

**Industrial and Commercial Bank of
China Limited - Manila Branch**

Financial Statements
December 31, 2025 and 2024

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Industrial and Commercial Bank of China Limited
Manila Branch

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Industrial and Commercial Bank of China Limited - Manila Branch (the Manila Branch), which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of comprehensive income, statements of changes in assigned capital funds and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Manila Branch as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (the Code of Ethics), as applicable to the audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to the audits of financial statements of public interest entities in the Philippines. We have also 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.

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 PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing 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 Manila Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Manila Branch's financial reporting process.

Auditor's 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 misstatement, whether due to fraud or error, and to issue an auditor's 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 PSAs 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 PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement 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 Manila Branch's internal control.
- 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 Manila Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause 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.

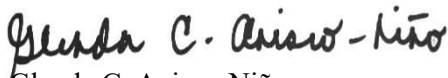


We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB) and Revenue Regulations No. 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the Manual of Regulations for Banks (MORB) in Note 28 and Revenue Regulations No. 15-2010 in Note 29 to the financial statements are presented for purposes of filing with the Bangko Sentral ng Pilipinas and Bureau of Internal Revenue, respectively, and are not a required part of the basic financial statements. Such information is the responsibility of the management of Industrial and Commercial Bank of China Limited - 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.

SYCIP GORRES VELAYO & CO.


Glenda C. Anisco-Niño

Partner

CPA Certificate No. 114462

Tax Identification No. 225-158-629

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 114462-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-196-2025, October 29, 2025, valid until October 28, 2028

PTR No. 10765006, January 2, 2026, Makati City

April 14, 2026



**INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED -
MANILA BRANCH**

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2025	2024
ASSETS		
Due from Bangko Sentral ng Pilipinas (BSP) (Note 6)	₱1,477,559,189	₱399,120,151
Due from Other Banks - net (Note 7)	1,768,911,255	207,454,125
Financial Assets at Fair Value through Profit or Loss (FVTPL) (Note 8)	45,821,939	35,762,664
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) (Note 11)	23,108,410	20,659,986
Investment Securities at Amortized Cost - net (Note 9)	5,425,313,283	5,412,138,021
Loans and Receivables - net (Note 10)	5,701,249,490	1,611,351,024
Creditable Withholding Taxes	72,664,343	70,244,096
Property and Equipment - net (Note 13)	12,336,029	5,701,891
Right-of-use Assets - net (Note 18)	60,784,971	83,228,652
Retirement Asset (Note 19)	3,918,082	3,507,164
Other Assets (Note 12)	22,240,708	9,028,350
	₱14,613,907,699	₱7,858,196,124
LIABILITIES		
Due to Head Office and Other Branches - net (Note 14)	₱5,494,422,996	₱2,115,678,950
Financial Liability at Fair Value through Profit or Loss (FVTPL) (Note 8)	-	16,797,675
Deposit Liabilities (Note 16)	4,946,312,883	1,545,546,064
Accrued Expenses and Other Payables (Note 17)	81,854,387	125,944,867
Deferred Income (Note 17)	13,056,834	7,579,043
Deferred Tax Liability - net (Note 25)	9,560,667	16,409,835
Lease Liabilities (Note 18)	59,449,494	80,028,451
	10,604,657,261	3,907,984,885
ASSIGNED CAPITAL FUNDS		
Assigned Capital (Note 26)	3,975,770,000	3,975,770,000
Surplus (Note 26)	40,946,618	3,151,690
Reserve for General Loan Loss Provision (Note 26)	19,865,493	2,003,082
Employee Benefit Reserve (Note 19)	816,829	1,135,576
Revaluation Reserve on Financial Assets at FVOCI	2,422,045	(26,379)
Cumulative Translation Adjustment	(30,570,547)	(31,822,730)
	4,009,250,438	3,950,211,239
	₱14,613,907,699	₱7,858,196,124

See accompanying Notes to Financial Statements.



**INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED -
MANILA BRANCH**

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2025	2024
INTEREST INCOME		
Due from BSP (Note 6)	₱14,905,092	₱16,786,633
Due from other banks (Note 7)	1,089,122	353,175
Financial assets at FVOCI (Note 11)	333,386	-
Investment securities at amortized cost (Note 9)	300,756,652	276,789,507
Loans and receivables (Note 10)	244,883,346	322,852,020
Due from Head Office and other branches (Note 14)	1,213,499	4,078,337
	563,181,097	620,859,672
INTEREST EXPENSE		
Due to Head Office and other branches (Note 14)	174,584,216	176,632,677
Due to other banks (Note 15)	533,121	4,819,641
Lease liabilities (Note 18)	4,282,117	5,488,146
Deposit liabilities (Note 16)	9,423,213	2,729,183
	188,822,667	189,669,647
NET INTEREST INCOME	374,358,430	431,190,025
OTHER INCOME		
Fees and commissions (Note 20)	71,018,435	59,682,993
Gain on financial assets at FVTPL (Note 8)	41,424,244	15,511,703
Foreign exchange gain (loss)	(43,937,753)	25,795,826
	68,504,926	100,990,522
OPERATING EXPENSES		
Salaries, bonuses, and allowances (Note 21)	183,020,403	190,104,034
Taxes and licenses (Note 23)	50,437,749	44,029,217
Depreciation and amortization (Notes 13 and 18)	24,461,805	23,405,314
Occupancy expenses (Note 18)	3,971,861	4,173,532
Provision for (Reversal of) expected credit losses (Note 22)	12,000,474	(783,681,277)
Other operating expenses (Note 24)	49,984,228	58,224,354
	323,876,520	(463,744,826)
INCOME BEFORE INCOME TAX	118,986,836	995,925,373
INCOME TAX EXPENSE (Note 25)	(63,329,497)	(74,584,970)
NET INCOME	55,657,339	921,340,403
OTHER COMPREHENSIVE INCOME		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Remeasurement loss on retirement liability - net of tax (Note 19)	(318,747)	(200,692)
Net changes in fair values of FVOCI equity investments (Note 11)	2,448,424	1,870,266
<i>Item that may be reclassified subsequently to profit or loss</i>		
Cumulative translation adjustment - net of tax	1,252,183	(25,877,422)
Total other comprehensive income (loss)	3,381,860	(24,207,848)
TOTAL COMPREHENSIVE INCOME	₱59,039,199	₱897,132,555

See accompanying Notes to Financial Statements.



**INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED -
MANILA BRANCH**

STATEMENTS OF CHANGES IN ASSIGNED CAPITAL FUNDS

	For the Years Ended December 31						Total
	Assigned Capital (Note 26)	Surplus (Deficit) (Note 26)	Reserve for General Loan Loss Provision (Note 26)	Employee Benefit Reserve (Note 19)	Revaluation Reserve on Financial Assets at FVOCI	Cumulative Translation Adjustment	
Balances at January 1, 2025	₱3,975,770,000	₱3,151,690	₱2,003,082	₱1,135,576	(₱26,379)	(₱31,822,730)	₱3,950,211,239
Reserve for general loan loss provision (Note 26)	–	(17,862,411)	17,862,411	–	–	–	–
Net income for the year	–	55,657,339	–	–	–	–	55,657,339
Other comprehensive income (loss)	–	–	–	(318,747)	2,448,424	1,252,183	3,381,860
Total comprehensive income (loss)	–	55,657,339	–	(318,747)	2,448,424	1,252,183	59,039,199
Balances as at December 31, 2025	₱3,975,770,000	₱40,946,618	₱19,865,493	₱816,829	₱2,422,045	(₱30,570,547)	₱4,009,250,438
Balances at January 1, 2024	₱3,975,770,000	(₱924,083,568)	₱7,897,937	₱1,336,268	(₱1,896,645)	(₱5,945,308)	₱3,053,078,684
Reserve for general loan loss provision (Note 26)	–	5,894,855	(5,894,855)	–	–	–	–
Net income for the year	–	921,340,403	–	–	–	–	921,340,403
Other comprehensive income (loss)	–	–	–	(200,692)	1,870,266	(25,877,422)	(24,207,849)
Total comprehensive income (loss)	–	921,340,403	–	(200,692)	1,870,266	(25,877,422)	897,132,554
Balances as at December 31, 2024	₱3,975,770,000	₱3,151,690	₱2,003,082	₱1,135,576	(₱26,379)	(₱31,822,730)	₱3,950,211,239

See accompanying Notes to Financial Statements.



**INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED -
MANILA BRANCH**

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱118,986,836	₱995,925,373
Adjustments for:		
Gain on financial assets at FVTPL (Note 8)	(41,424,244)	(15,511,703)
Depreciation and amortization (Notes 13 and 18)	24,461,804	23,405,314
Amortization of discount (Note 9)	(13,175,262)	(56,279,903)
Provision for (reversal of) expected credit losses (Note 22)	11,971,100	(783,707,083)
Interest expense on lease liabilities (Note 18)	4,282,117	5,488,147
Impairment loss on creditable withholding tax	3,259,375	–
Retirement benefit expense (Notes 19 and 21)	335,173	328,903
Operating cash flows before working capital changes	108,696,899	169,649,048
Decrease (Increase) in:		
Loans and receivables	(4,101,898,940)	2,511,165,569
Other assets	(34,376,587)	(33,989,451)
Financial assets at FVTPL	(71,898,564)	20,208,896
Increase (Decrease) in:		
Due to Head Office and other branches	3,378,744,046	(2,203,561,558)
Financial liabilities at FVTPL	86,465,858	(1,447,228)
Deferred income	5,477,790	(10,155,752)
Accrued expenses and other payables	(44,090,480)	26,463,780
Deposit liabilities	3,400,766,819	224,538,125
Cash generated from operations	2,727,886,841	702,871,429
Income taxes paid	(54,587,810)	(55,448,585)
Retirement plan contributions paid (Note 19)	(1,171,086)	(1,171,086)
Net cash generated from operating activities	2,672,127,945	646,251,758
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 13)	(8,652,261)	(4,078,240)
Acquisition of investment securities at amortized cost (Note 9)	–	(800,000,000)
Maturities of investment securities at amortized cost (Note 9)	–	550,000,000
Acquisition of investment securities at FVOCI (Note 11)	(81,715,331)	–
Maturities of investment securities at FVOCI (Note 11)	81,715,331	–
Net cash used in investing activities	(8,652,261)	(254,078,240)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayment on lease liabilities (Note 18)	(20,472,704)	(18,095,173)
Interest paid on lease liabilities (Note 18)	(4,388,369)	(5,582,060)
Principal repayment on due to other banks (Note 15)	–	(213,938,199)
Net cash generated from used in financing activities	(24,861,073)	(237,615,432)
CUMULATIVE TRANSLATION ADJUSTMENT	1,252,183	(25,877,422)
NET EFFECT OF PROVISION FOR ECL ON CASH AND CASH EQUIVALENTS	29,374	25,806

(Forward)



	Years Ended December 31	
	2025	2024
NET INCREASE IN CASH AND CASH EQUIVALENTS	₱2,639,896,168	₱128,706,470
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Due from Bangko Sentral ng Pilipinas (BSP)	399,120,151	182,610,841
Due from other banks	207,454,125	295,256,965
	606,574,276	477,867,806
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Due from Bangko Sentral ng Pilipinas (BSP)	1,477,559,189	399,120,151
Due from other banks	1,768,911,255	207,454,125
	₱3,246,470,444	₱606,574,276
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	₱550,005,835	₱554,428,881
Interest paid	(244,706,551)	(242,780,113)

See accompanying Notes to Financial Statements.



INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - MANILA BRANCH

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

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 company is Central Huijin Investment Ltd., a state-owned entity which was established in Beijing, China and holds 34.79% 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. 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. Material Accounting Policy Information

Basis of Preparation

The financial statements have been prepared on the historical cost basis, except for financial assets and liabilities at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) investments that are measured at fair value.

Statement of Compliance

The financial statements of the Manila Branch have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Functional and Presentation Currency

The financial statements are presented in Philippine peso (PHP), the Manila Branch’s presentation currency. The financial statements of the Manila Branch include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is PHP and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP (see accounting policy on Foreign Currency Transactions and Translation). The financial statements of these units are combined after eliminating inter-unit accounts.

All information has been rounded off to the nearest peso, except when otherwise indicated.



Presentation of Financial Statements

The Manila Branch presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 27.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2025. The Manila Branch has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Manila Branch

- Amendments to PAS 21, *Lack of exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

Summary of Material Accounting Policies

Fair Value Measurement

The Manila Branch measures financial instruments such as financial assets at FVTPL and FVOCI at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost is disclosed in Note 5.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Manila Branch.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or a liability measured at fair value has a bid price and ask price, the price within the bid-ask spread is the most representative of fair value in the circumstance shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy. The fair value measurement of a nonfinancial asset takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Manila Branch uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.



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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Manila Branch determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments

Date of recognition

Financial assets and financial liabilities are recognized in the Manila Branch's financial statements when the Manila Branch becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace, are recognized on settlement date - the date that an asset is delivered to by the Manila Branch.

Securities transactions are also recognized on settlement date basis. Deposits, amounts due to or from banks and customers and loans are recognized when cash is received by the Manila Branch or advanced to the borrowers.

'Day1' difference

Where the transaction price is different from the fair value or from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Manila Branch recognizes the difference between the transaction price and fair value (a 'Day1' difference) in the statements of income in unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Manila Branch determines the appropriate method of recognizing the 'Day 1' difference amount.

Initial recognition of financial instruments

Financial assets and financial liabilities are recognized initially at fair value. Except for financial assets and financial liabilities at FVTPL, transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. When the fair value of financial instruments at initial recognition differs from the transaction price, the Manila Branch accounts for the Day 1 profit or loss, as described above.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.



Classification and subsequent measurement

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Manila Branch's business model for managing financial assets. The Manila Branch classifies its financial assets into financial assets into the following categories: financial assets at FVTPL, financial assets at FVOCI and at amortized cost (AC). The Manila Branch may designate financial instruments at FVTPL, if doing so eliminates or significantly reduces measurement or recognition inconsistencies.

Contractual cash flows characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Manila Branch assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

'Principal' for the purpose of the SPPI test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium or discount). In making the assessment of 'interest', the Manila Branch determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. Instruments with cash flows that do not represent as such are classified as at FVTPL.

Business model in managing financial assets

The Manila Branch's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Manila Branch's business model does not depend on management's intentions for an individual instrument, rather it refers to how it manages its financial assets in order to generate cash flows.

The Manila Branch's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Manila Branch in determining the business model for a group of financial assets include:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Manila Branch's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed;
- how managers of the business are compensated; and
- the expected frequency, value and timing of sales are also important aspects of the Manila Branch's assessment.

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 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 to 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 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 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 Manila Branch assessed the business model, it does not constitute a change in the classification of the remaining financial assets as long as 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 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.

Financial Assets

Classification and subsequent measurement

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.



Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVOCI.

Interest income is calculated by applying the effective interest rate (EIR) to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired.

For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Debt instruments classified at Amortized Cost

A debt financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the EIR. The amortization is included in 'Interest Income' in the profit or loss and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for expected credit losses' in profit or loss.

As at December 31, 2025 and 2024, the Manila Branch's financial assets at amortized costs includes due from BSP, due from other banks, investments in treasury bonds, loans and receivables, and refundable security deposits.

Investment securities at FVOCI

(a) Debt financial assets

A debt financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on the specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Impairment losses or reversals are based on expected credit losses (ECL) and recognized in 'Provision for expected credit losses' in profit or loss, with corresponding credit to other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss under 'Trading and securities gain (loss) – net.'

(b) Equity instruments

The Manila Branch may also make an irrevocable election to measure at FVOCI on initial recognition with investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 9, *Financial instruments*. Amounts recognized in OCI are not subsequently transferred to profit or loss. Dividends on such investments



are recognized in profit or loss unless the dividend clearly represents recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Manila Branch's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Manila Branch; and
- the amount of the dividend can be measured reliably.

As at December 31, 2025 and 2024, the Manila Branch's financial assets at FVOCI is an investment in unquoted equity shares.

Financial assets at FVTPL

All other financial assets not measured at amortized cost or at FVOCI are classified as measured at FVTPL, except when the financial asset is part of a hedging relationship. Included in this classification are equity and debt investments held for trading and debt instruments with contractual terms that do not represent SPPI.

A financial asset is considered as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Manila Branch manages together and has evidence of a recent actual pattern of short-term profit-taking; or,
- it is a derivative that is not designated as a hedging instrument or financial guarantee.

Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Manila Branch may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Interest earned on these investments is measured using the modified effective interest rate method, where premiums and discounts, excluding origination fees and transaction costs are considered in the effective interest rate, and is reported under 'Interest income' in profit or loss while dividend income is reported in profit or loss when the right of payment has been established.

As at December 31, 2025 and 2024, the Manila Branch's financial assets at FVTPL consists of derivative assets.

The Manila Branch enters into contracts with off-books risks. These contracts are entered into as a service to customers and as a means of reducing and managing the Manila Branch's risk exposures, as well as for trading purposes. These derivative financial instruments are initially recognized at fair value on the date when the derivative contract is entered into and are subsequently remeasured at their fair value. All derivatives are reported as assets when fair value is positive and as liabilities when fair value is negative.



The method of recognizing fair value gains and losses depends on whether derivatives are HFT or are designated as hedging instruments, and if the latter, the nature of the risks being hedged.

In 2025 and 2024, the Manila Branch did not apply hedge accounting treatment for any of its derivative transactions since the derivatives are HFT and not designated as hedging instruments.

Impairment of financial assets

PFRS 9 requires the Manila Branch to record ECL for all debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

The Manila Branch recognizes an allowance for expected credit losses (ECL) on all financial assets measured at amortized cost such as due from other banks, loans and receivables, debt instruments and refundable security deposits. The Manila Branch also provides financial guarantees to customers which are also subject to ECL assessment.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Moreover, 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 methodology

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument and are computed for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition and for those financial assets which have indications of objective evidence of impairment.

ECL Model

The Manila Branch's method of measuring the ECL of the financial instruments 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, if any) over which the Manila Branch is exposed to credit risk.

Assessment of Significant Increase in Credit Risk/Staging assessment

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



For non-credit-impaired financial instruments:

- Stage 1 - A financial instrument of which the credit risk has not significantly increased since initial recognition. The amount equal to 12-month ECL 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 ECL is recognized as loss allowance. Refer to Note 4 on credit risk discussion for the description of how the Manila Branch determines when a significant increase in credit risk has occurred.

For credit-impaired financial instruments:

- Stage 3 - A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime ECL is recognized as loss allowance. Refer to Note 4 on credit risk section for the definition of credit-impaired financial assets, including the quantitative and qualitative information considered by the Manila Branch in the assessment.

Lifetime ECL represents the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting dates.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Manila Branch's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

The Manila Branch measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate method, regardless of whether it is measured on an individual basis or a collective basis.

Significant increase in credit risk (SICR)

The Manila Branch monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been an SICR since initial recognition.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Manila Branch compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Manila Branch considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Manila Branch's historical experience and expert credit assessment including forward-looking information. In the process of assessing SICR, the Manila Branch considers various factors as further discussed in Note 4.

The Manila Branch assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.



A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Manila Branch regularly monitors the effectiveness of the criteria used to identify whether there has been an SICR and revises them as appropriate to ensure that the criteria are capable of identifying SICR before the amount becomes past due.

Default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see Note 4 for definition of default with respect to the Manila Branch financial assets).

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. The Manila Branch uses observable data about various events that may lead to an asset being assessed as credit-impaired. These are fully discussed in Note 4.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Manila Branch assesses whether debt instruments that are financial assets measured at amortized cost or FVOCI are credit-impaired at each reporting date. To assess if debt instruments are credit impaired, the Manila Branch considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

Write-off

The Manila Branch writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Manila Branch's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

ECL calculation

ECL is a function of the PD, loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD represents the likelihood that a credit exposure will be in default either in the next 12 months for Stage 1 or during its lifetime for Stage 2. The PD for each individual financial asset is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Manila Branch segmented its credit exposures based on homogenous risk characteristics (i.e. loan product basis) and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the



accounts and materiality of the segment as compared to the total portfolio. EAD is modelled on historic data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default. LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

The Manila Branch incorporates overlays in its measurement of ECL. These overlays are based on broad range of macro-economic variables, which based on management's expert credit judgment and available and supportable information, reflect the reasonable expectation of future credit losses.

Recognition and presentation of ECL

The Manila Branch recognizes an impairment gain or loss in profit or loss for all financial instruments.

Allowance for ECL is presented in the statements of financial position as follows:

- for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVOCI: no loss allowance is recognized in the statements of financial position as the carrying amount is at fair value. However, any loss allowance is included as part of the revaluation amount in the investments revaluation reserve; and
- for loan commitments and financial guarantee contracts: as a provision.

Reserve for general loan loss provision

BSP Circular 1011, *Guidelines on the Adoption of the Philippine Financial Reporting Standard 9 - Financial Instruments*, requires bank to set up General Loan Loss Provision (GLLP) equivalent to 1.0% of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. In cases, when the computed loss allowance on such Stage 1 accounts is less than the 1.0% general provision required, the deficiency shall be recognized by appropriating the retained earnings in compliance with existing BSP regulations.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost.

Financial liabilities measured subsequently at amortized cost

The Manila Branch's financial liabilities which include due to other banks, due to Head Office and other branches, deposit liabilities, accrued expenses and other payables (except payables to the government), and deferred income are measured at amortized cost using the EIR method, except for those with short-term maturities where effect of discounting is immaterial.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.



The EIR method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statements of condition 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. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

Derecognition of Financial Assets and Liabilities

(a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Manila Branch retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Manila Branch has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the Manila Branch has transferred its rights to receive cash flows from an asset or has entered into a “pass-through” arrangement, 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 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 original carrying amount of the asset and the maximum amount of consideration that the Manila Branch could be required to pay.

(b) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Foreign Currency Transactions and Translation

The financial statements are presented in Philippine peso, which is the Manila Branch’s functional currency. The books of accounts of the RBU is maintained in Philippine peso, while those of the FCDO is maintained in US dollar.



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

RBU

As at reporting date, foreign currency monetary assets and liabilities of the RBU are translated to Philippine peso based on the Banker's Association of the Philippines (BAP) closing rate prevailing at end of the year, and foreign currency-denominated income and expenses, at the exchange rates as at the date of the transaction. Foreign exchange differences arising from translations of foreign currency-denominated assets and liabilities in the RBU are credited to or charged against profit or loss in the year in which the rates change. 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 is determined.

FCDU

As at the reporting date, the assets and liabilities of the FCDU is translated to the presentation currency (the Philippine peso) at BAP closing rate prevailing at the statement of condition date, and its income and expenses are translated at BAP weighted average rate for the year. Exchange differences arising on translation to the presentation currency are taken to the statement of comprehensive income under 'Cumulative translation adjustment.' Upon disposal of the FCDU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statements of income.

Cumulative Translation Adjustment (CTA)

Cumulative translation adjustment (CTA) is an accounting entry that reflects the impact of fluctuations in currency exchange rates on the Manila Branch's financial statements. While the CTA can be positive or negative, it is generally considered a non-cash item that does not impact the Manila Branch's cash flow.

The assets and liabilities of the FCDU are translated into the Manila Branch's presentation currency at 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) in the statements of comprehensive income. Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the cumulative amount of translation adjustments in equity recognized as other comprehensive income is recognized in profit or loss.

Assigned Capital

Assigned capital represents the capital permanently assigned by the Head Office to the Manila Branch.

Surplus (Deficit)

These are the accumulated profits or losses of the Manila Branch that are still unremitted to the Head Office. This may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization, and any accumulated impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance are normally charged to operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the



expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the assets. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any accumulated impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against statements of income.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives (EUL) of the respective assets. EUL of property and equipment are as follows:

Office furniture and fixtures	5 years
Electronic equipment	3 years
Leasehold improvements	Shorter of the lease term or 5 years

The property and equipment' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Manila Branch as lessee

The Manila Branch assesses whether a contract is or contains a lease, at inception of the contract. The Manila Branch recognizes a right-of-use (ROU) asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Manila Branch recognizes the lease payments as operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Manila Branch uses the government bonds risk free interest rates adjusted for financing spread factors as its incremental borrowing rate. The rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise of fixed lease payments (including in-substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.



The Manila Branch remeasures the lease liability (and makes a corresponding adjustment to the related ROU asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Manila Branch did not make any such adjustments during the periods presented.

The ROU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

ROU assets are depreciated over the lease term of the underlying asset.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Manila Branch expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The ROU assets are presented as a separate line in the statements of financial position. The Manila Branch applies PAS 36 to determine whether an ROU asset is impaired and accounts for any identified impairment loss.

Impairment of Nonfinancial Assets

The Manila Branch assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less cost of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Manila Branch is required to make estimates and assumptions that can materially affect the financial statements.

Employee Benefits

Short-term benefits

The Manila Branch recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Manila Branch has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.



Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment benefits

Defined benefit plan

The Manila Branch classifies its retirement benefit as defined benefit plan. Under the defined benefit plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statements of financial position with a charge or credit recognized in OCI in the period in which they occur. Remeasurement recognized in OCI is reflected immediately in equity under "employee benefit reserve" account and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Manila Branch presents the first two components of defined benefit costs in profit or loss as part of retirement expense under salaries, bonuses and allowances line item. Curtailment gains and losses are accounted for as past service costs.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

The retirement benefit asset recognized in the statements of financial position represents the surplus in the Manila Branch's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

The Manila Branch has an established retirement plan registered with the BIR as a Tax Qualified Retirement Plan.

Revenue Recognition

Revenue from contracts with customers (scoped in under PFRS 15) is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Manila Branch expects to be entitled in exchange for those goods or services.

The following specific recognition criteria must also be met before revenue is recognized:

(a) *Revenues within the scope of PFRS 9*

Interest income on debt financial assets

For all debt financial assets, interest income is based on EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial



liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR used to discount future cash flows. Interest income on Stage 1 and 2 accounts are recognized based on their gross carrying amounts while interest income on Stage 3 accounts are recognized on their net carrying amounts.

(b) *Revenues within the scope of PFRS 15*

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Manila Branch provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Manila Branch has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Fees and commissions

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 under the contracts is satisfied. Fee income can be divided into the following two categories:

- *Fee income earned from services that are provided over a certain period of time*
Fees earned for the provision of services over a period of time are accrued over that period.
 - (a) Commitment fee 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.
- *Fee income from providing transaction services*
Fees arising from negotiating or participating in the negotiation of a transaction for a third party such as fees for the arrangement of the loans are recognized on completion of the underlying transaction.
 - (a) Guarantee fee recognized upon execution of the trade finance products (e.g., letters of credit, letters of guarantees and acceptances, etc.).
 - (b) Service transfer fees is recognized at point in time that the associated service is provided.

Expense Recognition

Expenses are recognized in profit or loss when incurred on the basis of a direct association between the costs incurred and the earning of specific items of income; 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 function of expense method. Operating expenses are costs attributable to the administrative and other business activities of the Manila Branch.

Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between 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 Manila Branch; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Manila Branch that gives them significant influence over the Manila Branch and close members of the family of any such individual; and, (d) the Manila Branch's retirement plan, if any.

Income Taxes

Current tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Income taxes include corporate income taxes and final taxes.

The Manila Branch's corporate income tax expense for RBU is calculated using the higher of 25.00% Regular Corporate Income Tax (RCIT) rate or Minimum Corporate Income Tax Rate (MCIT) of 2%. The Manila Branch's final taxes are accrued or paid at the rate of 20.00% on gross interest income and 7.50% from foreign deposit substitute.

FCDU offshore income (income from non-residents) is tax exempt while gross onshore income (income from residents) is generally subject to 10.00% gross income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units is subject to a 15.00% final tax. RA 9294, *An Act Restoring the Tax Exemption of Offshore Banking Units (OBUs) and FCDUs*, provides that the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Deferred tax

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

Deferred tax liabilities (DTL) are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or 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; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



DTL is not provided on non-taxable temporary differences associated with investments in subsidiaries as it is not expected to reverse in foreseeable future.

Deferred tax assets (DTA) are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits from MCIT and unused NOLCO can be utilized, except:

- where the DTA relating to the deductible temporary differences arises 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; and
- in respect of taxable temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of DTA is reviewed at each statement of condition date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the DTA to be utilized. Unrecognized DTA are reassessed at each statement of condition date and are recognized to the extent that it has become probable that future taxable income will allow the DTA 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 statement of condition date.

Deferred tax relating to items recognized directly in equity is also recognized in equity and not in the statements of income.

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 relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, 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 obligation. When 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 a provision is presented in the statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.



Events After the Reporting Period

Any post year-end events that provide additional information about the Manila Branch's position at the statement of condition date (adjusting events) are reflected in the financial statements. Any post year-end events that are not adjusting events are disclosed when material to the financial statements.

Standards Issues but not yet Effective

Pronouncements issued but not yet effective are listed below. The Manila Branch intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Manila Branch's financial statements.

Effective beginning on or after January 1, 2026

- Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, *Disclosures about Uncertainties in the Financial Statements*
- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*
- Annual Improvements to PFRS Accounting Standards—Volume 11
 - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
 - Amendments to PFRS 7, *Gain or Loss on Derecognition*
 - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*
 - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
 - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027

- PFRS 17, *Insurance Contracts*
- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS Accounting Standards requires the Manila Branch to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities, if any. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and 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.

Judgments

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



a. *Determination and assessment functional currency*

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the following were considered:

- 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 circumstances relevant to the Manila Branch, the functional currency of the RBU books and FCDU books have been determined to be the PHP and USD, respectively, as disclosed in Note 2. The PHP is the currency of the primary economic environment in which the Manila Branch operates. It is the currency that mainly influences the Manila Branch in determining the costs and selling price of its services.

b. *Evaluation of business model in managing financial instruments*

Classification and measurement of financial assets depend on the results of the SPPI and the business model test. The Manila Branch determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Manila Branch monitors financial assets measured at amortized cost or FVOCI that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business model for which the asset was held. Monitoring is part of the Manila Branch's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

The Manila Branch determines its business model at an aggregated portfolio and is assessed on an instrument-by-instrument basis.

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 Manila Branch's original expectations, 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.

c. *Significant increase in credit risk (SICR)*

ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Manila Branch takes into account qualitative and quantitative reasonable and supportable forward-looking information.



Based on the Manila Branch's evaluation, financial assets measured at amortized cost as at December 31, 2025 and 2024 are classified at Stage 1 in which ECL are measured as an allowance equal to 12-month ECL.

d. Models and assumptions used

The Manila Branch uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

e. Leases

The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains, a lease when the fulfillment of the arrangement depends on a specific asset or assets and the arrangement conveys the right to use the asset.

Estimates

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of each 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.

a. Estimating allowance for ECLs

The measurement of impairment losses for financial assets at amortized cost and loans and receivables under PFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Manila Branch measures ECLs of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and information about past events, current conditions and forecasts of future economic conditions. When measuring ECL, the Manila Branch uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

As at December 31, 2025 and 2024, the carrying amounts of loans receivable subsequent to initial recognition amounted to ₱5.70 billion and ₱1.61 billion, respectively, net of allowance for ECL amounting to ₱42.33 million and ₱31.0 million as at December 31, 2025 and 2024, respectively, as disclosed in Note 10.

b. Recoverability of deferred tax assets

The Manila Branch reviews the carrying amount of deferred tax asset at the end of the reporting period and reduces it to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Where there is no absolute assurance that the Manila Branch will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized, deferred tax assets are not recognized. Significant judgment is applied by Management to determine the amount of deferred tax assets that can be recognized based on the likely timing and level of the Manila Branch's future taxable income together with its future tax planning strategies.

Based on this assessment, deferred tax asset recognized in the financial statements is limited to the amount of cumulative MCIT amounting to ₱6.62 million and ₱5.27 million as at December 31, 2025 and 2024, respectively, as disclosed in Note 25.



c. Present value of retirement obligation

The cost of defined benefit obligation and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates and future salary increases. Due to the long-term nature of these plans and complexity of the valuation, the present value of the retirement obligation is sensitive to changes in these assumptions.

The discount rates used were determined using the market yields of Philippine government bonds with terms consistent with the expected employee benefit payout as at statement of condition date. Future salary increases are based on historical annual merit, market and promotional increase and expected future inflation rates.

The key assumptions in determining the present value of the defined benefit obligation are disclosed in Note 19.

4. 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 Management Committee (RMC) and the Audit Committee of the Board of Directors. 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 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. The Manila Branch is also exposed to credit risk arising from derivative financial instruments but is limited to derivative financial assets recorded in the statements of financial position. 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 Front Office. 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). Concentrations of risk are managed by counterparty and by industry sector.

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 10.0% of Tier 1 capital, except for commercial real estate industry which has regulatory limit of 25.0% of total loan portfolio excluding interbank loans receivable.



The table below shows the credit quality of the Manila Branch's financial assets by industry/sector, gross of allowance for credit and impairment losses as at December 31, 2025 and 2024 (in thousands):

	2025						
	Government and Official Institutions	Financial Institutions	Electricity, Energy, Power	Manufacturing	Real Estate, Renting, and Business Activities	Water Supply	Total
Due from BSP	₱1,477,559	₱-	₱-	₱-	₱-	₱-	₱1,477,559
Due from other banks	-	1,768,911	-	-	-	-	1,768,911
Loans and receivables:							
Loans to customers	-	850,000	1,055,038	205,633	58,790	600,000	2,769,461
Interbank loans	-	2,939,500	-	-	-	-	2,939,500
Accrued interest receivable on loans	-	18,382	13,515	110	676	1,940	34,623
Financial asset at FVTPL	-	45,822	-	-	-	-	45,822
Financial asset at FVOCI	-	23,108	-	-	-	-	23,108
Investment securities at amortized cost	5,428,669	-	-	-	-	-	5,428,669
Other assets*	-	-	-	-	6,023	-	6,023
	₱6,906,228	₱5,645,723	₱1,068,553	₱205,743	₱65,488	₱601,940	₱14,493,676

*Other assets pertain to refundable security deposits.

	2024						
	Government and Official Institutions	Financial Institutions	Electricity, Energy, Power	Manufacturing	Real Estate, Renting, and Business Activities	Water Supply	Total
Due from BSP	₱399,120	₱-	₱-	₱-	₱-	₱-	₱399,120
Due from other banks	-	207,454	-	-	-	-	207,454
Loans and receivables:							
Loans to customers	-	-	1,157,040	412,437	57,845	-	1,627,322
Accrued interest receivable on loans	-	-	13,875	409	770	-	15,054
Financial asset at FVTPL	-	35,763	-	-	-	-	35,763
Financial asset at FVOCI	-	20,660	-	-	-	-	20,660
Investment securities at amortized cost	5,415,787	-	-	-	-	-	5,415,787
Other assets*	-	-	-	-	5,681	-	5,681
	₱5,814,907	₱263,877	₱1,170,915	₱412,846	₱64,296	₱-	₱7,726,841

*Other assets pertain to refundable security deposits.



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 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 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 as at December 31, 2025 and 2024 after taking into account any collateral held or other credit enhancements (in thousands):

	2025			
	Maximum Exposure	Fair Value of Collaterals	Financial Effect of Collaterals	Net Exposure to Credit Risk
Loans and receivables	₱5,708,960	₱6,328,760	₱996,248	₱4,712,712

	2024			
	Maximum Exposure	Fair Value of Collaterals	Financial Effect of Collaterals	Net Exposure to Credit Risk
Loans and receivables	₱1,627,322	₱6,225,399	₱1,099,195	₱528,127

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 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 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, Aa1, Aa2	AAA, AA+, AA	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.
AAA+	Aa3	AA-	
sAAA	Aaa, Aa1, Aa2	A+	
AAA	A2	A	
sAAA-	A3	A-	
AAA-	Baa1	BBB+	
sAA+	Baa2	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.
AA+	Baa2	BBB	
sAA	Baa3	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.
AA	Baa3	BBB-	
sAA-	Ba1	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.
AA-	Ba1	BB+	
Internal Borrower's Risk Ratings	Moody's Equivalent Grades	Standard & Poor's and Fitch's Equivalent Grades	Description
sA+	Ba2	BB	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.
A+	Ba2	BB	
A	Ba3	BB-	
A-	B1	B+	
BBB+	B2	B	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.
BBB	B3	B-	
BBB-	Caa1, Caa2, Caa3	CCC	
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 cash 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 and risk category.

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

The credit quality of the assets held by 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 Manila Branch. The Manila Branch takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significant 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 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 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, and whether the market price has been falling to assess deterioration.

The Manila Branch has no past due loan in 2025 and 2024.

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).

The Manila Branch has no defaulted borrower in 2025 and 2024.



Stage of financial instruments

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.

DETERIORATION IN CREDIT QUALITY			
	Stage 1	Stage 2	Stage 3
Impairment Stage	No significant increase in credit risk	Significant increase in credit risk	Credit impaired
Recognition of ECL	Collective 12-month ECL when credit risk is low to moderate or risk of default has not increased significantly	Collective or Individual Lifetime ECL when credit quality deteriorates significantly but not credit impaired	Individual Lifetime ECL when credit losses are incurred, or asset is credit impaired

ECLs are updated at each reporting date for new information and changes in expectations even if there has not been a significant increase in credit risk.

The table below shows the credit quality of the Manila Branch's financial assets by credit risk rating and stage as at December 31, 2025 and 2024 (in thousands):

	2025			Total
	Stage 1	Stage 2	Stage 3	
Due from BSP and other banks				
AAA / AA+ / AA	₱1,768,966	₱-	₱-	₱1,768,966
AA- / A+	-	-	-	-
A / A-	-	-	-	-
BBB+ / BBB / BBB-	1,477,559	-	-	1,477,559
BB+ / BB / BB- / B+	-	-	-	-
B / B-	-	-	-	-
CCC	-	-	-	-
CC / C	-	-	-	-
D	-	-	-	-
Unrated	-	-	-	-
Loss Allowance	(55)	-	-	(55)
Carrying Amount	₱3,246,470	₱-	₱-	₱3,246,470
Investment assets at amortized cost				
AAA / AA+ / AA	₱-	₱-	₱-	₱-
AA- / A+	-	-	-	-
A / A-	-	-	-	-
BBB+ / BBB / BBB-	5,428,669	-	-	5,428,669
BB+ / BB / BB- / B+	-	-	-	-
B / B-	-	-	-	-
CCC	-	-	-	-
CC / C	-	-	-	-
D	-	-	-	-
Unrated	-	-	-	-
Loss Allowance	(3,356)	-	-	(3,356)
Carrying Amount	₱5,425,313	₱-	₱-	₱5,425,313

(Forward)



	2025			Total
	Stage 1	Stage 2	Stage 3	
Loans and receivables				
AAA / AA+ / AA	₱-	₱-	₱-	₱-
AA- / A+	-	-	-	-
A / A-	-	-	-	-
BBB+ / BBB / BBB-	2,956,163	-	-	2,956,163
BB+ / BB / BB- / B+	851,718	-	-	851,718
B / B-	-	-	-	-
CCC	-	-	-	-
CC / C	-	-	-	-
D	-	-	-	-
Unrated	1,935,702	-	-	1,935,702
Loss Allowance	(42,334)	-	-	(42,334)
Carrying Amount	₱5,701,249	₱-	₱-	₱5,701,249
Other assets				
AAA / AA+ / AA	₱-	₱-	₱-	₱-
AA- / A+	-	-	-	-
A / A-	-	-	-	-
BBB+ / BBB / BBB-	-	-	-	-
BB+ / BB / BB- / B+	-	-	-	-
B / B-	-	-	-	-
CCC	-	-	-	-
CC / C	-	-	-	-
D	-	-	-	-
Unrated	6,023	-	-	6,023
Loss Allowance	(119)	-	-	(119)
Carrying Amount	₱5,904	₱-	₱-	₱5,904

	2024			Total
	Stage 1	Stage 2	Stage 3	
Due from BSP and other banks				
AAA / AA+ / AA	₱207,480	₱-	₱-	₱207,480
AA- / A+	-	-	-	-
A / A-	-	-	-	-
BBB+ / BBB / BBB-	399,120	-	-	399,120
BB+ / BB / BB- / B+	-	-	-	-
B / B-	-	-	-	-
CCC	-	-	-	-
CC / C	-	-	-	-
D	-	-	-	-
Unrated	-	-	-	-
Loss Allowance	(26)	-	-	(26)
Carrying Amount	₱606,574	₱-	₱-	₱606,574
Investment assets at amortized cost				
AAA / AA+ / AA	₱-	₱-	₱-	₱-
AA- / A+	-	-	-	-
A / A-	-	-	-	-
BBB+ / BBB / BBB-	5,415,787	-	-	5,415,787
BB+ / BB / BB- / B+	-	-	-	-
B / B-	-	-	-	-
CCC	-	-	-	-
CC / C	-	-	-	-
D	-	-	-	-
Unrated	-	-	-	-
Loss Allowance	(3,649)	-	-	(3,649)
Carrying Amount	₱5,412,138	₱-	₱-	₱5,412,138
Loans and receivables				
AAA / AA+ / AA	₱-	₱-	₱-	₱-
AA- / A+	-	-	-	-
A / A-	-	-	-	-
BBB+ / BBB / BBB-	-	-	-	-
BB+ / BB / BB- / B+	-	-	-	-
B / B-	-	-	-	-
CCC	-	-	-	-

(Forward)



	2024			Total
	Stage 1	Stage 2	Stage 3	
CC / C	₱-	₱-	₱-	₱-
D	-	-	-	-
Unrated	1,642,376	-	-	1,642,376
Loss Allowance	(31,025)	-	-	(31,025)
Carrying Amount	₱1,611,351	₱-	₱-	₱1,611,351
Other assets				
AAA / AA+ / AA	₱-	₱-	₱-	₱-
AA- / A+	-	-	-	-
A / A-	-	-	-	-
BBB+ / BBB / BBB-	-	-	-	-
BB+ / BB / BB- / B+	-	-	-	-
B / B-	-	-	-	-
CCC	-	-	-	-
CC / C	-	-	-	-
D	-	-	-	-
Unrated	5,681	-	-	5,681
Loss Allowance	(118)	-	-	(118)
Carrying Amount	₱5,563	₱-	₱-	₱5,563

*Other assets pertain to refundable deposits.

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.

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

As at December 31, 2025 and 2024, the total allowance for ECL on all financial instruments amounted to ₱48,178,039 and ₱35,935,403, respectively as shown in Note 22.

Forward-looking information contained in ECL

The calculation of ECL incorporates forward-looking information. The Head Office has performed historical analysis and identified the key economic variables, including Gross Domestic Product (“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 Head Office.

Sensitivity of ECL in future economic conditions

The ECL are sensitive to judgments 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, 2025 and 2024, when the key economic indicators in the neutral scenario move up or down by 10%, the ECL will change by no more than 5%.

This sensitivity calculation of ICBC Group is applicable to 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 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 Bank 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 effective interest rate.

Liquidity and Funding Risk

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 bank and, by extension, the needs of its customers, and risk that 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 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 Manila Branch has established a sound framework for measuring, monitoring and controlling liquidity risk across different time horizons and stress scenarios:

- *Identification*
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 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 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 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 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. 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, of responsibility, and details clear invocation and escalation procedures.



The maturity profile of the Manila Branch's financial assets and liabilities as at December 31, 2025 and 2024 are as follows (in thousands):

	2025						
	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 BSP	₱1,477,559	₱1,477,559	₱1,477,559	₱–	₱–	₱–	₱–
Due from other banks	1,768,911	1,768,911	1,768,911	–	–	–	–
Financial asset at FVTPL	45,822	45,822	9,106	31,551	5,165	–	–
Investments securities at amortized cost	5,425,313	6,127,900	–	–	–	5,681,742	446,158
Loans and receivables	5,701,249	6,660,032	–	732,802	–	5,267,474	659,756
Financial asset at FVOCI	23,108	23,108	23,108	–	–	–	–
Other assets*	6,023	6,023	–	–	–	6,023	–
	14,447,985	16,109,355	3,278,684	764,353	5,165	10,955,239	1,105,914
Financial Liabilities							
Due to Head Office and other branches	5,494,423	5,664,312	3,776,528	1,047,646	840,138	–	–
Deposit liabilities	4,946,313	4,946,313	4,946,313	–	–	–	–
Accrued expenses and other payables**	52,872	52,872	52,872	–	–	–	–
Lease liabilities	59,449	66,434	–	6,431	19,673	40,330	–
	10,553,057	10,729,931	8,775,713	1,054,077	859,811	40,330	–
Net Liquidity Surplus (Gap)	₱3,894,928	₱5,379,424	(₱5,497,029)	(₱289,724)	₱(854,646)	₱10,914,909	₱1,105,914

*Other assets pertain to refundable security deposits.

**Accrued expense and other payables consist of accrued salaries, accounts payable, IRS swap interest payable and other accrued expenses.

	2024						
	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 BSP	₱399,120	₱399,120	₱399,120	₱–	₱–	₱–	₱–
Due from other banks	207,454	207,454	207,454	–	–	–	–
Financial asset at FVTPL	35,763	35,763	15,482	–	20,281	–	–
Investments securities at amortized cost	5,412,138	6,349,166	–	–	–	5,877,508	471,658
Loans and receivables	1,611,351	2,158,990	–	–	–	1,442,981	716,010
Financial asset at FVOCI	20,660	20,660	20,660	–	–	–	–
Other assets*	5,681	5,681	–	–	–	5,681	–
	7,692,167	9,176,834	642,716	–	20,281	7,326,170	1,187,668
Financial Liabilities							
Due to Head Office and other branches	2,115,679	2,210,193	2,210,193	–	–	–	–
Financial liability at FVTPL	16,798	16,798	16,798	–	–	–	–
Deposit liabilities	1,545,546	1,545,546	1,545,546	–	–	–	–
Accrued expenses and other payables**	108,631	108,631	108,631	–	–	–	–
Lease liabilities	80,028	96,059	–	6,125	18,733	71,201	–
	3,866,682	3,977,227	3,881,168	6,125	18,733	71,201	–
Net Liquidity Surplus (Gap)	₱3,825,485	₱5,199,607	(₱3,238,452)	(₱6,125)	₱1,548	₱7,254,969	₱1,187,668

*Other assets pertain to refundable security deposits.

**Accrued expense and other payables consist of accrued salaries, accounts payable, IRS swap interest payable and other accrued expenses.



As at December 31, 2025 and 2024, there are no financial assets pledged as collateral.

Market Risk

Market risk is the risk of a loss in 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 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 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 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 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 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 Manila Branch identifies and measures the impact of any new transaction on its market risk position on an on-going basis.



Foreign currency exchange risk

Foreign currency exchange risk arises when an investment's value changing due to changes in currency exchange rate. The Manila Branch undertakes certain transactions denominated in foreign currencies, hence, exposures to exchange rate fluctuations arose. Significant fluctuation in the exchange rates could significantly affect the Manila Branch's financial position.

The Manila Branch undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US Dollars (USD), Chinese Yuan (CNY), Euro (EUR), and Philippine Peso. Foreign currency exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Manila Branch's functional currency. Significant fluctuation in the exchange rates could significantly affect the Manila Branch's financial position. The exposure is managed partly by natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies. The Manila Branch may enter into derivative foreign exchange contracts, if necessary, to hedge against foreign exchange risk.

The table below summarizes the Manila Branch's exposure to foreign exchange risk as at December 31, 2025 and 2024. Included in the table are the Manila Branch's assets and liabilities at carrying amounts, categorized by currency (PHP equivalents in thousands).

	2025			Total
	USD	EUR	CNY	
Financial Assets				
Due from other banks	₱1,752,906	₱-	₱1,719	₱1,754,625
Financial Asset at FVTPL	-	-	-	-
Loans and receivable	3,717,401	-	-	3,717,401
Due from RBU	410,499	-	-	410,499
Other Assets*	-	-	-	-
	5,880,806	-	1,719	5,882,525
Financial Liabilities				
Due to Head Office and other branches	5,614,723	(1,506)	(118,697)	5,494,520
Due to RBU	410,499	-	-	410,499
Deposit liabilities	2,346,993	-	108,798	2,455,791
Accrued Expense and Other Payables**	-	-	-	-
	8,372,215	(1,506)	(9,899)	8,360,810
Net Position	(₱2,491,409)	₱1,506	₱11,618	(₱2,478,285)
	2024			
Financial Assets				
Due from other banks	₱168,937	₱-	₱13,853	₱182,790
Financial Asset at FVTPL	20,281	-	-	20,281
Loans and receivable	982,856	-	-	982,856
Due from RBU	191,571	-	-	191,571
Other Assets*	2,660	-	-	2,660
	1,366,305	-	13,853	1,380,158
Financial Liabilities				
Due to Head Office and other branches				
Due to RBU	2,169,616	(1,283)	(72,939)	2,095,395
Deposit liabilities	191,571	-	-	191,571
Financial Liability at FVTPL	383,934	-	62,447	446,381
Accrued Expense and Other Payables**	270	-	-	270
	2,745,391	(1,283)	(10,492)	2,733,617
Net Position	(₱1,379,086)	₱1,283	₱24,345	(₱1,353,459)

*Other assets consists of IRS interest receivable

**Accrued expense and other payables consist of IRS interest payable.

The table below indicates the currencies which the Manila Branch has significant exposure to as at December 31, 2025 and 2024 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.

	Foreign Currency Appreciates Against PHP by	Effects on Profit before Tax (in thousands)	Foreign Currency Depreciates by	Effects on Profit before Tax (in thousands)
2025				
USD	1.6337%	(P40,702)	(1.6337%)	P40,702
EUR	14.8253%	223	(14.8253%)	(223)
CNY	5.8588%	681	(5.8588%)	(681)
2024				
USD	4.4699%	(P61,644)	(4.4699%)	P61,644
EUR	(1.5643%)	(20)	1.5643%	20
CNY	1.8189%	443	(1.8189%)	(443)

Interest rate risk

Interest rate risk is defined as the current or prospective risk to both the capital and earnings 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 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 Manila Branch's interest rate repricing gap as at December 31, 2025 and 2024 (in thousands):

	Overnight to 1 month	1-3 Months	3-6 Months	6-12 Months	1-2 Years	Beyond 2 Years	Non-rate Sensitive	Total
2025								
Assets								
Due from BSP (gross)	P1,295,432	P-	P-	P-	P-	P-	P182,127	P1,477,559
Due from other banks (gross)	-	-	-	-	-	-	1,768,966	1,768,966
Investment securities at amortized cost (gross)	-	-	-	-	-	5,428,669	-	5,428,669
Loans and receivables (gross)	2,086,913	1,775,800	553,418	-	-	1,292,830	-	5,708,961
	3,382,345	1,775,800	553,418	-	-	6,721,499	1,951,093	14,384,155
Liabilities								
Due to Head Office and other branches	3,769,230	1,037,808	824,388	-	-	-	(137,003)	5,494,423
Deposit Liabilities	4,946,313	-	-	-	-	-	-	4,946,313
	8,715,543	1,037,808	824,388	-	-	-	(137,003)	10,440,736
Net Repricing Gap	(P5,333,198)	P737,992	(P270,970)	P-	P-	P6,721,499	P2,088,096	P3,943,419
2024								
Assets								
Due from BSP (gross)	P315,236	P-	P-	P-	P-	P-	P83,884	P399,120
Due from other banks (gross)	-	-	-	-	-	-	207,480	207,480
Investment securities at amortized cost (gross)	-	-	-	-	-	5,415,787	-	5,415,787
Loans and receivables (gross)	528,127	-	-	-	644,118	455,077	-	1,627,322
	843,363	-	-	-	644,118	5,870,864	291,364	7,649,709
Liabilities								
Due to Head Office and other branches	2,206,910	-	-	-	-	-	(91,231)	2,115,679
Deposit Liabilities	1,545,546	-	-	-	-	-	-	1,545,546
	3,752,456	-	-	-	-	-	(91,231)	3,661,225
Net Repricing Gap	(P2,909,093)	P-	P-	P-	P644,118	P5,870,864	P382,595	P3,988,484



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, 2025 and 2024.

The table below demonstrates the potential impact of the Manila Branch's income before income tax attributed from a 200-basis point parallel move in interest rates, with all other variables held constant as at December 31, 2025 (25-basis point in 2024). The impact from non-parallel movements may be materially different from the estimated impact of parallel movements (in thousands).

	Increase/Decrease in Interest Rate (in basis points)	Effect in Income before Income Tax
	+200bps	₱78,868
2025	-200bps	(78,868)
	+25bps	₱9,971
2024	-25bps	(9,971)

Equity price risk

Given the nature and amount of the Manila Branch's equity investments in 2025 and 2024, Management believes that the Manila Branch's exposure to equity price risk is minimal.

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 bank 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, 2025 and 2024, 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.

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

- **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.

5. **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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Manila Branch takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of PFRS 16, *Leases*.

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

Due from BSP, 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 nature.



Financial Asset at FVTPL

Fair value of the derivative instrument is determined based on published quotes or price valuations provided by counterparties or calculations using market-accepted valuation techniques.

Financial Asset at FVOCI

Unquoted equity securities are measured at fair value. These are securities in PCHC held as per membership requirement.

Investment Securities at Amortized Cost

Fair values of peso-denominated government debt securities issued by the Philippine government are determined based on the reference price per Bloomberg which used BVAL. These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparable.

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 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.

Security Deposits

The carrying amount of refundable deposits presented under “Other assets” account approximates fair value at year end.

The Manila Branch believes that the effect of discounting and future cash flows for these instruments using the prevailing market rates is not significant. These are classified as current assets when they become collectible within 12 months from the reporting date.

Deposit Liabilities

The carrying amount of savings deposit liabilities approximates fair value, considering that these are due and demandable.

Due to Other Banks and Lease Liabilities

Due to other banks and lease liabilities are measured at present value, which approximate its fair value.

Other Financial Liabilities

The carrying amounts of other liabilities, excluding statutory payables and provisions for employee salaries, penalties, taxes and other accrued expenses included in “Accrued Expenses and Other Payables” account approximate fair values due mainly to either the demand feature of or the relatively short-term maturities of these liabilities.

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

	2025				Fair Value
	Carrying Amount	Level 1	Level 2	Level 3	
Assets Measured at Fair Value					
Financial assets at FVTPL:					
Derivative assets	₱45,822	₱-	₱45,822	₱-	₱45,822
Financial asset at FVOCI:					
Unquoted equity	23,108	-	-	23,108	23,108
Assets for which Fair Values are Disclosed					
Financial assets at amortized cost:					
Investment securities at amortized cost	5,425,313	5,459,231	-	-	5,459,231
Loans and receivables	5,743,584	-	-	5,743,584	5,743,584
Other assets*	6,023	-	-	6,023	6,023
	₱11,243,850	₱5,459,231	₱45,822	₱5,772,715	₱11,277,768
Liabilities Measured at Fair Value					
Liabilities for which Fair Values are Disclosed					
Due to Head Office and other branches	₱5,494,423	₱-	₱-	₱5,494,423	₱5,494,423
Deposit liabilities	4,946,313	-	-	4,946,313	4,946,313
Accrued expenses and other payables**	52,872	-	-	52,872	52,872
Lease liabilities	59,449	-	-	59,449	59,449
	₱10,553,057	₱-	₱-	₱10,553,057	₱10,553,057

*Other assets pertain to refundable security deposits.

**Accrued expense and other payables consist of accrued salaries, accounts payable, IRS swap interest payable and other accrued expenses

	2024				Fair Value
	Carrying Amount	Level 1	Level 2	Level 3	
Assets Measured at Fair Value					
Financial assets at FVTPL:					
Derivative assets	₱35,763	₱-	₱35,763	₱-	₱35,763
Financial asset at FVOCI:					
Unquoted equity	20,660	-	-	20,660	20,660
Assets for which Fair Values are Disclosed					
Financial assets at amortized cost:					
Investment securities at amortized cost	5,415,787	2,512,757	2,991,075	-	5,503,832
Loans and receivables	1,642,376	-	-	1,575,716	1,575,716
Other assets*	5,681	-	-	5,681	5,681
	₱7,120,267	₱2,512,757	₱3,026,838	₱1,602,057	₱7,141,652
Liabilities Measured at Fair Value					
Financial liability at FVTPL:					
Derivative liabilities	₱16,798	₱-	₱16,798	₱-	₱16,798
Liabilities for which Fair Values are Disclosed					
Due to Head Office and other branches	2,115,679	-	-	2,115,679	2,115,679
Deposit liabilities	1,545,405	-	-	1,545,405	1,545,405
Accrued expenses and other payables**	108,631	-	-	108,631	108,631
Lease liabilities	80,028	-	-	80,028	80,028
	₱3,866,541	₱-	₱16,798	₱3,849,743	₱3,866,541

*Other assets pertain to refundable security deposits.

**Accrued expense and other payables consist of accrued salaries, accounts payable, IRS swap interest payable and other accrued expenses

As at December 31, 2025 and 2024, there have been no transfers into and out of each of the levels of the fair value hierarchy.

6. Due from Bangko Sentral ng Pilipinas

This account consists of the following:

	2025	2024
Overnight deposit facility account (ODF)	₱1,295,431,667	₱215,156,771
Overnight reverse repurchase agreement (RRP)	-	100,079,167
Demand deposit account (DDA) (Note 16)	182,127,522	83,884,213
	₱1,477,559,189	₱399,120,151



ODF represents overnight deposit interest-earning balances for funds placed with the BSP which earned interest rate ranging from 4.00% to 5.25% per annum in 2025 and 5.25% to 6.00% per annum in 2024.

RRP pertains to overnight lending transactions with interest rate of 4.95% to 5.78% per annum in 2025 and interest of 5.70% to 6.55% per annum in 2024.

DDA represents non-interest earning deposit maintained by the Manila Branch with BSP.

Interest income on due from BSP amounted to ₱14.91 million and ₱16.79 million in 2025 and 2024, respectively.

The Management believes that there is no further allowance for credit losses required to be recognized.

7. **Due From Other Banks – Net**

This account consists of the following:

	2025	2024
Due from other banks at gross	₱1,768,966,379	₱207,480,277
Allowance for ECL (Note 22)	(55,124)	(26,152)
	₱1,768,911,255	₱207,454,125

Due from other banks represent deposit accounts with domestic and foreign banks which earn interest at the prevailing rate of 0.0625% to 0.10% per annum in 2025 and 0.10% to 0.125% per annum in 2024 for Philippine peso denominated transactions and 0.05% to 0.25% per annum in 2025 and 0.125% per 2024 for foreign currency-denominated transactions.

Interest income earned from these savings accounts amounted to ₱1.09 million and ₱0.35 million in 2025 and 2024, respectively.

Out of the total deposits with other banks, the Manila Branch's foreign currency deposit under FCDO as at December 31, 2025 and 2024 amounted to ₱1.55 billion and ₱182.79 million, respectively.

A summary of the movements within allowance for ECL are as follows:

	2025	2024
Balance, January 1	₱26,152	₱87
Provision for ECL (Note 22)	29,374	25,806
Effect of foreign exchange differences	(402)	259
	₱55,124	₱26,152

The Management believes that there is no further allowance for ECL is required in excess of the amount recognized.



8. Financial Assets and Liabilities at FVTPL

This account is composed of derivative contracts as follows:

	Notional Principal Amount		Fair Value	
	2025	2024	2025	2024
Financial Assets				
Interest rate swap (IRS)	\$-	\$7,000,000	₱-	₱20,281,130
Currency swap	63,000,000	10,500,000	45,821,939	15,481,534
			₱45,821,939	₱35,762,664
Financial Liabilities				
Currency swap	\$-	\$20,500,000	₱-	₱16,797,675

Derivative financial instruments are presented as financial asset at FVTPL when fair value is positive and financial liability at FVTPL when the fair value is negative in the statements of financial position.

The fair value gain or loss on financial assets and liabilities at FVTPL is presented in the statements of comprehensive income. The fair value gain or loss for the currency swaps and the fair value gain or loss in the IRS are presented under the gain on financial assets at fair value through profit or loss account in the statements of comprehensive income.

	2025	2024
Derivative assets		
Balance at beginning of year	₱35,762,664	₱38,714,061
Fair value changes during the year	47,144,385	11,234,284
Settled transactions	(37,085,110)	(14,185,681)
Balance at end of year	45,821,939	35,762,664
Derivative liabilities		
Balance at beginning of year	16,797,675	16,499,107
Fair value changes during the year	(5,720,141)	4,277,419
Settled transactions	(11,077,534)	(3,978,851)
Balance at end of year	₱-	₱16,797,675

Terms of the notional amounts of the positive and negative fair values of the currency swap which is between 17 to 181 days in 2025 and between 62 to 366 days in 2024, respectively. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

On the other hand, the IRS has a notional amount of USD 7,000,000 with a payment fixed rate of 0.49% quarterly and receiving rate of USD SOFR 3months + 0 basis point quarterly. Term of the IRS is five (5) years which matured in 2025.

As at December 31, 2025 and 2024, there were no financial assets at FVTPL pledged as collateral for liabilities.



9. Investment Securities at Amortized Cost - Net

This account consists of:

	2025	2024
Treasury bonds	₱5,400,000,000	₱5,400,000,000
Accrued interest receivable	48,104,166	48,104,166
Unamortized discount - net	(19,435,199)	(32,316,851)
	5,428,668,967	5,415,787,315
Allowance for ECL (Note 22)	(3,555,684)	(3,649,294)
	₱5,425,313,283	₱5,412,138,021

Movements of principal for investment securities for 2025 and 2024 are as follows:

	2025	2024
Balance, January 1	₱5,400,000,000	₱5,150,000,000
Purchases	-	800,000,000
Maturities	-	(550,000,000)
Balance, December 31	₱5,400,000,000	₱5,400,000,000

The Manila Branch paid nil and ₱831.37 million to purchase government securities for 2025 and 2024, respectively. These amounts are inclusive of unamortized premium at transaction date.

Treasury bonds are medium to long-term securities issued by the Philippine government.

The annual nominal interest rates on government debt securities range from 3.63% to 8.00% per annum in 2025 and 2024. Interest income on these government securities amounted to ₱300.76 million and ₱276.79 million in 2025 and 2024, respectively.

None of these investments were disposed of or pledged as collateral for liabilities as at December 31, 2025 and 2024.

A summary of the allowance for ECL on investment securities at amortized cost is as follows:

	2025	2024
Balance, January 1	₱3,649,294	₱3,657,107
Reversal of ECL (Note 22)	(293,610)	(7,813)
Balance, December 31	₱3,355,684	₱3,649,294

The Management believes that there is no further allowance for ECL required in excess of the amount recognized.



10. Loans and Receivables - Net

This account consists of:

	2025	2024
Loans to customers at amortized cost		
Syndicated loans	₱2,169,460,889	₱1,627,321,971
Corporate loans	600,000,000	-
Interbank loans	2,939,500,000	-
	5,708,960,889	1,627,321,971
Accrued interest receivable	34,622,739	15,054,186
	5,743,583,628	1,642,376,157
Allowance for ECL (Note 22)	(42,334,138)	(31,025,133)
	₱5,701,249,490	₱1,611,351,024

The loans have interest rates ranging from 4.80% to 8.26% in 2025 and 5.50% to 8.42% in 2024. Interest income earned from loans and receivables amounted to ₱244.88 million and ₱322.85 million in 2025 and 2024, respectively.

a. Allowance for ECL are as follows:

In 2025 and 2024, all of the Manila Branch's loans receivables assessed under Stage 1 were provided with one percent (1%) general provision for ECL. The balance of GLLP that were lodged and temporarily recognized in Reserve for GLLP in capital funds account amounted to ₱19.9 million and ₱2.00 million in 2025 and 2024, respectively.

A summary of the allowance for ECL is as follows:

	2025	2024
Balance, January 1	₱31,025,133	₱774,738,069
Provision for (reversal of) ECL (Note 22)	11,066,441	(784,025,889)
Effect of foreign exchange differences	242,564	40,312,953
Balance, December 31	₱42,334,138	₱31,025,133

The Management believes that no further allowance for ECL is required in excess of the amount recognized.

b. Loan concentration

The following table shows the breakdown of loans and advances to customers at amortized cost, excluding allowance for ECL and accrued interest receivable, as to secured and unsecured and the breakdown of secured loans as to type of security as at December 31, 2025 and 2024:

	2025		2024	
	Amounts	%	Amounts	%
Secured loans:				
Chattel mortgages	₱996,247,706	17.45%	₱1,099,194,527	67.55%
Unsecured loans	4,712,713,183	82.55%	528,127,444	32.45%
	₱5,708,960,889	100.00%	₱1,627,321,971	100.00%

As at December 31, 2025 and 2024, there were no loans pledged as collateral for liabilities.



As at December 31, 2025 and 2024, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2025		2024	
	Amounts	%	Amounts	%
Electricity, energy, power	₱1,055,038	18.5%	₱1,157,040	71.1%
Manufacturing	205,633	3.6%	412,437	25.3%
Real estate, renting and business activities	58,790	1.0%	57,845	3.6%
Water supply, sewerage, waste management and remediation activities	600,000	10.5%	–	0.0%
Financial institutions	3,789,500	66.4%	–	0.0%
	₱5,708,961	100.0%	₱1,627,322	100.0%

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. The Manila Branch has a 66.4% exposure to financial institutions as at December 31, 2025 and 71.1% exposure in the electricity, energy power industry as at December as at December 31, 2024.

As at December 31, 2025, the Manila branch has credit concentration risk exceeding 10% of Tier 1 capital to industries such as electricity, energy and power, water supply, sewerage, waste management and remediation activities and financial institutions, while for 2024 in electricity, energy and power and manufacturing industries.

Under Section 304 of the Manual of Regulations for Banks (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.

As at December 31, 2025 and 2024, the Manila Branch has no NPL, as defined under Section 304 of MORB.

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 2025 and 2024, the Manila Branch has been in compliance with the regulations on Single Borrower's Limit of the BSP. As at December 31, 2025 and 2024, there were no loans pledged as collateral for liabilities.



11. Financial Asset at FVOCI

This account consists of unquoted investment in equity securities maintained by the Manila Branch as part of the membership requirements with Philippine Clearing House Corporation. Movement of the account is as follows:

	2025	2024
Balance, January 1	₱20,659,986	₱18,789,720
Unrealized fair value gain	2,448,424	1,870,266
Balance, December 31	₱23,108,410	₱20,659,986

During 2025, the Manila Branch purchased debt securities classified at FVOCI for ₱81.72 million. The securities matured within the same year, with no outstanding balance as of December 31, 2025. Interest income of ₱0.33 million was recognized in profit or loss.

As at December 31, 2025 and 2024, there were no financial assets at FVOCI pledged as collateral for liabilities.

12. Other Assets

Other assets include the following:

	2025	2024
Security deposits (Note 18)	₱6,022,589	₱5,680,695
Less: Allowance for ECL (Note 22)	(119,384)	(117,694)
	5,903,205	5,563,001
Receivable from customers	15,426,967	11,996
Prepayments	910,536	792,889
IRS interest receivable	-	2,660,464
	₱22,240,708	₱9,028,350

Security deposits refer to the sum of money initially paid for contract agreements, such as leases of office premises and exterior signage space. Security deposits are refundable at the end of the lease term.

Prepayments pertain to advance payments on rent, telecommunication, IT-related and insurance expenses.

IRS receivable pertains to the interest receivable that Manila Branch has from the interest rate swap agreement with ICBC Head Office, as disclosed in Note 8.

Receivables from customers represent advance payments of DST and commission fee on guarantees for collection from clients.

As at December 31, 2025 and 2024, there were no item of other assets pledged as collateral for liabilities.



13. Property and Equipment

The composition of and movements in this account are as follows:

	2025			
	Office Furniture and Fixtures	Electronic Equipment	Leasehold Improvements	Total
Cost				
Balance at beginning of the year	₱44,958,181	₱49,802,077	₱45,974,874	₱140,735,132
Additions	302,352	8,349,909	-	8,652,261
Retirements	-	(1,333,376)	-	(1,333,376)
Balance at end of the year	45,260,533	56,818,610	45,974,874	148,054,017
Accumulated Depreciation and Amortization				
Balance at beginning of the year	43,040,783	46,017,584	45,974,874	135,033,241
Depreciation and amortization	233,865	1,784,258	-	2,018,123
Retirements	-	(1,333,376)	-	(1,333,376)
Balance at end of the year	43,274,648	46,468,466	45,974,874	135,717,988
Net book value	₱1,985,885	₱10,350,144	₱-	₱12,336,029

	2024			
	Office Furniture and Fixtures	Electronic Equipment	Leasehold Improvements	Total
Cost				
Balance at beginning of the year	₱44,397,295	₱46,284,723	₱45,974,874	₱136,656,892
Additions	560,886	3,517,354	-	4,078,240
Balance at end of the year	44,958,181	49,802,077	45,974,874	140,735,132
Accumulated Depreciation and Amortization				
Balance at beginning of the year	42,780,927	45,315,808	45,974,874	134,071,609
Depreciation and amortization	259,856	701,776	-	961,632
Balance at end of the year	43,040,783	46,017,584	45,974,874	135,033,241
Net book value	₱1,917,398	₱3,784,493	₱-	₱5,701,891

As at December 31, 2023, leasehold improvements are fully-depreciated.

There is neither restriction on the title of the Manila Branch's property and equipment nor was any of it pledged as collateral for liability. The Manila Branch has no contractual commitment for the acquisition of property and equipment.

As at December 31, 2025 and 2024, there was no impairment on property and equipment.

14. Related Party Transactions

The Manila Branch's related parties include its Head Office, other branches of the Head Office, key management personnel and retirement plan. The Manila Branch's related party transactions 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, 2025 and 2024 (in thousands):

Nature of Transactions	Transactions During the Year		Outstanding Receivable (Payable)		Terms	Condition	Notes
	2025	2024	2025	2024			
Head Office							
Deposits in Head Office	₱14,575	₱50,070	₱61,845	₱76,420	Average of 2.65% per annum, to be settled in cash, 30-day term	Unsecured, unguaranteed, unimpaired	<i>a</i>
Borrowings from Head Office	–	553,700	(20,311)	(20,311)			<i>b</i>
Interest payable	–	15,149	–	–			<i>b</i>
Overseas Branches							
Deposits in overseas branches	₱60,348	₱28,483	₱95,470	₱35,122	Fixed rate per annum, to be settled in cash, 30-day term	Unsecured, unguaranteed, unimpaired	<i>a</i>
Borrowings from branches	3,386,940	1,650,105	(5,585,050)	(2,198,110)			<i>b</i>
Interest payable	174,584	161,484	(46,377)	(8,800)			<i>b</i>
Due to Head Office and other branches - net	₱–	₱–	(₱5,494,423)	(₱2,115,679)			

- a. Deposits pertain to demand deposit accounts used for inter-branch transactions with Head Office and other branches. Placements are short term unsecured lending to Head Office and other branches.

Interest income earned on demand deposit accounts for the years ended December 31, 2025 and 2024 amounted to ₱1.21 million and ₱4.08 million, respectively.

As at December 31, 2025 and 2024 no accrued interest from placements are booked under FCDU.

- b. These represent short-term loan borrowings and payable from the Head Office and other branches. The short-term loan borrowings have variable interest rates benchmarked to the Secured Overnight Financing Rate (SOFR). In 2025, interest rates booked ranged from 4.10% to 5.85% per annum while in 2024, it ranged from 1.50% to 5.85% per annum.
- c. Interest accrued on these short-term loan borrowings for the years ended December 31, 2025 and 2024 amounted to ₱46.34 million and ₱8.80 million, respectively while, interest expense amounted to ₱174.58 million and ₱176.63 million, respectively.

Moreover, the Manila Branch has an outstanding payable amounting to ₱20.31 million as at December 31, 2025 to Head Office which pertains to the amount paid by the Head Office on behalf of the Manila Branch to the Philippine Clearing House Corporation (PCHC).

Financial instruments at FVTPL

The Manila Branch entered into an IRS contract with the Head Office. The IRS has a notional amount of USD 7,000,000 with a payment fixed rate of 0.49% quarterly and receiving rate of USD SOFR 3 months + 0 basis point quarterly. Term of the IRS is five (5) years (Note 8). The contract matured in 2025.

The table below shows the details of the amounts related to the IRS contract:

	2025	2024
Financial Asset at FVTPL (Note 8)	₱–	₱20,281,130
Fair value gain/(loss) (Note 8)	(5,720,141)	4,277,419
Interest Receivable (Note 12)	–	2,660,464
Interest Payable (Note 17)	–	269,577



DOSRI Loans

Existing banking regulations limit the amount of individual loans to directors, officers, stockholders and related interests (DOSRI), 70.0% of which must be secured, to the total of their respective deposits and book value of their respective investments in the Manila Branch. In the aggregate, loans to DOSRI generally should not exceed the respective total regulatory capital or 15.0% of total loan portfolio, whichever is lower.

On March 15, 2004, the BSP issued Circular 423, *Amendments to Section X326 to X338 of the MORB including their Subsections to implement Section 36 of Republic Act 8791 or the Banking Law of 2000* which provides for the amended definition of DOSRI accounts. It clarifies that loans granted to officers and employees under an approved fringe benefit program is excluded from the individual ceiling but is subject to 5.0% aggregate ceiling.

As at December 31, 2025 and 2024, the Manila Branch has no loan transactions, other credit accommodations and guarantees with DOSRI as defined under BSP Circular No. 423.

Remuneration of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Manila Branch, directly or indirectly. 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 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 years ended December 31, 2025 and 2024 amounted to ₱163.34 million and ₱144.18 million, respectively.

Transactions with the Retirement Plan

Under PAS 24, certain post-employment benefit plans are considered as related parties. The Manila Branch's retirement plan is in the form of a trust administered by a trustee bank. The Manila Branch maintains a payroll account with the trustee bank (Note 19).

The Manila Branch's contribution to its defined benefit retirement plan amounted to ₱1.17 million both in 2025 and 2024 (Note 19).

15. Due to Other Banks

As of December 31, 2025 and 2024, there were no outstanding balances for Due to Other Banks.

Due to other banks represents interbank loan payable to a local banks which accrues interest at prevailing rates ranging from 4.69% to 5.79% per annum in 2025 and from 6.00% to 6.59% per annum in 2024.

	2025	2024
Balance at January 1	₱-	₱200,000,000
Availments	2,695,000,000	5,165,000,000
Maturities	(2,695,000,000)	(5,365,000,000)
Balance at December 31	₱-	₱-

Interest expense arising from due to other banks amounted to ₱0.5 million and ₱4.82 million in 2025 and 2024, respectively.



16. Deposit Liabilities

The deposit liabilities as at December 31, 2025 and 2024 amounted to ₱4.95 billion and ₱1.54 billion, respectively. This includes peso-denominated, dollar-denominated and yuan-denominated current deposits which carry annual interest rates of 0.125%, 0.025% and 0.15% respectively in 2025 and 2024.

Accrued interest payable arising from deposit liabilities amounted to ₱0.57 million and ₱0.14 million as at December 31, 2025 and 2024, respectively, which is part of the deposit liabilities account.

Interest expense arising from deposit liabilities amounted to ₱9.42 million and ₱2.73 million in 2025 and 2024, respectively.

BSP Circular No. 1082, Reduction in Reserve Requirement, dated March 23, 2020, requires universal and commercial banks and non-bank financial institutions with quasi-banking functions to maintain reserves of 12% on their deposit and deposit substitute liabilities.

BSP Circular No. 1175 effective on June 30, 2023, by virtue of the Monetary Board approval in its Resolution No. 727 dated June 8, 2023, reduced the reserve requirement ratio to 9.50%.

BSP Circular No. 1201 effective on October 25, 2024, by virtue of the Monetary Board approval in its Resolution No. 1027 dated September 5, 2024, approved the reduction of the reserve requirement ratios of deposits and deposit substitutes liabilities to 7.00%.

BSP Circular No. 1211 effective on March 28, 2025, by virtue of the Monetary Board approval in its Resolution No. 1027 and 186.A dated September 5, 2024 and February 20, 2025, approved the reduction in the reserve requirement ratios of deposit and deposit substitute liabilities to 5%.

As at December 31, 2025 and 2024, the Manila Branch is compliant with BSP Circular Nos. 1082, 1175, 1201 and 1211, as applicable. The Manila Branch has deposit liabilities maintained for reserve requirement as at December 31, 2025 and 2024 amounting to ₱2.55 billion and ₱1.11 billion, respectively. The amounts were based on the last reserve week for each year for the computation of weekly reserve requirements. As at December 31, 2025 and 2024, Manila Branch has ₱182.12 million and ₱83.88 million, respectively, balance with the BSP considered as reserve for deposit liabilities which are included as part of Due from BSP account in Note 6.

17. Accrued Expenses and Other Payables and Deferred Income

Accrued Expenses and Other Payables

This account consists of:

	2025	2024
Accrued salaries	₱37,675,803	₱59,145,408
Accrued taxes	26,196,459	45,650,537
Accounts payable	7,309,690	14,538,148
Accrued penalties	2,392,211	1,321,929
Provision for liability (Note 22)	2,313,709	1,117,130
Statutory contributions	393,571	336,779
IRS swap interest payable (Note 14)	-	269,577
Other accrued expenses	5,572,944	3,565,359
	₱81,854,387	₱125,944,867



Accrued salaries consist of accruals for salaries, bonuses and other employee related payables.

Accrued taxes consist of withholding tax on compensation, expanded withholding tax and fringe benefits tax.

Accrued penalties pertain to the accrual of regulatory penalties for non-compliance to the mandatory allocation of credit resources for Agriculture, Fisheries and Rural Development (AFRD) Financing under Republic Act (R.A.) No. 11901 or “The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022”

Accounts payable pertain to the outstanding rent payable by the Manila Branch, unprocessed inward remittance for credit to client’s deposit account, LG commission and outward domestic payment request.

IRS interest payable pertains to the interest payable that Manila Branch has from the IRS agreement with ICBC Head Office.

Statutory contributions arise from mandatory contributions to PhilHealth, Pag-IBIG Fund and Social Security System.

Provision for liability pertains to loss allowance on off-balance sheet items including letters of guarantee.

Other accrued expenses consist of accruals for professional services fees, utilities and telephone expenses.

Deferred Income

Other liabilities pertain to deferred income for commissions on letters of guarantee amounting to ₱13.06 million and ₱7.58 million as at December 31, 2025 and 2024, respectively. Related fees earned arising from this guarantee contracts are disclosed in Note 20.

18. Leases

Leases Within the Scope of PFRS 16

Effective September 15, 2023, the Manila Branch has renewed its rent agreement for the lease of office premises, parking lots and external signage for a period of five year until September 14, 2028 and automatically renew for two additional terms of five years each, unless terminated. The lease contract includes annual escalation clause of 5.00% beginning on its second year and every year thereafter.

The Manila Branch paid refundable deposits pertaining to the maintenance, construction, and security of its office premises. As at December 31, 2025 and 2024, the Manila Branch’s refundable deposits amounted to ₱6.02 million and ₱5.68 million, respectively, as disclosed in Note 12.

The average incremental borrowing rate applied to lease liability recognized in the statements of financial position is 6.23% as at December 31, 2025 and 2024.



Information about leases for which the Manila Branch is a lessee is presented below.

I. ROU Assets

The movements and carrying amounts of ROU assets are shown below:

	2025		Total
	Office Space	Exterior Signage	
Cost			
Balance at beginning and end of year	₱94,165,127	₱18,053,281	₱112,218,408
Accumulated Depreciation			
Balance at beginning of year	24,325,992	4,663,764	28,989,756
Depreciation	18,833,025	3,610,656	22,443,681
Balance at end of year	43,159,017	8,274,420	51,433,437
Net book value	₱51,006,110	₱9,778,861	₱60,784,971
	2024		Total
	Office Space	Exterior Signage	
Cost			
Balance at beginning and end of year	₱94,165,127	₱18,053,281	₱112,218,408
Accumulated Depreciation			
Balance at beginning of year	5,492,966	1,053,108	6,546,074
Depreciation	18,833,026	3,610,656	22,443,682
Balance at end of year	24,325,992	4,663,764	28,989,756
Net book value	₱69,839,135	₱13,389,517	₱83,228,652

II. Lease Liabilities

Lease liabilities are payable as follows:

	2025	2024
Current	₱22,469,491	₱20,578,957
Non-current	36,980,003	59,449,494
Lease liabilities included in the statements of financial position	₱59,449,494	₱80,028,451
	2025	2024
Less than one year	₱26,104,184	₱24,861,074
More than one year	40,330,020	64,038,765
Total undiscounted lease liabilities	66,434,204	88,899,839
Less: Unearned interest	6,984,710	8,871,388
Discounted cash flows	₱59,449,494	₱80,028,451

The movement of lease liabilities is shown below:

	2025	2024
Balance, January 1	₱80,028,451	₱98,217,537
Additions	-	-
Accretion of interest	4,282,117	5,488,147
Payment of interest on lease liabilities	(4,141,010)	(5,582,060)
Payment of principal on lease liabilities	(20,720,065)	(18,095,173)
Balance, December 31	₱59,449,493	₱80,028,451



III. Amounts Recognized in Profit or Loss

	2025	2024
Depreciation of ROU assets	₱22,443,682	₱22,443,682
Occupancy expenses	3,971,861	4,173,532
Interest on lease liabilities	4,282,117	5,488,147
Total	₱30,697,660	₱32,105,361

19. Retirement Benefit Plan

Republic Act (RA) 7641, *Retirement Law*, provides for the minimum retirement pay to qualified private sector employees in the Philippines. Benefits due under RA 7641 are accounted for as defined benefit plan under PAS 19. However, there are instances when an employer establishes a defined contribution plan and does not have an equivalent defined benefit plan covering the benefits required under RA 7641.

An employee upon reaching the age of 60 years or more, but not beyond 65 years which is declared the compulsory retirement age, who has served at least five (5) years in the said establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

The Company is in compliance of the minimum regulatory requirement of RA 7641 as at December 31, 2025 and 2024.

Defined benefit plan

The Manila Branch has an unfunded, non-contributory defined benefit retirement plan covering all its employees based on RA 7641.

The plan typically exposes the Company to actuarial risks such as interest rate risk, longevity risk, salary risk and investment risk.

Interest rate and investment risk

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. A decrease in a yield on high quality corporate bonds or government bonds will increase the present value of the defined benefit obligation. However, this will be partially offset by an increase in return on the plan's investments in unit investment trust fund and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plan assets of the Manila Branch are significantly invested in UITF which comprised of both debt and equity securities. Due to the long-term nature of the plan obligation, a level and portfolio of debt securities is an appropriate element of the Manila Branch's long-term strategy to manage the plan efficiently.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.



Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuations of plan asset and defined benefit obligation were carried as at December 31, 2025 by an independent actuary. The present value of the defined benefit obligation and the related current service cost were measured using Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2025	2024
Discount rate	6.34%	6.03%
Expected rate of salary increases	4.00%	4.00%

The breakdown of the net retirement asset presented in the statements of financial position are as follows:

	2025	2024
Present value of defined benefit obligation	₱3,829,368	₱2,833,625
Fair value of plan assets	(8,670,512)	(7,247,639)
Funding status	(4,841,144)	(4,414,014)
Effect of asset ceiling	923,062	906,850
Net defined benefit asset	(₱3,918,082)	(₱3,507,164)

The details of the retirement plan recognized in the statements of comprehensive income is shown below:

	2025	2024
Current service cost	₱581,963	₱544,212
Net interest income	(301,473)	(257,239)
Interest expense on effect of asset ceiling	54,683	41,930
Components of retirement benefit costs recognized in profit or loss (Note 21)	₱335,173	₱328,903
Remeasurement on the retirement benefit liability		
Actuarial losses (gains):		
from changes in financial assumptions	(₱82,334)	₱17,725
from experience adjustments	325,246	(76,637)
Remeasurement loss on plan assets	220,554	146,713
Effect of the asset ceiling	(38,471)	179,789
	424,995	267,590
Tax effect	(106,248)	(66,898)
Components of retirement benefit costs recognized in OCI	₱318,747	₱200,692



Movements in the present value of defined benefit obligations are as follows:

	2025	2024
Balance, January 1	₱2,833,625	₱2,212,896
Current service cost	581,963	544,212
Interest expense	170,868	135,429
Net actuarial loss (gain)	242,912	(58,912)
	₱3,829,368	₱2,833,625

Movements in the fair value of plan assets are as follows:

	2025	2024
Balance, January 1	₱7,247,639	₱5,830,598
Interest income	472,341	392,668
Contributions	1,171,086	1,171,086
Remeasurement loss on plan assets	(220,554)	(146,713)
	₱8,670,512	₱7,247,639

Movements of defined benefit obligation recognized in other comprehensive income with cumulative balance presented in equity are as follows:

	2025	2024
Balance, January 1	₱1,135,576	₱1,336,268
Remeasurement loss - on retirement liability	(463,466)	(87,801)
Remeasurement gain (loss) - effect of the asset ceiling	38,471	(179,789)
Recognition of deferred income tax	106,248	66,898
Balance, December 31	₱816,829	₱1,135,576

The Manila Branch's plan assets are composed of Unit Investment Trust Funds (UITF) and any accumulated gain or loss on the said UITF, net of any accrued trust fees payables. The assets are held in trust by a third-party bank (fund manager) for the Manila Branch. The Retirement Trust Fund assets are valued by the fund manager using the net asset value per unit method with amounts representing the investments fair value.

Significant actuarial assumptions for the determination of the retirement benefit obligation are discount rate and expected salary growth rate. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Change in Assumption	Increase (Decrease) on Retirement Benefit Obligation	
		2025	2024
Discount rate	+1.00%	(₱247,556)	(₱188,298)
	-1.00%	276,151	208,415
Expected salary growth rate	+1.00%	279,888	210,567
	-1.00%	(255,150)	(193,563)

The sensitivity analysis presented above may not be representative of the actual change in the retirement benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.



Furthermore, in presenting the above sensitivity analysis, the present value of the retirement benefit obligation has been calculated using the Projected Unit Credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statements of financial position.

As at December 31, 2025 and 2024, the weighted average duration of the defined benefit obligation is 6.80 years and 7 years, respectively.

The Manila Branch is not required to pre-fund the future defined benefits payable under the retirement plan before they become due. Thus, while the timing of contributions to the retirement fund to support the defined benefits remains at the discretion of the Manila Branch, the value of the expected contribution is ₱1,171,086.

20. Fees and Commissions

This account consists of:

	2025	2024
Guarantee fees (Note 17)	₱44,145,790	₱39,804,213
Commission income	23,638,634	2,431,543
Advisory fees	2,130,921	16,816,899
Remittance fees	1,103,090	630,338
	₱71,018,435	₱59,682,993

21. Salaries, Bonuses, and Allowances

This account consists of:

	2025	2024
Salaries and wages	₱151,866,473	₱158,823,348
Other employee benefits	30,818,757	30,951,783
Post-employment benefit cost (Note 19)	335,173	328,903
	₱183,020,403	₱190,104,034

Salaries and wages pertain to the basic salary, overtime pay, health insurance, and other fixed allowances of employees.

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



22. Allowance for Expected Credit Losses

The composition and movements in the account are as follows:

	2025					Total
	Due from other banks (Note 7)	Investments in Securities at Amortized Cost (Note 9)	Loans and Receivables (Note 10)	Commitments and Financial Guarantee Contracts	Other Assets (Note 12)	
Balance at January 1, 2025	₱26,152	₱3,649,294	₱31,025,133	₱1,117,130	₱117,694	₱35,935,403
Provision (reversal) for the year	29,374	(293,610)	11,066,441	1,196,579	1,690	12,000,474
Effect of foreign exchange rate difference	(402)	–	242,564	–	–	242,162
Balance at December 31, 2025	₱55,124	₱3,355,684	₱42,334,138	₱2,313,709	₱119,384	₱48,178,039

	2024					Total
	Due from other banks (Note 7)	Investments in Securities at Amortized Cost (Note 9)	Loans and Receivables (Note 10)	Commitments and Financial Guarantee Contracts	Other Assets (Note 12)	
Balance at January 1, 2024	₱87	₱3,657,107	₱774,738,069	₱793,094	₱115,111	₱779,303,468
Provision (reversal) for the year	25,806	(7,813)	(784,025,889)	324,036	2,583	(783,681,277)
Effect of foreign exchange rate difference	259	–	40,312,953	–	–	40,313,212
Balance at December 31, 2024	₱26,152	₱3,649,294	₱31,025,133	₱1,117,130	₱117,694	₱35,935,403

23. Taxes and Licenses

Taxes and licenses consist of:

	2025	2024
Gross receipt taxes	₱26,967,889	₱30,014,989
Fringe benefit taxes	14,731,166	13,088,978
Documentary stamp taxes	3,156,930	255,950
Business permit fees	787,868	669,300
Others	4,793,896	–
	₱50,437,749	₱44,029,217

24. Other Operating Expenses

General and administrative expenses consist of:

	2025	2024
Utilities	₱10,622,322	₱10,431,602
Communications	7,160,880	6,795,677
PDIC Insurance	5,504,613	3,782,823
Investment management fees	5,378,333	4,903,978
Impairment loss of creditable withholding tax	3,259,374	–
Management and other professional services	4,652,160	12,981,464
Service charges	2,185,917	328,184
IT-related expenses	1,871,742	8,753,964

(Forward)



	2025	2024
BSP Supervision Fee	₱1,468,367	₱1,938,220
Membership fees and dues	1,278,269	1,216,999
Penalties	1,070,281	1,248,828
Representation and entertainment	751,527	949,613
Office supplies	917,424	878,180
Others	3,863,019	4,014,822
	₱49,984,228	₱58,224,354

Investment management fees pertain to the fees charged by a local bank for the management 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.

Penalties pertain to the accrual of regulatory penalties for non-compliance to the mandatory allocation of credit resources for Agriculture, Fisheries and Rural Development (AFRD) Financing under Republic Act (R.A.) No. 11901 or "The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022".

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

25. Income Taxes

RBU

Under Philippine tax laws, the Manila Branch is subject to percentage and other taxes, as well as corporate income taxes. Percentage and other taxes paid consist primarily of gross receipts tax and documentary stamp tax which are presented as part of "Taxes and licenses" in the statements of comprehensive income. Income taxes consist of corporate income tax and final withholding tax of 20% on gross interest income from government securities, deposits and other deposit substitutes. This is presented as "Income tax expense" in the statements of comprehensive income.

FCDU

R.A. No. 9294, the existing tax regulation governing Manila Branch, 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 a 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:

	2025	2024
Current:		
RBU at MCIT position	₱2,284,608	₱2,168,847
FCDU at RCIT position	7,544,643	24,274,836
Final taxes	60,243,165	55,710,508
Deferred income tax benefit	(6,742,919)	(7,569,221)
	₱63,329,497	₱74,584,970

Components of recognized deferred tax liability follow:

	2025	2024
<i>Deferred tax asset</i>		
MCIT	₱6,615,096	₱5,274,119
<i>Deferred tax liability</i>		
Right of use asset	(15,196,243)	(20,807,163)
Retirement liability	(707,244)	(498,266)
	(15,903,487)	(21,305,429)
<i>Deferred income tax liability recognized in OCI:</i>		
Remeasurement gain on retirement plan	(272,276)	(378,525)
	(₱9,560,667)	(₱16,409,385)

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 Manila Branch did not recognize deferred taxes on the following:

	2025		2024	
	Deductible Temporary Difference	Deferred Taxes	Deductible Temporary Difference	Deferred Taxes
Net Operating Loss				
Carryover (NOLCO)	₱403,376,151	₱100,844,038	₱439,513,705	₱109,878,426
Lease liabilities	59,449,494	14,862,373	80,028,451	20,007,113
Accrued salaries	38,069,374	9,517,343	59,482,187	14,870,547
Allowance for ECL	48,178,039	12,044,510	35,935,403	8,983,851
Allowance for impairment of creditable withholding tax	3,259,374	814,843	-	-
	₱552,332,432	₱138,083,107	₱614,959,746	₱153,739,937



As of December 31, 2025, the unexpired excess of MCIT over normal tax, which can be claimed as a deduction against income tax due, are as follows:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2022	₱943,631	₱-	₱943,631	₱-	2025
2023	2,161,641	-	-	2,161,641	2026
2024	2,168,847	-	-	2,168,847	2027
2025	2,284,608	-	-	2,284,608	2028
	₱7,558,727	₱-	₱943,631	₱6,615,096	

The BIR issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 of R.A. No. 11494, Bayanihan to Recover as One Act, which provides that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of the Manila Branch's NOLCO under RR No. 25-2020 are as follows:

Inception Year	Amount	Expired/Used	Balance	Expiry Year
2020	₱140,786,672	₱140,786,672	₱-	2025
2021	59,984,637	-	59,984,637	2026
	₱200,771,309	₱140,786,672	₱59,984,637	

Details of the Manila Branch's NOLCO not covered by RR No. 25-2020 which could be carried over as a deduction from the Manila Branch's future taxable income for the next three (3) succeeding taxable years are as follows:

Inception Year	Amount	Expired/Used	Balance	Expiry Year
2022	₱56,258,744	₱56,258,744	₱-	2025
2023	4,005,073	-	4,005,073	2026
2024	178,478,579	-	178,478,579	2027
2025	160,907,862	-	160,907,862	2028
	₱399,650,258	₱56,258,744	₱343,391,514	

The reconciliation between the income tax computed at the statutory income tax rate and the income tax expense shown in profit or loss is as follows:

	2025	2024
Statutory income tax	₱29,746,709	₱248,981,344
Adjusted for the tax effects of:		
Tax-paid and tax-exempt income	(106,029,272)	(76,739,232)
Nondeductible expenses	51,110,010	39,833,759
Unrecognized deferred tax benefit (loss)	44,041,946	(151,388,781)
Final tax expense	60,243,165	55,710,508
Difference on statutory rate and 10% special rate for FCDU	(11,316,965)	(36,412,254)
Others	(4,466,096)	(5,400,374)
Income tax expense	₱63,329,497	₱74,584,970



26. Capital Management and Assigned Capital Funds

Capital Management

The Head Office implements a group-based capital management mechanism and takes capital as the object and instrument for its management activities, including planning, measurement, allocation, application and operation.

The Head Office's capital management aims at maintaining appropriate capital adequacy ratio and continuously meeting capital supervisory regulations and policies; ceaselessly strengthening and enhancing the bank-wide capital base and supporting business growth and implementation of strategic planning; establishing a value management system focusing on economic capital; reinforcing capital constraint and incentive mechanism and improving capital allocation efficiency; innovating and expanding capital replenishment channels, raising capital quality and optimizing capital structure.

The Head Office's capital management covers various operating entities in the Group, and its contents include capital adequacy ratio management, economic capital management, capital investment and financing management. One of the Head Office's objectives is to maintain reasonable capital adequacy ratio to continuously meet regulatory requirements on capital, keep stable capital base to ensure business growth and implement business development and strategic plans in order to achieve comprehensive, coordinated and sustainable development.

The senior management of the Manila Branch assumes the responsibilities to promote capital management work of the organization, implement the requirements of the Head Office for capital management, ensure that the institution's capital adequacy level continuously meet regulatory requirements, and approve the medium and long-term capital planning, annual capital management plan and other relevant policies.

Capital demand at the Manila Branch is driven mainly by business growth and local regulatory requirements set by the BSP.

The primary objectives of the Manila Branch's capital management are to ensure that it complies with externally imposed capital requirements, increases capital utilization efficiency and achieves optimal capital allocation through the economic allocation and management mechanism established by the Head Office.

To maintain sufficient eligible capital and withstand the possible losses, the Manila Branch should not only meet the minimum requirements set by the authorities but ensure that the target capital adequacy level adapts to the business development strategy, risk management level and external operating environment, balance short- term and long-term capital demands, and consider the long-term sustainability of various capital supplement sources. The Manila Branch reports the application of capital investment and financing projects to the Head Office with full communication.

The Head Office provides the required liquidity and capital to the Manila Branch.

Regulatory Capital

BSP sets and monitors capital requirements for the Manila Branch as a whole. The Manila Branch's capital position presented as at December 31, 2025 and 2024 is based on the combined amounts of RBU and FCDO.

The BSP issued Circular No. 854, Series of 2014, *Minimum Capitalization of Banks*, which amended the capitalization of banks. Under the Circular, commercial banks are required to maintain minimum capitalization of ₱2.00 billion for Head Office branches



On April 13, 2018, the Manila Branch received from Head Office an aggregate amount of ₱3,975,770,000 as capital infusion which was recorded under “Assigned Capital” account in the statements of financial position. As at December 31, 2025 and 2024, the Manila Branch recorded a surplus amounting to ₱44,205,994 and ₱3,151,690, respectively.

BASEL III Capital Adequacy Ratio (CAR)

BSP Circular No. 781, *BASEL III Implementing Guidelines on Minimum Capital Requirements* provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal and commercial banks, as well as the subsidiary banks and quasi-banks, in accordance with Basel III standards. The Circular took effect on January 1, 2014.

BSP Circular No. 781 sets out the minimum Common Equity Tier 1 (CET1) Ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces the capital conservation buffer of 2.50% comprised of CET1 capital. The BSP’s existing requirement for capital adequacy ratio (CAR) remains at 10.00% and this ratio shall always be maintained.

On November 21, 2014, the BSP issued Circular No. 858, *Amendments to Relevant Provisions of the Manual of Regulations for Banks Implementing Republic Act No. 10641* amending relevant provisions of the Manual of Regulations for Banks implementing R.A. No. 10641.

Included in the amendments is the implementation of the new minimum capital requirements and definition of capital composition for Philippine branches of foreign banks, as follows:

- 1) Assigned capital
- 2) Undivided profits
- 3) Trust Department retained earnings
- 4) Any Net due from Head Office branches/agencies abroad
- 5) Accumulated net earnings comprise of;
 - i. Unremitted profits not yet approved by the BSP for outward remittance.
 - ii. Unrealized losses in operations
 - iii. Capital adjustments in accordance with MORB Section X111 paragraph a - g as follows:
 - a. Unbooked valuation reserve and other capital adjustments as maybe required by the BSP.
 - b. Total outstanding unsecured credit accommodations, both direct and indirect to directors, officers, stockholders and related interests (DOSRI) granted by the bank proper.
 - c. Unsecured loans and other credit accommodations and guarantees granted to subsidiaries and affiliates.
 - d. Deferred income tax.
 - e. Appraisal increment reserve as a result of appreciation or an increase in the book value of bank assets.
 - f. Equity investment of a bank in another bank or enterprise, whether foreign or domestic, if the other bank or enterprise has a reciprocal equity investment in the investing bank in which case the investment of the bank or the reciprocal investment of other bank or enterprise whichever is lower.
 - g. In the case of rural banks/cooperative banks, the government counterpart equity, except those arising from conversion of arrearages under the SP rehabilitation program.

The Manila Branch is required to maintain a prescribed a risk-based capital adequacy ratio (expressed as a percentage of qualifying capital to risk weighted assets) of not less than 10.00%. In complying with the minimum capital requirements, the total capital shall be net of unbooked valuation reserves



and other capital adjustments as may be required by the BSP, total outstanding unsecured credit accommodations to DOSRI, and deferred tax.

The regulatory capital position as at December 31, 2025 and 2024 based on Basel III CAR requirements reported to the BSP is shown below (amounts in millions):

	2025	2024
Common Equity Tier 1 Capital	₱4,018	₱3,975
Tier 1 Capital	₱4,018	₱3,975
Tier 2 Capital	42	31
Total Qualifying Capital	4,061	4,006
Total Risk-weighted Assets	12,787	4,824
Common Equity Tier 1 Ratio	31.42%	82.40%
Capital Conservation Buffer	25.42%	76.40%
Tier 1 Capital Ratio	31.42%	82.40%
Total Capital Adequacy Ratio	31.76%	83.04%

The breakdown of the Manila Branch's risk-weighted assets as at December 31, 2025 and 2024 are as follows (amounts in millions):

	2025	2024
Credit risk	₱10,798	₱3,724
Operational risk	762	679
Market risk	1,227	421
	₱12,787	₱4,824

The Manila Branch has complied with all externally imposed capital requirements throughout the year.

Basel III Leverage Ratio (LR)

On June 9, 2015, the Monetary Board (MB) issued BSP Circular No. 881, *Implementing Guidelines on the Basel III Leverage Ratio Framework*, which approved the guidelines for the implementation of the Basel III Leverage Ratio in the Philippines and designed to act as supplementary measure to the risk-based capital requirements. It is defined as the capital measure (numerator) divided by the exposure measure (denominator). The leverage ratio shall not be less than 5.0% computed on both solo (head office plus branches) and consolidated bases (parent bank plus subsidiary financial allied undertakings but excluding insurance companies).

Based on the Basel III Leverage Ratio reports submitted to BSP as of December 31, 2025 and 2024, the Manila Branch's leverage ratio is 15.68% and 34.80%, respectively, which are above the prescribed minimum requirement set at 5.0%. (in millions):

	2025	2024
On balance sheet exposure	₱14,617	₱7,866
Derivative exposures	83	54
Off-balance sheet exposures	10,930	3,501
Total exposures (a)	25,630	11,421
Tier 1 Capital (b)	4,018	3,975
Basel III: Leverage Ratio (b)/(a)	15.68%	34.80%



Liquidity Coverage Ratio (LCR)

On March 10, 2016, the MB approved the liquidity standards and issued BSP Circular No. 905, *Implementation of BASEL III Framework on Liquidity Standards-Liquidity Coverage Ratio (LCR) and Disclosure Standards*. The LCR is the ratio of high-quality liquid assets (HQLAs) to the total net cash outflows. Under normal situation, the value of ratio should be no lower than 100% daily because the stock of unencumbered HQLA is intended to serve as a defense against the potential onset of liquidity stress. The compliance with the LCR minimum requirement will commence on January 1, 2018 and the prescribed minimum shall be set initially at 90% for 2018 and shall rise to the minimum level of 100% on January 1, 2019.

This applies to universal and commercial banks as well as their subsidiary banks and quasi-banks with the framework anchored on the international standards issued by the Basel Committee on Banking Supervision known as the Basel III reforms.

Based on the LCR reports submitted to the BSP as at December 31, 2025 and 2024, the Manila Branch's LCR is 179% and 444%, respectively, which are above the prescribed minimum requirement initially set at 100.0% (amounts in millions):

	2025	2024
High- Quality Liquid Assets (a)	₱6,888	₱5,716
Net Cash Outflows (b)	3,839	1,288
Liquidity Coverage Ratio (a/b)	179%	444%

Net Stable Funding Ratio (NSFR)

On June 6, 2018, the BSP issued BSP Circular No. 1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The NSFR is aimed to promote long-term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. The implementation of the minimum NSFR shall be phased in to help ensure that covered banks can meet the standard through reasonable measures without disrupting credit extension and financial market activities. An observation period was set from July 1 to December 31, 2018. Effective, January 1, 2019, banks shall comply with the prescribed minimum ratio of 100%.

Based on the NSFR reports submitted to the BSP as at December 31, 2025 and 2024, the Manila Branch's NSFR is 135% and 279%, respectively, which are above the prescribed minimum requirement initially set at 100.0% (amounts in millions).

	2025	2024
Available stable funding (ASF)	₱9,252	₱5,872
Required stable funding (RSF)	6,837	2,104
Ratio of ASF to RSF	135%	279%

Reserve for General Loan Loss Provisions (GLLP)

BSP Circular No. 1011, *Guidelines on the Adoption of the Philippine Financial Reporting Standard 9 - Financial Instruments*, requires banks to set up GLLP equivalent to 1.0% of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. In cases when the computed loss allowance on such Stage 1 accounts is less than the 1.0% general provision required, the deficiency shall be recognized by appropriating the retained earnings in



compliance with existing BSP regulations. The Manila Branch appropriated a portion of ₱19,865,493 and ₱2,003,082 as at December 31, 2025 and 2024, respectively, to comply with such requirement.

	2025	2024
Allowance for ECL based on BSP thresholds	₱62,199,631	₱33,028,215
Allowance for ECL based on PFRS	42,334,138	31,025,133
	₱19,865,493	₱2,003,082

Internal Capital Adequacy Assessment Process (ICAAP)

Circular No. 731 was issued on July 28, 2011 providing supplemental guidelines in relation to the adoption of the ICAAP and the related Supervisory Review Process (SRP) for foreign branches under Circular No. 639 dated January 15, 2009. For branches of foreign banks, the regulation provides that BSP's evaluation of ICAAP will refer to the ICAAP developed at the level of the head office/ parent bank, and the home supervisor's assessment thereof. However, BSP expects that there will be variation in the ICAAP prepared by the branches of foreign banks operating in the Philippines in accordance with the nature, size and complexity of its business in the Philippines, risks faced arising from the occurrence of domestically-oriented scenarios and specific circumstances.

The ICAAP document submitted by the Manila Branch included discussions on stress scenarios and the amount of capital requirements both under base case and stress scenarios. The Manila Branch submitted its latest ICAAP document on March 30, 2026. Provisions of Circular No. 822, Circular No. 854, Circular No. 856, and Circular No. 858 are considered by the Manila Branch in the ICAAP documentation.

27. Maturity Profile of Assets and Liabilities

The table below presents the assets and liabilities of the Manila Branch as of December 31, 2025 and 2024 analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	2025			2024		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Due from BSP (Note 6)	₱1,477,559,189	₱-	₱1,477,559,189	₱399,120,151	₱-	₱399,120,151
Due from other banks (Note 7)	1,768,966,379	-	1,768,966,379	207,480,277	-	207,480,277
Financial asset at FVTPL (Note 8)	45,821,939	-	45,821,939	35,762,664	-	35,762,664
Investment Securities at Amortized Cost (Note 9):		5,448,104,166	5,448,104,166		5,448,104,166	5,448,104,166
Financial asset at FVOCI (Note 11):	23,108,410	-	23,108,410	20,659,986	-	20,659,986
Loans and receivable - gross (Note 10):						
Loans to customers at amortized cost	232,579,673	5,476,381,216	5,708,960,889	107,298,507	1,520,023,464	1,627,321,971
Accrued interest receivable	34,622,739	-	34,622,739	15,054,186	-	15,054,186
Other assets - security deposits (Note 12)	-	6,022,589	6,022,589	-	5,680,695	5,680,695
	3,582,658,329	10,930,507,971	14,513,166,300	785,375,771	6,973,808,325	7,759,184,096
Nonfinancial Assets						
Property and equipment (Note 13)	-	148,054,017	148,054,017	-	140,735,132	140,735,132
Right-of-use assets (Note 18)	-	112,218,408	112,218,408	-	112,218,408	112,218,408
Retirement asset (Note 19)	-	3,918,082	3,918,082	-	3,507,164	3,507,164
Creditable withholding tax	-	72,664,343	72,664,343	8,661,854	61,582,242	70,244,096
Other assets (Note 12)	16,337,504	-	16,337,504	3,465,349	-	3,465,349
	16,337,504	336,854,850	353,192,354	12,127,203	318,042,946	330,170,149
	₱3,598,995,833	₱11,267,362,821	₱14,866,358,654	₱797,502,954	₱7,291,851,271	₱8,089,354,245
Less: Allowance for credit losses (Notes 6, 7, 9, 10, and 12)			₱45,864,331			₱34,818,273
Unamortized discount (Note 9)			19,435,199			32,316,851
Accumulated depreciation (Notes 13 and 18)			187,151,425			164,022,997
			₱14,613,907,699			₱7,858,196,124

(Forward)



	2025			2024		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Liabilities						
Due to Other Banks (Note 15)	₱-	₱-	₱-	₱-	₱-	₱-
Due to Head Office and Other Branches – net (Note 14)	5,494,422,996	–	5,494,422,996	2,115,678,950	–	2,115,678,950
Financial liabilities at FVTPL (Note 8)	–	–	–	16,797,675	–	16,797,675
Financial liabilities at amortized cost:						
Deposit liabilities (Note 16)	4,946,312,883	–	4,946,312,883	1,545,546,064	–	1,545,546,064
Accrued expenses and other payables (Note 17)	52,950,647	–	52,950,647	109,952,811	–	109,952,811
Lease liabilities (Note 18)	22,469,491	36,980,003	59,449,494	20,578,957	59,449,494	80,028,451
	10,516,156,017	36,980,003	10,553,136,020	3,808,554,457	59,449,494	3,868,003,951
Nonfinancial Liabilities						
Accrued expenses and other payables (Note 17)	28,903,740	–	28,903,740	15,992,056	–	15,992,056
Deferred tax liability	–	9,560,667	9,560,667	–	16,409,835	16,409,835
Deferred income	13,056,834	–	13,056,834	7,579,043	–	7,579,043
	41,960,574	9,560,667	51,521,241	23,571,099	16,409,835	39,980,934
	₱10,558,116,592	₱46,540,670	₱10,604,657,261	₱3,832,125,556	₱75,859,329	₱3,907,984,885

28. Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB)

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.

A. Financial Performance Indicators

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

	2025	2024
Return on average equity	1.40%	16.90%
Return on average assets	0.50%	8.27%
Net interest margin on average earning assets	3.40%	4.47%

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 amounts as at December 31, 2025 and 2024 arising from off-book transactions:

	2025	2024
Performance standby letters of credit	₱21,868,696,287	₱7,066,889,510
Currency swaps	3,703,770,000	1,793,195,000
Interest rate swaps	–	404,915,000
Total	₱25,572,466,287	₱9,264,999,510

The Manila Branch has no pending suits, claims and regulatory examinations that remain unsettled or outstanding.

Other relevant disclosures required by BSP Circular No. 1074 are in Notes 2, 4, 10, 14, and 26.



C. Information on related party loans

As required by BSP, the Manila Branch discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the Head Office. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said Circular:

	2025		2024	
	DOSRI Loans	Related Party Loans (Inclusive of DOSRI Loans)	DOSRI Loans	Related Party Loans (Inclusive of DOSRI Loans)
Total outstanding DOSRI accounts	—	—	—	—
Percent of DOSRI/Related Party Loans to total loan portfolio	—	—	—	—
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	—	—	—	—
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	—	—	—	—
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	—	—	—	—

The Manila Branch does not have unsecured, past due and non-accruing DOSRI accounts in 2025 and 2024.

BSP Circular No. 560 provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, the total outstanding loans, other credit accommodations and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank as reported to the BSP. As at December 31, 2025 and 2024, the Manila Branch is in compliance with these requirements.

BSP issued Circular No. 654 allowing a separate individual limit of twenty-five percent (25.00%) to loans of banks and quasi-banks to their subsidiaries and affiliates engaged in energy and power generation. As at December 31, 2025 and 2024, the Manila Branch does not have any subsidiary or affiliate that is engaged in energy and power generation.



29. Supplementary Information Required by BIR Under Revenue Regulations No. 15-2010

In addition to the disclosures mandated under PFRS, 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 PFRS.

In compliance with the requirements set forth by RR No. 15-2010, the following tax information required for the taxable year ended December 31, 2025 are based on the combined amounts of the RBU and the FCDU.

A. Documentary Stamp Tax

Debt instruments	₱6,993,364
Others	11,111,203
	<u>₱18,104,567</u>

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

B. Withholding Taxes

Tax on compensation and benefits	₱58,469,863
Final withholding taxes	2,524,628
Expanded withholding taxes	1,887,268
VAT withholding taxes	351,935
	<u>₱63,233,694</u>

The above withholding taxes pertain to total tax paid and accrued to the tax authority for the year.

The Manila Branch has accrued withholding tax payable amounting to ₱17,857,407 as at December 31, 2025.

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under “Taxes and Licenses”. This consists of the following:

	2025
Gross receipts taxes	₱26,967,889
Fringe benefit taxes	14,731,166
Documentary stamp taxes	3,156,930
License and permit fees	787,868
Others	4,793,896
	<u>₱50,437,749</u>

The Manila Branch has accrued gross receipt tax payable amounting to ₱8,339,052 as at December 31, 2025.



D. Tax Cases and Assessments

As at December 31, 2025 and 2024, the Manila Branch and its FCDU has no pending tax cases.

30. Approval of Financial Statements

The financial statements of the Company have been authorized for issuance by the General Manager, as authorized by the Head Office on April 14, 2026.



**INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED -
MANILA BRANCH**

**SUPPLEMENTARY SCHEDULE OF EXTERNAL
AUDITOR FEE-RELATED INFORMATION**

	2025	2024
Total Audit Fees	₱906,886	₱906,886
Non-audit service fees:		
Other assurance services	-	-
Tax services	-	-
All other services	-	-
Total Non-audit Fees	-	-
Total Audit and Non-audit Fees	₱906,886	₱906,886

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - MANILA BRANCH

ESG DISCLOSURE*

Sustainable Finance

BSP's Manual of Regulations for Banks (MORB) Section 153, Sustainable Finance Framework, sets out the expectations of the central bank on the integration and disclosure of sustainability principles, including those covering environmental and social (E&S) risk areas, in the corporate governance and risk management frameworks as well as in the strategic objectives and operations of banks.

In compliance with said mandate, the Manila Branch recognizes its role in pursuing sustainable and resilient growth by enabling environmentally and socially responsible business decisions as well as the risks climate change and other E&S issues and events pose to its operations and financial interest.

Under the ICBC group's unified sustainable finance guideline, the Branch aims to incorporate a sustainability lens into long-term strategy and gain the financial and societal benefits of E&S integration, namely by: a) Integrating E&S factors into governance structure, business strategies, internal policies and procedures; b) Shifting to finance areas that would lead to achieving climate goals; c) Developing the capacity to assess and manage E&S-related risks; and d) Including sustainability and climate-related improvements in its disclosures.

ESG-related Business Strategies

The Manila Branch's sustainability objectives include different strategic stages to finance and invest in E&S-friendly activities. In particular, the short-term strategy focuses on complying with regulations of the transition period, the medium-term focuses on the credit market shift towards decarbonization, and the long-term mission will be contributing to the fulfillment of the global goal of net zero emissions.

Aligned with its short-term business strategy for the transition period, the Manila Branch was able to accomplish the following objectives in 2025:

- (i) Embed E&S risk management into policies, frameworks, business operations and processing;
- (ii) Support activities aimed at increasing the supply and use of clean or renewable energy sources (i.e., solar energy);
- (iii) Finance entities or projects in GHG emitting industries or sectors that achieve or implement best industry-leading performance in terms of low GHG emissions in line with reputable global or regional standards for the sector or industry;

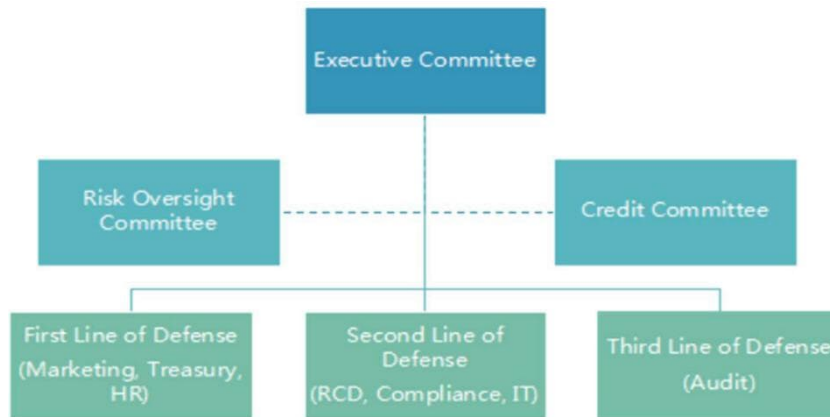
Governance Structure

The Manila Branch's governance framework fully considers sustainable strategy in its organization structure and risk management frameworks to establish clear duties, responsibilities, practices, culture and roadmaps centered on sustainable development. This includes determining E&S decision making institutions, embedding E&S risk management responsibilities to all levels, incorporating E&S factors into every link of the business process for assessment, control and management, and establishing an effective supervision mechanism.

The Executive Committee (EC) institutionalizes the adoption of sustainability principles by incorporating the same in corporate governance, risk management frameworks, strategic objectives and operations - taking into account the bank's risk appetite and ability to manage risk. It ensures that the structure of the Branch's business and the level of E&S 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 E&S risk.

**This ESG disclosure is required by Industrial and Commercial Bank of China pursuant to Section 153 of the MORB. This is not audited and not covered by the auditor's report for the 2025 financial statements.*

Senior management leads the Branch's efforts in achieving sustainable development by spearheading the development and execution of Branch's policies and practices across a broad range of sustainability and ESG matters, including climate change.



E&S organizational structure of the Branch

To effectively implement the direction and objectives set by the Executive Committee and led by the Senior Management, the Branch employs the Three Lines of Defense Model to delineate authority and responsibility among its business units. Each line performs its respective functions (as risk owners, risk managers and auditors) under the oversight and direction of the Executive Committee, Risk Oversight Committee and Credit Committee.

Environmental and Social Risk Management

The Manila Branch defines environmental and social risk as the potential financial, legal, and/or reputational negative effect of E&S issues on the bank. E&S issues include environmental pollution, climate risk, hazards to human health, safety and security, and threats to community, biodiversity and cultural heritage, among others.

The management of E&S risk forms part of the Manila Branch's overall Enterprise-Wide Risk Management Framework which includes policies, supported by appropriate processes and control procedures, designed to ensure that the Branch has sufficient and robust risk identification, mitigation and monitoring capabilities. This framework ensures that exposures to environmental and social risks are kept within the risk appetite and in line with sustainability objectives.

Credit-related Environmental and Social Risk

Based on its existing business model and profile, the Manila Branch identifies credit-related risks as its material E&S risk exposure and as such embeds it in its business strategies and decision-making.

To properly manage its E&S risks on a per borrower level, the Manila Branch utilizes an Environmental, Social and Governance (ESG) scorecard that transparently and objectively measures the client's relative ESG performance based on reported data to assess clients' ESG risk level. This year, the Branch has also enhanced its scorecard by incorporating the Philippine Sustainable Finance Taxonomy Guidelines in its ESG scoring and assessment process. Ultimately, the results of the ESG scorecard is incorporated in the borrower's credit assessment to determine the Branch's appropriate support level for each borrower or transaction.

On a portfolio level, the Manila Branch implements Green Credit Classification by identifying and categorizing credit clients in four classes according to Head Office policy - namely Friendly Class, Qualified Class, Observation Class and Rectification Class.

The breakdown of the Manila Branch's E&S risk exposures per the ICBC Group Customer Green Credit Classification¹ as of December 31, 2025 and 2024 are as follows (in PHP thousands):

Customer Green Credit Classification	2025		2024	
	Balance	% of Total	Balance	% of Total
Friendly Class	₱553,418	10%	₱644,118	40%
Qualified Class	4,448,290	78%	57,845	3%
Observation Class	707,523	12%	925,359	57%
Rectification Class	–	0%	–	0%
Total	₱5,708,961	100%	₱1,627,322	100%

Per ICBC Group's Customer Green Credit Classification, the (1) Friendly class are green businesses and companies whose environment protections are compliant with laws and regulations, (2) Qualified class are customers mainly involved in non-green fields, but are compliant with laws and regulations on environmental protections, (3) Observation class are customers involved in industries with high inherent E&S risks or clients who have resolved issues or were previously fined due to non-compliance to environmental protection, production safety, etc., and lastly (4) Rectification class are companies who have failed to pass the environmental assessment review or are currently being investigated for non-compliance to environmental protections and safety laws and regulations.

As of December 31, 2025, 88% of the Branch's corporate borrowers are classified as friendly or qualified accounts. Year-on-year, the take-up of accounts classified under observation has decreased by 44 percentage points - this is mainly due to the increase in the total loan portfolio and diversification in the Branch's borrowers year-on-year. In addition, no new exposures classified under Observation or Rectification class were taken up during the year. Existing borrowers under observation class are those who undertake activities such as electric power generation, transmission and distribution and extraction of crude petroleum.

Operations-related Environmental and Social Risk

E&S risk is also captured by operational risk events such as business disruptions and losses arising from environment-based disasters/events and/or social or human resource issues.

Based on assessments by the Philippine Institute of Volcanology and Seismology (PHIVOLCS), the Manila Branch's primary and secondary worksites are deemed generally safe from volcanic, flood, and severe wind hazards. It can also be noted that from the start of its operations, the Branch has not yet incurred any actual financial losses as a results of these physical risk- or climate risk-related events.

Additionally, the Manila Branch's has an operational risk management framework, Professional Code of Conduct and Business Continuity Plan that take into account E&S risks and set aside appropriate action plans to manage said risks. Consequently, the Manila Branch conducts BCP testing on an annual basis to ensure the effectiveness and feasibility of controls in place.

Workforce Management

The Branch provides its staff with a wide range of benefits that help mitigate social risks in the workplace such as medicine allowance, Health Maintenance Organization (HMO) assistance, life insurance and extended medical reimbursement.

Health and safe work conditions are recognized as a human right and addressed in authoritative intergovernmental bodies as well as locally by the Philippines' Department of Labor and Employment (DOLE). In line with this, the Branch ensures that it is fully compliant with DOLE's Occupational Safety and Health standards.

The Branch also recognizes that training and education form a vital role in strengthening employee skillsets and supporting professional and personal development. As of December 31, 2025, all regular Branch employees have undertaken internal and/or external training courses as well as annual performance reviews to support career development within the reporting period.

Carbon Footprint

The Manila Branch adapts sustainable practices in its day-to-day operations. Below are climate change mitigation efforts and adaptations the Branch incorporates to optimize consumption and reduce carbon footprint in the workplace:

- (i) Implementing a clear waste disposal policy;
- (ii) Encouraging shutting down computers and gadgets when not in use;
- (iii) Ensuring that air-conditioning units are maintained at suitable temperatures;
- (iv) Measuring and reporting the consumption of water, gasoline, electricity, paper, etc. regularly;
- (v) Having ICBC's operations in the Philippines based in a green building which incorporates both active sustainability technologies and passive energy-saving strategies which include low-iron insulated glazing units, high-efficiency LED lighting, reduced water consumption, and rain harvesting; and
- (vi) Adapting new technologies or shifting to digital platforms that optimize the Branch's performance and/or improves its accessibility of its services to stakeholders.