 billion and P2.8 billion, respectively. Gross and net NPL ratios of the Bank are 2.7% and 0.8%, respectively, as at September 30, 2022, and 3.1% and 0.9%, respectively, as at December 31, 2021.

13. 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 P68.0 million.

14. Capital

As at September 30, 2022 and December 31, 2021, the Bank's capital stock consists of the following:

	Shares		Amount	
	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2022 (Unaudited)	December 31, 2021 (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	1,122,411,120	P14,030,139,200	P11,224,111,200
Preferred stock	416,666,670	416,666,670	4,166,666,700	4,166,666,700
	1,819,680,590	1,539,077,790	P18,196,805,900	P15,390,777,900
Paid-in Surplus				
Common stock			P5,995,967,873	P5,542,922,931
Preferred stock			1,233,771,938	1,233,771,938
			P7,229,739,811	P6,776,694,869

On January 28, 2022, the SEC approved the amendments to the Articles of Incorporation to align sections around the sale, assignment, and disposal of shares with the lock up requirements of the Philippine Stock Exchange. The SEC also approved the amendment to the By-laws to update sections on stockholders, the Board of Directors, certificates of stock, and the transfer of shares of stock.

On February 15 and February 16, 2022, the SEC and the PSE, respectively, approved the application for the Initial Public Offer of the Bank. On March 31, 2022, the Bank listed its common shares with the PSE. The Bank offered and issued new common shares to the public up to 280,602,800 at P12.0 per share. Transaction costs on the issuance of common shares amounting to P108.2 million were charged against "Paid-in surplus".

On February 22, 2022 and April 29, 2022, the BOD and the Stockholders, respectively, approved the amendments to the Articles of Incorporation to change its purpose from a Commercial Bank to a Universal Bank pursuant to BSP MB Resolution No. 1798 dated December 23, 2021. The By-laws were also amended to comply with Sections 28 and 52 of the Revised Corporation Code. The amendment on the Bank's Articles of Incorporation and By-laws was approved by the BSP on June 29, 2022 and by the SEC on August 9, 2022.

15. 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.

Except with the prior approval of the Monetary Board, the total outstanding loans, other credit accommodations and guarantees to DOSRI shall not exceed 15% of the total loan portfolio of the Bank or 100.0% of net worth whichever is lower. As at September 30, 2022 and December 31, 2021, the Bank is in compliance with such regulations.

As at September 30, 2022, DOSRI loans of the Bank amounted to P0.3 million. The Bank has no outstanding DOSRI loans as at December 31, 2021.

16. 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, 2022 and December 31, 2021:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Contingent assets:		
Future/spot exchange bought	P1,931,465,045	P229,495,500
Fixed income securities purchased	196,188	25,218,255
Outward bills for collection	-	2,999,218
	P1,931,661,233	P257,712,973
Commitments and contingent liabilities:		
Trust department accounts	P61,024,975,351	P63,687,480,988
Unused commercial letters of credit	17,842,534,284	8,417,817,547
Outstanding guarantees	4,925,725,165	2,271,624,364
Committed credit line	4,868,113,656	6,828,080,056
Credit card lines	3,353,350,543	3,362,130,139
Future/spot exchange sold	2,488,537,688	841,483,500
Late deposits/payments received	149,711,296	4,636,985
Fixed income securities sold	196,188	-
Items held for safekeeping/securities held as collateral	52,060	42,112
	P94,653,196,231	P85,413,295,691

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

No asset is being pledged by the Bank to secure outstanding liabilities as at September 30, 2022 and December 31, 2021.

17. Financial Performance Indicators

Basic earnings per share amounts were computed as follows:

	Nine Months Ended September 30 (Unaudited)	
	2022	2021
a. Net income	P1,488,490,479	P625,725,336
b. Dividends on preferred shares*	103,125,001	22,916,667
c. Net income to equity holders of the Bank	1,385,365,478	602,808,669
d. Weighted average number of outstanding common shares	1,311,535,352	1,122,411,120
e. Basic earnings per share (c/d)	P1.06	P0.54

* 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)	
	2022	2021
a. Net income to equity holders of the Bank	P1,488,490,479	P625,725,336
b. Weighted average number of outstanding common shares and dilutive preferred shares		
Outstanding common shares	1,311,535,352	1,122,411,120
Potential common shares from assumed conversion of preferred shares	416,666,670	92,592,593
c. Total weighted average common shares	1,728,202,022	1,215,003,713
d. Diluted earnings per share (a/c)	P0.86	P0.51

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

	Nine Months Ended September 30 (Unaudited)	
	2022	2021
Return on average equity	7.81%	4.22%
Return on average assets	0.98%	0.46%
Net interest margin on average earning assets	3.71%	3.35%

18. Events after the Reporting Date

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.

19. Other Matters

Other than the disclosures enumerated above, the Bank has no significant matters to report on the following during the nine months ended September 30, 2022:

- 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 cyclical nature of interim operations;
- Any material commitments for capital expenditures.

MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Condition as of 30 September 2022 vs. 31 December 2021

BankCom's Total Assets stood at ₱204.79 billion as of 30 September 2022, a 2.54% increase from the ₱199.71 billion in 31 December 2021 mainly from the increase in Loans and Other Receivables, Investment Securities at amortized cost and FVOCI. Increase was partly softened by decreases in Due from BSP and Investment Securities at Fair Value through Profit and Loss.

Loans and Other Receivables amounted to ₱92.47 billion, a 24.33% increase from ₱74.37 billion in 31 December 2021 largely driven by increase in corporate loans. Interbank loans receivable also went up to ₱21.92 billion.

Financial assets at fair value through profit or loss decreased by 55.06% to ₱446.98 million. On the other hand, financial assets at FVOCI increased to ₱5.64 billion as well as Investment Securities at Amortized Cost went up by 13.20% to ₱48.57 billion from additional purchases of investment securities.

Cash and Other Cash Items declined by 12.96% to ₱2.39 billion. Due from BSP declined by 52.96% to ₱21.34 billion from ₱45.37 billion from lower ODF placements. Meanwhile, Due from Other Banks rose by 2.59x to ₱3.73 billion from ₱1.04 billion from higher placements with foreign banks.

Property and Equipment decreased by 4.30% to ₱1.41 billion from ₱1.47 billion. Investment Properties and Deferred Tax Assets also declined to ₱3.44 billion and ₱744.58 million, respectively. On the other hand, Other Assets grew by 10.80% to ₱2.65 billion from ₱2.39 billion. Investment in Associate marginally increased to ₱39.67 million.

Total liabilities increased to ₱177.35 billion as of 30 September 2022, driven by the 56.49% increase in other liabilities. Along with this is the Bank's issuance of bonds amounting to ₱7.5 billion.

Deposit liabilities went down to ₱163.71 billion from the decrease in savings deposit volume by 15.39% to ₱92.12 billion. In contrast, demand and time deposit volumes rose by 14.09% and 20.74% to ₱55.57 billion and ₱11.00 billion, respectively.

Manager's Checks decreased by 1.97% to ₱932.69 million. While Accrued Interest, Taxes and Other Expenses grew by 7.92% to ₱1.10 billion.

The Bank's total capital funds rose by 17.41% to ₱27.43 billion as of 30 September 2022 from ₱23.36 billion in the previous period due to the issuance of new common shares to the public.

Statement of Income for the period ended 30 September 2022 vs 30 September 2021

BankCom posted a Net Income of ₱1.49 billion for the period ended 30 September 2022, an improvement from the ₱625.73 million from the same period last year mainly brought about by higher interest income, an increase in foreign exchange gains and fees and commissions.

Interest income on loans and receivables improved by 18.91% to ₱3.84 billion resulting mainly from higher volume of corporate loans. Interest income on investment securities at fair value through other comprehensive income (FVOCI) and at amortized cost also went up by 36.30% to ₱1.18 billion from the additional investment securities.

Interest income on interbank loans receivable and SPURA along with interest income on due from BSP and other banks increased by 38.29% and 3.34% to ₱324.42 million and ₱170.06 million,

respectively. On the other hand, interest income on financial assets at fair value through profit or loss (FVTPL) declined by 57.44% to ₱4.47 million.

Total interest expense went up by 35.85% to ₱704.14 million compared to ₱518.34 million in the same period last year. The increase was mainly due to the higher interest expense on bills payable and other liabilities which went up to ₱19.63 million due to interest on CGT and DST on the transfer of titles from TRB. Additionally, bonds were issued with an interest expense of ₱70.49 million as of 30 September 2022.

Interest expense on deposit liabilities also went up by 20.83% to ₱593.01 million. Interest expense on lease liabilities, on the other hand, went down by 22.78% to ₱21.01 million. As a result of the foregoing, net interest income amounted to ₱4.82 billion, 20.78% higher than the ₱3.99 billion earned the previous year.

Total other income was at ₱1.01 billion, 51.91% higher than last year's ₱662.04 million. This is mainly driven by foreign exchange gains posting a growth of 4.58x to ₱114.31 million versus the ₱20.50 million in the same period last year. Trading and investment securities posted a loss of ₱37.91 million compared to the ₱10.57 million loss the previous year.

Service charges, fees and commissions also increased by 42.75% to ₱550.59 million from higher LC fees, trust fee income and ATM fees. Gains on foreclosure, and sale of property and equipment and foreclosed assets rose by 24.62% to ₱287.93 million as a result of higher sale of foreclosed assets. Miscellaneous income also posted an increase of 1.57x to ₱90.75 million compared to ₱35.38 million the previous year mainly from income on recovery on charged-off asset.

Total expenses, excluding provision for credit and impairment losses went up by 6.74% to ₱3.94 billion. Compensation and fringe benefits went up by 2.82% to ₱1.40 billion. Taxes and licenses also increased by 17.60% to ₱659.90 million mainly due to higher DST expense from additional deposits. Rent and utilities likewise increased by 12.25% to ₱442.13 million.

Depreciation and amortization, on the other hand, declined by 9.97% to ₱320.41 million primarily from lower depreciation expense from foreclosed assets. Insurance grew by 3.43% to ₱259.67 million on account of higher PDIC insurance on deposits. Service fees and commissions together with entertainment and recreation expenses declined by 0.95% and 22.51% to ₱181.29 million and ₱56.29 million, respectively. Subscription fees went up by 0.41% to ₱81.12 million.

Management and professional fees expense went up by 39.89% to ₱80.23 million due to fees related to the IPO. Amortization of software costs and miscellaneous expenses also increased by 33.82% and 21.42% to ₱49.45 million and ₱413.57 million, respectively.

On account of the reversal of provisions, the Bank's Provision for credit and impairment losses is at -₱76.91 million for the period ended 30 September 2022 reflecting the continuing improvement in the credit quality of the Bank's portfolio.

The Bank recorded its share in the net loss of associate at ₱0.01 million in 2022, lower than the previous year's share in net income of ₱0.87 million.

Income Tax expense amounted to ₱471.72 million, 39.99% higher from the ₱336.96 million the previous year primarily due to the higher income.

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Liquid to total assets	0.51	0.59
Loans to Deposit Ratio	0.70	0.55
Non-performing loans ratio - Gross (%)*	2.72	3.09
Non-performing loans ratio - Net (%)*	0.79	0.88
Non-performing loan (NPL) cover (%)	77.77	83.21
Debt-to-asset ratio	0.87	0.88
Debt-to-equity ratio	6.47	7.55
Asset-to-equity ratio	7.47	8.55
Capital Adequacy Ratio (%)	18.57	21.57

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Return on average assets (%)	0.98	0.46
Return on average equity (%)	7.81	4.22
Net interest margin (%)	3.71	3.35
Net profit margin (%)	25.56	13.45
Cost to income ratio	0.68	0.79
Interest rate coverage ratio	3.78	2.86
Solvency ratio	0.01	0.01

**Calculated based on BSP Circulars 941 and 1011.*

BANK OF COMMERCE

AGING OF ACCOUNTS RECEIVABLE
AS OF SEPTEMBER 30, 2022
(in thousands)

No. of Days Outstanding	Amount
0 to 30 days	P163,196
31 to 60 days	8,786
61 to 90 days	3,702
91 to 360 days	65,018
above 360 days	604,214
Accounts Receivable - Gross	844,916
Less: Allowance for Probable Losses	685,084
Accounts Receivable - Net	P159,112