

**Bank of China (Hong Kong) Limited-
Manila Branch**

Financial Statements
December 31, 2024

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Bank of China (Hong Kong) Limited - Manila Branch

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of China (Hong Kong) Limited - Manila Branch (the Manila Branch) which comprise the statement of financial position as at December 31, 2024, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statement, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Manila Branch as at December 31, 2024, and its financial performance and its cash flows for the year 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 Manila Branch in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Manila Branch as of and for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on April 24, 2024. As part of our audit of the 2024 financial statements, we also audited the adjustments described in Note 15 that were applied to the Statement of Financial Position as at December 31, 2023 to come up with the Statement of Financial Position as at January 1, 2024 (presented herein as corresponding figures). In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2023 financial statements of the Manila Branch other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2023 financial statements taken as a whole.



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Manila Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Manila Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our



auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Manila Branch to cease to continue as a going concern.


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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the MORB in Note 27 and Revenue Regulations 15-2010 in Note 28 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Bank of China (Hong Kong) 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.



Ray Francis C. Balagtas

Partner

CPA Certificate No. 108795

Tax Identification No. 216-950-288

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

BIR Accreditation No. 08-001998-107-2023, September 12, 2023, valid until September 11, 2026

PTR No. 10465263, January 2, 2025, Makati City

April 30, 2025



BANK OF CHINA (HONG KONG) LIMITED - MANILA BRANCH
STATEMENTS OF FINANCIAL POSITION –

	December 31	
	2024	2023 (As restated – Note 15)
ASSETS		
Cash and other cash items	₱44,019,259	₱66,960,697
Due from Bangko Sentral ng Pilipinas (Note 6)	6,104,327,522	8,725,421,554
Due from other banks (Note 6)	111,734,171	4,220,292,919
Interbank loans receivable and securities purchased under resale agreements, net (Note 6)	11,072,393,328	9,259,433,109
Due from Head Office, Parent Bank and other branches, net (Notes 15 and 24)	8,485,486,840	6,303,525,625
Financial assets at fair value through profit or loss (FVTPL) (Note 7)	2,353,590	2,842
Financial assets at fair value through other comprehensive income (FVOCI), net (Note 9)	9,914,405,168	5,049,569,202
Investment securities at amortized cost, net (Note 9)	3,474,718,851	1,998,130,723
Loans and receivables, net (Note 8)	31,833,543,953	32,460,698,025
Property and equipment, net (Note 10)	226,422,334	273,212,421
Other assets, net (Note 11)	137,509,323	85,967,650
	₱71,406,914,339	₱68,443,214,767
LIABILITIES AND EQUITY		
Deposit Liabilities (Note 13)		
Demand	₱3,832,493	₱5,182,326
Savings	30,338,691,215	28,688,153,953
Time	2,642,465,174	3,286,873,950
	32,984,988,882	31,980,210,229
Due to Head Office, Parent Bank and Other Branches (Notes 15 and 24)	18,887,611,848	20,399,436,535
Interbank Loans Payable (Note 6)	2,430,194,952	1,242,842,335
Financial Liabilities at Fair Value through Profit or Loss (Note 7)	2,354,138	2,912
Income Tax Payable	38,463,605	41,692,304
Accrued Interest and Other Liabilities (Note 14)	1,820,053,978	1,018,871,432
	56,163,667,403	54,683,055,746
Equity		
Permanently Assigned Capital (Note 17)	9,977,390,606	9,977,390,606
Special Remittances from Head Office (Note 17)	106,716,690	106,716,690
Accumulated Profit	5,139,243,792	3,683,579,600
Cumulative Translation Adjustment	(31,546,153)	(14,393,676)
Net Unrealized Gain on Financial Assets at FVOCI (Note 9)	57,996,899	17,207,470
Loss on Remeasurement of Retirement Plan (Note 19)	(6,554,898)	(10,341,670)
	15,243,246,936	13,760,159,020
	₱71,406,914,339	₱68,443,214,767

See accompanying Notes to Financial Statements.



BANK OF CHINA (HONG KONG) LIMITED - MANILA BRANCH
STATEMENTS OF INCOME

	Years Ended December 31	
	2024	2023
INTEREST INCOME		
Loans and receivables (Note 8)	₱2,560,185,045	₱2,063,615,401
Due from Bangko Sentral ng Pilipinas (Note 6)	374,109,272	457,998,493
Due from Head Office, Parent Bank and other branches (Notes 15 and 24)	185,169,736	393,184,473
Interbank loans receivable and securities purchased under resale agreements (Note 6)	167,994,031	168,170,650
Due from other banks (Note 6)	5,946,116	7,738,960
Investment securities (Note 9)	501,767,229	255,396,272
	3,795,171,429	3,346,104,249
INTEREST EXPENSE		
Due to Head Office, Parent Bank and other branches (Notes 15 and 24)	774,844,891	769,175,422
Deposit liabilities (Note 13)	197,084,062	252,188,655
Finance lease (Note 20)	14,357,956	5,779,168
Interbank loans payable (Note 6)	28,991,515	25,226,990
	1,015,278,424	1,052,370,235
NET INTEREST INCOME	2,779,893,005	2,293,734,014
OTHER INCOME, NET		
Foreign exchange gains – net	305,970,662	429,418,384
Service charges and commission income (Notes 18 and 24)	233,886,878	246,436,761
Other income	553,569	803,913
TOTAL OPERATING INCOME	3,320,304,114	2,970,393,072
OTHER OPERATING EXPENSES		
Compensation and other related staff costs (Notes 19 and 24)	545,488,599	608,931,588
Provision for credit and impairment losses (Note 12)	371,210,416	620,370,210
Taxes and licenses	181,606,321	194,803,211
Depreciation and amortization (Notes 10, 11 and 20)	61,574,096	82,847,827
Insurance	60,942,397	63,916,413
Entertainment, amusement and recreation	39,021,255	37,745,468
Professional fees	34,454,168	31,367,924
Information technology expenses	26,173,430	23,399,016
Supervision fees	19,375,691	18,849,183
Occupancy and equipment - related costs (Note 20)	11,589,044	12,251,468
Service charges and commissions (Note 18)	30,565,794	11,810,757
Advertising expense	5,475,690	3,256,616
Miscellaneous (Note 21)	14,747,278	64,041,204
	1,402,224,179	1,773,590,885
INCOME BEFORE INCOME TAX	1,918,079,935	1,196,802,187
PROVISION FOR INCOME TAX (Note 22)	462,415,743	334,723,397
NET INCOME	₱1,455,664,192	₱862,078,790

See accompanying Notes to Financial Statements.



BANK OF CHINA (HONG KONG) LIMITED - MANILA BRANCH
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2024	2023
NET INCOME	₱1,455,664,192	₱862,078,790
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>		
Net unrealized gain on debt financial assets at FVOCI (Note 9)	40,789,429	7,649,388
Cumulative translation adjustment	(17,152,477)	(5,890,641)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Gain (Loss) on remeasurement of retirement plan (Note 19)	3,786,772	(13,101,550)
OTHER COMPREHENSIVE LOSS	27,423,724	(11,342,803)
TOTAL COMPREHENSIVE INCOME	₱1,483,087,916	₱850,735,987

See accompanying Notes to Financial Statements.



BANK OF CHINA (HONG KONG) LIMITED - MANILA BRANCH

STATEMENTS OF CHANGES IN EQUITY

	Permanently Assigned Capital (Note 17)	Special Remittances from Head Office (Note 17)	Accumulated Profit		Cumulative Translation Adjustment	Net Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income (Note 9)	Gains(Losses) on Remeasurmen t of Retirement Plan (Note 19)	Total
			Appropriated	Unappropriated				
Balance at January 1, 2024	₱9,977,390,606	₱106,716,690	₱65,700,000	₱3,617,879,600	(₱14,393,676)	₱17,207,470	(₱10,341,670)	₱13,760,159,020
Total comprehensive income for the year	–	–	–	1,455,664,192	(17,152,477)	40,789,429	3,786,772	1,483,087,916
Appropriations during the year	–	–	137,802,713	(137,802,713)	–	–	–	–
Balance at December 31, 2024	₱9,977,390,606	₱106,716,690	₱203,502,713	₱4,935,741,079	(₱31,546,153)	₱57,996,899	(₱6,554,898)	₱15,243,246,936
Balance at January 1, 2023	₱9,977,390,606	₱106,716,690	₱65,700,000	₱2,755,800,810	₱(8,503,035)	₱9,558,082	₱2,759,880	₱12,909,423,033
Total comprehensive income for the year	–	–	–	862,078,790	(5,890,641)	7,649,388	(13,101,550)	850,735,987
Balance at December 31, 2023	₱9,977,390,606	₱106,716,690	₱65,700,000	₱3,617,879,600	₱(14,393,676)	₱17,207,470	₱(10,341,670)	₱13,760,159,020

See accompanying Notes to Financial Statements.



BANK OF CHINA (HONG KONG) LIMITED - MANILA BRANCH
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2024	2023 (As restated – Note 15)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱1,918,079,935	₱1,196,802,187
Adjustments for:		
Provision for credit and impairment losses (Note 8)	371,210,416	620,370,210
Unrealized foreign gain (loss)	127,378,509	(21,009,173)
Depreciation and amortization (Notes 10 and 20)	61,574,096	82,847,827
Retirement expense (Note 19)	(52,602,527)	15,249,666
Reversal of provisions (Note 21)	(45,347,961)	–
Interest expense on lease liabilities (Note 20)	14,357,956	–
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Financial assets at FVPL (Note 7)	(2,350,748)	13,879,863
Loans and receivables (Note 8)	235,162,431	(1,303,427,904)
Other assets (Note 11)	25,895,816	(37,029,813)
Increase (decrease) in the amounts of:		
Deposit liabilities (Note 13)	599,352,507	(634,344,205)
Interbank loans payable (Note 6)	1,187,352,617	(461,044,065)
Financial liabilities at FVPL (Note 7)	2,351,226	(13,874,886)
Accrued interest and other liabilities (Note 14)	719,785,368	(368,052,118)
Net cash generated from operations	5,162,199,641	(909,632,411)
Income taxes paid	(465,644,442)	(314,396,958)
Contributions to retirement fund (Note 19)	(24,899,472)	(36,241,010)
Net cash provided by (used in) operating activities	4,671,655,727	(1,260,270,379)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net additions to property and equipment (Note 10)	(14,257,268)	(3,414,652)
Placements in:		
Financial assets at FVOCI (Note 9)	(26,985,538,470)	(4,716,288,195)
Investments at amortized cost	(1,468,446,000)	(2,000,214,902)
Head Office, Parent Bank and other branches	(1,477,361,511,781)	(1,714,501,796,043)
Proceeds from:		
Maturities of placements with Head Office, Parent Bank and other branches	1,471,726,823,536	1,723,771,904,972
Maturities/sales of financial assets at FVOCI (Note 9)	22,161,491,933	4,800,930,000
Net cash used in investing activities	(11,941,438,050)	7,351,121,180
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings from Head Office, Parent Bank and other branches (Notes 15 and 25)	3,132,797,159,124	372,348,387,513
Payments to Head Office, Parent Bank and other branches (Notes 15 and 25)	(3,130,451,930,700)	(371,789,458,023)
Payment of lease liabilities (Note 20)	(64,648,102)	(29,785,643)
Net cash provided by financing activities	2,280,580,322	529,143,847
EFFECT OF FOREIGN EXCHANGE RATE	49,568,002	14,556,253
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(₱4,939,633,999)	₱6,634,550,901

(Forward)



	Years Ended December 31	
	2024	2023
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	₱66,960,697	₱98,097,524
Due from Bangko Sentral ng Pilipinas	8,725,421,554	7,295,940,929
Due from other banks	4,220,292,919	60,612,207
Interbank loans receivable and SPURA	9,259,433,109	8,182,906,718
	22,272,108,279	15,637,557,378
CASH AND CASH EQUIVALENTS AT END OF YEAR*		
Cash and other cash items	44,019,259	66,960,697
Due from Bangko Sentral ng Pilipinas	6,104,327,522	8,725,421,554
Due from other banks	111,734,171	4,220,292,919
Interbank loans receivable and SPURA	11,072,393,328	9,259,433,109
	₱17,332,474,280	₱22,272,108,279
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	4,551,136,466	3,994,015,625
Interest paid	1,029,450,774	1,256,700,240
Dividend received	240,000	280,000

See accompanying Notes to Financial Statements.



BANK OF CHINA (HONG KONG), LIMITED – MANILA BRANCH

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Bank of China (Hong Kong) Limited, a foreign corporation organized under the laws of the Hong Kong SAR, People's Republic of China, was authorized by the Bangko Sentral ng Pilipinas (BSP) to operate as a full-service commercial Manila Branch (the "Manila Branch") on November 21, 2001.

The Manila Branch deals primarily in providing banking services (i.e., deposit-taking, trade, lending and treasury) to customers, including acting as broker of fixed income/debt securities, dealer of government securities, and all other allied banking services authorized under the applicable laws and regulations, and to facilitate Sino-Philippine bilateral trade.

On November 22, 2017, the Manila Branch acquired its secondary license as government securities eligible dealer from the SEC.

On December 7, 2017, the Bangko Sentral ng Pilipinas (BSP) approved the transfer of the Manila Branch's commercial banking license resulting from the transfer of its assets and liabilities from Bank of China Limited (Parent Bank) to Bank of China (Hong Kong) Limited (the Head Office or BOCHK). This transfer was further reflected in the amended license of the Manila Branch with the SEC on September 24, 2019.

On January 29, 2018, the Manila Branch received additional capital from the Head Office amounting to United States Dollar (USD) 150.0 million, with Philippine Peso equivalent of P7.6 billion. This was recorded as part of the Manila Branch's Permanently Assigned Capital under the Head Office account section in the statement of financial position (Note 11).

On October 27, 2020, the Philippine Securities and Exchange Commission (SEC) approved the change in registered business name of the Manila Branch from Bank of China Limited to Bank of China (Hong Kong) Limited - Manila Branch.

The Manila Branch's principal office is located at the 28th floor, The Finance Centre, 26th Street corner 9th Avenue, Bonifacio Global City, Taguig.

2. Material Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss (FVPL) and financial assets at fair value through other comprehensive income (FVOCI) and the plan assets component of retirement liability which are measured at fair value.

The financial statements of the Manila Branch are presented in Philippine Peso, the Manila Branch's functional and presentation currency. All values are rounded to the nearest peso except when otherwise indicated.



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

Statement of Compliance

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

Presentation of Financial Statements

The Manila Branch presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within twelve (12) months after the reporting date (current) and more than twelve (12) months after the reporting date (non-current) is presented in Note 16.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. The Manila Branch assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Manila Branch and all of the counterparties.

Income and expense are not offset in the statement of comprehensive income by any accounting standard or interpretation and as specifically disclosed in the accounting policies of the Manila Branch.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2024. The Manila Branch has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of these new standards did not have an impact on the financial statements of the Manila Branch:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Foreign Currency Translation

The books of accounts of the RBU are maintained in Philippine Peso, while those of the FCDU are maintained in USD. For reporting purposes of the combined financial statements, foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine Peso based on the Bankers Association of the Philippines (BAP) closing rates prevailing at the end of the year for monetary assets and monetary liabilities and at the BAP closing rates prevailing at transaction dates for income and expenses. Foreign exchange differences arising from reporting foreign currency monetary transactions and restatements of foreign currency-denominated assets and liabilities are credited to or charged against profit or loss in the year in which the rates change.



Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the initial transaction date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The FCDU accounts are translated to the Manila Branch's presentation currency at BAP closing rates prevailing at the reporting date, and income and expenses accounts are translated at BAP weighted average rate (WAR) for the year. Exchange differences arising from translation are taken directly to a separate component of equity under 'Translation adjustment'. Upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is reclassified to profit or loss.

Fair Value Measurement

The Manila Branch measures financial instruments, such as derivatives, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 4.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 4, 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 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.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include Cash and Other Cash items, Due from BSP, Due from other Banks and Interbank Loans Receivable and Securities Purchased under resale agreements (SPURA) that are convertible to known amounts of cash and with original



maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in value.

Due from BSP includes the statutory reserves required by the BSP which the Manila Branch considers as cash equivalents wherein withdrawals can be made to meet the Manila Branch's cash requirements as allowed by the BSP. The components of cash and cash equivalents are shown in the statement of cash flows. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

SPURA

The Manila Branch enters into short-term purchases of securities under resale agreements of identical securities with the BSP. Resale agreements are contracts under which a party purchases securities and resells such securities to the same selling party at a specified future date at a predetermined rate. The amounts advanced under resale agreements are carried as SPURA in the statement of financial position. SPURA is carried at cost. The corresponding interest income is reported as 'Interest income on Interbank loans receivable and SPURA' in the statement of income.

Financial Instruments - Initial Recognition

Date of recognition

The Manila Branch recognizes financial instruments when, and only when, it becomes a party to the contractual terms of the instrument. 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. Derivatives are recognized on a trade date basis. Deposits, amounts due to Banks and loans and receivables are recognized when cash is received by the Manila Branch or advanced to the borrowers.

Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. All financial instruments are initially recognized at fair value plus, except for financial instruments at FVPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

'Day 1' difference

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

Classification, Measurement of Financial Assets

Under PFRS 9, the classification and measurement of financial assets is driven by the contractual cash flow characteristics of the entity's financial assets and business model for managing the financial assets.



As part of its classification process, the Manila Branch assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium or discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Manila Branch applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Business model assessment

The Manila Branch determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Manila Branch's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Manila Branch's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Manila Branch's original expectations, the Manila Branch does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Manila Branch's measurement categories are described below:

Financial Assets at FVPL

Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Manila Branch has chosen to designate as at FVPL at initial recognition, are classified as financial assets at FVPL. Equity investments are classified as financial assets at FVPL, unless the Manila Branch designates an equity investment that is not held for trading as at FVOCI at initial recognition.



Derivatives

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Manila Branch enters into derivative transactions with various counterparties including its Head Office and corporate clients. These includes interest rate swaps, foreign exchange swaps and forward foreign exchange contract. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The Manila Branch's derivative assets and liabilities are presented as 'Financial assets at FVPL' and 'Financial liabilities at FVPL' in the statement of financial position.

The notional amount and fair value of such derivatives are disclosed separately in Note 7. Changes in the fair value of derivatives are included in 'Foreign exchange gains' in statement of income.

Financial Assets at FVOCI - Equity Investments

At initial recognition, the Manila Branch can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Manila Branch for trading. The Manila Branch has designated certain equity instruments as at FVOCI as these are not traded.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in 'Net unrealized fair value gains (losses) on financial assets at FVOCI' in the statements of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in the 'Net unrealized fair value gains (losses) on financial assets at FVOCI' account is not reclassified to profit or loss, but is reclassified directly to Accumulated Profits.

Any dividends earned on holding these equity instruments are recognized in statement of income under 'Other Income' account.

Financial Assets at FVOCI - Debt Investments

The Manila Branch applies the category of debt instruments measured at FVOCI when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value being recognized in other comprehensive income (OCI). Interest income and foreign exchange gains and losses are recognized in profit or loss. Provision for credit and impairment losses is recognized in profit or loss with the corresponding ECL recognized in OCI.



On derecognition, ECL and cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Manila Branch's business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs.

They are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Financial assets at amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the statement of income. The losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the statement of income.

This includes 'Due from BSP', 'Due from other Banks', 'Interbank loans receivable and SPURA', 'Due from Head Office, Parent Bank and other branches', 'Investment securities at amortized cost', 'Loans and receivables' and other financial assets under 'Other assets'. These are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market.

The Manila Branch may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. The Manila Branch has not made such designation.

Reclassification of financial instruments

The Manila Branch can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Manila Branch is required to reclassify financial assets: (i) from amortized cost to FVPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; (ii) from FVPL to amortized cost or FVOCI, if the objective of the business model changes so that the amortized cost or FVOCI criteria start to be met and the characteristic of the instrument's contractual cash flows are SPPI; and, (iii) from amortized cost to FVOCI if the business model changes so that the objective becomes both to collect contractual cash flows and to sell or from FVOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

Reclassification of financial assets designated as at FVTPL or equity financial assets at FVOCI at initial recognition is not permitted.

A change in the objective of the Manila Branch's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Financial liabilities at amortized cost

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.



Issued financial instruments or their components, which are not designated at FVPL, are classified under ‘Deposit liabilities’, ‘Due to Head Office, Parent Bank and other branches’ and ‘Accrued interest and other liabilities’ or other appropriate financial liability accounts where the substance of the contractual arrangement results in the Manila Branch having an obligation either to deliver cash or another financial assets to the holder, or to satisfy the obligation other than by the exchange of fixed amount of cash or another financial asset. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component at the date of issue.

Impairment of Financial Assets

Overview of the ECL principles

The Manila Branch records the allowance for ECL for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts; in this section all of these are referred to as ‘financial instruments’. Equity instruments are not subject to impairment under PFRS 9.

The impairment allowances for financial instruments specifically requires entities to assess credit risk and estimate ECL with an unbiased and probability-weighted approach and to consider time value of money and supportable information about past events, current conditions, and the best available forward-looking information.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL, unless there has been no significant increase in credit risk (SICR) since origination, in which case, the allowance is based on the 12 months’ ECL).

The 12-month ECL is the portion of lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both lifetime ECL and 12-monthECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Manila Branch has established a mechanism to perform an assessment, at the end of each reporting period, of whether a financial instrument has experienced a SICR since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument or when there is an objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of the financial instrument.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset’s gross carrying value. Provisions for ECLs for undrawn loan commitments is discussed under Notes 5 and 12

Restructured loans

Where possible, the Manila Branch seeks to restructure loans. 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 that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan’s original EIR. The difference between the recorded value of the original loan and the present



value of the restructured cash flows, discounted at the original EIR, is recognized in ‘Interest income’ in the statement of income.

Derecognition of Financial Assets and Financial Liabilities

Derecognition due to substantial modification of terms and conditions

The Manila Branch derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit-impaired (POCI).

When assessing whether or not to derecognize a loan to a customer, amongst others, the Manila Branch considers the following factors such as change in currency of the loan, introduction of an equity feature, change in counterparty, and if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Manila Branch records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than substantial modification

Financial asset

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

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

When the Manila Branch has transferred its rights to receive cash flows from an asset or has entered into a “pass-through” arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Manila Branch continues to recognize the transferred asset to the extent of the Manila Branch’s continuing involvement. In that case, the Manila Branch also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Manila Branch has retained.

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



Financial liabilities

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

Write-off

Financial assets are written off either partially or in their entirety when the Manila Branch no longer expects collections or recoveries within a foreseeable future. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Offsetting of financial instruments

Financial instruments are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liability simultaneously. The Manila Branch assesses that it has an enforceable right of offset if the right is not contingent on a future event, and it is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Manila Branch and all of the counterparties.

As at December 31, 2024 and 2023, there are no financial assets and liabilities presented at net amounts due to offsetting.

Financial guarantees, letters of credit and undrawn loan commitments

In the ordinary course of business, the Manila Branch gives financial guarantees consisting of letters of credit, letters of guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value in 'Accrued interest and other liabilities'. Subsequent to initial recognition, the Manila Branch's liabilities under such guarantees are each measured at the higher of the initial fair value less, when appropriate, cumulative amortization calculated to recognize the fee in the statement of income over the term of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee. The premium received is recognized in the income statement on a straight-line basis over the life of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the statement of income under 'Provision for credit and impairment losses'. Any financial guarantee liability remaining is recognized under 'Service charges and commissions income' in the statement of income when the guarantee is discharged, cancelled or has expired.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Manila Branch is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments are disclosed in Note 23.



Property and Equipment

Property and equipment, which include leasehold improvements and furniture and equipment, are stated at cost less accumulated depreciation and amortization, and any impairment value.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, and any costs that are directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

The Manila Branch classifies right-of-use assets as part of property and equipment. The Manila Branch recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Manila Branch is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

The Manila Branch allocates the depreciable amount of an asset over its estimated useful life (EUL) using the straight-line method. The EUL of the depreciable assets not arising from lease arrangements are as follows:

- Furniture and equipment 3 to 6 years
- Leasehold improvements 5 years or lease term, whichever is shorter
- ROU asset 5 years or lease term, whichever is shorter

The useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. Any change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the depreciation/amortization period or method, as appropriate, and treated as a change in accounting estimate.

The carrying value of the property and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in 'Provision for credit and impairment losses' in the statement of income (see accounting policy on Impairment of Non-Financial Asset).



An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized under 'Other income (miscellaneous expenses)' in the statement of income in the year the asset is derecognized.

Software Cost

Cost that are directly associated with identifiable and unique software controlled by the Manila Branch and will generate economic benefits exceeding costs beyond one year, are recognized as software cost under 'Other assets'. Expenditures which enhances or extends the performance of computer software programs beyond their original specifications is recognized as capital improvements and added to the original cost of the software. Capitalized computer software costs are amortized using straight-line method over their useful lives, but not exceeding a period of three years.

Impairment of Non-Financial Assets

At each reporting date, the Manila Branch assesses whether there is an indication that its non-financial assets (i.e., property and equipment, software costs and right-of-use assets) may be impaired. If any such indication exists or when an annual impairment testing for an asset is required, the Manila Branch makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged against the operations in the year in which it arises.

Leases

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

The Manila Branch applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Manila Branch recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Refer to accounting policy on right-of-use assets under property and equipment.

Lease liabilities

At the commencement date of the lease, the Manila Branch recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Manila Branch and payments of penalties for terminating the lease, if the lease term reflects the Manila Branch exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Manila Branch uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the



carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Manila Branch applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to short-term leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Revenue Recognition

The Manila Branch has assessed that it is acting as principal in all arrangements. The following specific recognition criteria must also be met before revenue is recognized:

In-scope of PFRS 15

Income earned from providing transaction services

Fees or components of fees that are linked to a certain performance are recognized when services are rendered. These fees include corporate finance fees and remittance fees. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Manila Branch retains no part of the loans for itself or retains part at the same EIR as for the other participants.

Outside the scope of PFRS 15

Interest income – Effective Interest method

For all financial instruments measured at amortized cost, interest income is recorded using the EIR, which 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, multiplied to the net carrying amount of the financial instrument.

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. The carrying amount of the financial asset is adjusted if the Manila Branch revises its estimates of receipts. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded under ‘Interest income’ in the statement of income.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Interest and similar income

The Manila Branch calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as ‘Stage 3’, the Manila Branch calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Manila Branch reverts to calculating interest income on a gross basis.



Service charges and commission

Fees that the Manila Branch considers to be an integral part of the corresponding financial instruments include loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instrument and are recognized as interest income through an adjustment to the EIR. The exception is, when it is unlikely that a loan will be drawn down, the unamortized loan commitment fees are recognized as revenue on expiry. Loan commitments that are within the scope of PFRS 9 (i.e., are designated as FVPL, or are at a below market rate of interest, or are settled net) are accounted for as derivatives and measured at FVPL.

Expense Recognition

Expenses are recognized when it is probable that decrease in future economic benefits related to decrease in an asset or increase in a liability has occurred and that the decrease in economic benefits can be measured reliably.

Retirement Benefits

The Manila Branch operates a defined benefit retirement plan which requires contributions to be made to a separately administered fund.

The net defined benefit asset (liability) is the aggregate of the present value of the defined benefit obligation at the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit method.

Retirement costs comprise the following:

- Service costs
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

Net interest on the net defined benefit asset (liability) is the change during the period in the net defined benefit asset (liability) that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to 'Gain (loss) on remeasurement of retirement plan' under other comprehensive income (OCI) in the period in which they occur. Remeasurements are not reclassified to the statement of income in subsequent periods.



Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Manila Branch, nor can they be paid directly to the Manila Branch.

Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Manila Branch's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they accrue to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Equity

Permanently assigned capital represents the capital permanently assigned by the Head Office of the Manila Branch.

Special remittances from Head Office represent reimbursement of the unadjusted accumulated losses at the time of remittances, without contractual obligation to repay.

Accumulated profits represent all unremitted profit and losses of the Manila Branch and other capital adjustments.

Income Taxes

Current tax

Current tax assets and current tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax

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



Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets 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 carry over (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting 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 deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized directly in OCI is also recognized in the statement of comprehensive income and not in the statement of income.

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

Provisions

Provisions are recognized when the Manila Branch has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Manila Branch expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recorded in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized under 'Interest expense' in the statement of income.

Contingencies

Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Events after the Reporting Date

Post-year-end events that provide additional information about the Manila Branch's position at the reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.



Standards Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Manila Branch's financial statements are listed below. The Manila Branch intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the financial statements of the Manila Branch.

Effective beginning on or after January 1, 2025

- Amendments to PAS 21, Lack of exchangeability

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- 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*

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. Material Accounting Judgments and Estimates

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

a) Contingencies

The Manila Branch has suits and claims that remain unsettled. Management believes, based on the opinion of its legal counsel that the ultimate outcome of such cases and claims will not involve sums having a material effect on its financial statements. It is possible, however, that the future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 23).



b) *Fair value of financial assets*

When the fair values of financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

The carrying values and corresponding fair values of financial instruments as well as the manner in which fair values were determined are discussed in Note 4.

c) *Evaluation of business model in managing financial instruments*

The Manila Branch manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers.

The business model criteria may be applied at the level of a portfolio of financial instruments (i.e. group of financial instruments that are managed together by the Manila Branch) but not on an instrument-by-instrument basis (i.e. not based on intention for each individual financial instrument). This may include, for instance, a portfolio of investments that the Manila Branch manages in order to collect contractual cash flows and another portfolio of investments that the Manila Branch manages in order to trade to realize fair value changes. The Manila Branch's business model is determined at portfolio level, which reflects how group of financial assets are managed together to achieve a particular business objective. Business model test assessment is a matter of fact, rather than merely an assertion.

The Manila Branch has designated its equity securities at FVOCI. Gains or losses on derecognition of these equity securities are not transferred to profit or loss. Otherwise, equity securities are measured at FVTPL (except for dividend income which is recognised in profit or loss).

The Manila Branch's financial assets are classified as at FVTPL, FVOCI and amortized cost. There were no reclassifications made among the three categories during the years then ended.

The carrying values and corresponding fair values of financial instruments as well as the manner in which fair values were determined are discussed in Note 4.

d) *Determination of lease term of contracts with renewal and termination options*

The Manila Branch has several lease contracts that include extension and termination options. The Manila Branch applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Manila Branch reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Manila Branch determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.



e) Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management is required to determine the amount of deferred tax assets that can be recognized, based on the forecasted level of future taxable profits and the related future tax planning strategies.

The Manila Branch does not recognize deferred tax assets until there is probable future taxable income that will be available against which the deductible temporary difference can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon likely timing and level of future taxable income together with future tax planning strategies. The unrecognized deferred tax assets are disclosed in Note 22.

f) Testing the cash flow characteristics of financial assets

The Manila Branch assesses the terms of instruments to identify whether the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' ("SPPI"). Financial assets that are consistent with a basic lending arrangement are considered to meet the SPPI criterion. In this context, the term 'basic lending arrangement' is used broadly to capture both originated and acquired financial assets, the lender or the holder of which is looking to earn a return that compensates primarily for the time value of money and credit risk.

In determining the classification of financial assets under PFRS 9, the Manila Branch assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period, are described below. The Manila Branch based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Manila Branch. Such changes are reflected in the assumptions when they occur.

a) Impairment of loans and receivables and commitments

The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a SICR.

These estimates are driven by a number of factors, changes in which can result in different levels of allowances.



The Manila Branch's ECL calculations are outputs of complex models. The choice of variable inputs and their interdependencies involves a series of assumptions. ECL models are developed by leveraging in existing internal rating models and loss estimates, behavioral models and forecasting factors. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Manila Branch's internal credit rating models, which assign probability of defaults to the individual ratings;
- The Manila Branch's significant credit deterioration criteria (including internal credit rating downgrade, days past due, significant decrease in market values and qualitative assessment) for assessing whether the financial assets' impairment allowances should be measured on a lifetime ECL basis;
- The segmentation of financial assets according to similar risk and default characteristics when their ECL is assessed on a collective basis;
- Development of ECL models, including the determination of macroeconomic factor forecasts and the effect on PD, LGD and EAD; and
- Selection of forward-looking macroeconomic scenarios (including three independent scenarios (i.e., good, baseline and downturn)) and their probability weights.

Based on the latest economic forecast and risk profile of the Manila Branch's portfolio, the Stage of Economy model parameter is updated annually as part of the input to capture the forward-looking element. This mechanism aims to ensure that provisions for credit losses are sufficient and robust.

Refer to Note 12 for the disclosures on gross exposures and related allowance for credit and impairment losses as at December 31, 2024 and 2023..

b) Net plan assets and retirement expense

The determination of the Manila Branch's net plan assets and annual retirement expense is dependent on the selection of certain assumptions used in calculating such amounts. These assumptions include, among others, discount rates and salary rates.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the reporting date. The present value of the retirement obligation and fair value of plan assets, including the details of the assumptions used in the calculation are disclosed in Note 19.

c. Incremental borrowing rate used for lease liabilities

If the Manila Branch cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate in measuring its lease liabilities. The incremental borrowing rate is the rate of interest that the Manila Branch would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value in a similar economic environment. The Manila Branch estimates the incremental borrowing rate using observable inputs (prevailing risk-free market rates) adjusted by the credit risk of the Manila Branch (i.e., credit spread).



4. Fair Value Measurement

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

Cash and cash equivalents and due from or to Head Office, Parent Bank and other branches and other banks and interbank loans receivables and SPURA

The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

Financial assets and liabilities at FVPL

Fair values of derivative instruments are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique is forward pricing, using present value calculations. The model incorporates various inputs including forward rates and interest rate curves prevailing at the reporting date.

Unquoted equity securities

There is no market for these securities and the Manila Branch does not intend to dispose these securities since these represent investments in allied undertakings which are necessary in its Manila Branch operations. The fair values of these securities were determined using the net asset value method. The Manila Branch assessed that the remeasurement to their fair values are not material to the financial statements.

Financial assets at FVOCI and amortized cost

Fair values of these government security investments are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Loans and receivables

Loans and receivable are evaluated by the Manila Branch based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project.

Fair values of loans and receivables are estimated based on the discounted cash flow methodology, using interest rates offered for similar loans to borrowers with similar credit ratings ranging from 0.01% to 6.1% in 2024 and 0.01% to 6.0% in 2023. Where the instrument reprices on a quarterly basis or has a relatively short maturity, the carrying amounts approximated fair values.

Security deposits

The Manila Branch's financial instruments where the carrying values do not approximate fair value pertain to the security deposits recorded under 'Other assets'. These are reported at cost and are not significant in relation to the Manila Branch's financial asset portfolio.

Liabilities

The fair values of liabilities approximate their carrying amounts due to either the demand nature or the relatively short-term maturities.

Fair Value Hierarchy

The Manila Branch uses a hierarchy for determining and disclosing the fair value of its financial instruments.



The Manila Branch uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique. These levels are based on the inputs that are used to determine the fair value and can be summarized in:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

The Manila Branch held the following financial assets and liabilities measured at fair value and at cost but for which fair values are disclosed and their corresponding level in fair value hierarchy:

	2024				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets measured at fair value					
Financial assets at FVTPL					
Currency swaps	₱2,353,590	₱-	₱2,353,590	₱-	₱2,353,590
Financial assets at FVOCI					
Equity investments	7,967,810	-	-	7,967,810	7,967,810
Government debt securities	9,906,437,358	9,906,437,358	-	-	9,906,437,358
	9,916,758,758	9,906,437,358	2,353,590	7,967,810	9,916,758,758
Assets for which fair values are disclosed					
Investment securities at amortized cost	3,474,718,851	3,492,137,500	-	-	3,492,137,500
Loans and receivables*					
Receivables from customers					
Corporate loans	33,100,579,608	-	-	32,358,362,980	32,358,362,980
Consumer loans	2,026,743	-	-	1,804,310	1,804,310
	36,577,325,202	3,492,137,500	-	32,360,167,290	35,852,304,790
	₱46,494,083,960	₱13,398,574,858	₱2,353,590	₱32,368,135,100	₱45,769,063,548
Liabilities measured at fair value					
Financial liabilities at FVTPL	₱2,354,138	₱-	₱2,354,138	₱-	₱2,354,138
2023					
	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value					
Financial assets at FVTPL					
Currency swaps	2,842	-	2,842	-	2,842
Financial assets at FVOCI					
Equity investments	7,967,810	-	-	7,967,810	7,967,810
Government debt securities	5,041,601,392	-	5,041,601,392	-	5,041,601,392
	5,049,572,044	-	5,041,604,234	7,967,810	5,049,572,044
Assets for which fair values are disclosed					
Investment securities at amortized cost	1,998,130,723		2,000,000,000		2,000,000,000
Loans and receivables*					
Receivables from customers					
Corporate loans	33,454,892,507	-	-	31,102,926,853	31,102,926,853
Consumer loans	1,960,890	-	-	1,823,034	1,823,034
	35,454,984,120	-	2,000,000,000	31,104,749,887	33,104,749,887
	40,504,556,164	-	7,041,604,234	31,112,717,697	38,154,321,931
Liabilities measured at fair value					
Financial liabilities at FVTPL	₱2,912	₱-	₱2,912	₱-	₱2,912

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements in 2024 and 2023.



5. Financial Risk Management Policies and Objectives

The Manila Branch is committed to establish a risk culture that promotes risk management that continuously endeavors to identify and manage perceived areas of risk exposure. In carrying out this mandate, the Manila Branch implements its enterprise risk management framework or comprehensive risk management policies which is aligned to the BOC Group and compliant with local regulations. The Manila Branch established a risk governance structure to ensure senior management oversight on the Branch's risk taking activities which is led by the Management Committee (ManCom) and Risk Oversight and Internal Control Committee (ROICC).

Furthermore, the BOC Group and the Manila Branch has designed a comprehensive series of risk management policies and has set up controls to analyze, identify, monitor and report various risks across its operations. Limit and key risk indicators are also established to guide business development to achieve strategic goals and objectives under prudent risk-taking activities.

The Manila Branch adheres to a moderate risk appetite, and manages the relationship between risk and return on a balanced, rational, steady and prudent manner. The Manila Branch adheres to a proactive, timely and forward looking view of its risk appetite according to its business development objectives, regulatory and BOC Group requirements, and market conditions. This includes corporate lending, particularly bilateral loans (including trade finance business) and participation in loan syndications, deposit-taking through branch banking operations, and treasury operations. Risks are inherent in these activities but are managed by the Manila Branch through a rigorous, comprehensive and continuous process of identification, measurement, monitoring and controlling of these risks, partly through effective management oversight, system of limits, process controls, regular monitoring, early warning and independent validation.

The Manila Branch's principal financial instruments consist of cash and cash equivalents, financial instruments at FVPL, FVOCI debt and equity investments, amortized cost debt investments, loans and receivables, deposits and placements with other banks and Head Office, Parent Bank and other branches, and off-balance sheet exposures such as guarantees issued, letters of credit issued, confirmed letters of outward bills for collection and corporate loan commitments.

Risk Management Structure

The Manila Branch's risk management structure ensures that responsibilities and accountabilities across the three lines of defense are clear and implemented. Working on the principle of "Every line is the only line of defense and every line of defense is the last line of defense". The first line covers customer facing units and other units which are directly responsible for risk management and first-in-line responsibility for acquiring risk information. The second line of defense is responsible for formulating risk management policies, major risk management regulations and procedures, monitoring and managing risks, providing guidance, training, supervision and inspection to the first line of defense. The third line of defense is responsible for auditing the duty performance by business and risk management departments. It shall identify problems, reveal risks and put forward audit suggestions.

The ManCom is the governing body of the Manila Branch composed of the Country Head (CH) and Managing Directors. ManCom oversees the two (2) main committees of the Manila Branch, namely: ALCO and Risk Oversight and Internal Control Committee. The Manila Branch's Internal Audit Department reports directly to the BOCHK Group Audit.



Risk Oversight and Internal Control Committee (ROICC)

The ROICC is responsible for the development, implementation and oversight of the risk management and internal control of the Manila Branch. The ROICC reviews, oversees and monitors risk-related activities that may significantly alter the Branch's risk profile. The Committee reviews and endorses the Risk Appetite Indicators prepared by Risk Management Department at least every year or according to the Manila Branch's business plan for the coming year for Mancom approval.

The sub-committees of ROICC are as follows:

- Credit Review Committee ("CreCom") is responsible for the development, implementation and oversight of the credit management principles and program for the Manila Branch. The purpose of the Committee is to act as a discussion body to make sound and prudent lending dialogue based on facts and figures presented in the credit proposal, memos, negative news reports, and reports coming from the business unit for consideration by the final approver - Country Head, except for proposed limits beyond CH's approval limit, subject to Risk Management Department of Bank of China (Hong Kong) Limited's (the "BOCHK") approval.
- Business Continuity Committee ("BCC") is responsible for developing the Business Continuity Plan ("BCP") and strategies necessary for the continuity of critical business functions. The Committee must ensure that at minimum, the necessary administrative support functions in the recovery effort, such as human resources, insurance, legal, and security are in place. The BCC should also ensure that all levels of staff are aware of the importance of BCP and the business recovery objectives.
- AML Committee ("AMLC") shall assist the ROICC in ensuring the Manila Branch's effectiveness and due observance of anti-money-laundering and prevention of terrorist financing policies and procedures. AMLC shall maintain and evaluate mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties, malpractices, or unacceptable activities, transactions, and behaviors that could result or potentially result in conflict of interest or personal gain at the expense of the Branch. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

The functional departments such as the Risk Management Department, Anti-Money laundering Legal Compliance and Operational Risk Department ("AML LCO") and the Financial Management Department are mainly responsible for the management of various risks under the direction of the ManCom.

The Risk Management Department ("RMD") takes the lead in overseeing Manila Branch's credit risk, credit concentration, country risk, market risk, interest rate risk in the banking books and liquidity risk.

The Financial Management Department ("FMD") is responsible for the Manila Branch's strategic risk and asset and liability management including managing risks from currency and tenor mismatch and capital management.

The AML LCO is responsible for Manila Branch's money laundering risk, compliance risk, operational risk, technology risk, outsourcing risk and legal risk.



The AML LCO Department and Internal Audit stand as independent functional departments responsible for reviewing and assessing the adequacy and effectiveness of internal controls and governance procedures as designed and implemented.

Risk Measurement and Reporting Systems

Risk measurement and full disclosure of credit, market and other inherent risks are important measures to bring the overall portfolio of exposures under control.

Risk measurement means estimating credit and other losses and these are measured for single exposure/counterparty and for the overall portfolio of exposures. When measuring the risks for a single exposure or a portfolio of exposures, risk limits are monitored and reported. The Manila Branch also assesses evidence whether a financial asset is impaired such as when there is significant credit deterioration on the obligor or issuer, a breach of contract, such as default or delinquency in interest or principal repayments and the probability that the counterparty will enter bankruptcy or financial reorganization.

The Manila Branch's risk exposures measurement, monitoring, and control functions are reviewed on a regular basis by independent parties, i.e., the internal auditors. The assumptions of the risk measurement system are well-documented, data are accurately processed, and data aggregation is proper and reliable.

Risk Reporting Systems

The Risk Management Department reports, on a monthly basis or as the need arises, to the ROICC regarding the compliance of the Manila Branch on the system of limits and specific risk management issues that would need resolution from the management.

The system of limits was formulated on the basis of the financial risk faced by the Manila Branch. The limit structure contains information from all departments that provide measurement on the level of risk taken by the Manila Branch with its transactions, products and financial structure. Among others, the report includes information on the Manila Branch's aggregate credit exposure, non-performing loan levels, utilization of market, interest rate risk in the banking book and credit limits, liquidity ratios, overall loan loss provisioning, capital adequacy and risk profile changes. On a regular basis, detailed reporting of industry and customer risk is also included in the discussion with the ROICC.

The Compliance Office and Operational Risk Management collates Key Risk Indicators (KRI) on a monthly basis that includes count of operational risk incidents, amount of operational loss booked, count and amount of regulatory penalty, compliance-related customer complaint, count and duration of key vacancies, count and severity of internal/external audit findings, count of new products launched without completed due diligence, and count of serious system incidents and count of information security incidents. Each KRI has a set threshold with traffic light indicator to assess risk areas and mitigate any emerging risk issue. Substantiated reporting of KRI is discussed in the ROICC. Operational Risk Management also collect data on operational risk incidents, monitors the implementation of corrective and preventive action.



Risk Mitigation

As part of its overall risk mitigation, the Manila Branch uses collateral, guarantees, loan covenants, and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, credit risks, and exposures arising from forecast transactions.

Risk management and internal control procedures are established by the respective business units, with guidance from the risk units, to address their respective business risks. While the extent and nature of the controls adopted by each business unit will be different, such measures encompass areas such as code of conduct, delegation of authority, segregation of duties, audit coverage, compliance, succession planning, mandatory leave, staff compensation, recruitment and training, dealing with customers, complaint handling, record keeping, management information system, and physical controls, among others.

The head of each risk unit spearheads the Manila Branch-wide risk identification and self-assessment process. This enables the determination of priority risk areas, assessment of mitigating controls in place, and institutionalization of additional measures to ensure a controlled operating environment. In particular, Compliance Office and Operational Risk Management facilitates the annual exercise of Compliance Risk Assessment (CRA) and Risk and Control Assessment (RACA) which is completed by the first line of defense.

Monitoring and controlling risk are primarily performed based on various limits established by the ROICC as well as Head Office regulations. These limits reflect the Manila Branch's business strategies and market environment as well as the levels of risk that the Manila Branch is willing to tolerate.

Excessive Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Manila Branch's performance to developments affecting a particular industry or geographic location.

In order to avoid excessive concentrations of credit risk, appropriate limits and/or trigger points are set per industry and geographical locations. These limits and/or trigger points are considered in developing business strategies, identifying potential credit concentration risk and responding to changing market conditions.

In addition, the Manila Branch observes compliance with the interbank limits assigned by the Institutional Business Department of BOCHK and transactions.



The Manila Branch focuses on participation in loan syndication of borrowers with credit ratings acceptable to the BOC Group standards. The Manila Branch established concentration limits to manage total loan portfolio and to ensure risk diversification.

The following summarizes the review performed by management on the Manila Branch's policies for managing each risk:

Credit Risk

Credit risk is the risk to earnings or capital arising from counterparty's failure to meet the terms of any contract with the Manila Branch. It is the risk that the Manila Branch's counterparties may not be able to or willing to pay interest, repay capital, or otherwise fulfill their contractual obligations under loan agreements, other credit facilities or in respect of other financial instruments. Credit risk arises mainly from loans and trade finance.

Credit risk is monitored by the Risk Management Department of the Manila Branch. It is their responsibility to review and manage credit risk for Global Corporate, and Commercial Banking counterparties.

The Manila Branch has established a credit review process to provide early identification of possible changes in the creditworthiness of counterparties, including their collateral valuations. Counterparty limits are managed by the Head Office for Institutional Banking counterparties under the global limit control mechanism, while the limits for the Corporate Clients are handled by the Manila Branch's Credit Risk Unit. For common customers with BOCHK Group, shall follow the customer group management requirements. The credit limits are assessed with consideration of the credit risk classification, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Manila Branch to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

Counterparty credit risk

The Manila Branch manages and controls credit risk through credit line management. Before conducting any treasury business, the Manila Branch applies to BOCHK for credit line authorization to the local counterparty banks and strictly follows the relevant regulations of the BOCHK.

Meanwhile, the Manila Branch also abides by the following BOCHK principles in the credit risk control:

- In local capital market operations required by local regulations, lending to local counterparty banks shall be constrained. The capital is preferred to be invested in government bonds and open market businesses of local central banks so as to transfer the credit risks of commercial banks into country risks.
- After investing in securities, the branches in the high-risk areas must closely follow the changes of the issuer's credit and report to BOCHK whenever significant events occur.



Lending to local counterparty banks is allowed and subject to BOCHK approval. Investment in certificate of deposits issued by banks is limited to five years and investment in securities is normally limited to three years with the longest term limited to five years, subject to BOCHK's approval to the investment plan.

In addition, the Manila Branch considers the BSP regulations in setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations.

Loans and receivables

In compliance with the BSP requirements, in assessing the financial performance of the borrower and deriving a Borrower Risk Rating, Manila Branch uses the ASEAN Corporate Model (ACM) (for non-common customer with BOCHK), which was developed by the Credit Model Management Team (CMM) of BOCHK. The said rating model was broadly considered the expert comments of ASEAN entities.

ACM covers obligor risk from different perspective such as Financial, Non-Financial factors (Competitive Position, Relationship with Bank, Management Integrity, Financial/Strategic Planning, Payment History, Ability to Raise New Funds, Succession Plan, Quasi, Off Balance Sheet, and Company Track record), Industry Risk Assessment, Warning Signals, and Group Logic.

The ASEAN Corporate Model is consistent with other SEA entities; thus, creating an aligned approach on the rating methodology for all subsidiaries and branches.

Credit-related commitment risk

The Manila Branch offers customer guarantees, which require the Manila Branch to make payments on behalf of the clients and enters into commitments to extend credit lines to secure the clients' liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Manila Branch to make payments on behalf of the clients related to the import and/or export of goods or on the performance of an obligation. Such commitments expose the Manila Branch to similar risks to loans and are mitigated by the same control processes and policies.

Maximum exposure to credit risk after taking into account any collateral held or other credit enhancements

The tables below show analysis of the maximum exposure to credit risk from statement of financial position financial instruments, excluding those financial instruments whose carrying values reflected in the statements of financial position already represent its maximum exposure, as at December 31, 2024 and 2023 (in thousands):

	December 31, 2024			
	Maximum Exposure*	Fair Value of Collaterals	Net Exposure to Credit Risk	Financial Effect of Collaterals
SPURA	₱9,939,728	₱9,939,728	₱-	₱9,939,728

**Includes the related accrued interest receivable*

	December 31, 2023			
	Maximum Exposure*	Fair Value of Collaterals	Net Exposure to Credit Risk	Financial Effect of Collaterals
SPURA	₱3,722,480	₱3,722,480	₱-	₱3,722,480

**Includes the related accrued interest receivable*



Collateral and other credit enhancement

The amount and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. The Manila Branch follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral accepted by the Manila Branch for corporate accounts include cash, real estate mortgage, chattel mortgage, deed of assignment and guarantees.

As at December 31, 2024 and 2023, a majority of the credit lending of the Manila Branch does not hold any collateral or other credit enhancements to cover the credit risks associated with its other financial assets, other than those presented in the table above. Hence, the carrying values of those financial assets best represent the maximum exposure to credit risk.

The amendments to PFRS 7 require the Manila Branch to disclose information about rights of offset and related arrangements (such as collateral requirements) for financial instruments under an enforceable master netting agreements or similar arrangements.

The effects of these arrangements are disclosed below (in thousands):

Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statements of financial position [a-b] [c]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d] [e]
				Financial instruments [d]	Fair value of financial collateral	
2024						
Financial assets						
SPURA	₱9,932,000	₱-	₱9,932,000	₱-	₱9,932,000	₱-
Derivatives	2,354	-	2,354	-	2,354	-
2023						
Financial assets						
SPURA	₱3,722,480	₱-	₱3,722,480	₱-	₱3,722,480	₱-
Derivatives	3	-	3	-	3	-

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

As at December 31, 2024 and 2023, the Manila Branch does not have financial instruments that can be offset under enforceable master netting agreements or similar agreements.



Concentration of risks of financial assets with credit risk exposure

The Manila Branch monitors concentrations of credit risk of its counterparties by industry and by geographical area. Shown below is the analysis of concentrations of credit risk at the reporting date by industry (in thousands):

	2024						Total
	Financial institutions	Consumer	Manufacturing	Real estate	Others	Allowance	
Loans and receivables, net	₱-	₱2,027	₱3,856,466	₱6,480,532	₱23,201,106	(₱1,706,587)	₱31,833,544
Loans and advances to banks*	25,774,622	-	-	-	-	(680)	25,773,942
Financial assets at FVTPL	2,354	-	-	-	-	-	2,354
Financial assets at FVOCI and amortized cost	13,395,321	-	-	-	-	(6,197)	13,389,124
Others**	20,985,335	-	218,837	2,500,000	4,972,620	(2,824)	28,673,968
	₱60,157,632	₱2,027	₱4,075,303	₱8,980,532	₱28,173,726	(₱1,716,288)	₱99,672,932

*Loans and advances to banks consist of due from BSP, Due from other banks, Interbank loans receivable and SPURA and Due from Head Office, Parent Bank and other branches

** Others include other financial assets and credit commitment items

	2023						Total
	Financial institutions	Consumer	Manufacturing	Real estate	Others	Allowance	
Loans and receivables, net	₱123,500	₱1,893	₱1,278,842	₱5,409,673	₱26,961,386	(₱1,314,596)	₱32,460,698
Loans and advances to banks*	33,741,421	-	-	-	-	(210)	33,741,211
Financial assets at FVTPL	3	-	-	-	-	-	3
Financial assets at FVOCI and amortized cost	7,051,284	-	-	-	-	(3,584)	7,047,700
Others**	20,999,671	-	501,758	914,498	2,913,398	(15,865)	25,313,460
	₱61,915,879	₱1,893	₱1,780,600	₱6,324,171	₱29,874,784	(₱1,334,255)	₱98,563,072

*Loans and advances to banks consist of due from BSP, Due from other banks, Interbank loans receivable and SPURA and Due from Head Office, Parent Bank and other branches

** Others include other financial assets and credit commitment items

In the normal course of the Manila Branch's operations, there are various outstanding commitments and contingent liabilities such as guarantees and commitments to extend credit, which are not reflected in the accompanying financial statements. The Manila Branch, however, does not anticipate significant losses as a result of these transactions.

As at December 31, 2024 and 2023, off-balance sheet exposures amount to ₱28.5 billion and ₱25.3 billion, respectively (Note 14) The amount of allowance for credit losses on off-balance sheet exposures, presented as part of Accrued interest and other liabilities, as at December 31, 2024 and 2023 amount to ₱14.3 million and ₱13.0 million, respectively (Note 14).

Shown below is the analysis of concentrations of credit risk by geographical area (in thousands):

	December 31, 2024					Total
	Philippines	Asia (excluding Philippines)	Australia	Europe	America/ Canada	
Loans and receivables	₱29,204,493	₱2,892,250	₱1,443,388	₱-	₱-	₱33,540,131
Loans and advances to banks*	25,901,611	8,480,494	3,725	3,593	65,571	34,454,994
Financial assets at FVPL	2,354	-	-	-	-	2,354
Financial assets at FVOCI and at amortized cost	8,518,306	4,891,321	-	-	-	13,409,627
Other financial assets**	28,676,792	-	-	-	-	28,676,792
	92,303,556	16,264,065	1,447,113	3,593	65,571	110,083,898
Allowance for credit losses	(1,701,611)	(11,473)	(3,204)	-	-	(1,716,288)
	₱90,601,945	₱16,252,592	₱1,443,909	₱3,593	₱65,571	₱108,367,610

* Loans and advances to banks consist of due from BSP, Due from other banks, Interbank loans receivable and SPURA and Due from Head Office, Parent Bank and other branches

** Other financial assets include other assets and credit commitment items



	December 31, 2023						
	Philippines	Asia (excluding Philippines)	Australia	Europe	America/ Canada		Total
Loans and receivables	₱33,244,357	₱530,937	₱-	₱-	₱-		₱33,775,294
Loans and advances to banks*	19,149,956	14,558,925	13,396	10,827	8,317		33,741,421
Financial assets at FVPL	3	-	-	-	-		3
Financial assets at FVOCI and at amortized cost	2,304,797	4,746,487	-	-	-		7,051,284
Other financial assets**	25,334,432	-	-	-	-		25,334,432
	80,033,545	19,836,349	13,396	10,827	8,317		99,902,434
Allowance for credit losses	(1,323,936)	(10,319)	-	-	-		(1,334,255)
	₱78,709,609	₱19,826,030	₱13,396	₱10,827	₱8,317		₱98,568,179

* Loans and advances to banks consist of due from BSP, Due from other Banks, Interbank loans receivable and SPURA and Due from Head Office, Parent Bank and Other Branches

** Other financial assets include other assets and credit commitment items

Credit quality per class of financial assets

The credit quality of financial assets is assessed and managed using external and internal ratings.

Companies without third party ratings will subject to internal credit rating. And for each internal credit rating grade, a benchmarking external rating equivalent could be mapped.

Loans and Receivables

For the purpose of measuring credit risks, the credit quality loans and receivables are monitored and managed by the Manila Branch using the internal credit rating.

The Manila Branch's internal credit ratings were mapped to the following credit quality to simplify presentation:

1A to 2C: Extremely low default risk. The obligor has strongest capacity to satisfy its financial obligation.

3A to 3C: Low default risk but are somewhat susceptible to the adverse effect of changes in circumstances and economic conditions. However, the obligor's capacity to meet its financial obligation is very strong.

4A to 4C: Relatively low default risk and are currently under adequate financial protection. However, adverse economic conditions or changing circumstances are likely to lead to a weakened capacity of the obligor to meet its financial obligation.

5A to 5F: Medium default risk and relatively capable to obligation payment than other inferior speculative obligors. However, they face major on-going uncertainties or expose to adverse business, financial, or economic situations which could lead to the obligor's inadequate capacity to meet its financial obligation.

6A to 6B: Default risk is significant, and the repayment capacity is weaker than the above grades. The obligors currently are capable to meet its financial obligation but adverse business, financial, or economic conditions could impair the obligor's capacity or willingness to meet its financial obligation.



6C to 6D: High default risk and more vulnerable to non-payment. The obligors are temporarily capable to meet its financial obligation but adverse business, financial, or economic conditions will very likely impair the obligor's capacity or willingness to meet its financial obligation.

6E to 6G: Very high default risk and are vulnerable to non-payment. The obligors currently and in the near term have the difficulty in meet its obligation and adverse business, financial, or economic conditions will very likely impair the obligor's capacity or willingness to meet its financial commitment on the obligors.

7A to 7C: Extremely high default risk and are currently quite vulnerable to non-payment. The obligor's merely able to meet their financial obligation dependent upon favorable business, financial, and economic conditions. In the event of adverse business, financial, or economic conditions, these obligors are not able to meet its financial obligation.

8: Default

The table below show the credit quality and ECL staging of loans and receivables (gross of allowance for credit losses and unearned interest and other deferred income) of the Manila Branch (in thousands):

<i>Loans and receivables</i>	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
1A to 4C	₱14,092,730	₱-	₱-	₱14,092,730
5A to 6G	15,981,647	497,024	-	16,478,671
8 (Defaulted)	-	-	2,968,730	2,968,730
Gross carrying amount	₱30,074,377	₱497,024	₱2,968,730	₱33,540,131

<i>Loans and receivables</i>	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
1A to 4C	₱8,100,760	₱-	₱-	8,100,760
5A to 6G	22,665,216	628,642	-	23,293,858
8 (Defaulted)	-	-	2,380,676	2,380,676
Gross carrying amount	₱30,765,976	₱628,642	₱2,380,676	₱33,775,294

As at December 31, 2024 and 2023, the Manila Branch has three (3) and two (2) individually impaired loans and receivables, respectively.

The carrying value of allowance for credit and impairment losses as at December 31, 2024 and 2023 is disclosed in Note 12. The following table shows the possible decrease in net income of the Manila Branch had the individually impaired loans and receivables of the Manila Branch been provided for with a 100% allowance for credit losses cover:

	2024	2023
Change on pre-tax income (in thousands)	₱1,407,118	₱1,937,029

The Manila Branch considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the carrying values of ECL relating to changes in key elements, weightings and assumptions, except the possible effects of the above.



The Calculation of ECLs

The Manila Branch calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

ECL Model

The Manila Branch's impairment methodology was implemented based on the requirements of PFRS 9's ECL model, as designed by the Head Office for the entire BOCHK Group. Coherent impairment allowance methodology, model, policy and procedures are adopted across the ASEAN subsidiaries/branches under BOCHK Group, taking into consideration any local regulatory and accounting requirements of the branches.

The BOCHK's ECL model applies ECL percentage (ECL %) proxy approach for Stage 1 and Stage 2 exposures. Meanwhile, discounted cash flow model is applied for Stage 3 exposures.

For all types of exposures, the ECL calculation includes expected life adjustment, pre-adjusted probability-weighted PFRS 9 impairment provisions and macro-economic multipliers (i.e., regional specific adjustment or stage of economy adjustment multipliers).

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The Manila Branch considers the PD of the counterparties in determining the latter's credit risk ratings.

- EAD The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- LGD The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

- Adjustment multiplier parameter Quarterly NPL% of the Philippine banking industry as regional specific adjustment multiplier and the GDP% as the stage of economy are used as adjustment multipliers.

For all types of exposures, the ECL calculation includes expected life adjustment, pre-adjusted probability-weighted PFRS 9 impairment provisions and macro-economic multipliers (i.e., regional specific adjustment or stage of economy adjustment multipliers).



Significant Increase in Credit Risk (SICR)

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors such as downgrade in the credit rating of the borrowers and a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Manila Branch's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. For exposures without internal credit grades, the credit risk is deemed to have increased significantly since initial recognition if contractual payments are more than a specified days past due threshold (i.e. 30 days). The said threshold, however, is a rebuttable presumption. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Manila Branch shall revert to recognizing a 12-month ECL, unless restructured.

Definition of default

The Manila Branch considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL when one or more events that have detrimental impact on the estimated future cash flows have occurred.

The Manila Branch identifies a financial asset as impaired if the financial asset is past due for 90 days or the borrower is unlikely to pay in full for the credit obligations to the Manila Branch.

Advances overdue for more than three months

Advances with a specific repayment date or repayable by regular installments are classified as overdue when the principal or interest is past due and remains unpaid. Meanwhile, advances repayable on demand are classified as overdue when either a demand for repayment has been served on the borrower but payment was not made or when the advances has continuously exceeded the approved limit that was advised to the borrower.

As a part of a qualitative assessment of whether a customer is in default, the Manila Branch also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Manila Branch carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

The Manila Branch performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Manila Branch groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When loans are first recognized, the Manila Branch recognizes an allowance based on 12-month ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2. This also includes credit exposures with less than 30 days past due and those watch list exposures not classified as Stage 2 after manual assessment are classified as Stage 1. The 12-month ECL is calculated as the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Manila Branch calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-



month default probabilities are applied to a forecasted EAD and multiplied by the ECL% proxy and adjustment factor (regional multiplier, and stage of economy).

- Stage 2: When a loan has shown a SICR since origination, the Manila Branch records an allowance for the lifetime ECL. Stage 2 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 3. This also includes exposures with 30 days past due, manually identified by the Manila Branch as Stage 2 and/or non-retail customers which hit the notch downgrade rule. The mechanics are similar to those explained above, but ECL % proxy will be applied over the lifetime of the instrument.
- Stage 3: For loans considered Stage 3, the Manila Branch recognizes the lifetime ECL. The impairment method will be computed using the Discounted Cash Flow model.

As at December 31, 2024 and 2023, the Manila Branch's financial assets are classified under Stages 1, 2 and 3.

Forward looking information

In its ECL models, the Manila Branch relies on a broad range of forward-looking information as economic inputs, such as but not limited to:

- GDP growth rate;
- Nonperforming loan ratio; and
- Other macroeconomic factors as may be applicable to both Hong Kong and the Philippines

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collateral valuation

To mitigate its credit risks on financial assets, the Manila Branch seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Manila Branch's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis.

Liquidity Risk and Fund Management

Liquidity risk is the risk that the Manila Branch will not be able to fund the increase in assets or meet its obligations as they fall due without incurring unacceptable losses.

As at December 31, 2024 and 2023, the Manila Branch maintains a portfolio of highly marketable assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Manila Branch maintains a statutory reserve equivalent to 7.0% and 9.5% of RBU deposit liabilities as of December 31, 2024 and 2023, respectively (Note 13).

The liquidity position, which is assessed and managed under a variety of scenarios, considers stress factors relating to both the market in general and specific to the Manila Branch. As at December 31, 2024 and 2023, the net liquid assets of the Manila Branch consist of cash and other cash items, due from BSP, Due from other Banks and Interbank loans receivable and SPURA. In addition, the Manila Branch considers its loans and receivables and Due from Head Office, Parent



Bank and other branches as high-quality unencumbered assets, which the Manila Branch could potentially use as collateral for secured funding.

The Manila Branch is fully supported by BOCHK with respect to funding requirements. In addition, the Manila Branch also formulates contingency funding plans to ensure availability of adequate funds during unexpected situations. BOCHK and BOC Beijing has provided a commitment to support the branch's Renminbi (RMB) Clearing Bank business.

Financial assets

The analysis of financial assets held for liquidity purposes into relevant maturity groupings is based on the expected date on which these assets will be realized. Expected future interest on loans subject to repricing is only considered up to next repricing date. For other assets, the analysis into maturity groupings is based on the remaining period at reporting date to the contractual maturity date or if earlier, the expected date the assets will be realized.

Financial liabilities

The relevant maturity grouping is based on the remaining period at the reporting date to the contractual maturity date. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period where the Manila Branch can be required to pay.

Liquidity is monitored by the Manila Branch on a regular basis and under stressed situations using gap analysis. The maturity profile of the Manila Branch's financial instruments, based on contractual undiscounted cash flows, is shown below (in thousands):

Leverage ratio

On June 9, 2015, BSP issued Circular No. 881, which approved the guidelines for the implementation of the Basel III Leverage Ratio in the Philippines. The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The leverage ratio intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. Based on the existing regulations of Basel III Leverage Ratio Framework under Appendix 116 of the MORB, the Basel III leverage ratio is defined as the capital measure (Tier 1 Capital) (the numerator) divided by the exposure measure (the denominator). The monitoring of the leverage ratio shall be implemented as a Pillar 1 minimum requirement.

Liquidity coverage ratio

On March 10, 2016, BSP issued Circular No. 905 which approved the attached liquidity standards, which include guidelines on liquidity coverage ratio (LCR), and LCR disclosure standards that are consistent with the Basel III framework. Banks are required to adopt Basel III's LCR aimed at strengthening the short-term liquidity position of banks. This requires banks to have available High-Quality Liquid Assets (HQLA) to meet anticipated net cash outflow for a 30-day period under stress conditions. The standards of Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio under Appendix 72 of the MORB prescribes that, under a normal situation, the value of the liquidity ratio be no lower than 100% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against potential onset of liquidity stress.

Net stable funding ratio

On June 6, 2018, BSP issued Circular No. 1007 which approved the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio (NSFR). Banks are required to adopt Basel III's Net Stable Funding Ratio (NSFR) aimed to promote long-term resilience of banks against liquidity risk. Consistent with the latest regulation on NSFR under



Appendix 130 of the MORB, the Manila Branch shall maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. The NSFR complements the Liquidity Coverage Ratio, which promotes short-term resilience of the Manila Branch's liquidity profile.

The table below shows the actual liquidity metrics of the Manila Branch, as reported to the BSP:

	2024	2023
Liquidity coverage ratio	213.25%	451.78%
Net stable funding ratio	145.61%	144.92%
Leverage ratio	17.73%	18.03%
Total exposure measure	83,607,575,373	75,519,587,323

Maturity profile - Non-derivative financial instruments

Liquidity is monitored by the Manila Branch on a regular basis and under stressed situations using gap analysis. The maturity profile of the Manila Branch's financial instruments, based on contractual undiscounted cash flows, which substantially reflects the current and non-current classification, is shown below (at gross amounts and includes future interest, in thousands):

	December 31, 2024						Total
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	
Financial Assets							
Cash and other cash items	P44,019	P-	P-	P-	P-	P-	P44,019
Due from BSP	1,286,327	4,818,000	-	-	-	-	6,104,327
Due from other banks	111,734	-	-	-	-	-	111,734
Interbank loans receivable and SPURA	9,932,000	966,905	173,535	-	-	-	11,072,440
Due from Head Office and Parent Bank	-	7,913,370	60,474	-	-	-	7,973,844
Government debt securities at FVOCI	-	2,696,384	-	293,520	-	6,949,377	9,939,281
Financial assets at FVTPL	2,354	-	-	-	-	-	2,354
Investment securities at amortized cost	-	-	-	-	-	3,477,832	3,477,832
Loans and receivables							
Corporate loans	2,353,921	3,186,001	2,208,905	2,063,112	801,341	24,043,882	34,657,162
Consumer loans	-	-	-	22	125	1,909	2,056
Accrued interest receivable	434,844	-	-	-	-	-	434,844
	14,165,199	19,580,660	2,442,914	2,356,654	801,466	34,473,000	73,819,893
Financial Liabilities							
Deposit liabilities							
Demand	3,832	-	-	-	-	-	3,832
Savings	31,597,743	-	-	-	-	-	31,597,743
Time	-	1,385,379	711,108	291,559	252,274	2,145	2,642,465
Financial liabilities at FVPL	2,354	-	-	-	-	-	2,354
Due to head office and other branches	-	18,887,612	-	-	-	-	18,887,612
Interbank loans payable	-	2,430,194	-	-	-	-	2,430,194
Accrued interest and other liabilities	1,579,175	-	-	-	-	-	1,579,175
	33,183,104	22,703,185	711,108	291,559	252,274	2,145	57,143,375
Net undiscounted financial asset (liability)	(P19,017,905)	P2,610,882	P1,731,806	P2,065,095	P549,192	P34,470,855	P22,409,925



	December 31, 2023						Total
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	
Financial Assets							
Cash and other cash items	₱66,961	₱-	₱-	₱-	₱-	₱-	₱66,961
Due from BSP	3,342,422	5,383,000	-	-	-	-	8,725,422
Due from other banks	4,220,293	-	-	-	-	-	4,220,293
Interbank loans receivable and SPURA	3,722,480	5,546,259	-	-	-	-	9,268,739
Due from Head Office and Parent Bank	-	11,536,064	-	-	-	-	11,536,064
Government debt securities at FVOCI	-	3,437,628	-	-	-	1,607,103	5,044,731
Financial assets at FVTPL	3	-	-	-	-	-	3
Investment securities at amortized cost	-	-	-	-	-	2,000,000	2,000,000
Loans and receivables							
Corporate loans	2,214,367	1,482,217	3,072,108	2,298,496	7,077,607	23,580,754	39,725,549
Consumer loans	79	-	-	-	-	1,892	1,971
Accrued interest receivable	-	9,492	16,050	6,980	54,016	231,902	318,440
	13,566,605	27,394,660	3,088,158	2,305,476	7,131,623	27,421,651	80,908,173
Financial Liabilities							
Deposit liabilities							
Demand	5,182	-	-	-	-	-	5,182
Savings	30,352,632	-	-	-	-	-	30,352,632
Time	2,000	876,154	1,973,484	294,737	153,470	428	3,300,273
Financial liabilities at FVPL	3	-	-	-	-	-	3
Due to head office and other branches	32	23,967,465	-	-	-	-	23,967,497
Interbank loans payable	-	1,242,842	-	-	-	-	1,242,842
Accrued interest and other liabilities	-	1,017,082	7,372	1,555	1,142	240,212	1,267,363
	30,359,849	27,103,543	1,980,856	296,292	154,612	240,640	60,135,792
Net undiscounted financial asset (liability)	(₱16,793,244)	₱291,117	₱1,107,302	₱2,009,184	₱6,977,011	₱27,181,011	₱20,772,381

The tables below show the contractual expiry by maturity of the Manila Branch's contingent liabilities as at December 31, 2024 and 2023 (in thousands, gross of allowance for credit losses):

	December 31, 2024			Total
	Less than 3 months	3 to 12 months	Beyond 1 year	
Guarantees issued	₱1,204,606	₱4,603,513	₱15,177,216	₱20,985,335
Corporate loan commitment	7,447,161	-	-	7,447,161
Letters of credit issued	130,499	1,327	-	131,826
	₱8,782,266	₱4,604,840	₱15,177,216	₱28,564,322

	December 31, 2023			Total
	Less than 3 months	3 to 12 months	Beyond 1 year	
Guarantees issued	₱9,126,909	₱7,720,207	₱4,766,110	₱21,613,226
Corporate loan commitment	3,631,950	-	-	3,631,950
Letters of credit issued	17,474	3,486	-	20,960
	₱12,776,333	₱7,723,693	₱4,766,110	₱25,266,136

Market Risk

Market risk is the risk of loss to future earnings, fair values or future cash flows resulting from adverse movements in market rates or prices such as Interest rates and FX rates. The Manila Branch's market risk originates mainly from its exposure holdings in its foreign exchange instruments.

The risk-related decisions are made by the Manila Branch in accordance with guidelines laid down by the Head Office. The Manila Branch's market risk is manageable within conservative bounds. The Manila Branch is prohibited to conduct any proprietary trading at the cost of bearing market risks. It



sets an upper bound for the market risk position, and squares the positions immediately whenever the exposures reach the limitations.

Interest rate risk

IRRBB refers to the current and prospective risk to earnings and capital arising from adverse movements in interest rates that affect the Manila Branch’s banking book positions.

The Manila Branch manages its IRRBB to effectively control the adverse impact on its overall earnings and economic value due to movement of interest rates within the acceptable level, to be in line with the business strategies and risk appetite thereby promoting the sustainable growth of the Manila Branch’s earnings.

IRRBB is managed through the monitoring of IRRBB indicators monitored against limits cascaded by the Head Office which is approved at local management level. Regular and Ad Hoc IRRBB stress testing are also performed to supplement the business-as-usual reporting.

The Manila Branch measures the sensitivity of its financial assets and liabilities to interest rate fluctuations by way of a ‘repricing gap’ analysis using the repricing characteristics of its statement of financial position on a monthly basis. The two main IRRBB measurements are as follows:

- a) Net Interest Income (NII) Ratio – an earnings-based measure which refers to the change in Net Interest Income for the next 12 months over the Manila Branch's Budgeted Net Income before Tax.
- b) Economic Value (EV) Ratio – an economic value-based measure which represents an assessment of the present value of expected net cash flows, discounted to reflect market rates over the Manila Branch’s capital base.

The table shows the average interest rate per currency of the Manila Branch as at December 31, 2024 and 2023.

	December 31, 2024	
	Less than one year	More than one year
Financial Assets		
Loans and receivables		
Receivables from customers:		
Corporate loans		
USD	-	7.33%
CNY	-	5.42%
AUD	-	6.23%
EUR	-	4.73%
PHP	5.92%	5.78%
	December 31, 2023	
	Less than one year	More than one year
Financial Assets		
Loans and receivables		
Receivables from customers:		
Corporate loans		
USD	-	8.42%
AUD	-	6.05%
EUR	-	4.80%
PHP	6.25%	7.63%



The following table sets forth the impact of changes in interest rates on the Manila Branch's net interest income (in thousands):

Change in interest rates (in basis points)	2024		2023	
	-200 bps	+200 bps	-200 bps	+200 bps
Change in annualized net interest income(Amounts are presented in thousands)				
(in original currencies)				
PHP	(PHP272,214)	PHP272,214	(PHP3,183)	PHP3,183
USD	(USD5781)	USD5781	(USD1,931)	USD1,931
AUD	(AUD538)	AUD538	(AUD1,388)	AUD1,388
EUR	(EUR99)	EUR99	(EUR1,101)	EUR1,101
(in Philippine peso)	(678,942)	678,942	230,462	(230,462)

The sensitivity in the statement of income is the effect of the assumed changes in interest rates on the net interest income for one year. There is no other impact on the Manila Branch's equity other than those already affecting the statements of income. The assumed movement in basis points for interest rate sensitivity analysis depends on volatility assumptions of market environment.

Foreign currency risk

The Manila Branch manages its exposure to foreign exchange risk by maintaining foreign currency position within existing regulatory guidelines at a level that it believes to be relatively conservative for a financial institution engaged in that type of business.

The net foreign exchange exposure is computed according to BSP regulation. The Manila Branch's foreign exchange exposure is primarily limited to the day-to-day, over-the-counter buying and selling of foreign exchange as well as foreign exchange trading with corporate accounts and other financial institutions.

The foreign exchange exposure at end-of-day is guided by the limits set forth in the Authorization from Head Office where the limits are within the prescribed ceilings mandated by the BSP and its Head Office. At the end of each day, the Manila Branch reports to the BSP on its compliance with the mandated foreign currency exposure limits.

The following table summarizes the Manila Branch's exposure to currency risk as at December 31, 2024 and 2023:

	2024		2023	
	In original currency*	Philippine Peso equivalent	In original currency*	Philippine Peso equivalent
Assets				
Cash and other cash items				
USD	213,260	12,336,025	404,707	22,408,627
CNY	58,751	467,060	965,336	7,541,881
HKD	278,530	2,080,173	158,510	1,127,339
Interbank loans receivable and SPURA				
USD	18,000,000	1,041,210,000	100,000,000	5,537,000,000
Due from other banks				
USD	5,337,530	308,749,422	26,302,755	1,456,383,532
CNY	288,204,653	2,291,169,354	350,976,602	2,742,074,897
Due from Head Office, Parent Bank and other branches				
(Note 10)				
CNY	1,602,359,000	12,738,433,578	1,301,604,126	10,169,042,556
EUR	31,100,000	1,880,735,180	17,739,781	1,090,524,458
JPY	-	-	1,971,262	774,706
HKD	1,900,000	14,189,960	4,450,235	31,650,513
AUD	-	-	371,327	14,090,628
SGD	-	-	5,807	244,412
GBP	-	-	13,414	949,180



	2024		2023	
	In original currency*	Philippine Peso equivalent	In original currency*	Philippine Peso equivalent
CAD	-	-	11,932	501,173
USD	-	-	4,122,917	228,285,887
Financial assets at FVOCI				
CNY	615,172,661	4,890,499,624	607,316,397	4,744,780,815
Loans and receivables (Note 3)				
Receivables from customer:				
Corporate loans				
USD	299,591,768	17,329,885,847	276,690,801	15,320,369,646
CNY	496,373,039	3,946,066,385	179,190,048	1,399,958,087
EUR	-	-	9,200,000	565,558,087
AUD	40,000,000	1,443,388,000	19,276,664	731,485,788
Accrued interest receivable				
USD	2,608,333	150,878,996	2,101,739	116,373,272
CNY	16,200,986	128,794,601	12,649,991	98,830,586
AUD	561,519	20,262,256	148,888	5,649,816
EUR	47,079	2,847,048	96,733	5,946,521
HKD	6,484	48,422	1,853	13,182
Other assets**				
HKD	-	-	14,740	104,833
JPY	-	-	-	-
EUR	-	-	-	-
USD	-	-	16,500,254	913,619,065
		46,202,041,931		45,205,289,487
Liabilities				
Deposit liabilities (Note 8)				
CNY	1,286,312,259	10,225,925,197	1,704,208,642	13,314,470,860
EUR	17,029,694	1,029,850,280	26,545,539	1,631,855,144
HKD	1,196,632	8,936,929	1,275,355.00	9,070,451
USD	103,142,772	5,966,276,268	117,559,693	6,509,280,187
JPY	902,369	331,350	1,191,000.00	468,063
Interbank loans payable				
CNY	302,054,448	2,411,272,452	2,049,631	113,488,051
USD	500,000	28,992,500	144,553,648	1,129,354,284
Due to Head Office and other branches (Note 10)				
CNY	1,287,700,000	10,236,957,460	599,600,000	4,684,494,920
USD	237,350,000	13,729,510,750	334,700,000	18,532,339,000
AUD	40,516,116	1,462,011,880	19,650,000	745,652,655
EUR	14,600,000	882,917,480	-	-
HKD	-	-	700,000	4,978,470
Accrued interest and other liabilities (Note 9)				
CNY	1,104,669	8,781,894	3,012,470	23,535,528
HKD	-	-	1,731,147	12,312,093
EUR	14,101	852,714	60,522	3,720,507
AUD	99,115	3,576,544	171,835	6,520,564
USD	323,239	18,697,737	4,384,198	242,753,062
		46,004,821,435		46,964,293,839
Net Exposure		197,220,496		(1,759,004,352)



The following table sets forth the impact of the range of reasonably possible changes (for material exposures) in the ₱:US\$, ₱:HK\$, ₱:CNY, ₱:€, ₱:JP¥, and ₱:AUD exchange rates on the Manila Branch's pre-tax income as of December 31, 2024 and 2023:

Changes in exchange rate	2024			2023		
		-2%	+2%		-2%	+2%
Change on pre-tax income (in thousands)						
USD	USD 1 : 55.37	56,386	(56,386)	USD 1 : 55.76	931,444	(931,444)
AUD	AUD 1 : 37.95	(19)	19	AUD 1 : 37.80	(4)	4
EUR	EUR 1 : 61.47	529	(529)	EUR 1 : 59.55	27,152	(27,152)
HKD	HKD 1 : 7.11	(131)	131	HKD 1 : 7.20	(234)	234
JPY	JPY 1 : 0.39	(6)	6	JPY 1 : 0.42	-	-
CNY	CNY 1 : 7.81	20,525	(20,525)	CNY 1 : 8.04	52,244	(52,244)
SGD	SGD 1 : 42.09	(5)	5	SGD 1 : 41.58	(694,636)	694,636
GBP	GBP 1 : 70.76	(19)	19	GBP 1 : 67.44	(1,126,654)	1,126,654
CAD	CAD 1 : 42.00	(10)	10	CAD 1 : 41.24	688,956	(688,956)

There is no other impact on the Manila Branch's equity other than those already affecting the statements of income.

6. Due from BSP, Due from Other Banks, Interbank Loans Receivable and SPURA, and Interbank Loans Payable

Due from BSP

This account represents overnight deposit facility (ODF), demand deposit facility (DDF) and term deposit facility (TDF) maintained by the Manila Branch with the BSP. DDF are generally maintained to meet the regulatory reserve requirements while ODF and TDF are maintained to manage excess liquidity.

Peso-denominated and non-interest-bearing demand deposits are maintained to meet the regulatory reserve requirements of the BSP.

	2024	2023
Overnight Deposit Facility	₱3,618,000,000	₱5,383,000,000
Demand Deposit (Note 13)	1,286,327,522	1,045,408,153
Term Deposit Facility	1,200,000,000	2,297,013,401
Gross carrying amount	₱6,104,327,522	₱8,725,421,554

As at December 31, 2024 and 2023, there are no allowance for credit losses recognized on due from BSP as these are fully-performing assets.

Deposits under ODF earn interest ranging from 5.25% to 6.00% and 5.00% to 6.00% in 2024 and 2023, respectively, with maturities of one to six days.



Deposits under TDF earn interest ranging from 6.00% to 6.64%, and 6.28% to 6.69%, in 2024 and 2023, respectively, with maturities of five to 16 days.

Interest earned on due from BSP for the year ended December 31, 2024 and 2023 amounts to ₱374.1 million and ₱458.0 million, respectively.

Due from Other Banks

Due from other banks represent demand deposits which are due on demand and earn annual interest of 0.0% to 0.62% in 2024 and 2023, respectively.

As at December 31, 2024 and 2023, there is no allowance for credit losses recognized on due from other banks as these are considered fully-performing assets (Note 5).

Interest earned on due from other banks for the year ended December 31, 2024 and 2023 amounts to ₱5.9 million and ₱7.7 million, respectively.

Interbank Loans Receivable and SPURA

This represents interbank loans to foreign and local banks with maturities of two months or less and placements with BSP under reverse repurchase facility (RRF).

As at December 31, 2024 and 2023, allowance for credit losses on interbank loans receivable amounts to ₱680.14 thousand and ₱210.04 thousand, respectively. (Note 5).

The range of the annual fixed interest rates on these accounts follows:

	2024	2023
Interbank loans receivable – foreign	2.3% - 5.0%	0.2% - 6.5%
Interbank loans receivable – local	1.6% - 5.0%	4.5% - 6.7%

As at December 31, 2024 and 2023, deposits with BSP under reverse repurchase facility (RRF) included within interbank loans receivable and SPURA amounts to ₱9.9 billion and ₱3.7 billion, and earns interest of 5.68% and 6.40% with tenors of one to five days for both 2024 and 2023.

Interest earned on interbank loans receivable and SPURA for the year ended December 31, 2024 and 2023 amounts to ₱168.0 million and ₱168.2 million, respectively.

Interbank Loans Payable

This represents short-term interbank borrowings from local banks with maturities of three months or less, paying annual interest ranging from 1.62% to 4.57% in 2024 and 1.65% to 5.33% in 2023

Interest expense on interbank loans payable for the year ended December 31, 2024 and 2023 amounts to ₱29.0 million and ₱25.2 million, respectively.



7. Financial Instruments at Fair Value Through Profit or Loss

This account consists of currency swaps as at December 31, 2024 and 2023.

The Manila Branch enters into currency swaps to manage its foreign exchange risks. These are contractual agreements to exchange foreign exchange differentials based on specific notional amounts.

The outstanding financial assets and liabilities at FVTPL of the Manila Branch pertain to currency swaps to manage its United States Dollar (USD) and Chinese Yuan (CNY) positions.

The table below shows information on the outstanding financial assets and liabilities at FVTPL of the Manila Branch at December 31, along with their equivalent Peso notional amounts and respective fair value.

	2024			2023		
	Notional amounts	Positive fair values	Negative fair values	Notional amounts	Positive fair values	Negative fair values
Currency swap sold	₱405,415,633	₱2,353,590	₱-	₱5,537,935	₱2,842	₱-
Currency swap bought	404,915,000	-	2,354,138	5,537,000	-	2,912
		₱2,353,590	₱2,354,138		₱2,842	₱2,912

8. Loans and Receivables

This account consists of:

	2024	2023
Receivables from customer:		
Corporate loans	₱33,100,579,608	₱33,454,892,507
Consumer loans	2,026,743	1,960,890
	33,102,606,351	33,456,853,397
Accrued interest receivable	437,524,826	318,440,211
	33,540,131,177	33,775,293,608
Less allowance for credit losses (Note 12)	(1,706,587,224)	(1,314,595,583)
	₱31,833,543,953	₱32,460,698,025

As at December 31, 2024 and 2023, the total receivables from customers subject to periodic interest repricing is 36% and 31.0% respectively. Remaining loans earn annual fixed interest rates ranging from 4.60% to 9.41% and 4.80% to 9.13% in 2024 and 2023, respectively

Accrued interest receivable consists of:

	2024	2023
Loans and receivables	₱240,739,565	₱194,940,473
Government debt securities (Note 9)	183,327,369	100,628,343
Interbank loans receivable and SPURA	1,834,297	18,195,197
Due from Head Office and Parent Bank (Note 24)	11,623,595	4,676,198
	₱437,524,826	₱318,440,211



In 2024 and 2023, interest income on loans and receivables amounted to ₱2.56 billion and ₱2.06 billion, respectively.

There were no loans written-off in 2024 and 2023.

9. Investment Securities

This account consists of:

	2024	2023
FVOCI		
Government debt securities	₱9,906,437,358	₱5,041,601,392
Equity investments	7,967,810	7,967,810
	9,914,405,168	5,049,569,202
Amortized Cost		
Government debt securities	3,474,718,851	1,998,130,723
	₱13,389,124,019	₱7,047,699,925

FVOCI

Government debt securities

	2024	2023
Beginning balance	₱5,041,601,392	₱5,117,701,571
Purchases/placements	26,985,538,470	4,716,288,195
Disposals/maturities	(22,161,491,933)	(4,800,930,000)
	9,865,647,929	5,033,059,766
Unrealized valuation gain	43,873,636	10,256,366
Allowance for credit losses	(3,084,207)	(1,714,740)
	₱9,906,437,358	₱5,041,601,392

In 2024 and 2023, the Manila Branch purchased treasury bills amounting to ₱22.16 billion and ₱4.72 billion with average yields of 6.30% to 7.18% and 6.83% to 7.05%. Maturities as at 2024 and 2023 ranges from March 2024 to January 2025 and July 2023 to January 2024.

Equity investments

As at December 31, 2024 and 2023, financial assets at FVOCI consist of investments in non-marketable equity shares of Bankers Association of the Philippines and Philippine Clearing House Corporation (PCHC) amounting to ₱7.5 million.

In 2024 and 2023, the Manila Branch recognized dividend income, recorded under 'Other Income', from its investments in PCHC shares amounting to ₱0.2 million and ₱0.3 million, respectively.



Amortized Cost

Government debt securities

As at December 31, 2024 and 2023, the Manila Branch's investments in government securities measured at amortized cost amounted to ₱3.5 billion and ₱2.0 billion, respectively. The allowance for credit losses on these debt securities amounts to ₱3.1 million and ₱1.9 million as at December 31, 2024 and 2023, respectively.

Interest Income

Interest income from investment securities are as follows:

	2024	2023
FVOCI	₱307,158,491	₱150,250,439
Amortized cost	194,608,738	105,145,833
	₱501,767,229	₱255,396,272

Classification of investment securities

Financial assets at FVTPL, at FVOCI and at amortized cost classified as current are those which are expected to be realized within 12 months after the reporting date while non-current balances pertain to those expected to be realized beyond 12 months after the reporting date.

The current and non-current classification of debt investment securities, gross of related allowance for credit losses, at December 31 are as follows:

	2024	2023
Current		
FVOCI	₱2,968,112,500	₱3,437,425,022
Non-current		
FVOCI	6,941,409,064	1,605,891,110
Amortized cost	3,477,831,522	1,998,130,724
	₱10,419,240,586	₱3,604,021,834

10. Property and Equipment

The composition of and movements in this account follow:

	2024				Total
	Leasehold Improvements	Furniture and Equipment	Right-of-Use Assets		
			Building	Other Assets	
Cost					
Beginning balance	₱114,264,183	₱159,838,953	₱266,673,666	₱19,444,655	₱560,221,457
Additions	-	14,723,963	-	-	14,723,963
Disposals/retirement		(466,695)	-	-	(466,695)
Balance at end of year	114,264,183	174,096,221	266,673,666	19,444,655	574,478,725
Accumulated Depreciation and Amortization					
Beginning balance	113,307,737	153,725,795	18,408,096	1,567,408	287,009,036
Depreciation and amortization	128,190	5,059,022	52,431,521	3,895,317	61,514,050
Disposals/retirement		(466,695)	-	-	(466,695)
Balance at end of year	113,435,927	158,318,122	70,839,617	5,462,725	348,056,391
Net Book Value at End of Year	₱828,256	₱15,778,099	₱195,834,049	₱13,981,930	₱226,422,334



	2023				
	Leasehold Improvements	Furniture and Equipment	Right-of-Use Assets		Total
			Building	Other Assets	
Cost					
Beginning balance	₱113,623,229	₱157,065,255	₱194,325,870	₱8,600,181	₱473,614,535
Additions	640,954	2,773,698	256,779,304	19,444,654	279,638,610
Disposals/retirement	-	-	(184,431,508)	(8,600,180)	(193,031,688)
Balance at end of year	114,264,183	159,838,953	266,673,666	19,444,655	560,221,457
Accumulated Depreciation and Amortization	Accumulated depreciation				
Beginning balance	91,472,381	140,127,213	155,284,296	6,775,755	393,659,645
Depreciation and amortization	21,835,356	13,550,526	44,482,736	2,979,209	82,847,827
Disposals/retirement	-	-	(184,431,508)	(8,600,180)	(193,031,688)
(Forward)					
Adjustments	-	48,056	3,072,572	412,624	3,533,252
Balance at end of year	113,307,737	153,725,795	18,408,096	1,567,408	287,009,036
Net Book Value at End of Year	₱956,446	₱6,113,158	₱248,265,570	₱17,877,247	₱273,212,421

In August 2023, the Manila Branch renewed their lease contract for its office space with a five-year term until August 2028, subject to an annual escalation rate of 5.0% beginning on second year (Note 20). Accordingly, P276.2 million of additions to right-of-use assets were recognized in 2023.

As at December 31, 2024 and 2023, the gross carrying values of property and equipment which are fully depreciated but are still being used by the Manila Branch amounted to ₱84.76 million and ₱71.7 million.

There are no restrictions on titles of property and equipment and the Manila Branch does not have any contractual commitments for acquisition of property and equipment as at December 31, 2024 and 2023.

11. Other Assets

This account consists of:

	2024	2023
Financial assets		
Refundable rental deposits	₱41,270,734	₱62,571,310
Other receivables	13,459,764	4,742,936
Accounts receivables	7,125,728	981,793
	61,856,226	68,296,039
Allowance for impairment loss (Note 12)	(2,824,236)	(2,819,772)
	59,031,990	65,476,267
Nonfinancial assets		
Net retirement asset	58,295,679	-
Software costs	9,493,629	11,501,458
Prepayments	10,688,025	8,989,925
	78,477,333	20,491,383
	₱137,509,323	₱85,967,650



The movements of software costs follow:

	2024	2023
Cost		
Beginning Balance	₱26,688,621	₱24,988,621
Additions/(Disposals)	(1,967,782)	1,680,000
At December 31	24,720,839	26,668,621
Accumulated Amortization		
Beginning Balance	15,167,164	15,167,164
Amortization	60,046	-
Ending Balance	15,227,210	15,167,164
	₱9,493,629	₱11,501,457

Accounts receivables are advances received related to international settlement business.

Prepayments and other assets include prepayments for short-term leases and are classified as current assets.

The Manila Branch recognized software costs amounting to nil and ₱1.6 million in 2024 and 2023, respectively, that are still under development. As of December 31, 2023, all of the intangible assets of the Manila Branch are still under development, hence no amortization is recognized for the year ended December 31, 2023.

As at December 31, 2024 and 2023, the gross carrying values of software costs which are fully amortized but are still being used by the Manila Branch amount to ₱15.2 million.

Software costs are classified as non-current assets.



12. Allowance for Credit and Impairment Losses

The composition of and movements in this account follow:

December 31, 2024									
Loans and Receivables									
Receivable from customers									
	Corporate loans	Consumer loans	Total	Loans and advances to banks*	Financial assets at FVOCI and amortized cost	Other financial assets**	Off Balance Sheet exposures	Total	Grand Total
Balance at beginning of year	₱1,314,593,986	₱1,597	₱1,314,595,583	₱210,040	₱3,584,017	₱2,819,772	₱13,045,086	₱19,658,915	₱1,334,254,498
Provision (reversal of provision) for credit and impairment losses	375,210,440	(1)	375,210,439	347,662	2,514,411	-	(6,862,096)	(4,000,023)	371,210,416
Effect of foreign currency translation	16,781,191	11	16,781,201	122,439	98,451	4,465	8,131,085	8,356,439	25,137,641
Balance at end of year	₱1,706,585,617	₱1,607	₱1,706,587,224	₱680,141	₱6,196,879	₱2,824,236	₱14,314,075	₱24,015,331	₱1,730,602,556

* Loans and advances to banks consist of due from BSP, Due from other Banks, Interbank loans receivable and SPURA and Due from Head Office and Parent Bank

** Other financial assets consist of accounts receivables and other receivables booked under 'Other assets' (Note 11)

December 31, 2023									
Loans and Receivables									
Receivable from customers									
	Corporate loans	Consumer loans	Total	Loans and advances to banks*	Financial assets at FVOCI and amortized cost	Other financial assets**	Off Balance Sheet exposures	Total	Grand Total
Balance at beginning of year	₱671,808,468	₱2,536	₱671,811,004	₱265,796	₱1,653,851	₱4,354,510	₱35,218,984	₱41,493,141	₱713,304,145
Provision (reversal of provision) for credit and impairment losses	642,597,276	(943)	642,596,333	(29,595)	1,972,064	(1,493,449)	(22,675,143)	(22,226,123)	620,370,210
Effect of foreign currency translation	188,242	4	188,246	(26,161)	(41,898)	(41,289)	501,245	391,897	580,143
Balance at end of year	₱1,314,593,986	₱1,597	₱1,314,595,583	₱210,040	₱3,584,017	₱2,819,772	₱13,045,086	₱19,658,915	₱1,334,254,498

* Loans and advances to banks consist of due from BSP, Due from other Banks, Interbank loans receivable and SPURA and Due from Head Office and Parent Bank

** Other financial assets consist of accounts receivables and other receivables booked under 'Other assets' (Note 11)



With the foregoing level of allowance for impairment and credit losses, management believes that the Manila Branch has sufficient allowance for any losses that the Manila Branch may incur from the non-collection or nonrealization of its receivables and other risk assets.

The tables below present the movements in 2024 and 2023 credit exposures and related allowances for ECL, grouped according to the different stages of the ECL model.

Loans and receivables

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	₱30,783,408,785	₱625,000,000	₱2,366,884,823	₱33,775,293,608
Newly originated assets that remained in Stage 1 as at December 31, 2024	14,292,463,622	-	-	14,292,463,622
Movements in receivable balance (excluding write-offs)	(13,889,662,514)	(625,000,000)	(12,963,539)	(14,527,626,053)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(497,024,294)	497,024,294	-	-
Transfers to Stage 3	(614,809,202)	-	614,809,202	-
Gross carrying amount	₱30,074,376,397	₱497,024,294	₱2,968,730,486	₱33,540,131,177

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	₱259,739,298	₱49,532,165	₱1,005,324,120	₱1,314,595,583
Newly originated assets that remained in Stage 1 as at December 31, 2024	48,207,720	-	-	48,207,720
Movements in receivable balance (excluding write-offs)	144,432,385	(49,532,165)	(248,883,701)	343,783,921
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(49,702,429)	49,702,429	-	-
Transfers to Stage 3	(307,404,601)	-	307,404,601	-
Allowance for credit losses	₱95,272,373	₱49,702,429	₱1,561,612,422	₱1,706,587,224

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	₱28,627,819,526	₱3,049,374,463	₱794,671,716	₱32,471,865,705
Newly originated assets that remained in Stage 1 as at December 31, 2023	12,230,470,475	-	-	12,230,470,475
Movements in receivable balance (excluding write-offs)	(10,074,881,216)	(223,599,640)	(628,561,716)	(10,927,042,572)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	(2,200,774,823)	2,200,774,823	-
Gross carrying amount	₱30,783,408,785	₱625,000,000	₱2,366,884,823	₱33,775,293,608

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	₱170,946,282	₱288,227,261	₱212,637,461	₱671,811,004
Newly originated assets that remained in Stage 1 as at December 31, 2023	53,787,131	-	-	53,787,131
Movements in receivable balance (excluding write-offs)	35,005,885	(13,304,619)	(46,527,461)	(24,826,195)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	(225,390,477)	839,214,120	613,823,643
Allowance for credit losses	₱259,739,298	₱49,532,165	₱1,005,324,120	₱1,314,595,583



The transfers from Stage 1 to Stage 2 and from Stage 2 to Stage 3 were due to credit rating deterioration of certain corporate clients. The transfers from Stage 2 to Stage 1 were due to credit rating improvement of certain corporate clients.

Loans and advances to other banks

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	₱33,741,421,134	₱-	₱-	33,741,421,134
Net movements in receivable balance (excluding write-offs)	717,365,720	-	-	717,365,720
Gross carrying amount	₱34,458,786,854	₱-	₱-	34,458,786,854

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	₱210,040	₱-	₱-	₱210,040
Net movements in receivable balance (excluding write-offs)	470,101	-	-	470,101
Allowance for credit losses	₱680,141	₱-	₱-	₱680,141

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	₱31,113,360,000	₱-	₱-	₱31,113,360,000
Newly originated assets that remained in Stage 1 as at December 31, 2023	14,030,999,029	-	-	₱14,030,999,029
Net movements in balance (excluding write-offs)	(₱11,402,937,895)	-	-	(₱11,402,937,895)
Gross carrying amount	₱33,741,421,134	-	-	₱33,741,421,134

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	₱265,796	₱-	₱-	₱265,796
Newly originated assets that remained in Stage 1 as at December 31, 2023	₱163,016	-	-	₱163,016
Net movements in balance (excluding write-offs)	(₱218,772)	-	-	(₱218,772)
Allowance for credit losses	₱210,040	-	-	₱210,040

Financial assets at FVOCI and Amortized cost

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	₱7,051,283,942	₱-	₱-	₱7,051,283,942
Newly originated assets that remained in Stage 1 as at December 31, 2024	6,344,036,955	-	-	6,344,036,955
Gross carrying amount	₱13,395,320,897	₱-	₱-	₱13,395,320,897



	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	₱3,584,017	₱-	₱-	₱3,584,017
Newly originated assets that remained in Stage 1 as at December 31, 2024	2,612,862	-	-	2,612,862
Allowance for credit losses	₱6,196,879	₱-	₱-	₱6,196,879

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	₱5,119,355,000	₱-	₱-	₱5,119,355,000
Newly originated assets that remained in Stage 1 as at December 31, 2023	2,013,270,833	-	-	2,013,270,833
Net movements in balance (excluding write-offs)	(81,341,891)	-	-	(81,341,891)
Gross carrying amount	₱7,051,283,942	₱-	₱-	₱7,051,283,942

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	₱1,653,851	₱-	₱-	₱1,653,851
Newly originated assets that remained in Stage 1 as at December 31, 2023	1,869,277	-	-	1,869,277
Net movements in balance (excluding write-offs)	60,889	-	-	60,889
Allowance for credit losses	₱3,584,017	₱-	₱-	₱3,584,017

Other financial assets

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	₱68,296,039	₱-	₱-	₱68,296,039
Net movements in receivable balance (excluding write-offs)	(4,463,026)	-	-	(4,463,026)
Gross carrying amount	₱63,833,013	₱-	₱-	₱63,833,013

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	₱2,819,772	₱-	₱-	₱2,819,772
Net movements in receivable balance (excluding write-offs)	4,464	-	-	4,464
Allowance for credit losses	₱2,824,236	₱-	₱-	₱2,824,236

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	₱47,275,030	₱-	₱-	₱47,275,030
Net movements in balance (excluding write-offs)	21,021,009	-	-	21,021,009
Gross carrying amount	₱68,296,039	₱-	₱-	₱68,296,039

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	₱4,354,510	₱-	₱-	₱4,354,510
Net movements in balance (excluding write-offs)	(1,534,738)	-	-	(₱1,534,738)
Allowance for credit losses	₱2,819,772	₱-	₱-	₱2,819,772



Off balance sheet exposures

	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
Balance at the beginning of the year	₱25,266,135,998	₱-	₱-	₱25,266,135,998
Net movements in receivable balance (excluding write-offs)	3,298,186,075			3,298,186,075
Gross carrying amount	₱28,564,322,073	₱-	₱-	₱28,564,322,073

	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
Balance at the beginning of the year	₱13,045,086	₱-	₱-	₱13,045,086
Net movements in receivable balance (excluding write-offs)	1,268,990	-	-	1,268,990
Allowance for credit losses	₱14,314,076	₱-	₱-	₱14,314,076

	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
Balance at the beginning of the year	₱35,971,587,165	₱-	₱-	₱35,971,587,165
Net movements in balance (excluding write-offs)	(10,705,451,207)	-	-	(10,705,451,207)
Gross carrying amount	₱25,266,135,958	₱-	₱-	₱25,266,135,958

	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
Balance at the beginning of the year	₱35,218,984	₱-	₱-	₱35,218,984
Net movements in balance (excluding write-offs)	(22,173,898)	-	-	(22,173,898)
Allowance for credit losses	₱13,045,086	₱-	₱-	₱13,045,086

13. Deposit Liabilities

Under Section 251 of Manual of Regulations for Banks (MORB), and as amended by BSP Circular No. 1201 dated September 20, 2024, the deposit liabilities of the Manila Branch are subject to a unified statutory reserve of 7.0% and 9.5% as of December 31, 2024 and 2023, respectively.

As at December 31, 2024 and 2023, due from BSP amounting to ₱1.29 billion and ₱0.94 billion, respectively, were set aside as reserves for deposit liabilities. As at December 31, 2024 and 2023, the Manila Branch is compliant with such regulation (Note 6).

Savings deposit liabilities include settlement accounts of participating banks for the clearing and settlement of Renminbi. As of December 31, 2024 and 2023, the settlement account amounted to ₱5.4 billion and ₱5.7 billion, respectively.

In 2024 and 2023, the Manila Branch's peso-denominated savings and time deposit liabilities paid interest at average annual fixed rates ranging from 0.0% to 6.3% and 0.0% to 4.3%, respectively.

In 2024 and 2023, foreign currency-denominated savings and time deposit liabilities paid average annual fixed interest rates ranging from 0.0% to 3.65% and 0.0% to 4.85%, respectively.



Interest expense on deposit liabilities consists of:

	2024	2023
Time	₱127,054,135	₱220,830,455
Savings	70,029,927	31,358,200
	₱197,084,062	₱252,188,655

14. Accrued Interest and Other Liabilities

This account consists of:

	2024	2023
Financial liabilities		
Cashier's checks and payment orders payable	₱998,146,686	₱44,304,059
Accrued expenses (Note 24)	210,827,804	261,117,950
Accounts payable	187,885,847	169,877,069
Lease liabilities (Note 20)	139,136,297	185,864,207
Accrued interest payable (Note 24)	39,225,306	67,755,612
Other liabilities (Note 24)	3,953,629	9,976,328
	1,579,175,569	738,895,225
Non-financial liabilities		
Other taxes payable	97,218,255	68,197,656
Provisions	78,383,631	123,731,592
Net retirement liability (Note 19)	-	14,051,032
Unearned income	37,101,917	50,822,490
Off balance sheet impairment (Note 12)	14,314,075	13,045,086
Withholding taxes payable	13,860,531	10,128,351
	240,878,409	279,976,207
	₱1,820,053,978	₱1,018,871,432

Cashier's checks and payment orders payable pertain to outward and inward remittances, drafts and promissory notes issued by the Manila Branch to its suppliers.

Accrued expenses include accrued salaries and remuneration of the employees, expenses shared with the Head Office and insurance expense payable to Philippine Deposit Insurance Corporation.

Accounts payable includes salaries payable and advances from customers.

Lease liabilities pertain to renewable long term lease contract, mainly on the Manila Branch's office space and IT back-up site (Note 10).

Unearned income refers to advanced handling fees related to international trade settlement business and deferred revenue from loan commitment related fees.

Provisions pertain to liabilities with uncertain amount or timing of actual disbursement. These consist of liabilities for which payment is probable and the amount is estimable as of the reporting date. The management reassesses the estimates annually to determine the reasonableness of provisions. Disclosure of information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not provided because this may prejudice the position of the Manila Branch on the subject matter of the provision. Accordingly, general descriptions are provided.



As at December 31, 2024 and 2023, other taxes payable includes gross receipts tax payable amounting to ₱37.34 million and ₱32.71 million, respectively, and documentary stamp taxes payable amounting to ₱17.42 million and ₱15.91 million, respectively.

15. Due from/to Head Office, Parent Bank and Other Branches

Due from Head Office, Parent Bank and Other Branches consists of working capital, investments, loans, and placements with head office, parent bank and other branches (Note 24). EUR-denominated placements have annual fixed interest rates of 0.8% and from 2.4% to 3.9% in 2024, respectively. Other foreign currency-denominated assets have interest rates ranging from 0.2% to 6.5% and from 0.7% to 4.2% in 2024 and 2023, respectively.

Due to Head Office, Parent Bank and Other Branches consists of short-term borrowings from the head office, parent bank and other branches (Note 24). EUR-denominated borrowings have average annual fixed interest rates ranging from 2.5% to 4.0% in 2024. Other foreign currency-denominated borrowings have average annual fixed interest rates ranging from 0.2% to 6.5% and from 0.9% to 5.8% in 2024 and 2023, respectively.

Restatement of prior year balances

The 2023 comparative financial statements were restated to correct the classification of amounts due to and due from Head Office, Parent Bank and other branches, and deposit liabilities. The impact of the restatement is presented below:

	As previously reported	Restatement	As restated
Statement of Financial Position			
As of December 31, 2023			
Assets	₱73,675,752,654	(₱5,232,537,887)	₱68,443,214,767
Due from Head Office, Parent Bank and other branches, net	11,536,063,512	(5,232,537,887)	6,303,525,625
Liabilities	59,915,593,634	(5,232,537,887)	54,683,055,746
Due to Head Office, Parent Bank and Other Branches	23,967,496,624	(3,568,060,089)	20,399,436,535
Deposit Liabilities	33,644,688,027	(1,664,477,798)	31,980,210,229
Statement of Cash Flows			
For the year ended December 31, 2023			
<u>Cash Flows from Operating Activities</u>			
Increase (decrease) in the amounts of:			
Deposit Liabilities	₱1,030,133,593	(₱1,664,477,798)	(₱634,344,205)
<u>Cash Flows from Investing Activities</u>			
Proceeds from Maturities of placements with Head Office, Parent Bank and other branches	1,718,539,367,085	5,232,537,887	1,723,771,904,972
<u>Cash Flows from Financing Activities</u>			
Payments to Head Office, Parent Bank and other branches	(368,221,397,933)	(3,568,060,090)	(371,789,458,023)



16. Maturity Analysis of Assets and Liabilities

The following tables show an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date (in thousands):

	2024			2023		
	Current	Non-current	Total	Current	Non-current	Total
Financial assets						
Cash and other cash items	₱44,019	₱-	₱44,019	₱66,961	₱-	₱66,691
Due from BSP	6,104,328	-	6,104,328	8,725,422	-	8,725,422
Due from other Banks	111,734	-	111,734	4,220,293	-	4,220,293
Interbank loans receivable and SPURA - gross	11,072,440	-	11,072,440	9,259,433	-	9,259,433
Financial assets at FVPL	2,354	-	2,354	3	-	3
Due from Head Office, Parent Bank and other branches – gross	8,485,487	-	8,485,487	6,303,526	-	6,303,526
Loans and receivables - gross						
Receivables from customer:						
Corporate loans	3,118,693	29,981,887	33,100,580	16,144,795	17,310,098	33,454,893
Consumer loans	82	1,944	2,026	79	1,881	1,960
Accrued interest receivable	64,814	372,711	437,525	86,538	231,902	318,440
Bonds at amortized cost	-	3,477,832	3,477,832	-	2,000,000	2,000,000
Financial assets at FVOCI	2,968,863	6,948,625	9,917,488	3,438,796	1,612,488	5,051,284
Other assets	7,126	56,707	63,833	5,725	62,571	68,296
	31,980,574	40,839,706	72,820,280	48,251,781	21,218,940	69,470,721
Nonfinancial assets						
Property and equipment (Note 10)	-	226,422	226,422	-	273,212	273,212
Other assets	76,501	-	76,501	20,491	-	20,491
	₱76,501	₱226,422	₱302,923	₱20,491	₱273,212	₱293,703
Less: Allowance for credit losses			1,716,269			1,321,209
			₱71,406,914			₱68,443,215
Financial liabilities						
Deposit liabilities	₱32,984,989	₱-	₱32,984,989	₱31,980,210	₱-	₱31,980,210
Due to Head Office and Parent Bank	18,887,612	-	18,887,612	20,399,437	-	20,339,437
Interbank loans payable	2,430,195	-	2,430,195	1,242,842	-	1,242,842
Financial liabilities at FVPL	2,354	-	2,354	3	-	3
Accrued interest and other liabilities	1,099,451	180,548	1,279,999	496,335	242,561	738,896
	55,404,601	180,548	55,585,149	54,118,399	242,889	54,361,388
<i>(Forwarded)</i>						
Nonfinancial liabilities						
Other liabilities	540,055	-	540,055	279,976	-	279,976
Income tax payable	38,464	-	38,464	41,692	-	41,692
	578,519	-	578,519	321,668	-	₱321,668
Total	₱55,983,120	180,548	₱56,163,668	₱54,440,067	₱242,989	₱54,683,056

17. Equity

Regulatory Qualifying Capital

On January 15, 2013, the BSP issued the originating issuance of Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal and commercial banks, as well as subsidiary banks and quasi-banks, in accordance with Basel III standards. The circular took effect on January 1, 2014 and of which two additional publications were subsequently released in 2015 - Leverage Ratio reporting and in 2015 - Adoption of Basel III Leverage Ratio.

Appendix 59 - Risk-based Capital Adequacy Framework for the Philippine Banking System of the MORB sets out the minimum Common Equity Tier 1 (CET1) ratio of 6.0% and Tier 1 capital ratio of 7.5%. It also provided guidance on the capital conservation buffer which is at 2.5% and comprising of CET1 capital. The BSP's existing requirement for total Capital Adequacy Ratio (CAR) remains unchanged at 10.0% and should be maintained at all times.



On October 29, 2014, the BSP issued Circular No. 854, *Minimum Capitalization of Banks*, which amended the capitalization of banks. Under this Circular, commercial banks are required to maintain minimum capitalization of ₱2.0 billion for Head Office branches. This remains the same based on the existing regulations under Section 121 of MORB.

On November 4, 2014, the Manila Branch received from the Parent Bank the aggregate amount of ₱1.7 billion (US\$38.4 million) as capital infusion. On November 18, 2014, pursuant to the provisions of BSP Circular No. 854, BSP confirmed the compliance of the Manila Branch with the minimum capitalization prescribed under the relevant BSP issuances.

On November 21, 2014, the BSP issued Circular No. 858, *Amendments to Relevant Provisions of the Manual of Regulations for Banks Implementing Republic Act. No 10641*, which updated, among other matters, the capital requirements and the risk-based capital of foreign bank branches.

Under Section 103 - Liberalized Entry and Scope of Operations of Foreign Banks under the MORB, a foreign bank branch shall comply with the minimum capital and prudential ratios applicable to domestic banks of the same category as prescribed under the prevailing regulations. For purposes of compliance with minimum capital regulations, the “capital of a foreign bank branch” shall comply with the minimum capital applicable to domestic banks of the same category. The capital shall be the sum of: (i) permanently assigned capital, (ii) undivided profits, and (iii) accumulated net earnings, which are composed of unremitted profits not yet cleared by the BSP for outward remittance and losses in operations less capital adjustments as may be required by the BSP as prescribed under prevailing regulations. Permanently assigned capital shall be inwardly remitted and converted into Philippine currency at the exchange rate prevailing at the time of remittance. Any net due from head office, branches, subsidiaries and other offices outside the Philippines, excluding accumulated net earnings, shall be a deductible adjustment to capital.

Under the existing BSP regulations, the determination of the Manila Branch’s compliance with regulatory requirements and ratios is based on the amount of its ‘unimpaired capital’ (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting practices which differ from Philippine Financial Reporting Standards (PFRS) Accounting Standards in some respects. Total regulatory capital of the Manila Branch comprises of its permanently assigned capital, special remittances, accumulated profit, translation adjustment and remeasurement of retirement liability.

The risk-based capital ratio of the Manila Branch, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.0%. Qualifying capital and risk-weighted assets are computed based on BSP regulations. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP. As at December 31, 2024 and 2023, the Manila Branch’s total qualifying capital amounts to ₱15.12 billion and ₱13.92 billion, respectively.



As of December 31, 2024 and 2023, the Manila Branch is compliant with the minimum capital requirements. The risk-based CAR of the Manila Branch as reported to the BSP as at December 31 are shown in the table below.

	2024	2023
Tier 1 capital	₱14,822,050,913	₱13,617,567,395
Tier 2 capital	296,556,845	304,612,250
Total capital	15,118,607,758	13,922,179,645
Risk weighted assets	₱47,467,124,167	₱52,472,339,342
Tier 1 capital ratio	31.23%	25.95%
Total capital ratio	31.85%	26.53%

The other component of regulatory capital is Tier 2 (supplementary) capital, which consists of GLLP.

For purposes of compliance with the Single Borrower's Limit (SBL), BSP Circular No. 1164 provides for a six-month transitory period to use the prescribed percentage limit of 30% similar to the SBL framework as of end of December 2022. Starting 01 July 2023, the total amount of loans, credit accommodations and guarantees that may be extended by the Manila Branch shall at no time exceed 25% of its net worth. Loans and credit commitments as of the effectivity of RA No. 10641 may be maintained but once repaid or expired, shall no longer be increased in excess of the ceiling allowed under the circular.

The Manila Branch has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis. As at December 31, 2024 and 2023, the Manila Branch is compliant with the foregoing requirements.

Capital Management

The primary objectives of the Manila Branch's capital management are to ensure compliance with BSP-imposed capital adequacy, to maintain strong credit rating and healthy capital balances and ratios in order to support the various businesses, and to maximize capital received from the Head Office.

The Manila Branch manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

In 2009, the BSP issued Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) which supplements the BSP's risk-based capital adequacy framework under the BSP Circular No. 538.

Reserves

Under BSP Circular 1011, banks are required to appropriate a portion of their surplus at an amount necessary to bring to at least 1.0% the allowance for credit losses on loans classified under stage 1. As of December 31, 2024 and 2023, appropriated accumulated profits include appropriation by the Manila Branch to general loan loss provisioning amounted to ₱203.5 million and ₱65.7 million, respectively.



Special Remittances from Head Office and Parent Bank

The Manila Branch received an aggregate amount of USD2.4 million from the Parent Bank in 2005, representing reimbursements of the unadjusted accumulated losses at the time of remittances. Under the terms of the special remittances, these shall be treated as normal business investment of the Head Office to the Manila Branch to serve as additional working capital for the Manila Branch. These remittances do not include contractual obligation to repay.

The Head Office remitted additional capital to the Manila Branch amounting to USD150.0 million on January 25, 2018. This amount was converted to Philippine Peso on January 29, 2018 amounting to ₱7.6 billion which was recorded as part of the Manila Branch's permanently assigned capital. As at December 31, 2024 and 2023, the outstanding balance of permanently assigned capital amounts to ₱9.98 billion.

As at December 31, 2024 and 2023, the outstanding balance of special remittances from Head Office amounts to ₱106.7 million.

18. Service Charges and Commissions

Services charges and commission income and expense consist of:

	2024	2023
Service charges and commissions income		
International settlement	₱167,454,764	₱148,466,694
Remittances	31,279,774	24,113,618
Bank notes fee income	16,236,937	30,098,951
Loans and loan commitments	10,446,958	20,623,957
Structural refinancing	4,145,247	-
Agency fee	1,712,097	22,470,808
Others	2,611,101	662,733
	233,886,878	246,436,761
Service charges and commissions expense		
Remittance fees	₱30,565,794	₱11,810,757

19. Retirement Benefits

The Manila Branch has a funded non-contributory defined benefit retirement plan that was set up in 2004 covering all their respective regular and full-time and local rank file and officers, but excluding officers and employees who are seconded from the Head Office. Under this retirement plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The date of the last actuarial valuation is December 31, 2024.



The funds are administered by the Board of Trustee (BoT). The Board may appoint a trustee institution or an investment manager, as the case may be, to manage the investments of the fund. The BoT is responsible for the investment of assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes into account the plan's objectives, benefit obligations and risk capacity. The BoT oversees the entire investment process of the Manila Branch.

The retirement plan provides a retirement benefit based on the employees' years of credit service and their final salary. Under the existing regulatory framework, RA No. 7641, 'The Philippine Retirement Pay Law', requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The net retirement benefit liability recognized in the statement of financial position as at December 31, 2024 follow:

	2024	2023
Present value of defined benefit obligation	₱79,287,250	₱143,433,772
Fair value of plan assets	(137,582,929)	(129,382,740)
Net retirement liability (Asset)	(₱58,295,679)	₱14,051,032

The components of net retirement benefit liability (asset) accrued for the year recognized in the statement of income under compensation and other related staff costs follow:

	2024	2023
Current service cost	₱12,119,437	₱14,987,592
Past service cost (credit)	(52,602,527)	-
Net interest cost on benefit obligation	(3,177,377)	262,074
Total retirement expense(income)	(₱43,660,467)	₱15,249,666

The remeasurement effects, net of tax, recognized in other comprehensive loss in the statement of total comprehensive income follow:

	2024	2023
Remeasurement gain (loss) on plan assets	₱2,612,574	(₱8,300,549)
Remeasurement (losses) gains due to:		
Experience adjustments	(2,281,990)	(7,362,579)
Change in financial assumptions	3,456,188	2,561,578
	₱3,786,772	(₱13,101,550)



The movements in net retirement liability for the years ended December 31 follow:

2024			
	Presented value of defined obligation	Fair value of plan assets	Net defined benefit liability (asset)
Beginning balance	₱143,433,772	(₱129,382,740)	₱14,051,032
Net benefit cost in statement of income			
Current service cost	12,119,437	-	12,119,437
Past service cost/(credit)	(52,602,527)	-	(52,602,527)
Net interest	4,457,746	(7,635,123)	(3,177,377)
	(₱36,025,344)	(₱7,635,123)	(₱43,660,467)
Remeasurements in other comprehensive income			
Remeasurement losses (gains) due to:			
Experience adjustments	2,281,990	-	2,281,990
Change in financial assumptions	(3,456,188)	-	(3,456,188)
Remeasurement loss (gain) on plan assets	-	(2,612,574)	(2,612,574)
	(₱1,174,198)	(₱2,612,574)	(₱3,786,772)
Benefits paid	(26,946,980)	26,946,980	-
Contribution by employer		(24,899,472)	(24,899,472)
Ending Balance	₱79,287,250	(₱137,582,929)	(₱58,295,679)
2023			
	Presented value of defined obligation	Fair value of plan assets	Net defined benefit liability
Beginning balance	₱119,396,994	(₱97,456,168)	₱21,940,826
Net benefit cost in statement of income			
Current service cost	14,987,592	-	14,987,592
Net interest	6,211,662	(5,949,588)	262,074
	₱21,199,254	(₱5,949,588)	₱15,249,666
Remeasurements in other comprehensive income			
Remeasurement losses (gains) due to:			
Experience adjustments	7,362,579	-	7,362,579
Change in financial assumptions	(2,561,578)	-	(2,561,578)
Remeasurement loss (gain) on plan assets	-	8,300,549	8,300,549
	₱4,801,001	₱8,300,549	₱13,101,550
Benefits paid	(1,963,477)	1,963,477	-
Contribution by employer		(36,241,010)	(36,241,010)
Ending Balance	₱143,433,772	(₱129,382,740)	₱14,051,032

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.



The fair value of plan assets by each class as at December 31, 2024 and 2023 are as follows:

	2024	2023
Cash and cash equivalents	₱360,889	₱4,815
Equity securities	25,875,066	1,055,998
Unit investment trust funds	8,994,193	
Debt securities:		
Government bonds	74,700,430	91,286,775
Private bonds	1,878,945	1,643,927
Other assets	923,210	35,432,475
Liabilities	(49,272)	(41,250)
Fair value of plan assets	₱112,683,461	₱129,382,740

All equity and debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The cost of defined benefit retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for the defined benefit plans as of December 31 are shown below:

	2024	2023
Discount rate	5.98%	6.23%
Future salary increase	4.00%	5.00%
Retirement age	60	60

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis. The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming if all other assumptions were held constant:

	December 31, 2024		December 31, 2023	
	Increase (Decrease) in Basis Points	Increase (Decrease) in Present Value of Obligation	Increase (Decrease) in Basis Points	Increase (Decrease) in Present Value of Obligation
Discount rate	+100	(3,823,204)	+100	(5,388,848)
	-100	4,166,587	-100	5,862,678
Future salary increase	+100	4,520,683	+100	6,341,018
	-100	(4,215,842)	-100	(5,931,475)

The Manila Branch expects to contribute P24.9 million to the defined benefit pension plan in 2025.

The average duration of the defined benefit obligation at the end of the reporting period is 6.54 years and 5.35 years for 2024 and 2023, respectively.



Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2024 and 2023:

	2024	2023
Less than 1 year	₱11,476,902	60,107,275
More than 1 year to 5 years	44,398,813	51,952,861
More than 5 years to 10 years	96,003,068	139,923,694
More than 10 years to 15 years	33,874,368	44,219,847
More than 15 years to 20 years	24,752,426	27,471,024
More than 20 years	10,774,782	13,518,758

20. Lease Contracts

Manila Branch as a lessee

In June 2017, the Manila Branch entered into a lease agreement for a period of five years until June 2022 for its IT back-up site, which was renewed for another lease term of five years until June 2027.

In September 2018, another lease agreement was entered into for the Manila Branch's office space for a period of five years until August 2023. Lease rental contracts include annual escalation clause of 5.0%. In August 2023, the Manila Branch renewed its leases for a period of five years until August 2028. Lease rental contracts include annual escalation clause of 5.0% beginning on second year.

The following are the amounts recognized in statement of income in relation to the lease commitment of the Manila Branch:

	2024	2023
Depreciation expense of right-of-use assets (Note 10)	₱56,326,838	₱47,461,945
Expenses relating to short-term leases	4,478,872	27,623,451
Interest expense on lease liabilities	14,357,956	5,779,168
Total amount recognized in statement of income	₱75,163,666	₱80,864,564

The rollforward analysis of lease liabilities follows:

	2024	2023
Beginning balance	₱261,117,950	₱23,349,220
Additions	—	261,775,205
Interest expense	14,357,956	5,779,168
Payments	(64,648,102)	(29,785,643)
	₱210,827,804	₱261,117,950

As at December 31, 2024 and 2023, the Manila Branch has no contingent rent payable.



Shown below is the maturity analysis of the undiscounted lease payments:

	2024	2023
1 year	₱63,902,826	₱60,372,853
More than 1 years to 2 years	62,012,986	63,346,732
More than 2 years to 3 years	65,111,943	66,498,018
More than 3 years to 5 years	115,436,260	110,367,258
	₱306,464,014	₱300,584,861

21. Miscellaneous Expenses

This account consists of:

	2024	2023
Security, messengerial and janitorial	₱17,527,137	₱12,478,181
Communication	16,056,204	9,837,021
Fines and penalties	15,350,607	19,851,268
Travel and transportation	4,429,299	3,884,603
Stationeries and office supplies	2,486,283	5,561,245
Donation and charitable contribution	1,807,800	500,000
Membership fees and dues	1,391,101	11,129,945
Printing	1,047,185	798,941
Reversal of provisions (Note 14)	(45,347,961)	-
	₱14,747,278	₱64,041,204

Fines and penalties include accrual of penalties for non-compliance with Agriculture, Fisheries and Rural Development Financing Enhancement Act (AFRD) of 2022 (Republic Act No. 11901 or the previously "Agri-Agra Reform Credit Act of 2009").

22. Income and Other Taxes

Provision for income tax consists of:

	2024	2023
Current:		
Final	₱266,272,959	₱131,077,297
RCIT	196,142,784	203,646,100
	₱462,415,743	₱334,723,397

Under Philippine tax laws, the Manila Branch is subject to percentage and other taxes (presented as 'Taxes and licenses' in the statement of income) as well as income taxes.

RA No. 9294, which became effective in May 2004, exempts from income tax the income derived by the FCDU from foreign currency transactions with nonresidents, OBUs and local commercial Banks including branches of foreign Banks authorized by the BSP to transact business with FCDUs and other depository Banks under the expanded foreign currency deposit system. Interest income on foreign currency-denominated loans by the FCDUs to residents other than OBUs or other depository Banks under the expanded system is subject to 10.0% gross income tax.



The Manila Branch did not recognize deferred tax assets on the following differences:

	2024	2023
Allowance for credit losses (Note 12)	₱438,062,373	₱178,326,036
Retirement liability	7,796,068	4,586,882
Unrealized foreign exchange loss	7,039,178	2,305,488
Lease-related accounts	(353,412)	1,370,047
	₱452,544,207	₱186,588,453

As at December 31, 2024 and 2023, there are no outstanding MCIT and NOLCO.

A reconciliation between the statutory income tax and the provision for income tax follow:

	2024	2023
Statutory income tax of 25%	₱479,519,983	₱299,200,547
Adjustments resulting from:		
Non-deductible expenses	413,446,230	240,676,994
Change in unrecognized deferred tax assets	3,456,570	157,453,902
Tax-exempt and tax-paid income	(37,924,329)	(140,859,403)
FCDU income	(385,233,552)	(221,748,643)
Provision for income tax	₱473,264,903	₱334,723,397

23. Commitments and Contingent Liabilities

In the ordinary course of business, the Manila Branch enters into various commitments and incurs contingent liabilities that are not presented in the accompanying financial statements. The Manila Branch does not anticipate any material losses as a result of these commitments and contingent liabilities.

The Manila Branch has suits and claims that remain unsettled outside of provisions (Note 21). Management believes, based on the opinion of its legal counsels, that the ultimate outcome of such cases and claims will not involve sums having a material or adverse effect on the financial statements.

As at December 31, 2024 and 2023, the commitments and contingent liabilities at their equivalent peso contractual amounts follow:

	2024	2023
Guarantees issued	₱20,985,335,428	₱21,613,226,104
Corporate loan commitment	7,447,160,838	3,631,949,522
Letters of credit issued	131,825,807	20,960,332
	₱28,564,322,073	₱25,266,135,958

24. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities.



The Manila Branch's related parties include its Head Office and other branches, and key management personnel. Transactions with such parties are made in the ordinary course of business. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Remuneration of Key Management Personnel

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

Total remunerations of key management personnel are as follows:

	2024	2023
Gross compensation	₱79,207,580	₱87,062,411
Profit-sharing and bonuses	59,870,554	61,962,294
Short-term benefits	30,898,095	29,603,617
Other non-monetary benefits	2,100,104	2,437,734
	₱172,076,333	₱181,066,056

As at December 31, 2024 and 2023, the Manila Branch has outstanding loans extended to its officers, which is part of the BSP-approved fringe benefit program, amounting to ₱1.53 million and ₱1.24 million, respectively.

Transactions with Head Office and Parent Bank

In the ordinary course of business, the Manila Branch has transactions with its Head Office and the Parent Bank consisting of cash placements and borrowings. In addition, the Manila Branch shares in the use of the computer systems (the HUB) operated and maintained by the Parent Bank which bills the former its share in the information technology-related expenses of the HUB.

The significant transactions and outstanding balances with the Head Office and other branches included in the financial statements follow:

Category	December 31, 2024		December 31, 2023		Terms and conditions
	Amount	Outstanding balance	Amount	Outstanding balance	
Parent Bank					
Due from Head Office, Parent Bank and Other Branches (Note 15)		₱512,275,209		₱1,379,069,635	Unsecured and unimpaired; with average annual fixed interest rates as at 2024 and 2023 ranging from 0.20% to 5.10% and 0.00% to 5.75%, with maturities of less than one (1) year; collectible in cash with no offsetting against Due to Head Office, Parent Bank, and Other branches.
Placements	₱1,044,854,364,089		₱2,220,763,206		
Withdrawals	(1,045,721,158,515)		(6,455,051,295)		
Service charges and commissions income (Note 18)	2,506,617		2,399,367	-	Share in Bank notes fee income and customer referral income; agency fee for syndicated loan services. Collectible monthly through cash remittance to Head Office.
Due to Head Office, Parent Bank and Other Branches (Note 15)		999,294,100	-	913,605,000	
Borrowings	8,052,602,450		14,894,530,000		Unsecured; with annual fixed interest rates as at 2024 and 2023 ranging from 4.75% to 5.75% and 4.62% to 5.75%, with maturity period of one month to one year; payable in cash on demand, at gross amount.
Payments	(7,966,913,350)		(15,235,628,600)		

(Forward)



Category	December 31, 2024		December 31, 2023		Terms and conditions
	Amount	Outstanding balance	Amount	Outstanding balance	
Other liabilities (Note 14)		49,403,712	-	47,677,694	Payable to Parent Bank for excess remittance for tax payment
Interest expense/ payable (Note 9)	244,121,518	2,681,291	10,183,050	60,754,733	Interest expense from interbranch borrowings
Head Office					
Due from Head Office, Parent Bank and Other Branches (Note 15)	-	7,973,211,631	-	4,924,455,990	Unsecured and unimpaired; with average annual fixed interest rates as at 2024 and 2023 ranging from 4.75% to 5.75% and 0.50% to 5.60% with maturities of less than one year; collectible in cash on demand, at gross amount.
Placements	432,506,680,997		1,712,281,032,837		
Withdrawals	(429,457,925,355)		(1,717,316,853,677)		
Interest income/ receivable (Note 3)	185,169,736	11,623,595	393,184,473	4,676,198	Interest income on investments, loans and placements
Service charges and commissions income (Note 12)	17,933,191	-	30,421,759	-	Share in Bank notes fee income and customer referral income; agency fee for syndicated loan services. Collectible monthly through cash remittance to Head Office.
Due to Head Office, Parent Bank and Other Branches (Note 15)		17,888,317,748	-	19,485,831,535	Unsecured; with annual fixed interest rates as at 2024 and 2023 ranging from 0.20% to 6.50% and 0.85% to 5.75% with maturity period of one month to one year; payable in cash on demand, at gross amount.
Borrowings	3,132,797,159,124		357,453,857,513		
Payments	(3,134,394,672,911)		(356,553,829,423)		
Interest expense/ payable (Note 9)	530,723,373	14,948,506	769,175,422	69,859,589	Interest expense from Head Office borrowings.
Information technology expense/accrual (Note 10)	11,807,944		3,320,406	-	Allocated IT expenses related to shared computer systems operated and maintained by the Head Office; collectible on demand through cash remittance to the Head Office.
Personel and other related expense	18,147,896		-	-	
Insurance expense	321,952		-	-	

25. Supplementary Information for Cash Flow Analysis

The following table shows the reconciliation analysis of Due to Head Office, Parent Bank and other branches arising from financing activities for the years ended December 31, 2024 and 2023:

	2024	2023
Balance at beginning of year	₱23,967,496,624	₱19,840,507,044
Cash flows during the year		
Proceeds	3,132,797,159,124	372,348,387,513
Settlements	(3,130,451,930,700)	(368,221,397,933)
Balance at end of year	₱26,312,725,048	₱23,967,496,624

Non-cash investing and financing activities

Non-cash investing activities of the Manila Branch in 2023 pertain to additions of right-of-use assets ₱276.2 million (Note 20). Fair value change on financial assets at FVOCI amounted to ₱43.9 million and ₱10.3 million as of December 31, 2024 and 2023, respectively (Note 9).

In 2023, non-cash financing activities of the Manila Branch pertain to addition to lease liabilities amounting to ₱261.8 million..



26. Approval for the Release of the Financial Statements

The accompanying financial statements of the Manila Branch were authorized and approved for issue by the Manila Branch's Country Head on April 30, 2025.

27. Supplementary Information Required Under BSP MORB Section 174

Presented below is the supplementary information required under BSP MORB Section 174 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS Accounting Standards.

Basic quantitative indicator of financial performance

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

	2024	2023
Return on average equity	10.04%	6.13%
Return on average assets	2.01%	1.15%
Net interest margin on average earning assets	3.85%	3.25%

Description of capital instruments issued

The Manila Branch did not issue any capital instruments. Its capital is funded by the permanently assigned capital and special remittances received from the Head Office amounting to P10.08 billion as at December 31, 2024 and 2023, in accordance with the existing minimum capitalization under Section 121 of the MORB.

Significant credit exposures

The following table presents information on the concentration of credit exposures (at gross amounts in thousands) over total loan portfolio as to industry sector for receivables from customers:

	2024		2023	
	Amount	%	Amount	%
Real estate	P8,832,440	26.3	P6,696,582	19.8
Power	7,909,883	23.6	9,232,431	27.3
Information and communication	7,020,213	20.9	6,941,756	20.6
Wholesale and retail	4,785,546	14.3	5,626,871	16.7
Manufacturing	3,586,871	10.7	3,749,799	11.2
Hospitality	696,032	2.1	-	-
Water collection treatment and supply	-	-	845,457	2.5
Others	709,146	2.1	682,398	2.0
	P33,540,131	100	P33,775,294	100.0



The BSP considers that loan concentration exists when total loan exposure to a particular industry or economic sector exceeds 30.0% of total loan portfolio. Identified concentration of credit risks are controlled and managed accordingly.

Nonperforming loans

Loans and receivables are classified as non-performing in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Loans and receivables are not reclassified as performing until interest and principal payments are brought to current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured. This shall apply to loans and receivables payable in lump sum or in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered non-performing.

With the issuance of BSP Circular No. 941, Amendments to the Regulations on Past Due and Non-Performing Loans, effective January 1, 2019, 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.

For all the non-performing loans, only in comfort with all the following conditions, may the Bank upgrade the loan classification to ‘Special Mention’ category according to its credit risk profile:

- (i) the borrower’s operating or credit condition has significantly improved, fully repaid the overdue payments, and
- (ii) in principal has serviced all principal and interest payments on time continuously for a reasonable period: i.e. for monthly payments (including both interest and principal), at least 6 months; for other types of repayment schedule, at least 12 months (including both interest and principal), and
- (iii) there is reasonable assurance that the borrower will be able to service all future principal and interest payments after due consideration, and:
- (iv) strictly adhere with the policy of BOCHK, including but not limited to obtain “no objection opinion” from BOCHK

Status of loans

The table below shows the status of the Bank’s loans (gross of allowance for credit losses) as to performing and non-performing loan (NPL) per product line

	2024		2023	
	Performing	NPL	Performing	NPL
Corporate	₱30,172,546,699	₱2,928,032,909	₱31,088,007,684	₱2,366,884,823
Consumer	2,026,743	–	1,960,890	–
	₱30,174,573,442	₱2,928,032,909	₱31,089,968,574	₱2,366,884,823



Loans per security

Details of the loan accounts, in principal amount, as to collateral at December 31 follow:

	2024	2023
Loans secured by:		
General corporate guarantor	₱4,631,192,983	₱361,041,154
Natural person guarantor	2,724,292,766	625,000,000
Real estate mortgage	2,774,886,448	1,407,790,289
Other pledges	5,415,120,797	840,558,960
	15,545,492,995	3,234,390,403
Unsecured	17,557,113,356	30,222,462,994
	₱33,102,606,351	₱33,456,853,397

Related party loans

As required by the BSP, the Manila Branch discloses loan transactions with its affiliates and investees and with certain directors, officers, stockholders and related interests (DOSRI). Under existing banking regulations, the limit on the amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed an amount equivalent to respective unencumbered deposits and book value of paid-in capital contribution in the Manila Branch, if any. While the aggregate loans to DOSRI, of which 70.00% must be secured, should not exceed the regulatory capital or 15.00% of the total loan portfolio, whichever is lower. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations

Related parties and DOSRI accounts are defined respectively under Section 136 and Section 341 of MORB. As at December 31, 2024 and 2023, the Manila Branch has no outstanding loan receivable from related parties, except for the outstanding loans extended to its officers, which is part of the BSP-approved fringe benefit program, amounting to ₱1.53 million and to ₱1.24 million, respectively.

Amount of secure liabilities and assets pledged as security

As of December 31, 2024 and 2023, the Manila Branch has no secured liabilities, thus, none of these assets are pledged as security.

Commitments and contingencies

As at December 31, 2024 and 2023, the commitments and contingent liabilities at their equivalent peso contractual amounts follow:

	2024	2023
Guarantees issued	₱20,985,335,428	₱21,613,226,104
Corporate loan commitment	7,447,160,838	3,631,949,522
Letters of credit issued	131,825,807	20,960,332
	₱28,564,322,073	₱25,266,135,958



28. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

The Manila Branch reported and/or paid the following types of taxes for the year.

Other Taxes and License Fees

This includes all other taxes such as gross receipts tax, fringe benefit tax, license and permit fees, and documentary stamp tax for the year ended December 31, 2024.

	Amounts
Gross receipts tax	₱135,842,428
Documentary stamp taxes	35,653,228
Fringe benefits taxes	9,013,346
License and permit fees	1,090,401
Other taxes	6,918
	₱181,606,321

Withholding Taxes

Details of total remittances and balance as at December 31, 2024 of withholding taxes are as follow:

	Total Remittances	Balance as at December 31
Withholding taxes on compensation and benefits	₱145,626,833	₱ 8,426,118
Final withholding taxes	33,770,279	5,136,599
Expanded withholding taxes	5,882,250	297,814
	₱185,279,362	₱13,860,531

Tax Assessments and Cases

On September 15, 2021, the Manila Branch has received a Letter of Authority (LOA) for the taxable year 2020. Subsequently on December 1, 2022, the Manila Branch has received a Notice of Discrepancy (NoD). The Manila Branch received an amended NOD for both FCDU and RBU on March 18, 2024 and April 1, 2024 respectively, and was settled in June 2024.

The Manila Branch has received another Letter of Authority (LOA) dated August 9, 2023 for RBU books for the taxable year 2022.

As of December 31 2024, the Manila Branch received the FCDU NOD for taxable year 2021 and none for taxable year 2022. No preliminary or final assessment notice has been received from the BIR for both 2021 and 2022 LOAs.

All other information prescribed to be disclosed by the BIR has been included in this note.

