

**Industrial And Commercial Bank of
China Limited - Manila Branch**
Foreign Currency Deposit Unit

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 accompanying financial statements of the Foreign Currency Deposit Unit (FCDU) of Industrial and Commercial Bank of China Limited - Manila Branch (the Manila Branch), which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of comprehensive income and statements of cash flows for the years then ended, and notes to the financial statements, including a material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the FCDU of the Manila Branch as at December 31, 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 FCDU's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the FCDU or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the FCDU'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 FCDU'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 FCDU'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 FCDU 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.

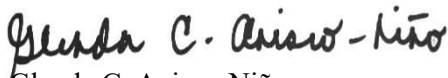


We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 19 and Revenue Regulations No. 15-2010 in Note 20 to the financial statements is 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
FOREIGN CURRENCY DEPOSIT UNIT**

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2025	2024
ASSETS		
Due from Other Banks - net (Note 6)	₱1,754,621,299	₱182,793,701
Loans and Receivables - net (Note 7)	3,712,726,307	982,856,230
Financial Asset at Fair Value through Profit or Loss (FVTPL) (Note 9)	–	20,281,130
Other Assets (Note 8)	2,839,830	9,317,705
	₱5,470,187,436	₱1,195,248,766
LIABILITIES		
Deposit Liabilities (Note 10)	₱2,455,600,604	₱446,396,709
Due to Head Office and Other Branches - net (Note 9)	2,513,494,502	294,168,118
Due to RBU (Note 9)	498,147,451	430,175,293
Accrued Expense and Other Payables (Note 11)	2,555,837	19,992,788
Other Liabilities (Note 12)	389,042	4,515,858
	₱5,470,187,436	₱1,195,248,766

See accompanying Notes to the Financial Statements.



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

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2025	2024
INTEREST INCOME		
Due from other banks (Note 6)	₱1,069,644	₱331,410
Due from Head Office and other branches (Note 9)	1,213,499	4,078,337
Investment securities at FVOCI	333,386	–
Loans and receivables (Note 7)	163,979,712	242,748,361
	166,596,241	247,158,108
INTEREST EXPENSE		
Due to Head Office and other branches (Note 9)	82,136,398	61,723,004
Interest expense on lease liability (Note 16)	2,141,057	2,805,367
Deposit liabilities (Note 10)	2,644,828	199,065
	86,922,283	64,727,436
NET INTEREST INCOME	79,673,958	182,430,672
OTHER INCOME		
Fees and commissions (Note 12)	29,007,155	26,366,719
Gain/(loss) on financial assets at fair value through profit or loss (Note 9)	(5,720,141)	4,277,419
Foreign exchange loss	2,285,722	(15,775,003)
	25,572,736	14,869,135
OPERATING EXPENSES		
Salaries, bonuses and allowances (Note 13)	91,510,201	95,075,150
Depreciation and amortization (Note 16)	12,230,902	11,473,672
Provision for (reversal of) expected credit losses (Notes 6 and 7)	8,245,925	(775,382,693)
Taxes and licenses (Note 16)	6,708,314	7,017,594
Occupancy expenses (Note 14)	1,985,931	2,303,284
Other operating expenses (Note 15)	22,652,934	33,350,965
	143,334,207	(626,162,028)
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	(38,087,513)	823,461,835
INCOME TAX EXPENSE (Note 17)	7,547,668	24,275,936
NET INCOME (LOSS)	(45,635,181)	799,185,899
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Item that may be reclassified to profit or loss</i>		
Translation adjustment (Note 9)	1,252,183	(2,795,194)
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱44,382,998)	₱796,390,705

See accompanying Notes to the Financial Statements.



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

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax expense	(P38,087,513)	P823,461,835
Adjustments for:		
Depreciation and amortization (Note 16)	12,230,902	11,473,672
Provision for (reversal of) expected credit losses (Notes 6 and 7)	8,215,023	(775,405,390)
Loss (gain) on financial assets at fair value through profit or loss (Note 9)	5,720,141	(4,277,419)
Impairment loss on creditable withholding tax (Note 15)	1,700,908	-
Foreign exchange loss (gain)	(2,285,722)	15,775,003
Operating gain (loss) before working capital changes	(12,506,261)	71,027,701
Decrease (increase) in:		
Loans and receivables	(2,738,116,002)	1,610,295,788
Financial asset at FVTPL	16,951,876	16,370,782
Other assets	(10,114,400)	(5,675,962)
Increase (decrease) in:		
Deposit liabilities	2,011,489,616	60,510,620
Due to Head Office and other branches	2,331,681,544	(1,811,682,350)
Accrued expenses and other payables	(17,167,374)	19,464,866
Other liabilities	(4,126,817)	(6,244,025)
Cash generated from (used in) operations	1,578,092,182	(45,932,580)
Income taxes paid	(7,547,668)	(24,275,936)
Net cash provided by (used in) operating activities	1,570,544,514	(70,208,516)
NET EFFECT OF EXCHANGE RATE DIFFERENCES	1,252,183	(2,795,194)
NET EFFECT OF PROVISION FOR ECL ON CASH AND CASH EQUIVALENTS	30,901	22,697
NET INCREASE (DECREASE) IN CASH	1,571,827,598	(72,981,013)
CASH AT THE BEGINNING OF YEAR		
Due from other banks (Note 6)	182,793,701	255,774,714
CASH AT END OF THE YEAR		
Due from other banks (Note 6)	P1,754,621,299	P182,793,701
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	P150,607,606	P250,350,789
Interest paid	(86,599,472)	(64,719,059)

See accompanying Notes to the Financial Statements.



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

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 of the Manila Branch 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 (FCDU) in the Philippines by the Bangko Sentral ng Pilipinas (BSP) on November 7, 2018. The Manila Branch started business operations on February 14, 2019. To date, the Manila Branch has no authority to engage in trust operations.

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

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

2. Material Accounting Policy Information

Basis of Preparation and Presentation

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

Statement of Compliance

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

Functional and Presentation Currency

The books of accounts of the FCDU of the Manila Branch are maintained in United States Dollar (USD), the currency of the primary economic environment in which the Branch’s FCDU operates. For financial reporting purposes, the FCDU accounts are translated into their equivalents in Philippine Peso (PHP) using the BSP Foreign Exchange Bulletin PDS Rate.

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



Presentation of Financial Statements

The FCDU of 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 5.

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 FCDU of 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 FCDU 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 FCDU of the Manila Branch measures financial assets at FVTPL 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 FCDU of 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 FCDU of 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 in Note 5, based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the FCDU of 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.

Foreign Currency Transactions and Translation

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

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

Cumulative Translation Adjustment (CTA)

Cumulative translation adjustment (CTA) is an accounting entry that reflects the impact of fluctuations in currency exchange rates on the FCDU’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 using the BSP Foreign Exchange Bulletin PDS rate prevailing at the statements of financial position date, and its income and expenses are translated at 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 under “Cumulative translation adjustment” and is accumulated and presented as part of Due to Regular Banking Unit. Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized as other comprehensive income is recognized in profit or loss.

Financial Instruments

Date of recognition

Financial assets and financial liabilities are recognized in the FCDU of the Manila Branch’s financial statements when the FCDU of 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 FCDU of 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 FCDU of 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 FCDU of 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 FCDU of 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 FCDU of 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 FCDU of the Manila Branch classifies its financial assets into financial assets at FVTPL.

Business model in managing financial assets

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

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

- a) The criteria that are used in determining the business model for managing financial assets are applied 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 FCDU of the Manila Branch's operations and evident to external parties. Change in intention related to the management of particular financial assets does not constitute a change in business model. The change in business model is approved by the appropriate level of authority based on sound justifications and in accordance with accounting standards. The qualitative and quantitative impacts of the change in business model are adequately documented and appropriately disclosed in the financial statements in line with the disclosure of risk management policies on the relevant risk exposure.
- d) All affected financial assets are reclassified when, and only when, the Manila Branch changes its business model for managing financial assets. Financial liabilities are not allowed to be reclassified. If cash flows are realized in a way that is different from the expectations at the date at which the FCDU of the Manila Branch assessed the business model, it does not constitute a change in the classification of the remaining financial assets as long as the FCDU of the Manila Branch considered all relevant and objective information available when it initially made the business model assessment.

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

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.

Interest income is calculated by applying the effective interest rate 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 financial asset that is a debt instrument is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

These financial assets are subsequently measured at amortized cost using the effective interest method less any impairment allowance, with the interest calculated and recognized in profit or loss.

As at December 31, 2025 and 2024, the FCDU's financial assets at amortized costs includes due from other banks and loans and receivables.

Financial assets at FVTPL

As at December 31, 2025 and 2024, the FCDU of the Manila Branch's financial assets at FVTPL consists of derivative assets (see Note 9).

The FCDU of 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 FCDU of 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.

Impairment of financial assets

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

Expected Credit Loss 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 FCDU of 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 FCDU of the Manila Branch is exposed to credit risk.

Assessment of Significant Increase in Credit Risk/Staging assessment

The FCDU of 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 date.

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 FCDU of the Manila Branch's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

The FCDU of 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 FCDU of 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 FCDU of 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 FCDU of 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 FCDU of the Manila Branch considers various factors as further discussed in Note 4.

The FCDU of 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 FCDU of 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 SICR (see Note 4 for definition of default with respect to the FCDU of 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 FCDU of 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.

Write-off

The FCDU of 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 FCDU of 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 FCDU of 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 FCDU of 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; 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

Derecognition

The FCDU of the Manila Branch derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the FCDU of the Manila Branch neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the



transferred asset, the FCDU of the Manila Branch recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the FCDU of the Manila Branch retains substantially all the risks and rewards of ownership of a transferred financial asset, the FCDU of the Manila Branch continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial Liabilities

Since the FCDU of the Manila Branch does not have financial liabilities classified at FVTPL, all financial liabilities are subsequently measured at amortized cost.

Financial liabilities measured subsequently at amortized cost

The FCDU of the Manila Branch's financial liabilities which includes due to head office and other branches, due to RBU, deposit liabilities, and accrued expenses and other payables (except payables to the government), are measured at amortized cost using the effective interest rate (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 net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. A right to offset must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

Derecognition of financial assets and liabilities

The FCDU of the Manila Branch derecognizes financial liabilities when, and only when, the FCDU of the Manila Branch's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable 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 FCDU is maintained in US dollar.

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



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 FCDU of 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 FCDU of the Manila Branch's cash flow.

The assets and liabilities of the FCDU are translated into the FCDU of 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.

Net Due to Regular Banking Unit

In accordance with Financial Reporting Package of Banks updated as at July 15, 2015 and issued by the BSP, the FCDU of the Manila Branch maintains "Due to Regular Banking Unit (RBU)" to record the net profits of the FCDU of the Manila Branch including realized profits awaiting transfer to the RBU Books, and the cumulative foreign exchange differences arising from the translation of FCDU accounts to PHP as presentation currency and cumulative gains or losses arising from the mark-to-market valuation of FVTOCI financial assets and other accounts as required to be recognized in equity.

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 FCDU of 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 FCDU of 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 FCDU of 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 FCDU of 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 FCDU of the Manila Branch reflects the amount of consideration to which the FCDU of 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 FCDU of the Manila Branch.

Related Party Transactions

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



Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the 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.

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.

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 FCDU of the Manila Branch expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to 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 FCDU of 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 Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The FCDU of 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 FCDU'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 Judgments and Estimate

The preparation of the financial statements in accordance with PFRS Accounting Standards requires the FCDU of 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 of 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 FCDU of the Manila Branch, the functional currency of the FCDU books have been determined to be the USD 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. Significant increase of 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. PFRS 9 does not define what constitutes an SICR. 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 FCDU of the Manila Branch's evaluation, financial assets measured at amortized cost are classified at Stage 1 in which ECL are measured as an allowance equal to 12-month ECL, except for one account under loans and receivables which was assessed under Stage 2 with an allowance equal to lifetime ECL.

c. Models and assumptions used

The FCDU of 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.

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 FCDU of 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 FCDU of 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.

Due from other banks recognized in the FCDU of the Manila Branch's statements of financial position as at December 31, 2025 and 2024 amounted to ₱1,754,621,299 and ₱182,793,701 respectively, which is net of the related allowance for ECL amounting to ₱53,564 and 22,956 for 2025 and 2024 respectively, as disclosed in Note 6.

As at December 31, 2025 and 2024 respectively, the carrying amounts of loans receivable subsequent to initial recognition amounted to ₱3,712,726,307 and ₱982,856,230, respectively, as disclosed in Note 7. The amounts are net of allowance for ECL amounting to ₱23,305,210 and ₱14,847,735 as at December 31, 2025 and 2024, respectively, as disclosed in Note 7.



b. Recoverability of deferred tax assets

The FCDU of 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. When there is no absolute assurance that the FCDU of 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 FCDU of the Manila Branch's future taxable income together with its future tax planning strategies.

No deferred tax assets were recognized by the FCDU of the Manila Branch as Management has assessed that it is not probable that sufficient taxable income will be generated in the coming years from which the benefits of deductible temporary differences can be utilized as disclosed in Note 18.

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). Business authorization is granted to the Manila Branch by the Head Office on an annual basis, as well as guidance and support on business development, risk management, internal governance, compliance, considering the safeguarding of the Manila Branch's long-term financial stability, solvency and liquidity situation.

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

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

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

- Credit Risk
- Liquidity and Funding Risk
- Market Risk

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

Credit risk

Credit risk is defined by the FCDU of 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 FCDU of 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 FCDU of 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 FCDU of the Manila Branch's credit risk is mainly attributable to its loans, due from banks and other non-financial institutions and financial investments. The FCDU of 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 FCDU of 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 FCDU of 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 FCDU of 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 FCDU 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 FCDU of the Manila Branch generally considers concentration risk as excessive when the ratio of a segment exposure (e.g., this may be an industry demographic attribute or a program) to the total portfolio exceeds the BSP threshold. The BSP considers that credit concentration risk exists when the total loan exposure to an industry or economic sector exceeds 30.00% of the total loan portfolio or 10.00% of Tier 1 capital, except for the commercial real estate industry which has regulatory limit of 25.00% of total loan portfolio excluding interbank loans receivable.



The table below shows the concentration of the financial assets of the FCDU of the Manila Branch by type of industry, gross of allowance for credit losses as at December 31, 2025 and 2024 (in thousands):

	Financial Institutions	Electricity, Energy, Power	Manufacturing	Real Estate, Renting, and Business Activities	Transportation and Storage	Information and Communication	Total
2025							
Due from other banks	₱1,754,675	₱-	₱-	₱-	₱-	₱-	₱1,754,675
Loans and receivables:							
Loans to customers	2,939,500	501,620	205,633	58,790	-	-	3,705,543
Accrued interest receivable on loans	16,664	13,038	110	676	-	-	30,488
	₱4,710,839	₱514,658	₱205,743	₱59,466	₱-	₱-	₱5,490,706
2024							
Due from other banks	₱182,817	₱-	₱-	₱-	₱-	₱-	₱182,817
Loans and receivables:							
Loans to customers	-	512,922	412,437	57,845	-	-	983,204
Accrued interest receivable on loans	-	13,320	409	770	-	-	14,499
Financial asset at FVTPL	20,281	-	-	-	-	-	20,281
Other assets*	2,660	-	-	-	-	-	2,660
	₱205,758	₱526,242	₱412,846	₱58,615	₱-	₱-	₱1,203,461

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

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

Maximum exposure to credit risk after collateral held or other credit enhancements

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

The table below shows the maximum exposure to credit risk 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	₱3,712,726	₱1,201,394	₱442,830	₱3,269,896
	2024			
	Maximum Exposure	Fair Value of Collaterals	Financial Effect of Collaterals	Net Exposure to Credit Risk
Loans and receivables	₱982,856	₱848,283	₱455,077	₱527,779



Credit Quality Per Class of Financial Assets

The credit quality of financial assets is managed by the FCDU of the Manila Branch using internal and external credit ratings which covers both on- and off- balance sheet exposures.

Internal rating

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

External rating

In ensuring a quality investment portfolio, the FCDU of the Manila Branch uses the credit risk rating of Moody's Standard & Poor 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+	
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 cast flow, very weak customer market competitiveness.



Internal Borrower's Risk Ratings	Moody's Equivalent Grades	Standard & Poor's and Fitch's Equivalent Grades	Description
B	C	D	The customer goes bankrupt and shuts down or materially defaults on its debts.

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

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

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

Significant increase in credit risk

The assessment of significant increase since initial recognition in the credit risk is performed at least on a quarterly basis for financial instruments held by the FCDU of the Manila Branch. The FCDU of 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 FCDU of the Manila Branch compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at the end of the reporting period and its risk of default at the date of initial recognition to determine changes in the risk of default during the lifetime of a financial instrument or a portfolio of financial instruments. In determining whether credit risk of a financial instrument has increased significantly since initial recognition, the FCDU of the Manila Branch considers factors indicating whether the probability of default has risen sharply, whether the financial instrument has been past due for more than 30 days, whether the market price has been falling to assess deterioration.

The FCDU of the Manila Branch has nil past due loan in 2025 and 2024.

Default

The FCDU of 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).



Stage of financial instruments

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

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 financial assets of the FCDU of the Manila Branch by credit risk rating and stage as at December 31, 2025 and 2024 (in thousands):

	2025			
	Stage 1	Stage 2	Stage 3	Total
Due from Other Banks				
AAA / AA+ / AA	₱1,754,675	₱-	₱-	₱1,754,675
AA- / A+	-	-	-	-
A / A-	-	-	-	-
BBB+ / BBB / BBB-	-	-	-	-
BB+ / BB / BB- / B+ B / B-	-	-	-	-
CCC	-	-	-	-
CC / C D	-	-	-	-
Unrated	-	-	-	-
Loss allowance	(54)	-	-	(54)
Carrying amounts	₱1,754,621	₱-	₱-	₱1,754,621
Loans and receivables				
AAA / AA+ / AA	₱-	₱-	₱-	₱-
AA- / A+	-	-	-	-
A / A-	-	-	-	-
BBB+ / BBB / BBB-	2,956,164	-	-	2,956,164
BB+ / BB / BB- / B+	-	-	-	-
B / B-	-	-	-	-
CCC	-	-	-	-
CC / C	-	-	-	-
D	-	-	-	-
Unrated	779,868	-	-	779,868
Loss allowance	(23,306)	-	-	(23,306)
Carrying Amounts	₱3,712,726	₱-	₱-	₱3,712,726



	2024			
	Stage 1	Stage 2	Stage 3	Total
Due from Other Banks				
AAA / AA+ / AA	₱182,817	₱-	₱-	₱182,817
AA- / A+	-	-	-	-
A / A-	-	-	-	-
BBB+ / BBB / BBB-	-	-	-	-
BB+ / BB / BB- / B+ B / B-	-	-	-	-
CCC	-	-	-	-
CC / C D	-	-	-	-
Unrated	-	-	-	-
Loss allowance	(23)	-	-	(23)
Carrying amounts	₱182,794	₱-	₱-	₱182,794
Loans and receivable				
AAA / AA+ / AA	₱-	₱-	₱-	₱-
AA- / A+	-	-	-	-
A / A-	-	-	-	-
BBB+ / BBB / BBB-	-	-	-	-
BB+ / BB / BB- / B+	-	-	-	-
B / B-	-	-	-	-
CCC	-	-	-	-
CC / C	-	-	-	-
D	-	-	-	-
Unrated	997,704	-	-	997,704
Loss allowance	(14,848)	-	-	(14,848)
Carrying Amounts	₱982,856	₱-	₱-	₱982,856

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 the 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 FCDU of 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.

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 judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations.

The ICBC Group has carried out sensitivity analysis of key economic variables, used in forward-looking measurement. As at December 31, 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 FCDU of the Manila Branch.

Recovery of impairment loss

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

Restructured Loans

Where possible, the FCDU of the Manila Branch seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and the future payments are likely to occur. When the loan has been restructured but not derecognized, the FCDU of the Manila Branch 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 FCDU of the Manila Branch defines liquidity and funding risk as the risk to the bank's earnings, capital and solvency, arising from inability to meet contractual payments and other financial obligations on their due date, or the inability to fund (at a reasonable cost) the business needs of the bank and, by extension, the needs of its customers, and risk that the FCDU of the Manila Branch will not be able to meet efficiently both expected and unexpected current and future cash flow without affecting either the daily operations or its financial condition.

Liquidity risk management

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

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

- *Identification*
The FCDU of the Manila Branch examines its key liquidity and funding risk drivers in the context of a comprehensive list of potential liquidity and funding risk factors which is reviewed and approved by the RMC at least annually.
- *Measurement*
The FCDU of the Manila Branch uses a series of measures to monitor both short and long-term liquidity including: ratios, cash outflow triggers, wholesale funding maturity profile, and early warning indicators. Strict criteria and limits are in place to ensure highly liquid marketable securities are available as part of the portfolio of liquid assets. The FCD of the Manila Branch's liquidity measurement involves assessing cash inflows against outflows and the liquidity value of its assets to identify the potential for future net funding shortfalls.
- *Liquidity and funding risks control through limits*
The FCDU of the Manila Branch has set limits to control liquidity risk exposure and vulnerabilities and established corresponding escalation procedures. These limits are not only used for managing day-to-day liquidity, but also include measures aimed at ensuring that it can continue to operate in a period of market stress, bank-specific stress and a combination of the two to ensure that, under stressed conditions, available liquidity exceeds liquidity needs.
- *Intraday liquidity management.*
The FCDU of the Manila Branch actively manages its intraday liquidity positions so that it is able to meet payment and settlement obligations on a timely basis under both normal and stress financial conditions.

The FCDU of the Manila Branch also has a formal Liquidity Contingency Plan (LCP) that sets out the strategies for addressing liquidity shortfalls in emergency situations. The LCP outlines policies to manage a range of stress environments and establish clear lines. 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 FCDU of the Manila Branch's liquidity and funding risk appetite setting of responsibility, and details clear invocation and escalation procedures.



The maturity profile of the financial assets and liabilities of the FCDU of the Manila Branch 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 other banks	₱1,754,621	₱1,754,675	₱1,754,675	₱	₱–	₱–	₱–
Loans and receivables	3,712,726	4,212,535	–	119,947	–	3,432,831	659,757
	5,467,347	5,967,210	1,754,675	119,947	–	3,432,831	659,757
Financial Liabilities							
Due to Head Office and other branches	2,513,495	2,519,957	2,519,957	–	–	–	–
Due to RBU	498,147	498,147	498,147	–	–	–	–
Deposit liabilities	2,455,601	2,455,601	2,455,601	–	–	–	–
Accrued expenses and other payables**	2,556	2,556	2,556	–	–	–	–
	5,469,799	5,476,261	5,476,261	–	–	–	–
Net Liquidity Surplus (Gap)	(₱2,452)	₱490,949	(₱3,721,586)	₱119,947	₱–	₱3,432,831	₱659,757

*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 other banks	₱182,793	₱182,817	₱182,817	₱–	₱–	₱–	₱–
Financial asset at FVTPL	20,281	20,281	20,281	–	–	–	–
Loans and receivables	982,856	1,286,894	–	–	–	570,884	716,010
Other assets*	2,660	2,660	–	2,660	–	–	–
	1,188,390	1,492,652	203,098	2,660	–	570,884	716,010
Financial Liabilities							
Due to Head Office and other branches	294,168	294,168	294,168	–	–	–	–
Due to RBU	430,175	430,175	430,175	–	–	–	–
Deposit liabilities	446,397	446,397	446,397	–	–	–	–
Accrued expenses and other payables**	19,993	19,993	19,993	–	–	–	–
	1,190,733	1,190,733	1,190,733	–	–	–	–
Net Liquidity Surplus (Gap)	(₱2,343)	₱301,919	(₱987,635)	₱2,660	₱–	₱570,884	₱716,010

*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 for liabilities.



Market risk

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

Market Risk Management

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

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

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

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

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

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

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

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



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

	2025			
	USD	EUR	CNY	Total
Financial Assets				
Due from other banks	₱1,752,902	₱–	₱1,719	₱1,754,621
Loans and receivable	3,712,726	–	–	3,712,726
	5,465,628	–	1,719	5,467,347
Financial Liabilities				
Due to Head Office and other branches	2,633,493	(1,510)	(118,489)	2,513,494
Deposit liabilities	2,346,994	–	108,606	2,455,600
Accrued Expense and Other Payables**	2,555	–	–	2,555
	4,983,042	(1,510)	(9,883)	4,971,649
Net Position	₱482,586	(₱1,510)	₱11,602	₱495,698
	2024			
	USD	EUR	CNY	Total
Financial Assets				
Due from other banks	₱168,937	₱–	₱13,856	₱182,793
Financial Asset at FVTPL	20,281	–	–	20,281
Loans and receivable	982,856	–	–	982,856
Other Assets*	2,660	–	–	2,660
	1,174,734	–	13,856	1,188,590
Financial Liabilities				
Due to Head Office and other branches	368,415	(1,290)	(72,957)	294,168
Due to RBU	434,175	–	–	434,175
Deposit liabilities	383,957	–	62,439	446,396
Accrued Expense and Other Payables**	270	–	–	270
	1,186,817	(1,290)	(10,518)	1,175,009
Net Position	(₱12,083)	₱1,290	₱24,374	₱13,581

*Other assets consists of IRS interest receivable

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



The table below indicates the currencies which the FCDU of 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	1.63%	₱14,330	(1.63%)	(₱14,330)
EUR	14.83%	223	(14.83%)	(223)
CNY	5.86%	681	(5.86%)	(681)
2024				
USD	4.47%	(₱536)	(4.47%)	₱536
EUR	(1.56%)	(20)	1.56%	(20)
CNY	1.82%	443	(1.82%)	(443)

Interest rate risk

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

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

The table set forth the interest rate repricing gap of the FCDU of the Manila Branch as at December 31, 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 other banks	₱1,754,621	₱-	₱-	₱-	₱-	₱-	₱-	₱1,754,621
Loans and receivables (gross)	2,086,913	1,175,800	-	-	-	442,830	-	3,705,543
	3,841,534	1,175,800	-	-	-	442,830	-	5,460,164
Liabilities								
Deposit Liabilities	2,338,020	117,580	-	-	-	-	-	2,455,600
Due to Head Office and Other branches	2,513,495	-	-	-	-	-	-	2,513,495
Due to RBU	498,147	-	-	-	-	-	-	498,147
	5,349,662	117,580	-	-	-	-	-	5,467,242
Net Repricing Gap	(₱1,508,128)	₱1,058,220	₱-	₱-	₱-	₱442,830	₱-	(₱7,078)
2024								
Assets								
Due from other banks	₱182,817	₱-	₱-	₱-	₱-	₱-	₱-	₱182,817
Loans and receivables (gross)	528,127	-	-	-	-	455,077	-	983,204
	710,944	-	-	-	-	455,077	-	1,166,021
Liabilities								
Deposit Liabilities	446,380	-	-	-	-	-	-	446,380
Due to Head Office and other branches	294,168	-	-	-	-	-	-	294,168
Due to RBU	430,175	-	-	-	-	-	-	430,175
	1,170,723	-	-	-	-	-	-	1,170,723
Net Repricing Gap	(₱459,779)	₱-	₱-	₱-	₱-	₱455,077	₱-	(₱4,702)



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 FCDU 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 rates (in basis points)	Effect in Income Before Income Tax
2025	+200bps	(₱140)
	-200bps	140
2024	+25bps	₱19
	-25bps	(19)

Interest rate risk in the banking book (IRRBB)

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

- **Gap Risk**
Gap risk arises from the term structure of banking book instruments, and describes the risk arising from the timing of instruments' rate changes. The extent of gap risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk).
- **Basis Risk**
Basis risk describes the impact of relative changes in interest rates for financial instruments that have similar tenors but are priced using different interest rate indices.
- **Option Risk**
Option risk arises from option derivative positions or from optional elements embedded in a bank's assets, liabilities and/or off-balance sheet items, where the FCDU of the Manila Branch 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 FCDU of the Manila Branch has assessed its interest rate risk drivers and noted that only gap risk is the significant risk it faces.

IRRBB Management

The FCDU of 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 FCDU of 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 FCUD of 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 (0.0417Y)	1M<t≤3M (0.1667Y)	3M<t≤6M (0.375Y)	6M<t≤9M (0.625Y)	9M<t≤1Y (0.875Y)
Short-term interest rate	1Y<t≤1.5Y (1.25Y)	1.5Y<t≤2Y (1.75Y)	-	-	-	-
Mid-term rates	2Y<t≤3Y (2.5Y)	3Y<t≤4Y (3.5Y)	4Y<t≤5Y (4.5Y)	5Y<t≤6Y (5.5Y)	6Y<t≤7Y (6.5Y)	-
Long-term rate	7Y<t≤8Y (7.5Y)	8Y<t≤9Y (8.5Y)	9Y<t≤10Y (9.5Y)	10Y<t≤11Y (12.5Y)	15Y<t≤20Y (17.5Y)	t>20 (25Y)

Interest rate sensitive positions of banking book include:

- 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;
- Interest rate sensitive liabilities, including debt instruments included in CET1 and CET2, etc.; and
- Off-balance-sheet items of banking book interest rate sensitivity, including off-balance-sheet derivatives and off-balance-sheet commitments with fixed interest rates.

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

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

- Earnings perspective

Earnings risk is defined as the short-term sensitivity of earnings to interest rate movements. The focus of the 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 FCDU of 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 FCDU of the Manila Branch carries out an evaluation of exposure to the IRRBB under stressful market conditions arising from its non-trading activities in the IRRBB report on a quarterly basis.

Possible stress scenarios might include abrupt changes in the general level of interest rates (evaluation will cover the 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 FCDU of the Manila Branch's exposure to IRRBB in line with its risk appetite which was 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 FCDU 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 the Treasury Department which is the department in charge of implementing the balance sheet strategies of the FCDU of the Manila Branch. The 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 FCDU of 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.

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

Due from Other Banks and Due to Head Office and Other Branches

Fair values approximate carrying amounts given that these instruments are subject to an insignificant risk of change in value due to its short-term 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.

Loans and Receivables

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

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

The FCDU of 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.

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 FCDU of the Manila Branch’s assets and liabilities measured at fair value and those for which fair values should be disclosed (amounts in thousands):

	Carrying Amount	2025			Fair Value
		Level 1	Level 2	Level 3	
Assets for which Fair Values are Disclosed					
Financial assets at amortized cost:					
Loans and receivables	₱3,712,726	₱-	₱-	₱3,712,726	₱3,712,726
Liabilities for which Fair Values are Disclosed					
Deposit liabilities	₱2,455,600	₱-	₱-	₱2,455,600	₱2,455,600
Due to Head Office and other branches	2,513,495	-	-	2,513,495	2,513,495
	₱4,969,095	₱-	₱-	₱4,969,095	₱4,969,095

*Other assets consists of IRS interest receivable

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



	2024				Fair Value
	Carrying Amount	Level 1	Level 2	Level 3	
Assets measured at Fair Value					
Financial assets at FVTPL	₱20,281	₱-	₱20,281	₱-	₱20,281
Assets for which Fair Values are Disclosed					
Financial assets at amortized cost:					
Loans and receivables	982,856	-	-	982,856	972,923
Other assets*	2,660	-	-	2,660	2,660
	₱985,516	₱-	₱-	₱985,516	₱975,583
Liabilities for which Fair Values are Disclosed					
Due to Head Office and other branches	₱446,397	₱-	₱-	₱446,397	₱446,397
Deposit liabilities	294,168	-	-	294,168	294,168
Accrued expenses and other payables**	270	-	-	270	270
	₱740,835	₱-	₱-	₱740,835	₱740,835

*Other assets consists of IRS interest receivable

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

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 Other Banks – Net

This account consists of the following:

	2025	2024
Due from other banks at gross	₱1,754,674,863	₱182,816,657
Allowance for ECL	(53,564)	(22,956)
	₱1,754,621,299	₱182,793,701

Due from other banks represent deposit accounts with domestic and foreign banks which earn interest at the prevailing rate from 0.05% to 0.25% per annum in 2025 and 0.125% per annum both in 2024.

Interest income earned from Due from banks recognized on the statement of comprehensive income amounted to ₱1,069,644 and ₱331,410 in 2025 and 2024, respectively.

7. Loans and Receivables – Net

Loans and receivables include the following:

	2025	2024
Loans to customers at amortized cost		
Syndicated loans	₱766,043,389	₱983,204,471
Interbank loans	2,939,500,000	-
	3,705,543,389	983,204,471
Accrued interest receivable	30,488,128	14,499,494
	3,736,031,517	997,703,965
Allowance for ECL	(23,305,210)	(14,847,735)
	₱3,712,726,307	₱982,856,230

As at December 31, 2025, 88.05% of the total loans of the FCDU of the Manila Branch are subject to periodic interest repricing (2024: 53.71%). Remaining foreign-currency denominated receivables from customers are subject to annual interest rate of 8.26% per annum in 2025 and 6.25% to 8.26% per annum in 2024.



Interest income earned from loans and receivables amounted to ₱163,979,712 and ₱242,748,361 in 2025 and 2024, respectively, and is presented under the “Interest income” in the statements of comprehensive income.

a. Allowance for expected credit losses

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.

A summary of the allowance for ECL is as follows:

	2025	2024
Balance, January 1	₱14,847,735	₱749,940,172
Provision for (reversal of) ECL	8,215,023	(775,382,693)
Effect of foreign exchange differences	242,452	40,290,256
Balance, December 31	₱23,305,210	₱14,847,735

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 at amortized cost, excluding allowance for expected credit losses, 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	
Secured loans:				
Chattel mortgages	₱442,830,206	11.95%	₱455,077,027	46.3%
Unsecured loans	3,262,713,183	88.05%	528,127,444	53.7%
Total	₱3,705,543,389	100.0%	₱983,204,471	100.0%

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	
	Amount	%	Amount	%
Financial institutions	₱2,939,500	79.4%	₱–	0.0%
Electricity, energy, power	501,620	13.5%	512,922	52.2%
Manufacturing	205,633	5.5%	412,437	41.9%
Real estate, renting and business activities	58,790	1.6%	57,845	5.9%
	₱3,705,543	100.0%	₱983,204	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.

As at December 31, 2025 and 2024, the FCDU of the Manila Branch has 79.4% and 52.2% concentration in financial institutions and electricity, energy, power and manufacturing sectors, respectively.



As at December 31, 2025, the FCDU of the Manila Branch has credit concentration risk to financial institutions which exceeds 10% of Tier 1 capital and nil as at December 31, 2024.

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.

There are no NPLs as at December 31, 2025 and 2024.

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 FCDU of the Manila Branch has been compliant with the regulations on single borrower's limit of the BSP.

8. Other Assets

Other assets account consists of:

	2025	2024
Receivables from customers	₱2,839,830	₱-
Creditable withholding tax	-	6,657,241
IRS interest receivable	-	2,660,464
	₱2,839,830	₱9,317,705

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

9. Related Party Transactions

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



Summary of significant transactions and outstanding balances with related parties as at December 31, 2025 and 2024 follows:

Nature of Transaction	Outstanding Balance			Nature, Terms and Conditions	Notes
	Amount/ Volume	Due from related party	Due to related party		
2025					
Parent					
<i>Due from Head Office</i>					
Due from banks:					
Deposits	₱2,754,509	₱61,845	₱-	Working Fund with Head Office; Average of 2.65% per annum, to be settled in cash, 30-day term; Unsecured, unguaranteed, unimpaired	a
Withdrawals	(2,769,084)	-	-		
<i>Due to Head Office</i>					
Interoffice borrowings:					
Withdrawals	-	-	-	Borrowings to Head Office; Fixed rate per annum, to be settled in cash, 30-day term; Unsecured, unguaranteed, unimpaired	b
Accrued interest payable					
	-	-	-		
Entities Under Common Control					
<i>Due from other Branches</i>					
Due from banks:					
Deposits	2,884,638	95,470	-	Working Fund with other ICBC office; Average of 2.65% per annum, to be settled in cash, 30-day term; Unsecured, unguaranteed, unimpaired	a
Withdrawals	(2,824,291)	-	-		
Accrued interest receivable	9,304	-	-		
<i>Due to other Branches</i>					
Interoffice borrowings:					
Proceeds	16,314,225	-	2,645,550	Borrowings to other ICBC office; Fixed rate per annum, to be settled in cash, 30-day term; Unsecured, unguaranteed, unimpaired	b
Withdrawals	(14,073,590)	-	-		
Accrued interest payable	82,136	-	25,259		
Due (from)/to RBU	498,147	-	498,147		c
Due to Head Office and Other Branches					
	-	-	2,670,809		
Due from Head Office and Other Branches					
	₱-	₱157,315	₱-		
2024					
Parent					
<i>Due from Head Office</i>					
Due from banks:					
Deposits	₱9,363,699	₱76,420	₱-	Working Fund with Head Office; Average of 2.65% per annum, to be settled in cash, 30-day term; Unsecured, unguaranteed, unimpaired	a
Withdrawals	(9,413,768)	-	-		
<i>Due to Head Office</i>					
Interoffice borrowings:					
Proceeds	-	-	-	Borrowings to Head Office; Fixed rate per annum, to be settled in cash, 30-day term; Unsecured, unguaranteed, unimpaired	b
Withdrawals	(553,700)	-	-		
Accrued interest payable	15,149	-	-		
Entities Under Common Control					
<i>Due from other Branches</i>					
Due from banks:					
Deposits	2,530,858	35,122	-	Working Fund with other ICBC office; Average of 2.65% per annum, to be settled in cash, 30-day term; Unsecured, unguaranteed, unimpaired	a
Withdrawals	(2,502,375)	-	-		
Accrued interest receivable	151	-	-		
<i>Due to other Branches</i>					
Interoffice borrowings:					
Proceeds	11,906,607	-	404,915	Borrowings to other ICBC office; Fixed rate per annum, to be settled in cash, 30-day term; Unsecured, unguaranteed, unimpaired	b
Withdrawals	(12,941,312)	-	-		
Accrued interest payable	46,574	-	795		
Due (from)/to RBU	430,175	-	430,175		c
Due to Head Office and Other Branches					
	-	-	405,710		
Due from Head Office and Other Branches					
	₱-	₱111,542	₱-		

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



Interest income earned on demand deposit accounts for the years ended December 31, 2025 and 2024 amounted to ₱1,213,499 and ₱4,078,337, respectively.

- b. These represent short-term borrowings from the Head Office and other branches. These borrowings have variable interest rates benchmarked to the Secured Overnight Financing Rate (SOFR). In 2025, interest rates range from 4.10% to 4.75%, while in 2024, it range from 1.50% to 5.85%.

Interest was accrued for these short-term borrowings and is included as part of Due to Head Office and other branches account in the statements of financial position. Interest expense on these short-term borrowings for the year ended December 31, 2025 and 2024 amounted to ₱82,136,398 and ₱61,723,004, respectively.

- c. Due (from)/to RBU:

	2025	2024
	<i>(In Thousands)</i>	
Balance as at January 1	₱430,175	(₱136,266)
Net income (loss) for the year	(45,635)	799,186
	384,540	662,920
Inter-unit transfers	112,355	(229,950)
Cumulative translation adjustment	1,252	(2,795)
Balance as at December 31	₱498,147	₱430,175
Cumulative Foreign Currency Translation Adjustments		
Balance at beginning of the year	₱8,556	₱5,761
Translation adjustment for the year	(1,252)	2,795
	₱7,304	₱8,556

Financial instruments at FVTPL

Financial instruments at FVTPL pertains to IRS contract entered by the FCDU of the Manila Branch with the Head Office. 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 which matured in 2025.

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

	2025	2024
IRS Receivable	₱–	₱2,660,464
IRS Liability	–	269,577
Financial Asset at FVTPL	–	20,281,130
Fair value Gain/(Loss)	(5,720,141)	4,277,419

The IRS receivable, IRS liability, financial asset at FVTPL, and fair value gain recognized by the FCDU of the Manila Branch are presented in the statements of financial position.

Remuneration of Key Management Personnel

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



The FCDU of the Manila Branch's compensation to key management personnel shown as part of "Salaries, bonus and allowances" account in the statements of comprehensive income for the year December 31, 2025 and 2024 amounted to ₱81,668,828 and ₱72,091,105, respectively.

10. Deposit Liabilities

In 2025 and 2024, the FCDU of the Manila Branch holds dollar denominated and yuan-denominated current deposits which are subject to annual interest rates of 0.025% and 0.15%, respectively.

The deposit liabilities of the FCDU of the Manila Branch as at December 31, 2025 and 2024 amounted to ₱2,455,600,604 and ₱446,396,709, respectively.

Accrued interest payable arising from deposit liabilities amounted to ₱339,588 and ₱16,776 as at December 31, 2025 and 2024, respectively, included in the carrying amount mentioned above.

Interest expense arising from deposit liabilities amounted to ₱2,644,828 and ₱199,065 in 2025 and 2024, respectively.

11. Accrued Expenses and Other Payables

This account consists of:

	2025	2024
Accounts payable	₱2,530,763	₱19,722,584
Accrued taxes	25,074	627
IRS swap interest payable (Note 9)	–	269,577
	₱2,555,837	₱19,992,788

Accounts payable consist of unprocessed client's outward payment and LG commission.

Accrued taxes consist of gross receipt taxes payable.

12. Fees and Commissions

The details of this account are as follows:

	2025	2024
Guarantee fees	₱17,362,103	₱23,716,194
Commitment fees	11,041,620	2,411,819
Remittance fees	336,344	212,278
Advisory fees	267,088	26,428
	₱29,007,155	₱26,366,719

The FCDU of the Manila Branch has unearned income on guarantees pertaining to fees received in advance on its issuance of financial guarantees amounting to ₱389,042 and ₱4,515,858 as at December 31, 2025 and 2024, respectively. The unearned income is included as part of the Other liabilities account in the statements of financial position.



13. Salaries, Bonuses and Allowances

The details of this account are as follows:

	2025	2024
Salaries and wages	₱75,933,237	₱79,411,674
Other employee benefits	15,409,378	15,475,892
Post-employment benefit cost	167,586	187,584
	₱91,510,201	₱95,075,150

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

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

14. Occupancy Expenses

The details of this account is as follows:

	2025	2024
House rental	₱1,315,118	₱1,470,956
Vehicle rent	666,688	777,065
Insurance expense	4,125	55,263
	₱1,985,931	₱2,303,284

Occupancy expenses pertains to expenses which are incurred in the rental of the office space and vehicle, and insurance.

15. Other Operating Expenses

Other operating expenses consist of:

	2025	2024
Utilities	₱5,498,521	₱5,164,828
Communications	5,080,638	5,910,428
Insurance	2,373,723	1,088,280
Service charges	1,801,350	1,095,420
Management and other professional services	1,710,835	10,447,478
Impairment loss on creditable withholding tax	1,700,908	-
IT-related expenses	935,871	4,411,015
Membership fees and dues	768,252	768,901
Penalties	535,141	624,464
Office supplies	439,162	460,344
Trainings	388,798	1,772,969
Representation and entertainment	328,247	508,631
Miscellaneous	1,091,488	1,098,207
	₱22,652,934	₱33,350,965



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

Utilities pertain to incurred water, electricity, postage, telecom, vehicle, maintenance cost and property management cost. Others include equipment rent, company social, security services, repairs and maintenance among others.

IT-related expenses pertain to the rental and maintenance cost of the back-up data center. Also include implementation services cost for the data server functionality.

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".

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

16. Allocation of FCDU Expenses

The Manila Branch allocated certain operating expenses incurred in the branch operations to the FCDU, as presented in the statements of comprehensive income:

	2025	2024
Depreciation and amortization	₱12,230,902	₱11,473,672
Taxes and licenses	6,708,314	7,017,594
Interest expense on lease liability	2,141,057	2,805,367
	₱21,080,273	₱21,296,633

17. Income Taxes

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	₱7,544,643	₱24,274,836
Final taxes	3,025	1,100
	₱7,547,668	₱24,275,936

The reconciliation between income (loss) before income tax expense and income tax expense is as follows:

	2025	2024
Statutory income tax at 25%	(₱9,521,878)	₱205,865,459
Adjusted for the tax effects of:		
Unrecognized deferred tax benefit (expense)	33,594,906	(157,123,178)
Difference on statutory rate and 10% special rate for FCDU	(11,316,965)	(36,412,254)
Nondeductible expenses	25,468,731	18,972,170
Tax-paid and tax-exempt income	(30,680,151)	(7,027,361)
Final tax expense	3,025	1,100
Income tax expense	₱7,547,668	₱24,275,936

Management believes that certain future deductible items may not be realized in the near foreseeable future as future taxable income may not be sufficient for the related tax benefits to be realized.

Accordingly, the FCDU of the Manila Branch did not recognize deferred tax asset related to temporary differences and loss carryover as shown below as at December 31, 2025 and 2024.

	2025		2024	
	Deductible Temporary Difference	Deferred Taxes	Deductible Temporary Difference	Deferred Taxes
Loss allowance	₱8,215,023	₱2,053,756	₱14,870,691	₱3,717,673
Allowance for impairment loss on creditable withholding tax	1,700,909	425,227	-	-
NOLCO	275,468,641	68,867,160	153,026,134	38,256,533
	₱285,384,573	₱71,346,143	₱167,896,825	₱41,974,206

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 FCDU's NOLCO under RR No. 25-2020 are as follows:

Inception Year	Amount	Expired/Used	Balance	Expiry Year
2021	₱87,199	₱–	₱87,199	2026

Details of the FCDU 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	₱2,021,184	₱2,021,184	₱–	2025
2023	4,005,073	–	4,005,073	2026
2024	146,912,678	–	146,912,678	2027
2025	124,463,691	–	124,463,691	2028
	₱277,402,626	₱2,021,184	₱275,381,442	

18. Maturity Profile of Assets and Liabilities

The table below presents the assets and liabilities of the FCDU 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 other banks (Note 6)	₱1,754,674,863	₱–	₱1,754,674,863	₱182,816,657	₱–	₱182,816,657
Loans and receivable - gross (Note 7):	164,937,801	3,571,093,716	3,736,031,517	31,098,001	966,605,964	997,703,965
Financial asset at FVTPL (Note 9)	–	–	–	20,281,130	–	20,281,130
Other assets (Note 8)	–	–	–	2,660,464	–	2,660,464
	1,919,612,664	3,571,093,716	5,490,706,380	236,856,252	966,605,964	1,203,462,216
Nonfinancial Asset						
Other assets (Note 8)	2,839,830	–	2,839,830	6,657,241	–	6,657,241
	₱1,922,452,494	₱3,571,093,716	5,493,546,210	₱243,513,493	₱966,605,964	1,210,119,457
Less: Allowance for credit losses			23,358,774			14,870,691
			₱5,470,187,436			₱1,195,248,766
Financial Liabilities						
Deposit liabilities (Note 10)	₱2,455,600,604	₱–	₱2,455,600,604	₱446,396,709	₱–	₱446,396,709
Due to Head Office and Other Branches – net (Note 9)	2,513,494,502	–	2,513,494,502	294,168,118	–	294,168,118
Accrued expenses and other payables (Note 11)	2,555,837	–	2,555,837	19,992,161	–	19,992,161
Due to RBU	498,147,451	–	498,147,451	430,175,293	–	430,175,293
	5,469,798,394	–	5,469,798,394	1,190,732,281	–	1,190,732,281
Nonfinancial Liabilities						
Accrued expenses and other payables (Note 11)	–	–	–	627	–	627
Other liabilities (Note 12)	389,042	–	389,042	4,515,858	–	4,515,858
	389,042	–	389,042	4,516,485	–	4,516,485
	₱5,470,187,436	₱–	₱5,470,187,436	₱1,195,248,766	₱–	₱1,195,248,766



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

The following supplementary information is presented for purposes of filing with the BSP and is not a required part of the basic financial statements.

Financial Performance Indicators

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

<i>Manila Branch</i>	2025	2024
Return on average equity	1.40%	16.90%
Return on average assets	0.50%	8.27%
Net interest margin on earning assets	3.40%	4.47%
<i>FCDU of the Manila Branch</i>	2025	2024
Return on average assets	(1.37%)	35.32%
Net interest margin on earning assets	2.40%	10.39%

Commitment and Contingencies

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

The following is a summary of the Manila Branch's commitments and contingencies at their equivalent Philippine peso valued amounts as at December 31, 2025 and 2024 arising from off-book transactions:

	2025	2024
Interest rate swaps	₱-	₱404,915,000
Performance standby letters of credit	-	-
Currency swaps	-	-
Total	₱-	₱404,915,000

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

Other relevant disclosures required by BSP Circular No. 1074 are in Note 3, 4, 7, and 9.

20. Supplementary Information Required By The Bureau Of Internal Revenue (BIR) Under Revenue Regulations No. 15-2010

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



In compliance with the requirements set forth by RR No. 15-2010, the following are the tax information required for the taxable year ended December 31, 2025.

Documentary Stamp Tax

	2025
Debt instruments	₱857,493
Others	610
	<u>₱858,103</u>

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

Withholding Taxes

	2025
Final withholding taxes	₱428,472

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

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

All Other Taxes (Local and National)

This consists of the following:

	2025
Other taxes paid during the year under "Taxes and Licenses"	
Fringe benefit taxes	₱6,271,995
Gross receipts taxes	42,385
License and permit fees	393,934
	<u>₱6,708,314</u>

The above taxes pertain to expense allocation related to the FCDU operations of the Manila Branch.

Tax Cases and Assessments

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

21. Approval of Financial Statements

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

