INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - MANILA BRANCH

FOREIGN CURRENCY DEPOSIT UNIT

FINANCIAL STATEMENTS
December 31, 2020 and 2019

With Independent Auditors' Report

R.G. Manabat & Co.
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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

The General Manager
Industrial and Commercial Bank of China Limited - Manila Branch
24th Floor, The Curve
32nd Street corner 3rd Avenue
Fort Bonifacio, Taguig City

We have audited the accompanying financial statements of Foreign Currency Deposit Unit (the "FCDU") of Industrial and Commercial Bank of China Limited - Manila Branch (the "Manila Branch") as at and for the year ended December 31, 2020, on which we have rendered our report dated April 20, 2021.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the General Manager and Senior Management of the Manila Branch.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for 5-year audit period (2019 to 2023)
SEC Accreditation No. 102309-SEC, Group A, valid for one (1) year covering the audit of 2020 financial statements
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-38-2019
Issued September 25, 2019; valid until September 24, 2022
PTR No. MKT 8533906
Issued January 4, 2021 at Makati City

April 20, 2021
Makati City, Metro Manila

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)

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REPORT OF INDEPENDENT AUDITORS

The General Manager
Industrial and Commercial Bank of China Limited - Manila Branch
24th Floor, The Curve
32nd Street corner 3rd Avenue
Fort Bonifacio, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Foreign Currency Deposit Unit (the "FCDU") of Industrial and Commercial Bank of China Limited - Manila Branch (the "Manila Branch") which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income (loss), and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the FCDU of the Manila Branch as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the FCDU of the Manila Branch in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

APR 2 8 2021

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KPMG

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the FCDU of the Manila Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the FCDU of the Manila Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the FCDU of the Manila Branch.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Philippine Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Philippine Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.
We also:

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the FCDU of the Manila Branch.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the FCDU of the Manila Branch. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.

- However, future events or conditions may cause the of the FCDU of the Manila Branch to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Report on the Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 19 and Revenue Regulations 15-2010 in Note 20 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of the FCDU of the Manila Branch. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

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VANESSA P. MACAMOS
Partner
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INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - MANILA BRANCH
FOREIGN CURRENCY DEPOSIT UNIT
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2020**	2019
ASSETS			
Due from Other Banks	7	**P168,756,491**	P27,228,411
Loans and Receivables	8	**3,936,124,319**	2,245,334,836
Other Assets		**3,171,348**	-
		P4,108,052,158	P2,272,563,247
LIABILITIES			
Liabilities			
Financial Liability at Fair Value through Profit or Loss (FVTPL)	11	**P639,537**	P -
Due to Head Office and Other Branches - net	11	**P2,700,281,585**	P2,245,020,940
Deposit Liabilities	10	**1,406,758,606**	27,206,183
Accrued Expense and Other Payables		**223,586**	-
Income Tax Payable	12	**-**	336,124
Other Liability	13	**148,844**	-
		P4,108,052,158	P2,272,563,247

See Notes to the Financial Statements.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - MANILA BRANCH
FOREIGN CURRENCY DEPOSIT UNIT

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

		Years Ended December 31	
	Note	**2020**	2019
INTEREST INCOME CALCULATED USING EFFECTIVE INTEREST METHOD			
Loans and receivables	*8*	**P110,911,593**	P19,271,438
Due from Head Office and other branches	*11*	**6,047,245**	339,522
Due from other banks	*7*	**471,303**	50,308
		117,430,141	19,661,268
INTEREST EXPENSE			
Due to Head Office and other branches	*11*	**23,896,439**	11,412,280
Deposit liabilities	*10*	**934,253**	62,316
Interest expense of lease liability		**272,524**	-
		25,103,216	11,474,596
NET INTEREST INCOME		**92,326,925**	8,186,672
OTHER INCOME			
Fees and commissions	*13*	**8,495,389**	9,303,990
OPERATING EXPENSES			
Credit and impairment losses	*9*	**112,221,071**	11,187,843
Depreciation and amortization		**22,371,095**	1,780,769
Salaries, bonuses and allowances	*14*	**15,998,700**	5,593,554
Occupancy expenses		**4,221,319**	341,642
Taxes and licenses		**4,280,406**	8,020
Foreign exchange loss - net	*11*	**648,915**	67,075
Management and other professional services		**572,982**	210,521
Representation and entertainment		**358,928**	291,905
General and administrative expenses	*15*	**10,244,963**	2,754,256
		170,918,379	22,235,585
LOSS BEFORE INCOME TAX EXPENSE		**(70,096,065)**	(4,744,923)
INCOME TAX EXPENSE	*12*	**6,650,377**	1,122,282
NET LOSS		**(76,746,442)**	(5,867,205)
OTHER COMPREHENSIVE LOSS			
Item that may be reclassified to profit or loss			
Translation adjustment	*11*	**(1,980,381)**	(160,333)
TOTAL COMPREHENSIVE LOSS		**(P78,726,823)**	(P6,027,538)

See Notes to the Financial Statements.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - MANILA BRANCH
FOREIGN CURRENCY DEPOSIT UNIT
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2020**	2019 (As reclassified - Note 18)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax expense		**(P70,096,065)**	(P4,744,922)
Adjustments for:			
Interest income	*8, 11*	**(117,430,141)**	(19,661,268)
Credit and impairment losses	*9*	**112,221,071**	11,187,843
Interest expense	*10, 11*	**25,103,216**	11,474,596
Depreciation and amortization		**22,371,095**	1,780,769
Unrealized foreign exchange loss - net	*11*	**648,915**	-
Operating income (loss) before working capital changes		**(27,181,909)**	37,018
Increase in loans and receivables		**(1,771,762,917)**	(2,250,776,385)
Increase (decrease) in:			
Deposit liabilities		**1,379,474,565**	27,195,553
Due to Head Office and other branches	*11, 18*	**504,563,392**	2,247,015,132
Other liabilities		**148,844**	-
Cash provided by operations		**85,241,975**	23,471,318
Interest received		**80,135,259**	13,575,452
Interest paid	*18*	**(15,218,396)**	(8,906,663)
Income taxes paid		**(6,650,377)**	(786,158)
Net cash provided by operating activities		**143,508,461**	27,353,949
NET EFFECT OF EXCHANGE RATE DIFFERENCES		**(1,980,381)**	(160,333)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**141,528,080**	27,193,616
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Due from other banks	*7*	**27,228,411**	34,795
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Due from other banks	*7*	**P168,756,491**	P27,228,411

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Industrial and Commercial Bank of China Limited - Manila Branch (the "Manila Branch") is the Philippine branch of Industrial and Commercial Bank of China Limited (the "Head Office"), a China-based commercial bank and perpetually existing joint stock limited company, organized under the Company Law of the People's Republic of China. The ultimate parent of the Manila Branch is China Investment Corporation, a state-owned entity which was established in Beijing, China and holds 34.71% ordinary shares of the Head Office.

The Manila Branch acquired its license to transact business issued by the Securities and Exchange Commission (SEC) on August 2, 2018. The Manila Branch was authorized to operate as a foreign branch with commercial banking license and to operate an Expanded Foreign Currency Deposit Unit (EFCDU) in the Philippines by the Bangko Sentral ng Pilipinas (BSP) on November 7, 2018. The Manila Branch started business operations on February 14, 2019. To date, the Manila Branch has no authority to engage in trust operations.

The Manila Branch's principal activities are to provide commercial banking services such as deposit products, loans and trade finance and settlement products.

The Manila Branch's registered address and principal place of business is at Ground Floor/24th Floor, The Curve, 32nd Street corner 3rd Avenue, Fort Bonifacio, Taguig City.

2. Basis of Preparation and Presentation

Statement of Compliance

The financial statements of the Foreign Currency Deposit Unit (FCDU) of the Manila Branch have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and Board of Accountancy (BOA) and adopted by the SEC.

These financial statements of the FCDU of the Manila Branch were authorized for issue by the General Manager, as authorized by the Head Office, on April 20, 2021.

Basis of Measurement

These financial statements of the FCDU of the Manila Branch reflect the accounts maintained in the FCDU and have been measured using the historical cost basis except for financial liability at fair value through profit or loss (FVTPL) which is measured using fair value.

Presentation and Functional Currency
The books of accounts of the FCDU of the Manila Branch are maintained in United States dollar (USD), which is the FCDU of the Manila Branch's functional currency. For financial reporting purposes, the FCDU accounts are translated into their equivalents in Philippine Peso (PHP) (see accounting policy on Foreign Currency Transactions and Translation).

All financial information presented in PHP and USD have been rounded off to the nearest currency unit, except when otherwise stated.

Presentation of Financial Statements
The FCDU of the Manila Branch presents its statements of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after reporting date (current) and more than 12 months after reporting date (non-current) is presented in Note 16.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to the comparative years presented in these financial statements, and have been applied consistently by the Manila Branch, except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards and Framework
The Manila Branch has adopted the following amendments to standards and framework starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these new and amended standards and interpretation did not have any significant impact on the FCDU of the Manila Branch's financial statements.

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

  - a new chapter on measurement;
  - guidance on reporting financial performance;
  - improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

  The amendments to the Conceptual Framework in PFRS had no significant impact in the FCDU of the Manila Branch's financial statements.

- *Definition of Material (Amendments to* PAS 1, *Presentation of Financial Statements and PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).* The amendments refine the definition of what is considered material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of what is considered material and its application by:

  - raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
  - including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
  - clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  - clarifying the explanatory paragraphs accompanying the definition; and
  - aligning the wording of the definition of material across PFRS Standards and other publications.

  The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The definition of material had no significant impact on the FCDU of the Manila Branch's financial statements.

- *COVID-19 - Related Rent Concessions (Amendment to PFRS 16, Leases).* The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient applies if:

  - the revised consideration is substantially the same or less than the original consideration;
  - the reduction in lease payments relates to the payments due on or before June 30, 2021; and
  - no other substantive changes have been made to the terms of the lease.

  No practical expedient is provided for lessors.

  For the year ended December 31, 2020, the FCDU of the Manila Branch does not have rent concession agreement with its lessor.

Foreign Currency Transactions and Translation

Transactions in foreign currencies are initially recorded at the functional rate of exchange at the date of transaction.

Foreign exchange differences arising from revaluation and re-translation of foreign currency-denominated monetary assets and liabilities are credited to or charged against operations in the year in which the rates change under "Foreign exchange loss - net" account in the statements of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The assets and liabilities of the FCDU of the Manila Branch are translated into the Manila Branch's presentation currency at Bankers Association of the Philippine (BAP) closing rate prevailing at the statements of financial position date, and its income and expenses are translated at BAP weighted average rate for the year. Exchange differences arising from translation to the presentation currency are taken directly to other comprehensive income (OCI) to the statements of comprehensive income under "Translation adjustment". Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statements of OCI is recognized in profit or loss.

Financial Instruments

Initial Recognition and Subsequent Measurement

Financial assets and financial liabilities are recognized in the financial statements of the FCDU of the Manila Branch on the trade date when it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liability are included in the initial measurement of the FCDU of the Manila Branch, except for investments classified at fair value through profit or loss.

Business Model in Managing Financial Assets

Business model reflects the manner by which financial assets will be managed to generate cash flows such as by collecting contractual cash flows or selling of financial assets or by both collecting contractual cash flows and selling the financial assets, among others. The FCDU of the Manila Branch determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the management. Once the business model of financial assets is determined, it cannot be changed randomly.

In this respect, these scenarios do not include "worst case" or "stress case" scenarios.

a) The criteria that are used in determining the business model for managing financial assets are applied financial assets on a portfolio basis.

b) Business models for managing financial assets are reviewed and approved by the Head Office on an annual basis, or if there is any adjustment, and are adequately documented. The documentation for each business model includes, among others, detailed description of specific business objectives (whether to hold in order to collect contractual cash flows, to sell or both); cases of sales and/ or derecognition of financial assets and conditions for changes in business model; and appropriate level of authority designated to approve determination of business model of specific portfolios of financial assets as well as the sales, derecognition, and changes in business model of financial assets.

c) Changes in business model are expected to be rare and determined as a result of external or internal changes which are significant to the FCDU of the Manila Branch's operations and evident to external parties. Change in intention related to the management of particular financial assets does not constitute a change in business model. The change in business model is approved by the appropriate level of authority based on sound justifications and in accordance with accounting standards. The qualitative and quantitative impacts of the change in business model are adequately documented and appropriately disclosed in the financial statements in line with the disclosure of risk management policies on the relevant risk exposure.

d) All affected financial assets are reclassified when, and only when, the FCDU of the Manila Branch changes its business model for managing financial assets. Financial liabilities are not allowed to be reclassified. If cash flows are realized in a way that is different from the expectations at the date at which the FCDU of the Manila Branch assessed the business model, it does not constitute a change in the classification of the remaining financial assets as long as the FCDU of the Manila Branch considered all relevant and objective information available when it initially made the business model assessment.

Once determined, the business model of each type of credit assets cannot be changed without proper authorization. In cases where the FCDU of the Manila Branch changes a business model, the financial assets within the said model are not reclassified within the reporting period that the change in business model is made. The reclassification in this case only takes effect in the next financial reporting period. In this respect, any previously recognized gains, losses or interest are not restated.

Assessment whether Contractual Cash Flows are SPPI
In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI), the FCDU of the Manila Branch considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

Classification

<u>Financial Assets</u>
On initial recognition, a financial asset is classified as measured at: (a) amortized cost (AC), (b) fair value through other comprehensive income (FVOCI) or (c) fair value through profit or loss (FVTPL), based on their contractual cash flow characteristics and the business model for managing the financial assets.

<u>Debt Instruments</u>

<u>*Financial Assets Measured at Amortized Cost*</u>
A financial asset that is a debt instrument is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Debt financial assets meeting these criteria are measured initially at fair value plus transaction costs. These financial assets are subsequently measured at amortized cost using the effective interest method less any impairment allowance, with the interest calculated and recognized as "Interest income calculated using the effective interest method" in profit or loss.

The FCDU of the Manila Branch's financial assets at amortized cost include "Due from other banks" and "Loans and receivables" in the statements of financial position as at December 31, 2020 (see Notes 7 and 8).

Financial Assets Measured at FVOCI
A financial asset that is a debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses due to changes in fair value recognized in OCI. Interest earned on these instruments is reported under "Interest income calculated using the effective interest method" in profit or loss.

The FCDU of the Manila Branch has no financial assets at FVOCI as at December 31, 2020 and 2019.

Financial Assets Measured at FVTPL
All other financial assets not measured at AC or at FVOCI are classified as measured at FVTPL, except when the financial asset is part of a hedging relationship.

Financial assets measured at FVTPL consist of: (a) financial assets held for trading (HFT), which include stand-alone and/ or embedded derivatives, except a derivative that is a financial guarantee contract or designated and effective hedging instruments; and (b) other financial assets other than those that are HFT and are designated at FVTPL.

The FCDU of the Manila Branch may, at initial recognition, irrevocably designate financial assets that are debt instruments as measured at FVTPL, provided that the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases.

The FCDU of the Manila Branch has no financial assets at FVTPL as at December 31, 2020 and 2019.

Equity Instruments
Financial assets that are equity instruments are classified under any of the following categories:

a. Financial assets measured at FVTPL which shall include HFT financial assets; or

b. Financial assets at FVOCI which consist of:

    i. Equity instruments that are irrevocably designated at FVOCI at initial recognition that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3, *Business Combinations* applies; or

    ii. Financial assets mandatorily measured at fair value.

All equity investments are to be measured at fair value in the statements of financial position, with value changes recognized in statements of comprehensive income, except for those equity investments for which the FCDU of the Manila Branch has elected to present value changes in OCI.

As at December 31, 2020 and 2019, the FCDU of the Manila Branch does not have equity instruments classified and measured as financial assets at FVTPL or FVOCI.

Financial Liabilities

Financial liabilities are initially recognized at fair value. Transaction costs are deducted from the initial measurement of the FCDU of the Manila Branch's financial liabilities except for debt instruments classified at FVTPL.

Financial Liabilities Measured at Amortized Cost

Financial liabilities are classified and subsequently measured at amortized cost using the effective interest method, except for:

(a) financial liabilities measured at FVTPL which consist of:

  i. financial liabilities HFT, including derivative liabilities that are not accounted for as hedging instruments; and

  ii. financial liabilities designated at fair value through profit or loss. A BSP-Supervised Financial Institution (BSFI) may, at initial recognition, irrevocably designate financial liabilities as measured at FVTPL.

(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;

(c) financial guarantee contracts;

(d) commitments to provide a loan at a below-market interest rate; and

(e) contingent consideration recognized by an acquirer in a business combination.

The FCDU of the Manila Branch's financial liabilities at amortized cost include deposits from customers, borrowings from Head Office and other branches presented under "Due to Head Office and other branches" account and accrued interest payable (see Notes 10 and 11).

Reclassification of Financial Assets and Financial Liabilities

Financial assets are reclassified when, and only when, the FCDU of the Manila Branch changes its business model for managing financial assets in accordance with the provisions of PFRS 9. Reclassifications other than due to change in business model are not permitted.

A change in the business model of the FCDU of the Manila Branch is expected to be very infrequent and must be determined as a result of external and internal changes that are significant to the operations of the FCDU of the Manila Branch and demonstrable to external parties. Hence, such change in business model must be authorized by the FCDU of the Manila Branch's management and such fact properly documented.

A change in the objective of the business model of the FCDU of the Manila Branch must be effected before the reclassification date.

The FCDU of the Manila Branch does not effect a reclassification within the period of change in the business model. Any reclassification of financial assets due to change in business model should take effect from the beginning of the next reporting period of the financial statements of the FCDU of the Manila Branch; provided, that the change in business model be disclosed in the financial statements in the period of change consistent with PFRS 7, *Financial Instruments: Disclosures* which require among others the disclosure of objectives, policies and processes for managing the risk from financial instruments and any changes to those objectives, policies and procedures.

Financial liabilities are not reclassified.

There were no reclassifications of financial assets and financial liabilities during the years ended December 31, 2020 and 2019.

Impairment of Financial Instruments
The FCDU of the Manila Branch uses reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that a financial instrument was initially recognized.

Expected Credit Loss Model
Expected Credit Loss (ECL) is a probability weighted estimate of credit loss within the expected lifetime of the financial instruments. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the FCDU of the Manila Branch expects to receive).

The method of measuring the ECL of the financial instruments of the FCDU of the Manila Branch reflects the following elements:

a. the unbiased weighted average probability determined by the results of evaluating a range of possible outcome;

b. the time value of money; and

c. the reasonable and evidenced-based information about past events, current conditions and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

The maximum period considered when estimating ECL is the maximum contractual period (including extension options) over which the FCDU of the Manila Branch is exposed to credit risk.

The FCDU of the Manila Branch classifies financial instruments into three (3) stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

- Stage 1 - A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month expected credit losses is recognized as loss allowance.

- Stage 2 - A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime expected credit losses is recognized as loss allowance. Refer to Note 5 credit risk for the description of how the FCDU of the Manila Branch determines when a significant increase in credit risk has occurred.

- Stage 3 - A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime expected credit losses is recognized as loss allowance. Refer to Note 5 for the definition of credit-impaired financial assets.

The ECL model was applied to all financial assets measured at amortized cost.

Presentation of Allowance for ECL
ECL is remeasured at the end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The FCDU of the Manila Branch recognizes an impairment gain or loss for financial instruments measured at amortized cost with a corresponding adjustment to their carrying amount through a loss allowance account; for debt instruments that are measured at FVOCI, the loss allowance is recognized in other comprehensive income.

Detailed discussions on the recognition and measurement of ECL in relation with Credit Risk Management practices are disclosed in Note 5.

Modifications of Financial Instruments
In some cases, the FCDU of the Manila Branch may renegotiate or otherwise modify the financial assets contracts. The FCDU of the Manila Branch would assess whether the new contractual terms are substantially different to the original terms. If the terms are substantially different, the FCDU of the Manila Branch derecognizes the original financial asset and recognizes a 'new' asset under the revised terms. If the renegotiation or modification does not result in derecognition, but lead to changes in contractual cash flows, the FCDU of the Manila Branch assesses whether a significant increase in credit risk has occurred based on the risk of default from the date of initial recognition under original terms and the revised terms as at the end of the reporting period.

Derecognition of Financial Assets and Liabilities

<u>Financial Assets</u>
Financial asset is derecognized when one of the following conditions is met:

- the contractual rights of the FCDU of the Manila Branch to the cash flows from the financial asset expire;
- the financial asset has been transferred and the FCDU of the Manila Branch transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the FCDU of the Manila Branch neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where the FCDU of the Manila Branch has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but assumed the obligation to pay those cash flows to the eventual recipients and meanwhile meet the conditions of the transfer of financial assets, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the FCDU of the Manila Branch's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the FCDU of the Manila Branch could be required to repay.

Financial liabilities
The FCDU of the Manila Branch derecognizes a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

A right to offset must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the FCDU of the Manila Branch has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the FCDU of the Manila Branch measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the FCDU of the Manila Branch uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the FCDU of the Manila Branch determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the FCDU of the Manila Branch recognizes the difference between the transaction price and fair value (a "Day 1" Difference) as part of current operations in the period when the asset is acquired or the liability is incurred. In cases where the transaction price used is based on inputs which are not observable, the difference between the transaction price and model value is only recognized as part of current operations in the period when the inputs become observable or when the instrument is derecognized. For each transaction, the FCDU of the Manila Branch determines the appropriate method of recognizing the "Day 1" difference.

Net Due to Regular Banking Unit
In accordance with Financial Reporting Package for Banks updated as at July 15, 2015 and issued by the BSP, the FCDU of the Manila Branch maintains "Due to Regular Banking Unit (RBU)" to record the net profits of the FCDU of the Manila Branch including realized profits awaiting transfer to the RBU books, and the cumulative foreign exchange differences arising from the translation of FCDU accounts to PHP as presentation currency and cumulative gains or losses arising from the mark-to-market valuation of FVOCI financial assets and other accounts required to be recognized in an entity's equity. This is presented under "Due to Head Office and other branches" account in the statements of financial position.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the FCDU of the Manila Branch and the revenue can be reliably measured. Revenue recognized reflects the amount of consideration to which the FCDU of the Manila Branch expects to be entitled in exchange for transferring promised services to customers, and when its performance obligation in contracts is satisfied.

Interest Income
For all financial instruments measured at amortized cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortized cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not ECL.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in interest income, except for:

(a) For purchased or originated credit-impaired financial assets since initial recognition whose interest income is calculated by applying the credit adjusted effective interest rate to their amortized cost; and

(b) Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate, transactions costs and all other premiums or discounts. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Fees and Commission
The Manila Branch earns fees and commission income from a diverse range of services it provides to its customers. The fees and commission income recognized by the Manila Branch reflects the amount of consideration to which the Manila Branch expects to be entitled in exchange of transferring promised services to customers, and income is recognized when its performance obligation in contracts is satisfied.

The table below provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition standards:

Type of Income	Nature and Timing of Satisfaction of Performance Obligation	Revenue Recognition under IFRS 15
Lending fees and commission	Fee for every trade-related transaction. This also includes fees charged for providing customers a distinct good or service that are recognized separately from the underlying lending product.	*Guarantee Fees* Revenue is recognized upon execution of the trade finance products (e.g., letters of credit, letters of guarantees and acceptances, etc.). Revenue is recognized over the term of the service. *Commitment Fees* Revenue is recognized when service (i.e. loan processing and drawdown) is provided. If there are contract milestones, these arrangement fees are recognized upon completion of such milestones.
Non-lending fees and commission	Non-lending fees and commission pertain outward telegraphic transfer fees, import and export fees and other non-lending services costs. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.	*Service Transfer Fees* Revenue is recognized at point in time that the associated service is provided.

Expense Recognition

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or
- immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of comprehensive income are presented using the nature of expense method.

Income and expenses are presented on a net basis only when permitted under PFRS, or for gains and losses arising from a group of similar transactions.

Allocation of Expenses
Expenses are allocated proportionately between the RBU and the FCDU of the Manila Branch to the extent that such expenses are deemed to have been sustained in relation to the operations of the RBU and the FCDU.

<u>Income Tax</u>
Current, deferred and final tax are recognized in profit or loss, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred tax are also recognized in OCI or directly in equity.

Current Tax
Current income tax is the expected tax payable on the taxable income for the period, using tax rates and laws that have been enacted or substantively enacted at the statements of financial position date, together with adjustments to tax payable in respect of prior years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

Deferred Tax
Deferred tax is provided using the balance sheet liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences and carry-forward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT can be utilized.

Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all of part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if there is any.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

Final Tax
Final tax is a kind of withholding tax which is prescribed on certain income payments and is not creditable against the income tax due of the payee on other income subject to regular rates of tax for the taxable year. Tax withheld constitutes the full and final payment of the tax due from the payee on the particular income subjected to final withholding tax.

Provisions
Provisions are recognized when the FCDU of the Manila Branch has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the FCDU of the Manila Branch expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is charged to current operations, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent Assets and Contingent Liabilities
Contingent assets are not recognized in the statements of financial position but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the financial statements unless the possibility of an outflow of assets embodying economic benefits is remote.

Events After the Reporting Date
Any post year-end events that provide additional information about the position at the reporting date (adjusting events) of the FCDU of the Manila Branch are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Amendments to Standards Issued but Not Yet Adopted
A number of amendments to standards are effective for annual period beginning after January 1, 2020. However, the FCDU of the Manila Branch has not early adopted the following amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have significant impact on the Manila Branch's financial statements.

Effective January 1, 2022

- *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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- *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.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- *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.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

- *Classification of Liabilities as Current or Non-current (Amendments to PAS 1 Presentation of Financial Statements).* To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

4. Significant Accounting Judgements and Estimates

The preparation of the financial statements in compliance with PFRS requires the FCDU of the Manila Branch to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the accounting policies of the FCDU of the Manila Branch and that may have the most significant effect on the amounts recognized in financial statements.

Assessment of Functional Currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates* requires management to determine its functional currency such that it must faithfully represent the economic effects of the underlying transactions, events and conditions that are relevant to the FCDU of the Manila Branch. In making this judgment, the FCDU of the Manila Branch considers the following:

- the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Based on the economic substance of the underlying circumstance relevant to the FCDU of the Manila Branch, the functional currency PHP and USD are the currencies of the primary economic environment on which the Manila Branch operates. These are the currencies that mainly influence the income and costs arising from the Manila Branch operations.

Business Model Assessment
The FCDU of the Manila Branch determines its business model at the level that best reflects how it manages financial assets to achieve its business objective including the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

The expected frequency, value and timing of sales are also important aspects of the assessment of the FCDU of the Manila Branch. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

If cash flows after initial recognition are realized in a way that is different from the original expectations of the FCDU of the Manila Branch, the FCDU of the Manila Branch does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment whether Contractual Cash Flows are SPPI
The FCDU of the Manila Branch assesses the contractual terms of the financial asset to identify whether they meet the SPPI test. This involves assessment of whether the contractual cash flows that are SPPI are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

As such, the FCDU of the Manila Branch applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set and the contractual terms that change the timing or amount of the cash flows.

Significant Increase in Credit Risk
Impairment of loans to customers is a subjective area due to the degree of judgment applied by management in determining impairment allowances. From the FCDU of the Manila Branch's perspective, the determination of the loss allowances is heavily dependent on the external macro environment and the internal credit risk management strategy of the FCDU of the Manila Branch, and the judgments in determining the loss given default or the assessment of recoverable cash flows relating to individual loans to customers, where loans were unsecured or were subject to potential collateral shortfalls.

Management exercises judgment in determining recoverable cash flow based on a range of factors. These factors include available remedies for recovery, the financial situation of the borrowers, collateral valuation, the seniority of the claim and the existence and cooperativeness of other creditors.

Key Source of Estimation Uncertainty

There is a key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Measurement of the Expected Credit Loss Allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Refer to Note 5 for the explanation of the inputs, assumptions and estimation techniques used in measuring ECL.

The loss allowance on financial instruments amounted to P123.41 million and P11.19 million as at December 31, 2020 and 2019, respectively (see Note 9).

Determining Inputs into ECL Measurement Model

In computing the ECL, the FCDU of the Manila Branch uses three (3) variables: (a) PD; (b) LGD; and (c) EAD. The determination of the amounts of the variables involves identifying and documenting key drivers of credit risk and credit losses for each portfolio of financial instruments and using an analysis of historical data and forward-looking assumptions to estimate relationships between macro-economic variables and credit risk and credit losses. Identified drivers for credit risk include Gross Domestic Product (GDP) growth, inflation and unemployment rate.

The COVID-19 outbreak has spread across the globe causing disruptions to businesses and economic activities. On January 30, 2020, the World Health Organization announced COVID-19 as a global health emergency and, on March 11, 2020, declared it as a pandemic. The general methodology for the ECL calculation did not change from prior year, however, the FCDU of the Manila Branch identified one account that is vulnerable to impact of COVID-19 and this was subjected to individual impairment assessment. This account is monitored closely paying more attention to its actual performance during the year.

Detailed discussions on the inputs to the ECL model of the FCDU of the Manila Branch are disclosed in Note 5.

Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recognized in the statements of financial position cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where deriving from observable market is not feasible, a degree of judgment is required in establishing fair values. These estimates may include consideration of liquidity, volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments. Fair values of relevant affected assets are disclosed in Note 6.

Deferred Tax Assets (DTA)

DTA is recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable income will be available against which the temporary differences and unused tax losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the forecasted timing and amount of future taxable income together with future tax planning strategies.

The estimates of future taxable income indicate that certain temporary differences will be realized in the future.

The FCDU of the Manila Branch did not recognize deferred tax assets in 2020 and 2019 amounting to P37.02 and P3.36 million, respectively, since management believes that it is unlikely that future taxable income may be available from which these deferred income tax assets will be utilized before these assets expire (see Note 12).

5. Financial Risk Management Objectives and Policies

Financial Risk Management Objectives and Policies
The Head Office has the ultimate role and responsibilities in developing and approving a comprehensive risk management framework for the ICBC Group through its Risk Oversight Committee. Business authorization is granted to the Manila Branch by the Head Office on an annual basis, as well as guidance and support on business development, risk management, internal governance, compliance, considering the safeguarding of the Manila Branch's long-term financial stability, solvency and liquidity situation.

The General Manager of the Manila Branch has the overall responsibility for the establishment and oversight of various risk management measures within the mandate of the Head Office.

The management has established the Risk Oversight Committee (ROC), which is the decision-making body within the Manila Branch responsible for reviewing and strengthening risk management measures and assessing indicator results of risk and compliance management. Its risk mission and objectives are to consistently and accurately consider risks and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital, and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part on the risk management activities.

The FCDU of the Manila Branch has significant exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity and Funding Risk
- Market Risk

The Manila Branch's policies and objective in managing these risks are summarized below:

Credit Risk
Credit risk is defined by the Manila Branch as the risk of financial loss arising from the borrower's inability to repay principal and/ or interest. Of all forms of risk faced by the Manila Branch, credit risk from non-payment or late payment is the most significant as potential losses from mismanagement of credit risk may be substantial.

The Manila Branch assumes credit risk in a wide range of lending and other activities in diverse markets. Credit risks arise not only from traditional lending to customers, but also from inter-bank, treasury and capital markets activities.

The Manila Branch's credit risk is mainly attributable to its loans, due from banks and other non-financial institutions and financial investments. In addition, the Manila Branch provides guarantees for customers and may therefore be required to make payments on their behalf. These payments will be recovered from customers in accordance with the terms of the agreement. Therefore, the Manila Branch assumes a credit risk similar to that arising from loans and applies the same risk control procedures and policies to reduce risks.

Credit Risk Management

The Head Office delegates credit business authority to the General Manager based on the annual operation and management authorization, who may then sub-delegate, in whole or in part, its credit business authority to different levels of authorized approvers. Credit Management from Risk Control Department conducts independent credit assessment and evaluation of all counterparties and other risks presented for approval by the Marketing Department. The Credit Risk Officer, also the Deputy General Manager, oversees the credit and credit risk management processes of the Manila Branch as the chairman of the Credit Review Committee.

The Manila Branch has adopted stringent procedures in extending credit terms to borrowers and in monitoring its credit risk. Personnel involved in the management of credit risk and the credit process must therefore exercise due diligence and sound judgment in the evaluation and assessment of risks when assessing lending requests from borrowers as well as in post-lending management of credit facilities since credit facilities should only be granted for genuine business requirements.

The final part of the end-to-end credit process is comprised of post-approval and monitoring procedures, such as annual credit reviews, which aims to maintain the quality of credits and safeguard the assets of the Manila Branch with the view of avoiding potential losses. This is achieved by ensuring that all transactions are within the approved limits, appropriateness of the credit rating is monitored and credit limits and that other credit issues such as amount, maturity, security, repayment and other financial covenants are in accordance with the approved terms.

Risk Concentrations of the Maximum Exposure to Credit Risk

Concentration risk can arise from excessive exposures to individual obligors, groups of connected counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sectors) or entities in a foreign country or a group of countries with strongly interrelated economies that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of risk are managed by counterparty and by industry sector.

The FCDU of the Manila Branch generally considers concentration risk as excessive when the ratio of a segment's exposure (e.g., this may be an industry demographic attribute or a program) to the total portfolio exceeds the BSP threshold. The BSP considers that credit concentration risk exists when the total loan exposure to an industry or economic sector exceeds 30.00% of the total loan portfolio or 10.00% of Tier 1 capital, except for commercial real estate industry which has regulatory limit of 20.00% of total loan portfolio excluding interbank loans receivable.

The table below shows the credit quality of the financial assets of the FCDU of the Manila Branch by type of industry, gross of allowance for credit and impairment losses as at December 31, 2020 and 2019:

	2020					
	Financial Institutions	Electricity, Energy, Power	Manufacturing	Real Estate, Renting and Business Activities	Others	Total
Due from other banks	P168,756	P -	P -	P -	P -	P168,756
Loans and receivables:						
Loans to customers	-	977,268	944,209	720,345	1,392,667	4,034,489
Accrued interest receivable	-	11,442	825	1,701	11,063	25,031
	P168,756	P988,710	P945,034	P722,046	P1,403,730	P4,228,276

	2019			
	Financial Institutions	Electricity, Energy, Power	Manufacturing	Total
Due from other banks	P28,860	P -	P -	P28,860
Loans and receivables:				
Loans to customers	-	1,569,685	681,091	2,250,776
Accrued interest receivable	-	4,937	809	5,746
	P28,860	P1,574,622	P681,900	P2,285,382

Collateral and Other Credit Enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

The FCDU of the Manila Branch holds collateral against certain loans in the form of mortgage interest over real property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are updated periodically or when a loan is individually assessed as impaired.

Management monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

Maximum Exposure to Credit Risk after Collateral Held or Other Credit Enhancements

The FCDU of the Manila Branch's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these assets.

The table below shows the maximum exposure to credit risk of the FCDU of the Manila Branch as at December 31, 2020 and 2019 after taking into account any collateral held or other credit enhancements (in thousands):

	2020			2019		
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk
Due from other banks	P168,756	P -	P168,756	P28,860	P -	P28,860
Loans and receivables	4,059,519	1,140,546	2,918,973	2,256,522	506,350	1,750,172
	P4,228,275	P1,140,546	P3,087,729	P2,285,382	P506,350	P1,779,032

Credit Quality Per Class of Financial Assets
The credit quality of financial assets is managed by the Manila Branch using internal and external credit ratings which covers both on- and off- balance sheet exposures.

Internal Rating
The FCDU of the Manila Branch has adopted its Head Office's internal rating model which is based on quantitative and qualitative assessment of a corporate customer. The quantitative assessment takes into consideration profitability, accounting quality, cash flow and liquidity, capital and debt structure and solvency among others while qualitative assessment includes industry environment, the entity's market position and competitive strengths and weaknesses, management and corporate governance.

External Rating
In ensuring quality investment portfolio, the FCDU of the Manila Branch uses the credit risk rating based on the rating of Moody's, Standard & Poor's and Fitch.

The table below shows the credit risk rating comprising the equivalent external grades for each internal credit risk rating following the Head Office's master scale of 21-grade credit rating applied for comparison purposes only.

Internal Borrower's Risk Ratings	**Moody's Equivalent Grades**	**Standard & Poor's and Fitch's Equivalent Grades**	**Description**
sAAA+ AAA+ sAAA AAA sAAA- AAA-	Aaa, Aa1, Aa2 Aa3 Aaa, Aa1, Aa2 A2 A3 Baa1	AAA, AA+, AA AA- A+ A A- BBB+	Customers with great operating and financial strength as well as strong and very stable solvency and have demonstrated that they can withstand and bear major internal and external adverse change, with very reliable and predictable net cash flow.
sAA+ AA+	Baa2 Baa2	BBB BBB	Customers with very good operating and financial strength as well as very strong solvency and can withstand and bear large internal and external adverse changes, with good financial performance and sufficient cash flows.
sAA AA	Baa3 Baa3	BBB- BBB-	Customers with very good operating and financial strength as well as very strong solvency and may be affected by adverse changes in internal and external economic situations.
sAA- AA-	Ba1 Ba1	BB+ BB+	Customers with moderately good operating and financial strength as well as moderately strong solvency but will be affected by adverse changes in internal and external economic situations; has moderately sufficient cash flow; moderate strong customer market competitiveness.

Forward

Internal Borrower's Risk Ratings	Moody's Equivalent Grades	Standard & Poor's and Fitch's Equivalent Grades	Description
sA+ A+ A A-	Ba2 Ba2 Ba3 B1	BB BB BB- B+	Customers with general operating and financial strength as well as acceptable solvency and will be greatly affected by changes in the external economic environment; it has a slightly poor net cash flow, fair customer market competitiveness.
BBB+ BBB BBB-	B2 B3 Caa1, Caa2, Caa3	B B- CCC	Customers with weak financial position, very poor operating and financial strength, weak and unstable solvency, as well as a weak ability to withstand risks; has a poor cash flow, an extremely heavy dependence on banking facilities, and weak customer market competitiveness.
BB	Ca, C	CC, C	It suffers severe losses or losses for consecutive years, has an extremely poor financial performance, is almost insolvent, and has basically no ability to withstand risks; it has an insufficient cast flow, very weak customer market competitiveness.
B	C	D	The customer goes bankrupt and shuts down or materially defaults on its debts.

The table below shows the credit score rating comprising each category of credit quality, risk category and stage.

Standard & Poor's Equivalent Grades	Credit Quality	Risk Category	Stage
AAA / AA+ / AA	Highest Quality	Very Low Risk	1
AA- / A+	High Quality	Low Risk	1
A / A-	Upper Medium Grade	Low Risk	1
BBB+ / BBB / BBB-	Medium Grade	Moderate Risk	1
BB+ / BB / BB- / B+	Speculative	Substantial Risk	1
B / B-	Speculative	High Risk	2
CCC	Poor	Very High Risk	2
CC/ C	Poor	Very High Risk	3
D	Default	Very High Risk	3

The credit quality of the assets held by the FCDU of the Manila Branch is generally monitored through the internal and external ratings, which is then used to detect any deterioration in the quality of assets and tracks migration of credit risks.

Significant Increase in Credit Risk
The assessment of significant increase since initial recognition in the credit risk is performed at least on a quarterly basis for financial instruments held by the FCDU of the Manila Branch. The Manila Branch takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significantly change in credit risk for the purposes of classifying financial instruments. The main considerations are regulatory and operating environment, internal and external credit risk gradings, debt-servicing capacity, operating capabilities, contractual terms, and repayment records. The FCDU of the Manila Branch compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at the end of the reporting period and its risk of default at the date of initial recognition to determine changes in the risk of default during the lifetime of a financial instrument or a portfolio of financial instruments. In determining whether credit risk of a financial instrument has increased significantly since initial recognition, the FCDU of the Manila Branch considers factors indicating whether the probability of default has risen sharply, whether the financial instrument has been past due for more than 30 days, whether the market price has been falling to assess deterioration.

As at December 31, 2020 and 2019, the FCDU of the Manila Branch has no past due financial assets.

Default
The Manila Branch defines a corporate borrower as in default when it meets one or more of the following criteria at the timing of recognition:

(i) The principal or interest of loan is past due more than 90 days;
(ii) The corporate borrower is unlikely to pay its credit obligations in full, without recourse by the Manila Branch to actions such as liquidation against collateral; or
(iii) The corporate borrower has the above matters in other financial institutions refers to (i), (ii).

Purchase or Originated Credit Impaired (POCI) Assets
POCI assets are financial assets that are credit-impaired on initial recognition. Impairment on a POCI asset is determined based on lifetime ECL from initial recognition. POCI assets are recognized initially at an amount net of impairment and are measured at AC using a credit-adjusted EIR. In subsequent periods, any changes to the estimated lifetime ECL are recognized in statements of income and expenses. Favorable changes are recognized as a reversal of impairment if the lifetime ECL at the reporting date is lower than the estimated lifetime ECL at origination.

Stage of Financial Instruments
The FCDU of the Manila Branch classifies financial instruments into three (3) risk stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

Refer to Note 3 Impairment of Financial Instruments for the definition of the three (3) risk stages.

The table below shows the credit quality of the financial assets of the FCDU of the Manila Branch by credit risk rating and stage as at December 31, 2020 (in thousands):

	2020					2019
	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Due from Other Banks						
AAA / AA+ / AA	P168,771	P -	P -	P -	P168,771	P28,860
AA- / A+	-	-	-	-	-	-
A / A-	-	-	-	-	-	-
BBB+ / BBB / BBB-	-	-	-	-	-	-
BB+ / BB / BB- / B+	-	-	-	-	-	-
B / B-	-	-	-	-	-	-
CCC	-	-	-	-	-	-
CC / C	-	-	-	-	-	-
D	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
Loss Allowance	(P15)	P -	P -	P -	(P15)	P -
Carrying Amount	P168,756	P -	P -	P -	P168,756	P28,860

	2020					2019
	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Loans and Receivables						
AAA / AA+ / AA	P1,491,745	P -	P -	P -	P1,491,745	P566,317
AA- / A+	1,774,117	-	-	-	1,774,117	1,182,450
A / A-	-	793,657	-	-	793,657	507,756
BBB+ / BBB / BBB-	-	-	-	-	-	-
BB+ / BB / BB- / B+	-	-	-	-	-	-
B / B-	-	-	-	-	-	-
CCC	-	-	-	-	-	-
CC / C	-	-	-	-	-	-
D	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
Loss Allowance	(P20,385)	(P103,009)	P -	P -	(P123,394)	(P11,188)
Carrying Amount	P3,245,477	P690,648	P -	P -	P3,936,125	P2,245,335

Impairment Assessment
Generally, a financial asset is considered to be credit-impaired if:

(i) It has been overdue for more than 90 days;
(ii) In light of economic, legal or other factors, the Manila Branch has made concessions to a borrower in financial difficulties, which would otherwise have been impossible under normal circumstances;
(iii) The borrower is probable to be insolvent or carry out other financial restructurings;
(iv) Due to serious financial difficulties, the financial asset cannot continue to be traded in an active market;
(v) There are other objective evidences that the financial asset is impaired.

Description of Parameters, Assumptions, and Estimation Techniques
ECL for a financial instrument is measured at an amount equal to 12-month ECL or lifetime ECL depending on whether a significant increase in credit risk on that financial instrument has occurred since initial recognition or whether an asset is considered to be credit-impaired. The loss allowance is measured using risk parameters method.

The key parameters are as follows:

- Probability of Default (PD)
  PD is the possibility that a customer will default on its obligation within a certain period of time in light of forward-looking information. The Manila Branch's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking the forward-looking information into account and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment.

- Loss Given Default (LGD)
  LGD is the magnitude of the likely loss if there is a default considering forward-looking information. The LGD is depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, with taking the forward-looking information into account.

- Exposure at Default (EAD)
  EAD refers to the total amount of on-balance sheet and off-balance sheet exposures in the event of default and is determined based on the historical repayment records.

The assumptions underlying the ECL calculation, such as how the PDs and LGDs of different maturity profiles change are monitored and reviewed on a quarterly basis by the Head Office and Manila Branch.

There have been no significant changes in estimation techniques or significant assumptions made during the year.

As at December 31, 2020 and 2019, the ECL of the Manila Branch amounted to P112.22 million and P11.19 million, respectively (see Note 9). During the year ended December 31, 2020, the management has identified a significant increase in credit risk for one of its financial assets measured at amortized cost from origination date (2019: Nil).

Forward-looking Information Contained in ECL
The calculation of ECL incorporates forward-looking information. The Manila Branch has performed historical analysis and identified the key economic variables, including GDP, Inflation Rate and Change Rate of Total Import Goods, impacting ECL for each portfolio. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the correlations among the historical changes of the economic variables. The Head Office provides forecasts of these economic variables quarterly including the best estimate view of the economy over the next year.

When calculating the weighted average ECL, the optimism, neutral and pessimism scenarios and its weightings determined by a combination of macro-statistical analysis and expert judgment are taken into account by the Manila Branch.

Sensitivity of ECL in Future Economic Conditions
The ECL are sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations.

The ICBC Group has carried out sensitivity analysis of key economic variables, used in forward-looking measurement. As at December 31, 2020, when the key economic indicators in the neutral scenario move up or down by 10%, the ECL will not change by more than 5%.

This sensitivity calculation of ICBC Group is applicable to the FCDU of the Manila Branch.

Recovery of Impairment Loss
If in a subsequent period, an improvement in scenarios arise whereby the borrower's credit rating, financial strength and the overall economy recovery and others, the previously recognized impairment loss is reversed directly to profit and loss, in line with the adjustment of the impairment loss account.

Restructured Loans
Where possible, the FCDU of the Manila Branch seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and the future payments are likely to occur. When the loan has been restructured but not derecognized, the FCDU of the Manila also reassesses whether there has been a SICR and considers whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

Write-off
The FCDU of the Manila Branch writes off financial assets when it has exhausted practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Liquidity and Funding Risk
The FCDU of the Manila Branch defines liquidity and funding risk as the risk to the bank's earnings, capital and solvency, arising from inability to meet contractual payments and other financial obligations on their due date, or the inability to fund (at a reasonable cost) the business needs of the FCDU of the Manila and, by extension, the needs of its customers, and risk that the FCDU of the Manila Branch will not be able to meet efficiently both expected and unexpected current and future cash flow without affecting either the daily operations or its financial condition.

Liquidity Risk Management
The objective of the FCDU of the Manila Branch's liquidity and funding risks management is to maintain at all times liquidity resources which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due.

In order to implement effective internal control on liquidity risk, the FCDU of the Manila Branch has established a sound framework for measuring, monitoring and controlling liquidity risk across different time horizons and stress scenarios:

- Identification
  The FCDU of the Manila Branch examines its key liquidity and funding risks drivers in the context of a comprehensive list of potential liquidity and funding risks factors which is reviewed and approved by the RMC at least annually.

- Measurement
  The FCDU of the Manila Branch uses a series of measures to monitor both short and long-term liquidity including: ratios, cash outflow triggers, wholesale funding maturity profile, and early warning indicators. Strict criteria and limits are in place to ensure highly liquid marketable securities are available as part of the portfolio of liquid assets. The Manila Branch's liquidity measurement involves assessing cash inflows against outflows and the liquidity value of its assets to identify the potential for future net funding shortfalls.

- Liquidity and Funding Risks Control through Limits
  The FCDU of the Manila Branch has set limits to control liquidity risk exposure and vulnerabilities and established corresponding escalation procedures. These limits are not only used for managing day-to-day liquidity, but also include measures aimed at ensuring that it can continue to operate in a period of market stress, bank-specific stress and a combination of the two to ensure that, under stressed conditions, available liquidity exceeds liquidity needs.

- Intraday Liquidity Management.
  The FCDU of the Manila Branch actively manages its intraday liquidity positions so that it is able to meet payment and settlement obligations on a timely basis under both normal and stress financial conditions.

The FCDU of the Manila Branch also has a formal Liquidity Contingency Plan (LCP) that sets out the strategies for addressing liquidity shortfalls in emergency situations. The LCP outlines policies to manage a range of stress environments and establish clear lines of responsibility, and details clear invocation and escalation procedures. The results of the scenarios and the assumptions used in stress tests are factored in the LCP's design, plans and procedures which, in turn, are closely integrated with the Manila Branch's liquidity and funding risk appetite setting.

The maturity profile of the financial assets and liabilities of the FCDU of the Manila Branch as at December 31, 2020 and 2019 are as follows (in thousands):

		2020						
	Note	Carrying Amount	Gross Nominal Inflow/ Outflow	Less than 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years
Financial Assets								
Due from other banks	*7*	P168,756	P168,771	P168,771	P -	P -	P -	P -
Loans and receivables	*8*	3,936,124	4,059,519	25,030	-	-	3,585,474	449,015
		4,104,880	4,228,290	193,801	-	-	3,585,474	449,015
Financial Liabilities								
Financial liability at FVTPL	*11*	640	640	-	-	-	640	-
Due to Head Office and other branches		2,803,287	2,803,287	147,875	2,655,412	-	-	-
Deposit liabilities	*10*	1,406,759	1,406,759	1,406,759	-	-	-	-
		4,210,686	4,210,686	1,554,634	2,655,412	-	640	-
Net Liquidity Surplus (Gap)		(P105,806)	P17,604	(P1,360,833)	(P2,655,412)	P -	P3,584,834	P449,015

		2019						
	Note	Carrying Amount	Gross Nominal Inflow/ Outflow	Less than 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years
Financial Assets								
Due from other banks	*7*	P27,228	P27,228	P27,228	P -	P -	P -	P -
Loans and receivables	*8*	2,256,522	2,256,522	5,746	-	-	2,250,776	-
		2,283,750	2,283,750	32,974	-	-	2,250,776	-
Financial Liabilities								
Due to Head Office and other branches		2,255,730	2,255,730	2,557	2,253,173	-	-	-
Deposit liabilities	*10*	27,196	27,196	27,196	-	-	-	-
Accrued interest payable		11	11	11	-	-	-	-
		2,282,937	2,282,937	29,764	2,253,173	-	-	-
Net Liquidity Surplus (Gap)		P813	P813	P3,210	(P2,253,173)	P -	P2,250,776	P -

As at December 31, 2020 and 2019, there are no financial assets pledged as collateral for liabilities.

Market Risk

Market risk is the risk of a loss in the FCDU of the Manila Branch's on-balance-sheet or off-balance-sheet business due to unfavorable changes in market prices. The value of a financial instrument may change as a result of changes in equity prices, interest rates, foreign currency exchange rates and other market changes. Given the Manila Branch's current business model, foreign exchange risk from banking book and trading book are the major sources of market risk.

Market Risk Management

The FCDU of the Manila Branch follows a prudent policy on managing its financial assets and financial liabilities to ensure that exposure to fluctuations in market prices are kept within acceptable limits. Through market risk management, it is ensured that the market risks undertaken are well managed within the Manila Branch's risk appetite and that the income after risk-adjustment is maximized.

It is the senior management's responsibility to ensure that the structure of the Manila Branch's business and the level of market risk it assumes are effectively managed, that appropriate policies and procedures are established to control and limit these risks, and that resources are available and sufficient for evaluating and controlling market risk. Senior management is particularly responsible for maintaining:

(i) Appropriate limits on risk taking;
(ii) Adequate systems and standards for measuring risk;
(iii) Standards for valuing positions and measuring performance;
(iv) A comprehensive market risk reporting and management review process; and
(v) Effective internal controls.

Consistent with the Head Office's market risk management policy, the FCDU of the Manila Branch's trading book consists of all positions in financial instruments and commodities held either with trading intent or in order to hedge against other elements of the trading book and which are either free of any restrictive covenants on their tradability or able to be hedged. Positions held with trading intent are those held intentionally for short-term resale and/ or with the intent of benefiting from actual or expected short-term price movements or to lock in arbitrage profits.

The FCDU of the Manila Branch segregates their business between trading book and banking book activity on a consistent basis and allocates transactions accordingly for the purpose of adopting more pertinent market risk management measurement.

Trading book positions are accurately valued on daily basis while the portfolio is actively managed. All positions that are not in the Manila Branch's trading book are included in the FCDU of the Manila Branch's banking book. If a specific financial instrument is used to hedge an exposure in banking book, it will be taken out of the trading book for the period of the hedge and included in the banking book.

As the FCDU of the Manila Branch currently do not undertake proprietary trading and market making, trading book exposure only result from client servicing.

The market risk exposure is measured both across risk types, such as interest rate, foreign exchange and across the entire portfolio. The FCDU of the Manila Branch identifies and measures the impact of any new transaction on its market risk position on an on-going basis.

Currency Risk
Foreign currency exposure is used to measure foreign exchange risk, which refers to the risk of loss caused by currency imbalance between foreign exchange assets and foreign exchange liabilities due to adverse exchange rate changes. The major foreign exchange rate risks of the Manila Branch arise from foreign exchange exposure generated from client transactions and conversion of working capital in PHP into US dollar.

The table below summarizes the exposure to foreign exchange risk of the FCDU of the Manila Branch as at December 31, 2020 and 2019. Included in the table are the assets and liabilities of the FCDU of the Manila Branch at carrying amounts, categorized by currency (PHP equivalents in thousands).

	2020		
	EUR	CNY	Total
Financial Assets			
Due from other banks	P -	P74	P74
Loans and receivables	704,895	-	704,895
	704,895	74	704,969
Financial Liabilities			
Accrued interest payable	-	38	38
Due to Head Office and other branches	698,844	(262,098)	436,746
Deposit liabilities	-	257,476	257,476
	698,844	(4,584)	694,260
Net Position	P6,051	P4,658	P10,709

	2020			
	USD	EUR	CNY	Total
Financial Assets				
Due from other banks	P168,698	P -	P74	P168,772
Loans and receivables	3,354,624	704,895	-	4,059,519
	3,523,322	704,895	74	4,228,291
Financial Liabilities				
Deposit liabilities	1,149,213	-	257,476	1,406,689
Derivative liabilities	640	-	-	640
Accrued interest payable	29	-	38	67
Due to Head Office and other branches	2,365,752	698,844	(262,098)	2,802,498
	3,515,634	698,844	(4,584)	4,209,894
Net Position	P7,688	P6,051	P4,658	P18,397

	2019	
	EUR	Total
Financial Assets		
Due from other banks	P1,878	P1,878
Loans and receivables	675,569	675,569
	677,447	677,447
Financial Liabilities		
Accrued interest payable	39	39
Due to Head Office and other branches	674,762	674,762
	674,801	674,801
Net Position	P2,646	P2,646

The table below indicates the currencies which the FCDU of the Manila Branch has significant exposure to as at December 31, 2020 and 2019 on its foreign currency-denominated assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of other currency rates against the PHP, with all other variables held constant on the results of operations (due to the fair value of currency sensitive monetary assets and liabilities) and other comprehensive income. A negative amount in the table reflects a potential net reduction of net income or other comprehensive income while positive amount reflects a net potential increase. Change in currency rates are based on the historical movements of each currency for the same period.

	2020			
	Foreign Currency Appreciates Against PHP by	**Effects on Profit before Tax (in thousands)**	**Foreign Currency Depreciates by**	**Effects on Profit before Tax (in thousands)**
Currency:				
EUR	**2.3400%**	**126**	**(2.3400%)**	**(126)**
CNY	**0.0957%**	**31**	**(0.0957%)**	**(31)**

	2020			
	Foreign Currency Appreciates Against PHP by	**Effects on Profit before Tax (in thousands)**	**Foreign Currency Depreciates by**	**Effects on Profit before Tax (in thousands)**
Currency:				
USD	**(2.7040)**	**239**	**2.7040**	**(239)**
EUR	**2.3400**	**126**	**(2.3400)**	**(126)**
CNY	**0.0957**	**31**	**(0.0957)**	**(31)**

	2019			
	Foreign Currency Appreciates Against PHP by	Effects on Profit before Tax (in thousands)	Foreign Currency Depreciates by	Effects on Profit before Tax (in thousands)
Currency:				
EUR	(3.9598%)	87	3.9598%	(87)

Interest Rate Risk

Interest rate risk is defined as the current or prospective risk to both the capital and earnings of the FCDU of the Manila Branch arising from adverse movements in underlying interest rate.

One of the Manila Branch's primary business functions is providing financial products that meet the needs of its customers. Loans and deposits are tailored to the customers' requirements with regard to tenor credit standing. The FCDU of the Manila Branch has assessed its interest rate risk drivers and concluded that material risks arise from only re-pricing risk, which is the risk related to the timing mismatch in the maturity and re-pricing of assets and liabilities and off-balance-sheet short and long-term positions.

The table set forth the interest rate repricing gap of the FCDU of the Manila Branch as at December 31, 2020 and 2019 (in thousands):

	2020							
	Overnight to 1 Month	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**1 - 2 Years**	**Beyond 2 Years**	**Non-rate Sensitive**	**Total**
Assets								
Due from other banks	P38,429	P -	P -	P -	P -	P -	P130,343	P168,772
Loans and receivables (gross)	-	-	-	-	-	4,034,489	-	4,034,489
	38,429	-	-	-	-	4,034,489	130,343	4,203,261
Liabilities								
Due to Head Office and other branches	2,656,509	-	-	-	-	-	141,951	2,798,460
Deposit liabilities	1,406,691	-	-	-	-	-	-	1,406,691
	4,063,200	-	-	-	-	-	141,951	4,205,151
Net Repricing Gap	(P4,024,771)	P -	P -	P -	P -	P4,034,489	(P11,608)	(P1,890)

	2019							
	Overnight to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 2 Years	Beyond 2 Years	Non-rate Sensitive	Total
Assets								
Due from other banks	P10,582	P -	P -	P -	P -	P -	P27,195	P37,777
Loans and receivables (gross)	-	-	-	-	-	2,250,776	-	2,250,776
	10,582	-	-	-	-	2,250,776	27,195	2,288,553
Liabilities								
Due to Head Office and other branches	-	2,244,447	-	-	-	-	11,283	2,255,730
Deposit liabilities	27,196	-	-	-	-	-	-	27,196
	27,196	2,244,447	-	-	-	-	11,283	2,282,926
Net Repricing Gap	(P16,614)	(P2,244,447)	P -	P -	P -	P2,250,776	P15,912	P5,627

The sensitivity of the results of operations is measured as the effect of the assumed changes in interest rates on the net interest income for one period based on the floating rate of financial assets and financial liabilities held as at December 31, 2020 and 2019.

The table below demonstrates the potential impact on the income before income tax of the FCDU of the Manila Branch attributed from a 200-basis point parallel move in interest rates, with all other variables held constant, as at December 31, 2020 and 2019. The impact from non-parallel movements may be materially different from the estimated impact of parallel movements (in thousands).

As at December 31, 2020, the management believes that the FCDU of the Manila Branch is not exposed to any significant market risk as the financial assets of the FCDU of the Manila Branch are concentrated in due from other banks denominated in PHP which earn interest at fixed bank interest rates. Consequently, no sensitivity analysis was presented.

	Increase/Decrease in Interest Rate (in basis points)	Effect in Income before Income Tax
2020	**+250bps**	**(P172)**
	-250bps	**172**
2019	+200bps	P113
	-200bps	(113)

Interest Rate Risk in the Banking Book (IRRBB)
IRRBB refers to the current or prospective risk to the Manila Branch's capital and earnings arising from adverse movements in interest rates that affect the Manila Branch's banking book positions. The three main forms of IRRBB are gap risk, basis risk and option risk:

- Gap Risk
  Gap risk arises from the term structure of banking book instruments, and describes the risk arising from the timing of instruments' rate changes. The extent of gap risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk).

- Basis Risk
  Basis risk describes the impact of relative changes in interest rates for financial instruments that have similar tenors but are priced using different interest rate indices.

- Option Risk
  Option risk arises from option derivative positions or from optional elements embedded in a bank's assets, liabilities and/or off-balance sheet items, where the FCDU of the Manila or its customer can alter the level and timing of their cash flows. Option risk can be further characterized into automatic option risk and behavioral option risk.

As at December 31, 2020 and 2019, the FCDU of the Manila Branch has assessed its interest rate risk drivers and noted that only gap risk is the significant risk it faces.

IRRBB Management
The Manila Branch has established a management framework with the objective of decreasing the sensitivity of its earnings and economic value of equity to market fluctuations.

The Manila Branch adopted three methods to measure IRRBB:

- Standardized Measurement Framework
  A standardized approach for measurement of IRRBB based on changes in economic value. When applying this framework, the Manila Branch calculates the currencies whose balance accounts for more than 5% of the assets or liabilities in the banking books separately according to the characteristics of the nominal repricing cash flow of the relevant on/ off-balance-sheet items in the banking book. Rate sensitivity positions are allocated as fully standardized positions, semi-standardized positions and non-standardized positions.

  The nominal repricing cash flows of these positions are projected to given time buckets and discounted wherein changes in the net present value (excluding the automatic interest rate option positions) are calculated under the six types of scenarios of interest rate shocks. The value changes of automatic interest rate options are also calculated under the interest rate shock scenarios, which includes parallel up, parallel down and non-parallel shifts of the yield curve.

All future notional repricing cash flows of interest rate sensitive positions are projected into 19 predefined time buckets as set out below according to their repricing dates, which refers to the principal repayment date (at contractual maturity) for fixed rate instruments, first reset date for floating rate instruments, and the interest payment date for any principal that has not yet been repaid or repriced.

Short-term interest rate	Overnight (0.0028Y)	Overnight <t≤1M (0.0417Y)	1M<t≤3M (0.1667Y)	3M<t≤6M (0.375Y)	6M<t≤9M (0.625Y)	9M<t≤1Y (0.875Y)
	1Y<t≤1.5Y (1.25Y)	1.5Y<t≤2Y (1.75Y)	-	-	-	-
Mid-term rates	2Y<t≤3Y (2.5Y)	3Y<t≤4Y (3.5Y)	4Y<t≤5Y (4.5Y)	5Y<t≤6Y (5.5Y)	6Y<t≤7Y (6.5Y)	-
Long-term rates	7Y<t≤8Y (7.5Y).	8Y<t≤9Y (8.5Y)	9Y<t≤10Y (9.5Y)	10Y<t≤15Y (12.5Y)	15Y<t≤20Y (17.5Y)	t>20 (25Y)

Interest rate sensitive positions of banking book include:

(i) Interest rate sensitive assets, which are not deducted from Common Equity Tier 1 (CET1) capital and which exclude fixed assets such as real estate or intangible assets and equity exposures in the banking book;.
(ii) Interest rate sensitive liabilities, including debt instruments included in CET1 and CET2, etc.; and
(iii) Off-balance-sheet items of banking book interest rate sensitivity, including off-balance-sheet derivatives and off-balance-sheet commitments with fixed interest rates.

The sum of the changes in net present value of nominal repricing cash flows and the value changes of automatic interest rate options under interest rate shock scenarios equals the economic value changes under this interest rate scenario. After the aggregation of all currencies, the maximum loss of economic value changes under the six types of interest rate shock scenarios is the value of IRRBB based on the changes of economic value.

After the aggregation of all currencies, the maximum loss of economic value changes under the six types of interest rate shock scenarios is the value of IRRBB based on the changes of economic value.

- Earnings Perspective
  Earnings risk is defined as the short-term sensitivity of earnings to interest rate movements. The focus of earnings perspective is on the impact of interest rate movements on the net interest income (NII) over a time horizon of one year. Market interest rate changes sometimes also have an impact on banking activities that generate fee-based and other non-interest income.

  250 bps shift in interest rates in both directions are applied to measure the impact on net interest income (NII) within one year.

- Stress Testing
  The Manila Branch measures its vulnerability to loss under stressful market conditions and considers those results when establishing and reviewing its policies and limits for IRRBB.

  The Manila Branch carries out an evaluation of exposure to the IRRBB under stressful market conditions arising from its non-trading activities in IRRBB report on a quarterly basis.

Possible stress scenarios might include abrupt changes in the general level of interest rates (evaluation will cover effect of a sudden and unexpected parallel change in interest rates of 250 basis points in both directions), changes in the slope and the shape of the yield curve (i.e. yield curve risk).

In addition, a set of limits has been put in place to control the Manila Branch's exposure to IRRBB in line with its risk appetite which approved by the Asset and Liability Committee (ALCO).

Monitoring and oversight of Manila Branch's IRRBB have been delegated to the ALCO, which is responsible in ensuring that the structure of the Manila Branch's banking book business and the level of IRRBB are effectively managed, policies and procedures are updated and maintained regularly, and that hedging, and risk-management strategies are adequately reviewed prior execution. While the oversight function is assigned to the ALCO, active management of IRRBB is designated to Treasury Department which is the department in charge of implementing the balance sheet strategies of the Manila Branch. Risk Control Department conducts independent monitoring to ensure that risk-taking positions are within established risk appetite while Internal Audit, as the third line of defense, reviews the implementation and effectiveness of the IRRBB management framework.

6. Fair Value Measurement

The majority of valuation models deploy only observable market data as inputs. This has not changed as a result of COVID-19, however the FCDU of the Manila Branch has considered the impact of related economic and market disruptions on fair value measurement assumptions and the appropriateness of valuation inputs, notably valuation adjustments, as well as the impact of COVID-19 on the classification of exposures in the fair value hierarchy.

The methods and assumptions used by the FCDU of the Manila Branch in estimating the fair values of financial instruments are as follows:

Due from Other Banks and Due to Head Office and Other Branches
Fair values approximate carrying amounts given that these instruments are subject to an insignificant risk of change in value due to its short-term in nature.

Loans and Receivables
Loans and receivables are carried net of allowance for credit and impairment losses. For loans and receivables maturing within one (1) year, the carrying values approximates the fair values in view of the relatively insignificant impact of discounting due to short term nature of these instruments.

For loans and receivables maturing beyond one (1) year, the fair values of loans and receivables are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date commensurate to the credit risk borne by the FCDU of the Manila Branch for each of the borrower. Where the instruments are repriced at different periods or have relatively short-term maturities, the carrying amounts approximate fair values.

Deposit Liabilities and Accrued Interest Payable
The carrying amount of savings deposit liabilities and the related accrued interest payable approximates fair value, considering that these are due and demandable.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

The different fair valuation levels are defined as follows:

- Level 1 - quoted market prices in active markets for identical assets or liabilities; when fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

- Level 2 - those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); for all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models; and

- Level 3 - those with inputs for the asset or liability that are not based on observable market data (unobservable inputs). Instruments included in Level 3 are those for which there are currently no active market.

The following table presents a comparison of the carrying amounts and fair values of all of the financial assets and liabilities of the FCDU of the Manila Branch (in thousands).

	2020				
	Carrying Amount	Level 1	Level 2	Level 3	Fair Value
Assets for which Fair Values are Disclosed					
Financial assets at amortized cost:					
Due from other banks	P168,771	P -	P -	P168,771	P168,771
Loans and receivables	4,059,519	-	-	4,059,519	4,059,519
	P4,228,290	P -	P -	P4,228,290	P4,228,290
Liabilities Measured at Fair Value					
Financial liability at FVTPL					
Derivative liabilities	P640	P -	P640	P -	P640
Liabilities for which Fair Values are Disclosed					
Due to Head Office and other branches	2,700,282	-	-	2,700,282	2,700,282
Deposit liabilities	1,406,759	-	-	1,406,759	1,406,759
	P4,107,681	P -	P640	P4,107,041	P4,107,681

	2019				
	Carrying Amount	Level 1	Level 2	Level 3	Fair Value
Assets for which Fair Values are Disclosed					
Financial assets at amortized cost:					
Due from other banks	P27,228	P -	P -	P27,228	P27,228
Loans and receivables	2,245,335	-	-	2,245,335	2,245,335
	P2,272,563	P -	P -	P2,272,563	P2,272,563
Liabilities for which Fair Values are Disclosed					
Due to Head Office and other branches	2,255,570	-	-	2,255,570	2,255,570
Deposit liabilities	27,206	-	-	27,206	27,206
	P2,282,776	P -	P -	P2,282,776	P2,282,776

As at December 31, 2020 and 2019, there have been no transfers into and out of each of the levels of the fair value hierarchy.

7. Due from Other Banks

This account consists of the following:

	Note	2020	2019
Due from other banks		**P168,771,415**	P27,228,411
Allowance for credit and impairment losses	9	**(14,924)**	-
		P168,756,491	P27,228,411

Due from other banks amounting to P168.77 million and P27.23 million represent deposit accounts with domestic and foreign banks which earn interest at the prevailing rate of 0.05% to 1.00% per annum in 2020 and 0.25 % in 2019.

Interest income earned from the savings account amounted to P471,303 and P50,308 in 2020 and 2019, respectively, and is presented under "Interest income calculated using the effective interest method" in the statements of comprehensive income (loss).

8. Loans and Receivables

This account consists of:

	Note	2020	2019
Loans to customers at amortized cost:			
Syndicated loans		**P4,034,489,066**	P2,250,776,385
Allowance for credit and impairment losses	9	**(123,394,787)**	(11,187,843)
		3,911,094,279	2,239,588,542
Accrued interest receivable		**25,030,040**	5,746,294
		P3,936,124,319	P2,245,334,836

As at December 31, 2020, 88.87% of the total loans of the FCDU of the Manila Branch are subject to periodic interest repricing (2019: 77.50%). Remaining foreign-currency denominated receivables from customers are subject to annual interest rates ranging from 1.05% to 6.94% per annum in 2020 and 1.05% to 6.25% per annum in 2019.

Interest income earned from loans and receivables amounted to P110.91 million and P19.27 million in 2020 and 2019, respectively.

On March 25,2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1") was enacted. Bayanihan 1 provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest falling due within the enhanced community quarantine period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2") was enacted. Under Bayanihan 2, a one-time 60-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interest, penalties, fees and other charges, thereby extending the maturity of the said loans.

Based on the FCDU of the Manila Branch's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets.

BSP Regulatory Reporting

The following table shows the breakdown of loans and advances to customers at amortized cost, excluding allowance for credit and impairment losses, as to secured and unsecured and the breakdown of secured loans as to type of security as at December 31, 2020 and 2019:

	2020		2019	
	Amounts	**%**	Amounts	%
Secured loans:				
Real estate mortgages	**P1,841,682,050**	**45.6%**	P506,350,000	22.5%
Unsecured loans	**2,192,807,017**	**54.4%**	1,744,426,385	77.5%
Total	**P4,034,489,067**	**100.0%**	P2,250,776,385	100.0%

As at December 31, 2020 and 2019, there were no loans pledged as collateral for liabilities.

As at December 31, 2020 and 2019, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2020		2019	
	Amount	**%**	Amount	%
Electricity, energy, power	**P977,268**	**24.2%**	P1,569,685	69.7%
Manufacturing	**944,209**	**23.4%**	681,091	30.3%
Transportation and storage	**792,380**	**19.6%**	-	0.0%
Real estate, renting and business activities	**720,345**	**17.9%**	-	0.0%
Others*	**600,288**	**14.9%**	-	0.0%
	P4,034,490	**100.0%**	P2,250,776	100.0%

**Others include Information and communication activities*

BSP considers that concentration of credit risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.0% of the total loan portfolio.

As at December 31, 2020 and 2019, the FCDU of the Manila Branch has 24.2% and 69.7% concentration in the electricity, energy, power sector, respectively. Management believes that the high concentration in the electricity, energy, power sector should not be a cause for concern because the main target of the FCDU of the Manila Branch are large industry leaders with good development prospects to expand business scale.

As at December 31, 2020 and 2019, other than the above mentioned, the FCDU of the Manila Branch has no credit concentration risk to any particular industry exceeding 10% of Tier 1 capital.

Under Section 304 of MORB, loans shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/ or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Non-performing loans (NPL), investments, receivables, or any financial asset (and/or any replacement loan) shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/ or principal are received for at least six (6) months; or (b) written-off.

The gross and net NPLs of the FCDU of the Manila Branch, as defined under Section 304 of MORB, amounted to nil as at December 31, 2020 and 2019.

Effective January 24, 2013, BSP Circular No. 779 amended the regulations on Single Borrower's Limit. Per amendment, the total amount of loans, credit accommodations and guarantees may be increased by an additional twenty-five percent (25%) of the Manila Branch's net worth provided those are granted for the purpose of undertaking infrastructure and/ or development projects under the Public-Private Partnership Program of the government duly certified by the Secretary of Socio-Economic Planning; Provided, further that the total exposures of the Manila Branch to any borrower pertaining to the above-mentioned projects shall not exceed 25% of the Manila Branch's net worth and that it shall only be allowed for a period of six (6) years from December 28, 2010.

Effective December 6, 2014, BSP Circular No. 858 amended the regulations on Single Borrower's Limit. Per amendment, loans and credit commitments of foreign bank branches as of effectivity of R.A. No. 10641 may be maintained, but once repaid or expired, shall no longer be increased in excess of the ceiling allowed under this Circular. Further, existing foreign bank branches shall be given until December 31, 2019 to use twice the level of capital as defined in this Subsection as net worth, as reference point for purposes of determining the appropriate single borrower's limit.

During 2020 and 2019, the FCDU of the Manila Branch has been compliant with the regulations on Single Borrower's Limit of the BSP. As at December 31, 2020 and 2019, there were no loans pledged as collateral for liabilities.

On March 14, 2020, the BSP issued BSP Memorandum No. M-2020-008 Regulatory Reliefs for BSP-supervised financial institutions (BSFIs) Affected by the COVID-19, as amended by M-2020-0032 dated April 27, 2020 and M-2020-0022 dated April 8, 2020. The said memorandum provides for certain temporary regulatory relief measures for financial institutions supervised by the BSP, as follows:

- Staggered booking of allowance for credit losses over a maximum of five years for all types of credits extended to individuals and businesses directly affected by COVID-19 as of March 8, 2020, subject to prior approval of the BSP;

- Exclusion from the computation of past due and non-performing classification, the loans by borrowers in affected areas which should have been reclassified as past due as of March 8, 2020, including those loans becoming past due or non-performing six months thereafter, subject to the following: (a) such loans shall be reported to the BSP; (b) the exclusion shall be allowed from March 8, 2020 until December 31, 2021; and (c) BSP documentary requirements for restructuring of loans may be waived provided that the FCDU of the Manila will adopt appropriate and prudent operational control measures;

- Non-imposition of monetary policies for delays incurred in the submission of all supervisory reports to BSP due to be submitted from March 8, 2020 up to six months thereafter;

- Non-imposition of penalties on legal reserve deficiencies computed under Section 255 of the MORB starting from reserve week following March 8, 2020 up to six months thereafter, subject to prior approval of the BSP;

- Increase in the Single Borrower's Limit (SBL) from 25.0% to 30.0% until March 31, 2021;

- Allowance of (a) loans to Micro, Small and Medium Enterprises (MSMEs) and (b) loans to critically impacted large enterprises as alternative mode of compliance with reserve requirements until December 31, 2021; and

- Provision of financial assistance to officers affected by the present health emergency, for the grant of loans, advances or any other forms of credit accommodations, subject to the submission by the bank of a request for BSP approval within 30 calendar days from the approval thereof.

As at December 31, 2020, the FCDU of the Manila Branch did not avail any of the reliefs above.

9. Allowance for Credit and Impairment Losses

The composition and movements in the account are as follows:

	2020		
	Due from Other Banks (Note 7)	**Loans and Receivables** (Note 8)	**Total**
Balance at January 1, 2020	**P -**	**P11,187,843**	**P11,187,843**
Impairment loss for the year	**14,127**	**112,206,944**	**112,221,071**
Effect of foreign exchange difference	**796**	**-**	**796**
Balance at December 31, 2020	**P14,923**	**P123,394,787**	**P123,409,710**

	2019		
	Due from Other Banks (Note 7)	Loans and Receivables (Note 8)	Total
Balance at January 1, 2019	P -	P -	P -
Impairment loss for the year	-	11,187,843	11,187,843
Effect of foreign exchange difference	-	-	-
Balance at December 31, 2019	P -	P11,187,843	P11,187,843

10. Deposit Liabilities

In 2020, the FCDU of the Manila Branch holds dollar denominated and yuan-denominated current deposits are subject to annual interest rates of 0.025% and 0.15%, respectively. In 2019, dollar denominated current deposits are subject to annual interest rates of 0.13% and 0.15%, respectively. The deposit liabilities of the FCDU of the Manila Branch as at December 31, 2020 and 2019 amounted to P1.41 billion and P27.21 million, respectively.

Accrued interest payable arising from deposit liabilities amounted to P67,228 and P10,360 as at December 31, 2020 and 2019, respectively.

Interest expense arising from deposit liabilities amounted to P934,253 and P62,316 in 2020 and 2019, respectively.

11. Related Party Transactions

Related Party Transactions
A related party transaction is a transfer of resources, services or obligations between the FCDU of the Manila Branch and a related party, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the FCDU of the Manila Branch; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the FCDU of the Manila Branch that gives them significant influence over the FCDU of the Manila Branch and close members of the family of any such individual.

The related parties of the FCDU of the Manila Branch include its Head Office, other branches and key management personnel. The related party transactions of the FCDU of the Manila Branch are collected (for financial assets) or settled (for financial liabilities) in cash.

The following table shows related party transactions included in the financial statements as at December 31, 2020 and 2019 in (thousands):

Related Party/ Transactions	Note	Year	Amount/ Volume	Outstanding Balance Due from Related Party	Outstanding Balance Due to Related Party	Nature, Terms and Conditions
Parent						
Due from Head Office						
Due from banks						Working fund with Head office; short term, unsecured and unimpaired
Deposits	*a*	**2020**	**P48,461,788**	**P788,450**	**P -**	
Withdrawals			**(47,683,887)**	**-**	**-**	
Deposits		2019	9,763,515	10,549	-	
Withdrawals			(9,752,966)	-	-	
Accrued interest receivable	*a*	**2020**	**534**	**-**	**-**	
		2019	340	-	-	
Due to Head Office						Fixed rate, interest bearing borrowings to Head office; short term, unsecured
Interoffice borrowings						
Proceeds	*b*	**2020**	**10,964,765**	**-**	**2,401,150**	
Withdrawals			**(9,626,950)**	**-**	**-**	
Proceeds		2019	5,655,930	-	1,063,335	
Withdrawals			(4,592,595)	-	-	
Accrued interest payable	*b*	**2020**	**12,494**	**-**	**280**	
		2019	11,301	-	2,255	
Entities under Common Control						
Due from Other branches						
Due from banks	*a*					Working fund with Head office; short term, unsecured and unimpaired
Deposits		**2020**	**34,962,426**	**261,670**	**-**	
Withdrawals			**(34,700,756)**	**-**	**-**	
Deposits		2019	-	-	-	
Withdrawals			-	-	-	
Accrued interest receivable	*a*	**2020**	**5,513**	**167**	**-**	
		2019	-	-	-	
Due to Other Branches						Fixed rate, interest bearing borrowings to other ICBC branches; short term, unsecured
Interoffice borrowings						
Proceeds	*b*	**2020**	**25,474,013**	**-**	**1,304,383**	
Withdrawals			**(25,350,742)**	**-**	**-**	
Proceeds		2019	1,788,732	-	1,181,112	
Withdrawals			(607,620)	-	-	
Accrued interest payable	*b*	**2020**	**11,402**	**-**	**817**	
		2019	111	-	303	
Due to RBU	*c*	**2020**	**43,939**	**-**	**43,939**	
		2019	8,566	-	8,566	
Due to Head office and Other Branches		**2020**	**P -**	**P -**	**P3,750,569**	
		2019	P -	P -	P2,255,571	
Due from Head Office and Other Branches		**2020**	**P -**	**P1,050,287**	**P -**	
		2019	P -	P10,549	P -	

a. Deposits pertain to demand deposit accounts and placements. Demand deposit accounts are used for inter-branch transactions with head office and other branches while, placements are short term unsecured lending to head office and other branches .

   Interest income earned on deposit demand accounts for the period ended December 31, 2020 and 2019 amounted to P.53 and .34 million, respectively.

   As at December 31, 2020 and 2019, accrued interest from placements with interest rates ranging from 1.00% to 3.30% amounted to P0.17 million and nil, respectively, while, interest income earned amounted to P5.51 million and nil, respectively.

b. These represent short-term borrowings from the Head Office and other branches. These borrowings have variable interest rates benchmarked to the London Interbank Offer Rate (LIBOR) and Europe Interbank Offer Rate (EURIBOR). In 2020, interest rates range from (0.38%) to 2.13%.

Interest was accrued for these short-term borrowings and is included as part of "Due to Head Office and other branches" account in the statements of financial position. Interest expense on these short-term borrowings for the year ended December 31, 2020 and 2019 amounted to P6.05 million and P0.34 million, respectively.

c. Due to RBU

This account consists of (in thousands):

	2020	2019
Balance as at January 1, 2020	**(P5,832)**	P35
Net loss for the year	**(76,746)**	(5,867)
	(82,578)	(5,832)
Inter-unit transfers	**128,659**	14,558
Cumulative translation adjustment	**(2,141)**	(160)
	P43,940	P8,566

	2020	2019
Cumulative Foreign Currency Translation Adjustments		
Balance at beginning of the year	**(P160)**	P -
Translation adjustment for the year	**2,301**	(160)
	P2,141	(P160)

Financial Instruments at FVPL

Financial instruments at FVPL pertains to interest rate swap contract entered by the FCDU of the Manila Branch with the Head Office. Interest rate swap has a notional amount of USD 7,000,000 with a payment fixed rate of 0.49% quarterly and receiving rate of USD Libor 3months + 0 basis point quarterly. Term of the interest rate swap is five (5) years (Note 11).

The interest rate swap receivable, interest rate swap liability, financial liability at FVTPL and foreign exchange loss recognized by the FCDU of the Manila Branch for the period ended December 31, 2020 amounted to P99,742, P223,803, P639,537 and P648,915, respectively.

Remuneration of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the FCDU of the Manila Branch, directly or indirectly. The FCDU of the Manila Branch considers officer positions, starting from department heads and up, to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures.*

The FCDU of the Manila Branch's compensation to key management personnel shown as part of "Salaries, bonus and allowances" account in the statements of comprehensive income for the period December 31, 2020 and 2019 amounted to P9.61 million and P3.42 million, respectively.

12. Income Taxes

R.A. No. 9294, the existing tax regulation governing FCDUs, provides:

- Offshore income or the income derived by FCDUs from foreign currency transactions with non-residents, Offshore Banking Unit's (OBU) in the Philippines, local commercial banks including branches of foreign banks that may be authorized by the BSP to transact business with foreign currency deposit system units and other depository banks under the foreign currency deposit system shall be exempt from all taxes, except for net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the Monetary Board to be subject to the regular income tax payable by banks;

- Gross onshore income or interest income from foreign currency loans granted by other FCDUs to residents under the offshore units in the Philippines or other depository banks under the expanded system shall be subject to a final tax at a rate of 10%;

- Interest income derived by resident individual or corporation on deposits with other FCDUs and OBUs are subject to 15% final tax; and

- All other FCDU income not classified as either offshore or onshore are subject to the higher of the RCIT or MCIT.

The income tax expense consists of:

	2020	2019
Current	**P6,649,369**	P1,114,738
Final taxes	**1,008**	7,544
	P6,650,377	P1,122,282

The reconciliation between the statutory income tax and the effective income tax is as follows:

	2020	2019
Loss before income tax expense	**(P70,096,062)**	(P4,744,923)
Statutory income tax	**(P21,028,819)**	(P1,423,477)
Adjusted for the tax effects of:		
Unrecognized deferred tax asset	**33,654,563**	3,368,350
Difference on statutory rate and 10% special rate for FCDU	**(11,371,212)**	(2,229,476)
Nondeductible expense	**7,677,466**	3,077,963
Tax-paid and tax-exempt income	**(2,282,629)**	(1,678,622)
Final tax expense	**1,008**	7,544
Income tax expense	**P6,650,377**	P1,122,282

Management believes that certain future deductible items may not be realized in the near foreseeable future as future taxable income may not be sufficient for the related tax benefits to be realized. Accordingly, the FCDU of the Manila Branch did not recognize deferred tax asset on loss allowance as at December 31, 2020 and 2019. Details of the tax base and deferred tax of the loss allowance follows:

	2020		2019	
	Deductible Temporary Differences	**Deferred Tax Asset**	Deductible Temporary Differences	Deferred Tax Asset
Loss allowance	**P123,409,711**	**P37,022,913**	P11,227,834	P3,368,350

13. Fees and Commissions

This account consists of:

	2020	2019
Commitment fees	**P8,425,524**	P -
Remittance fees	**41,568**	10,525
Commission income	**24,928**	9,293,465
Advisory fees	**3,369**	-
	P8,495,389	P9,303,990

The FCDU of the Manila Branch has unearned income on guarantees pertaining to fees received in advance on its issuance of financial guarantees amounting to P0.15 million and nil as at December 31, 2020 and 2019, respectively. The unearned income is presented in the "Other liability" account in the statements of financial position.

14. Salaries, Bonuses and Allowances

This account consists of:

	2020	2019
Salaries and wages	**P12,732,529**	P5,038,583
Employee benefits	**3,266,171**	554,971
	P15,998,700	P5,593,554

Salaries and wages pertain to the basic salary, overtime pay, and other fixed allowances of employees managing and operating the FCDU of the Manila Branch.

Employee benefits consists of retirement benefits, insurance, rent, subsidies, and other benefits provided to its employees.

15. General and Administrative Expenses

General and administrative expenses consist of:

	2020	2019
Utilities	**P4,473,804**	P568,914
Communications	**1,610,680**	591,510
Agent bank charges	**1,208,749**	257,524
Office supplies	**621,362**	94,638
Service charges	**294,515**	174,630
Membership fees and dues	**159,246**	566,771
Trainings	**6,167**	1,030
Advertising	**-**	323,333
Others	**1,870,440**	175,906
	P10,244,963	P2,754,256

Communication expenses includes among others, expenses for Bloomberg Terminals, cost of Loandex Information System and Negative Information System, cost of access of Reuters and participation to BAP Cyber Security Incident Database (BAPCID) Facility.

Agent bank charges pertain to the fees charged by BDO Unibank, Inc for the management of the FCDU of the Manila Branch's investment in government securities. It is expressed as a fixed percentage of the total assets being managed.

Service charges pertain to expenses incurred after a settlement service or advisory services were acquired from other institutions.

Membership fees and dues pertain to payments made to Chinese Enterprise Philippine Association, Credit Management Association of the Philippines and Bankers' Association of the Philippines as part of membership requirements. Utilities pertain to incurred water, electricity, postage, telecom, vehicle, maintenance cost and property management cost.

Others include equipment rent, company social, security services, repairs and maintenance among others.

16. Maturity Analysis of Assets and Liabilities

The following table presents the maturity profile of the assets and liabilities of the FCDU of the Manila Branch based on the amounts to be recovered or settled with and/ or after more than 12 months after the reporting period (in thousands):

	2020			2019		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets at Gross						
Due from other banks	P168,756	P -	P168,756	P27,228	P -	P27,228
Loans and receivables	25,030	4,034,489	4,059,519	5,746	2,250,776	2,256,522
Other assets	100	-	100	-	-	-
	193,886	4,034,489	4,228,375	32,974	2,250,776	2,283,750
Non-financial Assets at Gross						
Other assets	3,072	-	3,072	-	-	-
	196,958	4,034,489	4,231,447	32,974	2,250,776	2,283,750
Less:						
Allowance for credit losses	-	123,395	123,395	-	11,188	11,188
	P196,958	P3,911,094	P4,108,052	P32,974	P2,239,588	P2,272,562
Financial Liabilities						
Financial liability at FVPTL	P640	P -	P640	P -	P -	P -
Due to Head Office and other branches	2,803,287	-	2,803,287	2,245,021	-	2,245,021
Deposit liabilities	1,406,759	-	1,406,759	27,196	-	P27,196
Accrued expense and other payables	223	-	223	10	-	10
	4,210,909	-	4,210,909	2,272,227	-	2,272,227
Non-financial Liabilities						
Accrued expense and other payables	-	-	-	-	-	-
Income tax payable	-	-	-	336	-	336
Other liability	149	-	149	-	-	-
	149	-	149	336	-	336
	P4,211,058	P -	P4,211,058	P2,272,563	P -	P2,272,563

17. Event After the Reporting Date

On November 26, 2020, the Senate approved on third and final reading the Senate Bill No. 1357, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

Initially, the House of the Representatives, which already passed their counterpart measure in September 2019, informed the Senate that the latter's version would be adopted by the Lower House. However, on December 15, 2020, the Senate received an official letter from the Lower House indicating that in fact, they have designated members for the bicameral conference, with the intention of holding a bicameral conference to reconcile disagreeing provisions on the Lower House and the Senate versions of the bill.

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the FCDU of the Manila Branch:

a. Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

b. The imposition of improperly accumulated earnings tax has been repealed.

The enactment of the CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as of December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020.

On April 8, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income

- BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of Republic Act (RA). No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", Amending Section 20 of the National Internal Revenue Code of 1997, As Amended

- BIR RR No. 4-2021, Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended

- BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997The enactment of the CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as of December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020.

The enactment of the CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as of December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020.

Further, the Bureau of Internal Revenue has issued its Revenue Regulation No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Law. The corporate income tax of the Manila Branch will be lowered from 30% to 25% for domestic corporations on which the Manila Branch would qualify, effective July 1, 2020.

Presented below is the estimated effect of changes in tax rates under the CREATE Act.

	As at December 31, 2020	Effect of Changes in Tax Rates	Amounts Based on the Reduced Tax Rates
Statement of Comprehensive Income			
Current tax expense	**P6,650,377**	**(P80,434)**	**P6,569,943**
Net loss for the year	**76,746,442**	**(80,434)**	**76,666,008**
Statement of Financial Position			
Creditable withholding tax	**3,071,606**	**80,434**	**3,152,044**

18. Reclassification

Certain cash flow activity was amended to reflect the proper activity, which the Management believes to be appropriate after a reassessment of the nature of the underlying transaction.

The following is the summary of the impact on the foregoing amendments to the 2019 statement of cash flows:

	As Previously Presented	Effect of Reclassification	As Reclassified
Statement of Cash Flows			
Operating Activities			
Due from Head Office and other branches	P -	P2,247,015,132	P2,247,015,132
Interest paid	(51,686)	(8,854,977)	(8,906,663)
Financing Activities			
Due to Head Office and other branches			
Interoffice Borrowings	2,247,015,132	(2,247,015,132)	-
Interest paid	(8,854,977)	8,854,977	-

The amendments made have no impact to the net financial performance, cash flows and equity of the FCDU of the Manila Branch in 2019.

19. Supplementary Information Required Under BSP Circular 1074

The following supplementary information is required by Appendix 55 - Disclosure Requirements to the Audited Financial Statements (AFS) to Section 174 of the MORB of the BSP, amended by BSP Circular No. 1074.

A. Financial Performance Indicators

The following basic ratios measure the financial performance of the Manila Branch and FCDU of the Manila Branch:

Manila Branch:

	2020	2019
Return on average equity	**3.70%**	4.95%
Return on average assets	**1.72%**	3.59%
Net interest margin on average earning assets	**4.22%**	2.96%

FCDU of the Manila Branch:

	2020	2019
Return on average assets	**2.40%**	0.62%
Net interest margin on average earning assets	**0.79%**	0.72%

B. Commitments and Contingencies

In the normal course of the Manila Branch's operations, there are outstanding commitments and contingencies which are not shown in these financial statements. The Manila Branch does not anticipate material losses as a result of these commitments and contingent liabilities.

The following is a summary of the Manila Branch's commitments and contingencies at their equivalent Philippine peso valued amounts as at December 31, 2019 and 2018 arising from off-book transactions:

	2020	2019
Performance standby letters of credit	**P911,464,249**	P820,232,977
Currency swaps	**733,000,000**	501,245,000
Interest rate swaps	**336,161,000**	-
Committed credit line	**309,904,147**	-
Total	**P2,290,529,396**	P1,321,477,977

As at December 31, 2020 and 2019, there were outstanding commitments and contingencies under the FCDU of the Manila Branch amounting to P 387.39 million and nil, respectively.

The Manila Branch and the FCDU of the Manila Branch have no pending suits, claims and regulatory examinations that remain unsettled or outstanding.

Other relevant disclosures required by BSP Circular No. 1074 are in Note 5, 8 and 11.

20. Supplementary Information Required Under Revenue Regulations No. 15-2010 of the BIR

In addition to the disclosures mandated under PFRSs, and such other standards and/ or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs.

In compliance with the requirements set forth by RR No. 15-2010, the following tax information required for the taxable year ended December 31, 2020 are based on the amounts of the FCDU.

A. Documentary Stamp Tax

Debt instruments	**P6,266,700**

Documentary stamp taxes paid on debt instruments are assumed by customers.

B. Withholding Taxes

Final withholding taxes	**P139,193**

The above withholding taxes pertain to total remittances made by the FCDU of the Manila Branch to tax authority during the year.

The FCDU of the Manila Branch does not have taxes on compensation and benefits recorded separately under FCDU Tax Identification Number as the remittance of these withholding taxes to the BIR during the year was made under the RBU Tax Identification Number.

C. All Other Taxes (Local and National)

This consists of the following:

	2020
Other taxes paid during the year recognized under "Taxes and Licenses"	
Fringe benefit taxes	**P3,715,096**
Gross receipts taxes	**424,099**
License and permit fees	**60,201**
Others	**81,010**
	P4,280,406

D. Tax Cases and Assessments

As at December 31, 2020, the FCDU of the Manila Branch has no pending tax cases nor tax assessment with the BIR.