



June 22, 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,

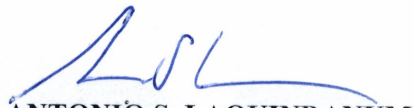
We submit herewith the Amended March 31, 2022 SEC 17-Q with report of Independent Auditors of Bank of Commerce.

The following are the revisions/ additions made in the Notes to FS:

1. Note 1 (addition) - The “amended” unaudited condensed interim financial statements of the Bank were approved and authorized for issue by the BOD on May 31, 2022.
2. Note 4 (addition) - It is noteworthy that expected credit loss (ECL) methodology of the Bank was optimized during the last quarter of 2021 to recalibrate and improve the accuracy of the ECL models using updated data. Hence, the ECL for the quarter ended March 31, 2021 was calculated using the model before the optimization was put in place.
3. Note 7 (revision) – March 31, 2022 Capital expenditures from P15M to P17M
4. Note 11 (addition) – No investment securities at amortized cost were sold before maturity in 2022 and 2021.
5. Note 14 (addition) – Margin deposits refers to deposits corresponding to negotiations on letters of credit evidenced by import bills and/or trust receipts.
6. Note 15 (a. revision, b. addition) – a) 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.  
b) Of this amount, P44.7 million is accrued as of March 31, 2022.

Thank you.

Very truly yours,

  
**ANTONIO S. LAQUINDANUM**  
EVP/Chief Financial Officer

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

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 June 22, 2022.

BANK OF COMMERCE

Issuer

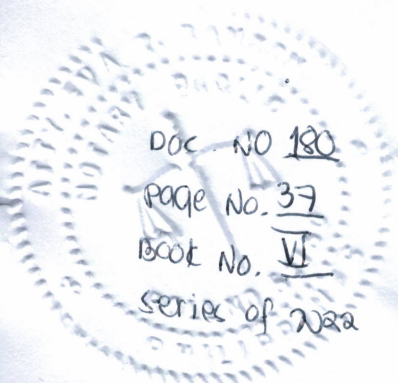
By:



ANTONIO S. LAQUINDANUM  
EVP/Chief Financial Officer

**SUBSCRIBED AND SWORN** to before me this JUN 22 2022 day of 22 2022 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

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



DOC NO 180  
PAGE No. 37  
BOOK No. VI  
series of 2022

Eva Z. Banzon Notary Public

**EVA Z. BANZON**  
**NOTARY PUBLIC FOR MANDALUYONG CITY**  
**APPOINTMENT NO. 0529-19**  
**UNTIL JUNE 30, 2022**  
**SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY**  
**PTR No. 3067390/01-12-2022/MANDALUYONG CITY**  
**IBP OR No. 177161/02-05-2022**  
**ROLL OF ATTORNEYS NO. 62160**

COVER SHEET

SEC Registration Number

SEC Registration Number

BANK OF COMMERCE

(Company's Full Name)

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

ANTONIO S. LAQUINDANUM

Contact Person

89826000

Company Telephone Number

12 31

Month Day

Fiscal Year

17Q

Form Type

1 1

Month Day

Annual Meeting

Secondary License Type, If Applicable

Secondary License Type, If Applicable

SEC

Dept. Requiring this Doc

Amended Articles Number/Section

Amended Articles Number/Section

Total Amount of Borrowings

162

Total No. of Stockholders

Domestic

Domestic

Foreign

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

Document I.D.

Document I.D.

Cashier

STAMPS

STAMPS

SEC Number

24221

PSECode

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)

**March 31, 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 March 31, 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

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock

held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. N/A

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# BANK OF COMMERCE

## **CONDENSED INTERIM FINANCIAL STATEMENTS**

**As of March 31, 2022 (Unaudited) and December 31, 2021 (Audited)  
and for the quarters ended March 31, 2022 and 2021 (Unaudited)**

With Independent Auditors' Report





R.G. Manabat & Co.  
The KPMG Center, 6/F  
6787 Ayala Avenue, Makati City  
Philippines 1209  
Telephone +63 (2) 8885 7000  
Fax +63 (2) 8894 1985  
Internet [www.home.kpmg/ph](http://www.home.kpmg/ph)  
Email [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

## REPORT OF INDEPENDENT AUDITORS ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

The Board of Directors and the Stockholders  
**Bank of Commerce**  
San Miguel Properties Centre  
No. 7, St. Francis Street  
Mandaluyong City

### *Introduction*

We have reviewed the accompanying condensed interim financial statements of Bank of Commerce (the "Bank"), which comprise the condensed interim statement of financial position as at March 31, 2022, and condensed interim statements of income, condensed interim statements of comprehensive income, condensed interim statements of changes in equity and condensed interim statements of cash flows for the quarters ended March 31, 2022 and 2021, and selected explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

### *Scope of Review*

We conducted our review in accordance with the Philippine Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements are not prepared, in all material respects, in accordance with PAS 34, Interim Financial Reporting.

*Other Matter*

We audited the financial statements of the Bank as at and for the year ended December 31, 2021 and expressed an unmodified opinion thereon dated April 4, 2022.

**R.G. MANABAT & CO.**

A handwritten signature in black ink, appearing to read 'Sheila Ricca G. Dioso', written in a cursive style.

SHEILA RICCA G. DIOSO

Partner

CPA License No. 0115382

BSP Accreditation No. 115382-BSP, Group A, valid for five (5) years covering the audit of 2019 to 2023 financial statements

SEC Accreditation No. 115382-SEC, Group A, valid for five (5) years covering the audit of 2019 to 2023 financial statements

Tax Identification No. 229-233-163

BIR Accreditation No. 08-001987-047-2019

Issued December 26, 2019; valid until December 25,

2022 PTR No. MKT 8854064

Issued January 3, 2022 at Makati City

May 31, 2022

Makati City, Metro Manila

**BANK OF COMMERCE**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**

	<i>Note</i>	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
<b>ASSETS</b>			
Cash and Other Cash Items		P2,265,466,894	P2,747,780,890
Due from Bangko Sentral ng Pilipinas		34,698,999,315	45,367,142,605
Due from Other Banks		2,901,014,391	1,039,456,479
Interbank Loans Receivable and Securities Purchased under Resale Agreements	8	23,003,244,106	19,133,505,219
Financial Assets at Fair Value through Profit or Loss	9	753,522,923	994,612,772
Financial Assets at Fair Value through Other Comprehensive Income	10	4,774,652,687	5,055,116,576
Investment Securities at Amortized Cost	11	45,182,324,487	42,909,057,404
Loans and Receivables	12	84,675,690,893	74,374,125,167
Investment in an Associate		39,400,574	39,661,589
Property and Equipment		1,439,274,506	1,472,398,367
Investment Properties		3,417,809,054	3,448,314,535
Deferred Tax Assets		741,856,342	743,505,416
Other Assets	13	2,491,520,844	2,387,937,153
		<b>P206,384,777,016</b>	<b>P199,712,614,172</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Deposit Liabilities</b>			
Demand		P51,260,968,533	P48,702,339,755
Savings		105,170,394,728	108,874,919,612
Time		12,163,982,931	9,107,143,873
Long-term negotiable certificates		5,029,420,000	5,029,420,000
		<b>173,624,766,192</b>	<b>171,713,823,240</b>
Manager's Checks		1,095,657,979	951,460,497
Accrued Interest, Taxes and Other Expenses		949,982,990	1,021,625,802
Other Liabilities	14	4,028,459,619	2,662,971,101
<b>Total Liabilities</b>		<b>179,698,866,780</b>	<b>176,349,880,640</b>
<b>Equity</b>			
Capital stock	15	18,196,805,900	15,390,777,900
Paid-in surplus	15	7,230,148,406	6,776,694,869
Surplus reserves		866,634,647	755,806,267
Retained earnings		1,102,376,929	852,471,738
Net unrealized losses on financial assets at fair value through other comprehensive income	10	(446,803,798)	(156,154,761)
Remeasurement losses on retirement liability		(262,547,387)	(262,547,387)
Share in other comprehensive loss of an associate		(1,332,735)	(1,325,908)
Cumulative translation adjustment		628,274	7,010,814
<b>Total Equity</b>		<b>26,685,910,236</b>	<b>23,362,733,532</b>
		<b>P206,384,777,016</b>	<b>P199,712,614,172</b>

*See Notes to the Financial Statements.*

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

		For Quarters Ended March 31	
	Note	2022	2021
<b>INTEREST INCOME</b>			
Interest income calculated using the effective interest method:			
Loans and receivables		P1,100,168,129	P1,183,475,891
Investment securities at fair value through other comprehensive income and at amortized cost		378,370,569	229,031,006
Due from Bangko Sentral ng Pilipinas and other banks		104,241,315	69,635,539
Interbank loans receivable and securities purchased under resale agreements		77,007,224	77,063,587
Other interest income:			
Financial assets at fair value through profit or loss		2,608,204	2,474,488
		<b>1,662,395,441</b>	<b>1,561,680,511</b>
<b>INTEREST EXPENSE</b>			
Deposit liabilities		171,272,754	173,821,700
Lease liabilities		7,352,587	9,705,569
Bills payable and others		16,258,376	345,650
		<b>194,883,717</b>	<b>183,872,919</b>
		<b>1,467,511,724</b>	<b>1,377,807,592</b>
<b>NET INTEREST INCOME</b>			
<b>OTHER INCOME</b>			
Service charges, fees and commissions	16	159,090,069	111,989,605
Gains on foreclosure and sale of property and equipment and foreclosed assets - net		85,015,869	49,297,130
Foreign exchange gains (losses) - net		42,588,554	(3,990,560)
Trading and investment securities losses - net	17	(29,086,960)	(28,605,325)
Miscellaneous	18	14,159,758	12,152,207
		<b>271,767,290</b>	<b>140,843,057</b>
<b>OTHER EXPENSES</b>			
Compensation and fringe benefits		438,387,977	438,988,655
Taxes and licenses		240,928,873	200,961,646
Rent and utilities		133,026,793	131,257,660
Depreciation and amortization		106,145,274	129,624,469
Insurance		86,387,498	81,388,679
Service Fees and Commissions		47,757,899	47,680,160
Management and professional fees		34,103,582	14,223,856
Subscription fees		20,563,158	26,897,385
Entertainment and recreation		18,667,092	24,995,167
Amortization of software costs		14,996,342	10,297,565
Provision for credit and impairment losses		771,550	59,859,975
Miscellaneous	18	104,044,556	114,726,421
		<b>1,245,780,594</b>	<b>1,280,901,638</b>
<b>INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX EXPENSE</b>		<b>493,498,420</b>	<b>237,749,011</b>
<b>SHARE IN NET LOSS OF AN ASSOCIATE</b>		<b>254,188</b>	<b>608,008</b>
<b>INCOME BEFORE INCOME TAX EXPENSE</b>		<b>493,244,232</b>	<b>237,141,003</b>
<b>INCOME TAX EXPENSE</b>		<b>132,650,661</b>	<b>90,838,393</b>
<b>NET INCOME</b>		<b>P360,593,571</b>	<b>P146,302,610</b>
<b>Earnings Per Share Attributable to Equity Holders of the Bank</b>			
	21		
Basic		P0.29	P0.13
Diluted		0.23	0.13

*See Notes to the Financial Statements.*

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

		For Quarters Ended March 31	
	Note	2022	2021
<b>NET INCOME</b>		<b>P360,593,571</b>	P146,302,610
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Items that may not be reclassified to profit or loss</b>			
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	10	<b>15,809,992</b>	27,893,000
		<b>15,809,992</b>	27,893,000
<b>Items that may be reclassified to profit or loss</b>			
Net change in fair value of debt securities at FVOCI	10	<b>(306,319,029)</b>	(194,931,873)
Net movement in cumulative translation adjustment		<b>(6,382,540)</b>	14,379,383
Share in other comprehensive income of an associate		<b>(6,827)</b>	9,636
Net change in fair value of debt securities at FVOCI taken to profit or loss	10	-	(5,294,440)
		<b>(312,708,396)</b>	(185,837,294)
		<b>(296,898,404)</b>	(157,944,294)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>P63,695,167</b>	(P11,641,684)

*See Notes to the Financial Statements.*

**BANK OF COMMERCE**  
**UNAUDITED CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**

<i>Note</i>	Capital Stock (Note 15)	Paid-in Surplus (Note 15)	Surplus Reserves	Retained Earnings	Remeasurement Losses on Retirement Liability	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	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	(P262,547,387)	(P156,154,761)	P7,010,814	(P1,325,908)	P23,362,733,532
Net income for the year	-	-	-	360,593,571	-	-	-	-	360,593,571
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)	-	-	-	-	-	15,809,992	-	-	15,809,992
Items that may be reclassified to profit or loss:									
Net change in fair value of debt securities at FVOCI	-	-	-	-	-	(306,319,029)	-	-	(306,319,029)
Net movement in cumulative translation adjustment	-	-	-	-	-	-	(6,382,540)	-	(6,382,540)
Net change in fair value of debt securities at FVOCI taken to profit or loss	-	-	-	-	-	-	-	-	-
Share in other comprehensive income of associate	-	-	-	-	-	-	-	(6,827)	(6,827)
Total comprehensive income for the year	-	-	-	360,593,571	-	(290,509,037)	(6,382,540)	(6,827)	63,695,167
Issuance of common stock	15	2,806,028,000	453,453,537	-	-	-	-	-	3,259,481,537
Transaction within equity:									
Transfer from surplus reserves		-	-	110,828,380	(110,828,380)	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	140,000	-	(140,000)	-	-	-
		2,806,028,000	453,453,537	110,828,380	(110,688,380)	(140,000)	-	-	3,259,481,537
<b>Balance as at March 31, 2022</b>		<b>P18,196,805,900</b>	<b>P7,230,148,406</b>	<b>P866,634,647</b>	<b>P1,102,376,929</b>	<b>(P262,547,387)</b>	<b>P628,274</b>	<b>(P1,332,735)</b>	<b>P26,685,910,236</b>

Forward

		Capital Stock (Note 15)	Paid-in Surplus (Note 15)	Surplus Reserves	Retained Earnings	Remeasurement Losses on Retirement Liability	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate	Total Equity
	<i>Note</i>									
Balance as at December 31, 2020		P11,224,111,200	P5,594,079,646	P395,602,340	(P51,156,715)	(P449,088,000)	P69,657,563	(P15,404,017)	(P1,339,376)	P16,766,462,641
Net income for the year		-	-	-	146,302,610	-	-	-	-	146,302,610
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)		-	-	-	-	-	27,893,000	-	-	27,893,000
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	(194,931,873)	-	-	(194,931,873)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	(5,294,440)	-	-	(5,294,440)
Net movement in cumulative translation adjustment		-	-	-	-	-	-	14,379,383	-	14,379,383
Share in other comprehensive income of associate		-	-	-	-	-	-	-	9,636	9,636
Total comprehensive loss for the year		-	-	-	146,302,610	-	(172,333,313)	14,379,383	9,636	(11,641,684)
Transactions within equity:										
Transfer from surplus reserves		-	-	7,375,934	(7,375,934)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	1,625,500	-	(1,625,500)	-	-	-
		-	-	7,375,934	(5,750,434)	-	(1,625,500)	-	-	-
Balance as at March 31, 2021		P11,224,111,200	P5,594,079,646	P402,978,274	P89,395,461	(P449,088,000)	(P104,301,250)	(P1,024,634)	(P1,329,740)	P16,754,820,957

See Notes to the Financial Statements.

**BANK OF COMMERCE**  
**UNAUDITED CONDENSED INTERIM STATEMENTS OF CASH FLOWS**

	For Quarters Ended March 31		
	Note	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax expense		P493,244,232	P237,141,003
Adjustments for:			
Depreciation and amortization		106,145,274	129,624,469
Gain on foreclosure and sale of property and equipment and foreclosed assets - net		(85,015,869)	(49,297,130)
Unrealized losses on financial assets and liabilities at fair value through profit or loss (FVPL)	17	19,535,130	24,302,792
Amortization of software costs		14,996,342	10,297,565
Provision for credit and impairment losses		1,446,867	58,831,136
Share in net loss of associate		254,188	608,008
Gain on sale of financial assets at fair value through other comprehensive income (FVOCI)	10, 17	-	(5,294,440)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Interbank loans receivables		-	(1,124,375)
Financial assets at FVPL		221,554,719	438,577,857
Loans and receivables		(10,332,153,403)	(1,266,480,481)
Other assets		(81,782,049)	(137,351,155)
Increase (decrease) in:			
Deposit liabilities		1,910,942,952	25,395,272,804
Manager's checks		144,197,482	(300,943,272)
Accrued interest, taxes and other expenses		(99,255,363)	(58,022,783)
Other liabilities		1,375,491,914	(552,481,470)
Net cash generated from (absorbed by) operations		(6,310,397,584)	23,923,660,528
Income taxes paid		(120,057,186)	(74,933,108)
Net cash provided by (used in) operating activities		(6,430,454,770)	23,848,727,420
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale or redemption of:			
Investment securities at amortized cost		8,128,040,000	1,324,847,000
Investment properties		82,729,059	48,490,000
Property and equipment		9,150,732	13,471,686
Financial assets at FVOCI		-	12,128,890,807
Additions to:			
Investment securities at amortized cost		(10,401,615,161)	(27,457,669,592)
Property and equipment		(25,522,063)	(45,809,852)
Software costs		(19,368,094)	(9,838,975)
Investment properties		(776,869)	-
Financial assets at FVOCI		-	(2,381,541,005)
Net cash used in investing activities		(2,227,362,396)	(16,379,159,931)

Forward



For Quarters Ended March 31

	Note	2022	2021
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of common stock	15	P3,304,209,967	P -
Payment of lease liability		(49,125,710)	(46,212,517)
Settlement of bills payable		-	(10,114)
Net cash provided by (used in) financing activities		3,255,084,257	(46,222,631)
<b>EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>			
		(16,427,578)	14,379,383
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		(5,419,160,487)	7,437,724,241
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
Cash and other cash items		2,747,780,890	2,420,504,742
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
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
Cash and other cash items		2,265,466,894	2,141,404,517
Due from Bangko Sentral ng Pilipinas		34,698,999,315	46,252,879,774
Due from other banks		2,901,014,391	1,812,952,266
Interbank loans receivable and securities purchased under resale agreements		23,003,244,106	22,170,785,889
		P62,868,724,706	P72,378,022,446
<b>CASH FLOWS FROM INTEREST AND DIVIDENDS</b>			
<b>Operating Activities</b>			
Interest received		P1,288,673,865	P1,268,202,799
Interest paid		204,715,519	181,754,372
<b>Investing Activities</b>			
Interest received		P362,065,221	P94,797,461
Dividends received		P1,612,352	1,040,558
<b>Financing Activities</b>			
Interest paid		P7,587,689	P10,051,244

See Notes to the Financial Statements.

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**BANK OF COMMERCE**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**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 March 31, 2022 and December 31, 2021.

San Miguel Properties, Inc. (SMPI) and San Miguel Corporation Retirement Plan (SMCRP) hold 39.89% and 38.54% ownership of the Bank’s issued shares, respectively, as at March 31, 2022 and December 31, 2021, with each having significant influence over the Bank.

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.

On January 16, 2013, the SEC approved the Amended Articles of Incorporation to extend the corporate life of the Bank for another 50 years or up to December 16, 2063. 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.

The unaudited condensed interim financial statements of the Bank were approved and authorized for issue by the BOD on May 31, 2022.

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**2. Basis of Preparation**

Statement of Compliance

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

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### **3. Summary of Accounting Policies**

The accounting policies adopted in the preparation of the condensed interim 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.

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#### **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. It is noteworthy that expected credit loss (ECL) methodology of the Bank was optimized during the last quarter of 2021 to recalibrate and improve the accuracy of the ECL models using updated data. Hence, the ECL for the quarter ended March 31, 2021 was calculated using the model before the optimization was put in place.

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#### **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 condensed interim financial statements of the Bank as at March 31, 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 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.

There has been no material change on the Bank's exposure to credit risk or the manner in which it manages and measures the risk since prior financial year.

#### 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 Libor 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 US Libor 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.

There has been no material change to the Bank's exposure to market risk or the manner in which it manages and measures the risk since prior financial year.

#### *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 the quarter ended March 31, 2022 and year ended December 31, 2021, management believes the Bank's exposure to equity price risk is considered minimal.

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## **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.

*Bills Payable* - For long-term bills payable, fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term 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):

	March 31, 2022 (Unaudited)				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
<b>Assets Measured at Fair Value</b>					
<i>Financial Assets</i>					
Financial assets at FVPL:					
Private debt securities	P449,556	P -	P -	P449,556	P449,556
Government securities held for trading	269,647	94,843	174,804	-	269,647
Derivative assets	34,320	-	34,320	-	34,320
Financial assets at FVOCI:					
Government securities	4,277,093	3,444,553	832,540	-	4,277,093
Private debt securities	300,088	300,088	-	-	300,088
Equity securities	197,472	159,437	-	38,035	197,472
	P5,528,176	P3,998,921	P1,041,664	P487,591	P5,528,176
<b>Assets for which Fair Values are Disclosed</b>					
<i>Financial Assets</i>					
Investment securities at amortized cost:					
Government securities	P42,573,203	P13,827,244	P27,189,925	P -	P41,017,169
Private debt securities	2,609,121	390,091	2,075,071	-	2,465,162
Loans and receivables:					
Receivables from customers	83,422,529	-	-	86,302,055	86,302,055
Less unearned interest	35,629	-	-	35,629	35,629
	83,386,900	-	-	86,266,426	86,266,426
Sales contract receivables	337,662	-	-	403,790	403,790
	128,906,886	14,217,335	29,264,996	86,670,216	130,152,547
<b>Non-financial Assets</b>					
Investment properties	3,417,809	-	-	9,654,422	9,654,422
	P132,324,695	P14,217,335	P29,264,996	P96,324,638	P139,806,969
<b>Liabilities for which Fair Values are Disclosed</b>					
<i>Financial Liabilities</i>					
Deposit liabilities:					
Time	P12,163,983	P -	P12,137,044	P -	P12,137,044
Long-term negotiable certificates	5,029,420	-	4,961,369	-	4,961,369
	P17,193,403	P -	P17,098,413	P -	P17,098,413

	December 31, 2021 (Audited)				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
<b>Assets Measured at Fair Value</b>					
<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
<b>Assets for which Fair Values are Disclosed</b>					
<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
<b>Non-financial Assets</b>					
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
<b>Liabilities for which Fair Values are Disclosed</b>					
<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 FVPL and at FVOCI, with carrying amounts of 124.9 million and P832.5 million, respectively, 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 P3.4 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 March 31, 2022 and December 31, 2021.

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## **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.

*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 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 quarters ended March 31, 2022 and 2021 for statement of income items, and as at March 31, 2022 and December 31, 2021 for statement of financial position items follow (amounts in millions):

March 31, 2022 (Unaudited)						
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
<b>Statement of Income</b>						
Net interest income:						
Third party Intersegment	P522 (343)	P848 (347)	(P144) 1,055	P223 (131)	P19 (234)	P1,468 -
Net interest income	179	501	911	92	(215)	1,468
Non-interest income	13	13	23	12	211	272
Total revenues	192	514	934	104	(4)	1,740
Other expenses	45	52	543	36	569	1,245
Income (losses) before provision for credit losses and income tax expense	P147	P462	P391	P68	(P573)	P495
Provision for credit and impairment losses						P1
Share in net loss of an associate						-
Income tax expense						133
Net income						P361
<b>Other Segment Information</b>						
Capital expenditures	P -	P -	P9	P1	P13	P23
Depreciation and amortization	P1	P1	P14	P2	P88	P106

March 31, 2022 (Unaudited)						
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
<b>Statement of Financial Position</b>						
Total assets	P92,616	P74,398	P20,097	P11,754	P7,520	P206,385
Total Liabilities	7,443	57	167,417	101	4,681	179,699

March 31, 2021 (Unaudited)						
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
<b>Statement of Income</b>						
Net interest income:						
Third party Intersegment	P315 (430)	P843 (337)	(P154) 837	P340 (160)	P34 90	P1,378 -
Net interest income	(115)	506	683	180	124	1,378
Non-interest income	(29)	17	21	3	129	141
Total revenues	(144)	523	704	183	253	1,519
Other expenses	38	50	511	42	580	1,221
Income (losses) before provision for credit losses and income tax expense	(P182)	P473	P193	P141	(P327)	P298
Provision for credit and impairment losses						P60
Share in net loss of an associate						1
Income tax expense						91
Net income						P146
<b>Other Segment Information</b>						
Capital expenditures	P1	P -	P15	P2	P17	P35
Depreciation and amortization	P1	P1	P16	P2	P110	P130

December 31, 2021 (Audited)						
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
<b>Statement of Financial Position</b>						
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:

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
SPURA	<b>P18,881,194,107</b>	P15,800,317,280
Interbank loans receivable	<b>4,125,155,856</b>	3,335,771,311
	<b>23,006,349,963</b>	19,136,088,591
Less allowance for credit losses	<b>3,105,857</b>	2,583,372
	<b>P23,003,244,106</b>	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:

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Private debt securities	<b>P449,555,569</b>	P490,887,983
Government securities held-for-trading	<b>269,647,354</b>	478,225,289
Derivative assets	<b>34,320,000</b>	25,499,500
	<b>P753,522,923</b>	P994,612,772

As at March 31, 2022 and December 31, 2021, financial assets at FVPL are adjusted for unrealized loss of P19.5 million and P4.2 million, respectively (see Note 17).

As at March 31, 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. As at March 31, 2022, these pertain to three contracts with notional amount of \$5.0 million each. The Bank has no forward swaps as at 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 March 31, 2022 and December 31, 2021 and is not indicative of either market risk or credit risk.

	March 31, 2022 (Unaudited)			December 31, 2021 (Audited)		
	Derivative Assets	Notional Amount	Leverage Exposure	Derivative Assets	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Warrants	P25,870,000	\$50,000	\$ -	P25,499,500	\$50,000	\$ -
Forwards	8,450,000	15,000,000	-	-	-	-
	<b>P34,320,000</b>	<b>\$15,050,000</b>	<b>\$ -</b>	<b>P25,499,500</b>	<b>\$50,000</b>	<b>\$ -</b>

## 10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Government securities	<b>P4,277,092,687</b>	P4,569,700,778
Private debt securities	<b>300,087,600</b>	303,522,000
Equity securities	<b>197,472,400</b>	181,893,798
	<b>P4,774,652,687</b>	P5,055,116,576

As at March 31, 2022 and December 31, 2021, the expected credit loss (ECL) allowance on debt securities at FVOCI included under "Net unrealized losses on financial assets at FVOCI" amounted to P0.7 million.

### Net Unrealized Losses on Financial Assets at FVOCI

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

	Note	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of year		<b>(P156,154,761)</b>	P69,657,563
Net unrealized losses recognized as OCI		<b>(290,510,427)</b>	(293,920,562)
Realized gains taken to retained earnings		<b>(140,000)</b>	(6,056,500)
ECL on debt securities at FVOCI		<b>1,390</b>	(1,108,339)
Realized gains taken to profit or loss	17	-	68,883,753
Effect of tax		-	6,389,324
Balance at end of year		<b>(P446,803,798)</b>	(P156,154,761)

## 11. Investment Securities at Amortized Cost

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Government securities	P42,578,931,762	P40,331,752,498
Private debt securities	2,609,473,805	2,583,066,258
	<b>45,188,405,567</b>	42,914,818,756
Less allowance for credit losses	6,081,080	5,761,352
	<b>P45,182,324,487</b>	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:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Receivables from customers:		
Term loans	P69,115,591,288	P59,050,250,905
Housing loans	8,251,979,877	8,329,292,292
Auto loans	3,418,936,830	3,543,209,363
Agri-agra loans	1,314,791,208	1,241,364,426
Bills purchased, import bills and trust receipts	820,134,548	463,352,225
Direct advances	578,908,853	537,504,714
Others	2,274,940,037	2,319,120,588
	<b>85,775,282,641</b>	75,484,094,513
Less unearned interest income	35,629,147	37,309,436
	<b>85,739,653,494</b>	75,446,785,077
Accrued interest receivable:		
Loans and receivables	607,552,121	614,200,832
Trading and investment securities	374,237,737	358,148,082
Due from BSP and other banks	2,039,685	1,429,147
Interbank loans receivable and SPURA	843,947	702,236
Accounts receivable	827,526,242	794,692,800
Sales contract receivables	394,752,537	408,965,309
Unquoted debt securities	291,578,205	291,578,204
RCOCI	1,233,424	822,302
	<b>88,239,417,392</b>	77,917,323,989
Less allowance for credit losses	3,563,726,499	3,543,198,822
	<b>P84,675,690,893</b>	P74,374,125,167

Bills purchased, import bills and trust receipts include bills purchased with contra account in "Bills purchased - contra" under "Other Liabilities" amounting to P594.2 million and P420.0 million as at March 31, 2022 and December 31, 2021, respectively (see Note 14).



As at March 31, 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 2.9% and 1.5%, respectively, as at March 31, 2022, and 3.1% and 0.9%, respectively, as at December 31, 2021.

### 13. Other Assets

This account consists of:

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Miscellaneous assets from Traders		
Royal Bank	<b>P4,435,557,690</b>	P4,435,560,125
Creditable withholding tax	<b>1,587,067,685</b>	1,538,203,367
Intangible assets *	<b>363,067,529</b>	358,695,778
Sinking fund	<b>280,966,854</b>	280,236,108
Documentary stamps	<b>133,809,873</b>	124,742,541
Prepaid expenses	<b>74,179,795</b>	46,468,703
Other properties acquired *	<b>30,078,336</b>	20,415,042
Others	<b>202,696,235</b>	199,521,077
	<b>7,107,423,997</b>	7,003,842,741
Less allowance for impairment losses	<b>4,615,903,153</b>	4,615,905,588
	<b>P2,491,520,844</b>	P2,387,937,153

*\*Net of accumulated amortization/depreciation, gross of allowance for impairment losses*

Others include security deposits, unused supplies and forms and petty cash funds.

### 14. Other Liabilities

This account consists of:

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Accounts payable	<b>P1,734,119,527</b>	P757,587,121
Bills purchased - contra	<b>546,958,682</b>	373,471,093
Lease liability	<b>522,274,612</b>	538,398,243
Due to preferred shareholders	<b>280,966,854</b>	280,236,108
Margin deposits	<b>233,523,118</b>	-
Other credits - dormant	<b>198,773,295</b>	193,930,421
Retirement liability	<b>194,784,640</b>	158,547,517
Due to Treasurer of the Philippines	<b>140,083,590</b>	139,817,762
Withholding tax payable	<b>61,487,181</b>	75,903,545
ECL on off-balance sheet exposures	<b>48,802,208</b>	70,709,667
Miscellaneous	<b>66,685,912</b>	74,369,624
	<b>P4,028,459,619</b>	P2,662,971,101

Accounts payable mainly pertains to advance loan payments from borrowers, inward and outward remittances received by the Bank pending payment or application to designated deposit accounts.

Margin deposits refers to deposits corresponding to negotiations on letters of credit evidenced by import bills and/or trust receipts.

Other credits - dormant account includes long outstanding Managers' Checks that are yet to be encashed by the payees, which have been outstanding for more than one (1) year from the dates of checks.

ECL on off-balance sheet exposures relate to committed credit line, credit card lines, outstanding guarantees and unused commercial letter of credits.

Miscellaneous include deposits for keys of safety deposit boxes, SSS payable and unclaimed salaries of resigned employees.

## 15. Capital

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

	Shares		Amount	
	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
<b>Authorized Capital Stock</b>				
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
	<b>2,157,511,470</b>	2,157,511,470	<b>P21,575,114,700</b>	P21,575,114,700
<b>Issued and Outstanding</b>				
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
	<b>1,819,680,590</b>	1,539,077,790	<b>P18,196,805,900</b>	P15,390,777,900
<b>Paid-in Surplus</b>				
Common stock			P5,996,376,468	P5,542,922,931
Preferred stock			1,233,771,938	1,233,771,938
			<b>P7,230,148,406</b>	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 P107.8 million were charged against "Paid-in surplus". Of this amount, P44.7 million is accrued as of March 31, 2022.

On February 22, 2022, the BOD 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. As disclosed in Note 22, the amendment was approved by the Stockholders on April 29, 2022.

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**16. Service Charges, Fees and Commissions**

This account consists of:

	<b>For Quarter Ended March 31 (Unaudited)</b>	
	<b>2022</b>	<b>2021</b>
Trust income	<b>P40,820,358</b>	P30,167,552
Service charges	<b>34,604,516</b>	29,580,473
Credit card fees	<b>30,648,180</b>	22,405,724
Letters of credit fees	<b>18,494,072</b>	6,995,077
Remittance fees	<b>10,359,024</b>	12,224,213
Fees and commissions	<b>9,532,382</b>	1,281,211
Commitment fee	<b>7,018,011</b>	4,497,914
Penalty charges	<b>6,089,520</b>	1,481,867
Telegraphic transfer fees	<b>513,559</b>	498,217
Others	<b>1,010,447</b>	2,857,357
	<b>P159,090,069</b>	P111,989,605

Service charges include charges on loans, ATM fees and deposit taking-related activities.

Others include commission on acceptance fee, auto and housing loans processing fee and sale of demand drafts.

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**17. Trading and Investment Securities Losses - net**

This account consists of realized and unrealized gains (losses) from the following securities:

	<i>Note</i>	<b>For Quarter Ended March 31 (Unaudited)</b>	
		<b>2022</b>	<b>2021</b>
Financial assets and liabilities at FVPL:			
Debt securities:			
Unrealized	9	<b>(P19,535,130)</b>	(P24,302,792)
Realized		<b>(9,551,830)</b>	(9,596,973)
Financial assets at FVOCI	10	-	5,294,440
		<b>(P29,086,960)</b>	(P28,605,325)

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## 18. Miscellaneous Income and Expenses

### *Miscellaneous Income*

This account consists of:

	<b>For Quarter Ended March 31 (Unaudited)</b>	
	<b>2022</b>	<b>2021</b>
Passed-on GRT	<b>P5,251,447</b>	P5,055,315
Rent income	<b>3,332,868</b>	2,898,241
Dividend income	<b>1,612,352</b>	1,040,558
Others	<b>3,963,091</b>	3,158,093
	<b>P14,159,758</b>	P12,152,207

Others include recovery from charged-off assets and excess chattel fees.

### *Miscellaneous Expenses*

This account consists of:

	<b>For Quarter Ended March 31 (Unaudited)</b>	
	<b>2022</b>	<b>2021</b>
Fines and penalties	<b>P22,020,486</b>	P20,674,791
Communication	<b>17,476,331</b>	23,635,309
Supervision and examination fee	<b>14,811,874</b>	13,784,527
Messengerial services	<b>10,174,625</b>	13,927,726
Forms and supplies	<b>8,217,814</b>	10,570,716
Membership dues	<b>6,142,103</b>	6,133,672
Marketing	<b>4,593,986</b>	8,553,015
Transportation and travel	<b>4,275,771</b>	7,033,757
Litigation and acquired assets-related expenses	<b>3,053,737</b>	1,210,672
Others	<b>13,277,829</b>	9,202,236
	<b>P104,044,556</b>	P114,726,421

Others include management fee on deposits, charges on correspondent banks and postage.

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## 19. 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 March 31, 2022 and December 31, 2021, the Bank has no outstanding DOSRI loans.

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## 20. 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 March 31, 2022 and December 31, 2021:

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
<b>Contingent assets:</b>		
Future/spot exchange bought	<b>P1,262,181,968</b>	P229,495,500
Fixed income securities purchased	<b>59,684,517</b>	25,218,255
Outward bills for collection	<b>207,275</b>	2,999,218
	<b>P1,322,073,760</b>	P257,712,973
<b>Commitments and contingent liabilities:</b>		
Trust department accounts	<b>P68,907,791,507</b>	P63,687,480,988
Unused commercial letters of credit	<b>8,895,486,576</b>	8,417,817,547
Committed credit line	<b>6,185,580,056</b>	6,828,080,056
Credit card lines	<b>3,334,860,248</b>	3,362,130,139
Future/spot exchange sold	<b>2,400,550,154</b>	841,483,500
Outstanding guarantees	<b>2,270,274,796</b>	2,271,624,364
Fixed income securities sold	<b>158,460,967</b>	-
Late deposits/payments received	<b>16,675,794</b>	4,636,985
Items held for safekeeping/securities held as collateral	<b>46,797</b>	42,112
	<b>P92,169,726,895</b>	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 March 31, 2022 and December 31, 2021.

## 21. Financial Performance Indicators

Basic earnings per share amounts were computed as follows:

	<b>For Quarter Ended March 31 (Unaudited)</b>	
	<b>2022</b>	<b>2021</b>
a. Net income	<b>P360,593,571</b>	P146,302,610
b. Dividends on preferred shares*	<b>34,375,000</b>	-
c. Net income to equity holders of the Bank	<b>326,218,571</b>	146,302,610
d. Weighted average number of outstanding common shares	<b>1,125,528,929</b>	1,122,411,120
e. Basic earnings per share (c/d)	<b>P0.29</b>	P0.13

\* 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:

	<b>For Quarter Ended March 31 (Unaudited)</b>	
	<b>2022</b>	<b>2021</b>
a. Net income to equity holders of the Bank	<b>P360,593,571</b>	P146,302,610
b. Weighted average number of outstanding common shares and dilutive preferred shares		
Outstanding common shares	<b>1,125,528,929</b>	1,122,411,120
Potential common shares from assumed conversion of preferred shares	<b>416,666,670</b>	-
c. Total weighted average common shares	<b>1,542,195,599</b>	1,122,411,120
d. Diluted earnings per share (a/c)	<b>P0.23</b>	P0.13

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

	<b>For Quarter Ended March 31 (Unaudited)</b>	
	<b>2022</b>	<b>2021</b>
Return on average equity	<b>5.76%</b>	3.49%
Return on average assets	<b>0.71%</b>	0.32%
Net interest margin on average earning assets	<b>3.32%</b>	3.52%

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**22. Events after the Reporting Date**

On April 29, 2022, the Stockholders 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.

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**23. Other Matters**

Other than the disclosures enumerated above, the Bank has no significant matters to report on the following during the quarter ended March 31, 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 cyclicity of interim operations;
- Issuances, repurchases, and repayments of debt securities; and
- Any material commitments for capital expenditures.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Statement of Condition as of 31 March 2022 vs. 31 December 2021**

Bankcom's Total Assets stood at P206.38 billion, 3.34% increase from previous period's P199.71 million mainly from the increase in interbank loans receivables, due from other banks, loans and receivables as well as investment in securities at amortized cost, partially offset by the decrease in cash and other cash items, together with due from BSP and investment securities.

Cash and other Cash Items and Due from BSP were lower 17.55% and 23.52%, respectively, to P2.27 billion and P34.70 billion. On the other hand, Due from Other Banks increased by 179.1% or P1.86 billion to 2.9 billion. Interbank Loans Receivables also increased by 20.22% to P23.0 billion.

Financial assets at fair value declined 8.62% to P5.53 billion due to the drop in assets at FVTPL and FVOCI by 24.24% and 5.55%, respectively, to P753.52 million and P4.77 billion. Investment in securities at amortized cost, meanwhile, went up by 5.3% to P45.18 billion.

Loans and receivables which accounts for 41.03% of the total assets, posted 13.85% increase to P84.68 billion from last year's P74.37 billion as the economy shows recovery.

Total Liabilities increased by 1.90% or P3.35 billion to P179.70 billion vs. the year-end level of P176.35 billion driven by growths in deposit, manager's checks and other liabilities.

Deposit Liabilities inched up by 1.11% to P173.62 billion, fueled by the increase in Demand and Time Deposits. This comprises 84.13% of the total bank's total assets. Demand and time deposits grew by 5.25% and 33.57%, respectively, to P51.26 billion and P12.16 billion. Meanwhile, Savings deposit lessened by 3.4% from P108.87 billion to P105.17 billion. Long-term Negotiable Certificate of Deposits (LTNCTD) remained unchanged at P5.029 billion.

Accrued Interest, Taxes and Other Expenses decreased by 7.01% or P71.64 million to P950 million. Other liabilities increased to P4.03 billion, 51.28% higher than the P2.66 billion last year.

### **Statement of Income for the period ended 31 March 2022 vs 31 March 2021**

BankCom reported a Net Income amounting to P360.59 million for the first quarter of the year, a 146.47% improvement from the P146.3 million last year.

Net Interest Income amounted to P1.47 billion, 6.51% up from P1.38 billion driven by the growth in earning assets.

Interest on investments at FVOCI and at amortized cost as well as assets at FVPL both grew by 65.2% and 5.4%, respectively to P378.37 million and P2.61 million. Due from BSP and other banks likewise increased to P104.24 million, 49.7% higher from the P69.64 million a year ago.

On the other hand, interest on loans and receivables registered P1.1 billion, down 7.04% from P1.18 billion on account of lower average rates.

Interest Expense increased by 5.99% to P194.88 million mainly due to increase in interest expense on bills payable, partially offset by 1.47% and 24.24% lower expenses on deposits and lease liabilities, respectively.



Total other income was at P271.77 million, 92.96% higher than the previous year resulting from higher foreign exchange gains amounting to P42.59 million, a turnaround from the P4 million loss absorbed in the same period last year. Services Fees also grew by 42.06% to P159.1 million. Gains on foreclosure, and sale of property and equipment and foreclosed assets rose by 72.46% to P85 million attributable to higher gain on sale of foreclosed asset. Miscellaneous income increased to P14.16 million, 16.52% higher than last year's P12.15 million. Meanwhile, trading and investment securities posted a loss amounting P29.09 million, 1.68% lower vs. 2021's loss of P28.61 million.

Operating expenses excluding provisions, marginally increased by 1.96% to P1.24 billion from the P1.22 billion in March 2021 fueled by increases in management and professional fees, amortization of software costs, taxes and licenses as well as insurance.

Provisions for losses booked at P772 thousand, 98.71% lower than last year's P59.86 million.

Income Tax Expense amounted to P132.65 million, 46.03% or P41.81 million higher vs. the P90.84 million last year.

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Liquid to total assets (%)	0.55	0.59
Loans to Deposit Ratio	0.63	0.55
Non-performing loans ratio - Gross (%)*	2.90	3.09
Non-performing loans ratio - Net (%)*	1.46	0.88
Non-performing loan (NPL) cover (%)	77.46	83.21
Debt-to-asset ratio	0.87	0.88
Debt-to-equity ratio	6.73	7.55
Asset-to-equity ratio	7.73	8.55
Capital Adequacy Ratio (%)	22.10	21.57

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Return on average assets (%)	0.71	0.32
Return on average equity (%)	5.76	3.49
Net interest margin (%)	3.32	3.52
Net profit margin (%)	20.73	9.63
Cost to income ratio	0.72	0.80
Interest rate coverage ratio	3.53	2.29
Solvency ratio	0.01	0.01

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

**BANK OF COMMERCE**  
**AGING OF ACCOUNTS RECEIVABLE**  
**AS OF MARCH 31, 2022**  
*(in thousands)*

<b>No. of Days Outstanding</b>	<b>Amount</b>
0 to 30 days	P148,542
31 to 60 days	18,021
61 to 90 days	28,053
91 to 360 days	54,858
above 360 days	578,052
Accounts Receivable - Gross	827,526
Less: Allowance for Probable Losses	680,469
<b>Accounts Receivable - Net</b>	<b>P147,057</b>