BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2024

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OFFICERS AND STATUTORY REGISTERED AUDITORS

The Board of Directors ("the Board")

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Mr Alexander John Shapland
Ms Lizbeth Joan Yulo
Mr Martin Lynch O'Neil
Mr Robert David Reoch
Ms Maria Theresa Marcial
Mr Dino Gasmen

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STRATEGIC REPORT

For the financial year ended 31st December 2024

In accordance with a resolution of the directors (the "Directors") of Bank of the Philippine Islands (Europe) Plc (the "bank" or "BPI Europe"), the Directors submit herewith the Strategic Report of the bank as follows:

PRINCIPAL ACTIVITIES

BPI Europe is a UK-licenced bank authorised by the Prudential Regulation Authority (PRA), jointly regulated by the PRA and the Financial Conduct Authority (FCA). Its capital stood at $121.3 million as at 31 December 2024. The bank offers simple retail deposit products and engages in the trading of fixed income securities, foreign exchange, and syndicated loans for its own books.

Deposits and wholesale borrowings are expected to further support balance sheet growth in the coming years, which will be invested in a mix of high quality liquid fixed income securities and syndicated loans.

BPI Europe's deposit-taking franchise consists of USD, EUR, and GBP-denominated savings and time deposits offered to corporates and retail customers consisting of existing BPI deposit clients and a growing client base from a partnership with a deposit aggregator.

Over the short-term, the bank's strategic focus remains to optimise the composition of its balance sheet to derive the best returns. Medium-term plans include reinforcing a solid retail base, further leveraging the balance sheet to invest in a mix of syndicated loans and fixed income securities, and increasing trading in the fixed income and foreign exchange markets.

STATEMENT OF DIRECTORS IN THE PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172 (1) COMPANIES ACT 2006

Section 172 (1) of Companies Act 2006 requires the directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term,
(b) the interests of the company's employees,
(c) the need to foster the company's business relationships with suppliers, customers, and others,
(d) the impact of the company's operations on the community and the environment,
(e) the desirability of the company maintaining a reputation for high standards of business conduct, and
(f) the need to act fairly between members of the company.

The Board of Directors of BPI Europe considers, both individually and collectively, that they have in good faith acted in the way they consider would be most likely to promote the success of the bank for the benefit of its members as a whole, having regard to its stakeholders, including

shareholders/investors, customers, regulators, employees and the broader community, and matters set out in S172(1) (a-f) of the Act in the decisions taken during the year ended 31 December 2024.

The Board believes that effective corporate governance is the cornerstone of BPI Europe's strength and long-term existence. The Board has established and promoted sound principles and practices as stated in the bank's Corporate Governance Manual, which adheres to the UK Corporate Governance Code in a manner that is relevant and appropriate for the bank, and resolved to adopt this framework of policies, rules, systems, and processes that govern them in the pursuit of BPI Europe's corporate goals.

The Board is responsible for prescribing a sound and sustainable business model, setting out the bank's strategy, risk appetite, and an overarching risk management, regulatory compliance, and control frameworks, and providing guidance and leadership to Management to see these strategies through.

The Board believes in its responsibility to the bank's shareholder. Capital is treated as the bank's most valuable asset, and Management seeks to generate superior returns while being prudent in risk-taking, spending, and investing activities.

As a wholly-owned subsidiary of Bank of the Philippine Islands ("BPI" or the "Parent Bank"), BPI Europe ensures alignment of its goals with the Parent's medium-term strategy. BPI Europe's Governance Policy allows its sole shareholder to appoint a senior officer from its Board of Directors to act as Chairman of BPI Europe for a more effective chain of oversight and to extend downstream to the subsidiary the BPI Group of Companies' corporate governance practices, business objectives, and risk appetite. For this reporting period, BPI Europe's Board Chairman is the President and Chief Executive Officer of the Parent Bank. Other directors who sit on the Board are also Parent Bank executives overseeing areas relevant to BPI Europe's business. Through its regular meetings the Board, and effectively, the Parent, is apprised of BPI Europe's financial performance and other matters that require its attention. The presence and participation of Parent Bank executives in BPI Europe's Board likewise provides representation for BPI Europe in the Parent Bank's sphere, allowing it access to the Parent's resources and other forms of support needed to pursue its objectives. All transactions with the Group, however, continue to be at an arm's length basis in adherence to the bank's policy on related party transaction and under the purview of the Board.

At least half of the Board of Directors, excluding the Chairman, consists of Independent Non-Executive Directors ("INEDs") who are not part of the day-to-day management of banking operations. Board subcommittee membership usually requires the inclusion of at least one INED to bring balance, diversity of experience, and appropriate challenge to the bank's decision-making processes. An example of this is the Audit and Risk Committee, which is composed of at least three members, at least two of whom are INEDs. For the reporting period, the Audit and Risk Committee consisted of all three of the bank's INEDs.

The Board believes in its responsibility to its customers. Aligned with the Parent's core value of customer-centricity, the Board continuously strives to ensure that the bank's business objectives and goals are met while protecting its customers' interests. BPI Europe espouses transparency,

professionalism, a strong sense of responsibility, and confidentiality of customers' information in all its dealings, allowing it to build mutually beneficial, long-standing business relationships. Further, it has appointed one of its INEDs as Consumer Duty Champion to oversee governance and adherence to Consumer Duty regulations and best practices designed to deliver good outcomes for the bank's retail customers.

The Board believes in its responsibility to the regulators. While the bank seeks to generate superior returns, this is done so within firm regulatory boundaries. Management and the Board maintain good relationships with the regulators by dealing with them with honesty and transparency and by remaining candid, proactive, cooperative, and constructive in their engagements.

The Board considers its employees as fundamental to the success of the bank. The bank follows fair remuneration practices, which are implemented in a way that supports the bank's business strategy and promotes sustainable success. The health, safety, and general well-being of employees are primary considerations at all times. As needed, employee concerns are discussed by senior management and escalated accordingly. The bank also has a whistleblowing policy, which establishes formal channels through which BPI Europe personnel with serious concerns on any aspect of the bank's activities may voice their concerns. A confidential e-mail account dedicated for receiving whistleblowing reports is in place, and access to it is restricted to the Whistleblowing Champion, who is appointed from one of the bank's INEDs.

The Board gives high regard to the wider community and the environment by being socially responsible. It observes corporate social responsibility principles as part of its culture and decision-making process through the institutionalisation of a framework on business ethics, countering financial crime, and addressing environmental and social risks, particularly those arising from climate change.

The Board reviews and approves the BPI Europe Code of Business Conduct and Ethics (the "Code") which sets the guidance for observing ethical behaviour among the bank's employees. The Board also observes the provisions set in the Code in making the right decisions and in discharging their responsibilities to the bank. The Code is used by the bank in its working relationships with customers, counterparties, regulators, and co-players in the banking industry.

REVIEW OF THE BUSINESS

Results

BPI Europe reported a pre-tax loss of $797,125 in 2024, primarily driven by a substantial impairment provision related to the material credit deterioration of a fixed income securities exposure. In contrast, the pre-tax loss in 2023 of $1.0 million was largely due to foreign exchange translation losses. Excluding these exceptional items, the bank delivered a strong underlying performance in 2024, achieving a net adjusted profit of $852,168.[1] The 2023 net adjusted profit was $530,616.[2] This

[1] Comprising of loss on ordinary activities before taxation adding back impairment charges of $1.6 million.

[2] Comprising of loss on ordinary activities before taxation adding back loss of $383,713 from the sale of a syndicated loan exposure, as well as impairment charges of $15,771 and $1.16 million for the impact on trades executed to manage foreign exchange risk following the change in functional currency.

turnaround was driven by a significant improvement in the other operating income, particularly securities trading gains, as the bank capitalised on anticipated interest rate reductions, which eventually occurred in the second half of the year. Foreign exchange trading contributed $127,927, recovering from the previous year's one-time loss from trades executed to manage open positions in relation to the change in functional currency from GBP to USD. In addition, the bank booked fees from the collection of service charges from inactive clients whose balances have fallen below the required maintaining amount, as indicated in the updated terms and conditions communicated to the clients in the middle of the year.

Interest income for the year reduced by 4.6% due to the contraction of the bank's loan portfolio and reduction in interest rates. Interest expense has likewise decreased, at a greater magnitude of 9.3%, as the bank's engagement with a deposit aggregator provided the bank access to cheaper funding and allowed the prepayment of its more expensive borrowings. The resulting net interest income increased by 1.9%.

The growth in operating expenses, comprising administrative expenses and depreciation, was minimal at 1.3%. Staff costs, which make up half of operating expenses, grew at only 2.0%, as average headcount for the year was lower than in 2023. Meanwhile, increases in other expenses and the additional cost this year of the engagement with the deposit aggregator was generally offset by declines in repairs and maintenance, professional fees, utilities, and other miscellaneous expenses.

For 2024, the bank booked a net impairment charge of $1.6 million. This is made up of:

- Loan loss reversal of $213,988, following the contraction of the loan books, which resulted in the overall improvement in the quality of the portfolio.
- Specific provision of $1.9 million in relation to a fixed income exposure in the banking books that has been downgraded during the year. The amount is based on the mark-to-market loss on the £5 million exposure as at year-end.

With the foregoing, the bank recorded a pre-tax loss of $797,125 (2023: loss of $1.0 million). The bank thus recognised a deferred tax asset ("DTA") of $196,779, reflecting the expected utilisation of tax losses against future taxable profits. After accounting for the tax credit of $196,779 arising from the DTA recognition, the post-tax loss for the year amounted to $600,346 (2023: loss of $771,489).

Capital Resources

BPI Europe's total regulatory capital resources as of 31 December 2024 stood at $121.3 million (2023: $121.9 million), with the capital adequacy ratio at 61.59% (2023: 68.29%) against the regulatory requirement of 24.95% (2023: 25.05%). Leverage ratio for the year was at 58.71% (2023: 64.62%). The decline in the capital indicators was driven primarily by the significant expansion of the bank's balance sheet during the year.

Liquidity Resources

Throughout the year, the bank maintained its liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) well above the regulatory minimum for both of 100%. As at end-2024, LCR was at 329% (2023: 410%) and NSFR at 163% (2023: 122%).

RESULTS AND DIVIDENDS

The bank reported a net loss of $600,346 in 2024 (2023: net loss of $771,489). The statement of profit and loss, set out on page 29, details the bank's performance for the year.

The directors have not recommended a dividend for 2024 (2023: nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The bank practices risk management by following a top-down approach where its risk culture emanates from the Board through overall risk strategy and risk appetite setting. It has an established enterprise-wide risk management framework that enables the identification, measurement, control, monitoring, and reporting of its financial and non-financial risk exposures. Adequate training for all employees of the bank promotes awareness of the risks inherent in its business activities. These form the foundation for the bank's proper identification and effective response to the various risks that it faces.

The bank performs a risk and control self-assessment (RCSA) exercise at least annually as part of its continuing efforts to better understand its risk profile and enhance its risk mitigation strategies. This exercise is further supported by risk assessments conducted throughout the year prior to implementation of significant process enhancements, new products or services, and policy deviations. The main risks arising from the bank's financial instruments and business activities have remained largely consistent with those identified in the previous year, and are as follows:

Business Model Risk
Business model risk is defined as the risk of financial losses due to uncontrollable factors that may challenge the firm's business model and strategy execution. This may be externally or internally driven, such as in the case of changes in counterparties' business decision/strategy to deal with BPI Europe, changes in regulations or laws that pose a challenge to the bank's profitability and long-term viability, or changes in the organisational structure and rotation/loss of key officers. BPI Europe did not observe heightened business model risks despite the geopolitical tensions and the post-Brexit and pandemic situation.

Funding Concentration Risk
Funding concentration risk is defined as the risk of financial losses due to undiversified sources of funds (liabilities and capital) to support balance sheet requirements. Reliance on a few counterparties for funding facilities pose threats to the liquidity position of the bank when liabilities fall due or when counterparties decide to reduce credit lines or exit the relationship with the bank altogether. To appropriately manage this risk and ensure availability of stable funding, BPI Europe maintained business relationships with its funding counterparties and extended its time deposit offerings to onshore customers through an engagement with a deposit aggregator.

There has been a marked improvement in the management of funding concentration risk compared to the previous year, with more effective mitigation strategies now in place.

Liquidity Risk

Liquidity risk is defined as the risk of financial losses and reputational damage due to the bank's inability to meet its financial obligations in a timely manner. Liquidity risk should be considered in light of the following: (1) the ability to liquidate assets to service the liquidity requirements of the bank, (2) tenor mismatches where the bank cannot meet the liabilities as they fall due, and (3) currency mismatches where the bank could not fund outflows in a specific currency. BPI Europe actively manages its liquidity risk by maintaining highly liquid assets and placements that can be quickly disposed of or terminated when the need arises. The 2024 iteration of the bank's Internal Liquidity Adequacy Assessment Process ("ILAAP") took into account geopolitical tensions, interest rate movements, sectoral concerns, as well as hypothetical scenarios where the bank's access to funding is limited in its stress testing. Based on the assessment, it is deemed that BPI Europe maintains a level of liquidity resources that are adequate, ensuring that there is no significant risk that the bank cannot meet its liabilities as they fall due, in accordance with regulatory requirements and internal stress testing analysis. The bank has also generated a substantial volume of stable funding through its term deposits to comply with the requirements of Net Stable Funding Ratio (NSFR). Cash and other cash items (included under "loans and advances to banks") at year end stood at over $2.7 million, placements have been kept short (between 1 week to 1 month), and High-Quality Liquid Assets (HQLA) levels remain healthy. As of 31 December 2024, the bank's Liquidity Coverage Ratio (LCR) stood at 329% vs. an internal limit of 120% and a regulatory limit of 100%. To ensure that the bank is able to swap currencies and raise funds consistent with the 30-calendar day stress period, the desk limits its total swap maturities in any 30-day period in accordance with its cross-currency gap limit.

The bank's assessment of liquidity risk continued to reflect a similar risk level as in the previous year.

Credit Risk

Credit risk is defined as the risk of financial losses due to a borrower's default or inability to pay their obligations to the bank as they fall due. Upon entering a relationship with a borrowing counterparty, the bank is exposed to the risk that the other party fails to meet its contractual obligation in accordance with the agreed terms of the obligation. Deposits with banks, interbank borrowings, investments in securities and syndicated loans are the largest sources of credit risk. This type of risk is managed within the bank's underwriting standards and procedures emanating from a comprehensive Credit Policy. To manage this risk, BPI Europe is guided by a conservative set of underwriting standards and adheres to credit policies and procedures in granting credit facilities. Constant monitoring of the bank's credit portfolio and loss provisioning for its loan portfolio are likewise observed.

As in the previous year, credit risk remained an area of elevated risk for the bank, requiring ongoing monitoring and further mitigation efforts.

Credit Concentration Risk

Credit concentration risks arise from the imperfect diversification of exposures to entities, sectors, and geographies. This may also arise from exposures to borrowers with similar risk characteristics (i.e., industry and geographical location) which are thereby collectively vulnerable to huge losses should unforeseen circumstances arise. The bank has defined internal metrics to appropriately

measure its credit concentration in terms of single issuers or borrowers, sectors, and geographical exposures, which are monitored against approved limits and credit parameters. The bank's exposures to individual names are capped at regulatory large exposures limits wherein exposure to a single name does not exceed the applicable percentage of capital in line with Capital Requirements Directives. The bank monitors these limits daily and credit concentration risk is considered in the Internal Capital Adequacy Assessment Process ("ICAAP").

The bank's assessment of credit concentration risk continued to reflect a similar risk level as in the previous year.

Capital Adequacy

Capital adequacy is defined as the risk of financial losses and regulatory sanctions resulting from inadequate capital buffers to cover losses from business activities. It is imperative for financial institutions to maintain an adequate level of capital relative to its risk-taking activities as a buffer against unexpected losses to provide confidence to the bank's stakeholders that it could meet its obligations and demonstrate financial strength and stability. BPI Europe's risk-taking activities are bound by the regulatory capital requirements set by the PRA in their regulatory assessment of the firm and the internal risk appetite set by the Board. The distribution of risk-weighted assets is managed to be consistent with the business strategies and objectives of the bank.

The bank's most recent ICAAP document, similar to the ILAAP, reflects the most recent business and strategic review, considering the growth in the wholesale business and considered the current volatilities in the market brought about by the ongoing geopolitical tensions, interest rate changes, and asset quality deterioration, among others, in its stress testing. Reverse stress testing was likewise performed to identify the scenarios where the bank will breach its regulatory capital requirement. The results of these assessments showed that BPI Europe retains sufficient capital resources in normal and stressed market conditions given its financial and business projections. As of 31 December 2024, the bank's capital ratio stood at 61.6%, well above the regulatory minimum of 25.0%, and the internal capital requirement of 27.6%. The table below shows the components of the bank's capital ratio:

	2024	**2023**
	$000	$000
Own Funds	**121,886**	**121,737**
Tier 1 Capital	121,886	121,737
Common Equity Tier 1 (CET1) Capital	121,886	121,737
Total Risk Exposure Amount	**197,906**	**178,393**
Total Credit Risk-Weighted Assets (CRWA)	183,493	163,978
Total Market Risk-Weighted Assets (MRWA)	8,688	8,665
Total Operational Risk-Weighted Assets (ORWA)	5,725	5,750
CET1 Capital Ratio	**61.59%**	**68.24%**
Tier 1 Capital Raito	**61.59%**	**68.24%**
Total Capital Ratio	**61.59%**	**68.24%**
Regulatory Requirement	**24.95%**	**25.05%**

Market Risk

Market risk pertains to the possible future loss of a portfolio's value influenced by movements in the level or volatility of market prices or other risk factors. The bank's market risk exposure is observed on its net open Foreign Exchange (FX) position arising from foreign currency-denominated assets and liabilities in the banking book, and its end-of-day portfolio of investment securities and derivative positions in the trading book. The bank performs daily risk monitoring of market risk exposures and controls the exposures using the Value-at-Risk (VaR) metric, to properly mitigate and manage this risk.

As in the previous year, market risk remained an area of elevated risk for the bank, requiring close monitoring and proactive risk mitigation efforts.

Foreign Exchange Risk

FX risk is defined as the risk of financial losses and liquidity concerns due to adverse movements in FX rates against the bank's net FX position. The bank has assets and liabilities denominated in foreign currencies. Exchange gains and losses are recognised in the income statement as they arise. The bank's policy is to measure and control FX risk exposure as part of the overall market risk exposure VaR calculation. This limit is monitored at all times through dashboards. The bank does not currently deal in derivative instruments for speculative purposes. It holds foreign currency swaps for funding purposes to strategically invest in foreign currency assets with relatively more attractive yields. From time to time, the bank also enters FX Swap transactions to manage its foreign currency position as necessary.

The bank's assessment of FX risk continued to reflect a similar risk level as in the previous year.

Interest Rate Risk in the Banking Book (IRRBB)

IRRBB is defined as the current and prospective risk to the bank's capital and earnings arising from adverse movements in the yield curve, particularly for assets and liabilities with mismatched repricing maturities. Interest rate movements may affect the bank's earnings from mismatches in rate-sensitive assets and liabilities, which may affect the original contracted spread. Furthermore, as interest rates change, the present value and timing of future cash flows likewise change. This, in turn, changes the underlying value of a bank's assets, liabilities, and off-balance sheet items, and hence their economic value. BPI Europe has established internal risk indicators and appetite to manage its IRRBB.

The bank's assessment of interest rate risk continued to reflect a similar risk level as in the previous year.

Conduct Risk

Conduct risk is defined as any action, behaviour, or decision made by the bank, its Board, or any of its employees that may be detrimental to the bank's and the entire BPI Group's reputation, or may compromise the integrity of the financial markets, and may result in unfair and inappropriate outcomes to customers. It may result in financial losses for the bank due to regulatory penalties, fees, redress, remediation costs, and other operational costs stemming from poor conduct. In general, the UK financial industry regards this as a risk arising from the improper treatment of customers, violation of rules, and market manipulation, to prioritise the interests of the firm.

Conduct risk is regarded as one of the key risk areas in the bank, and the Board has set a zero appetite for conduct rules breaches. All BPI Europe staff are aware of, and consistently abide by, the conduct rules outlined and defined under the Senior Managers and Certification Regime in their day-to-day discharge of duties. Training on conduct rules is also regularly rolled out to all BPI Europe staff and the Board of Directors. Management believes that if every employee at the firm observes these rules as they carry out their roles, conduct risk will be fully mitigated. Processes are in place to monitor and detect potential and actual breaches of conduct rules and monitoring results are regularly reported to Management and to the Audit and Risk Committee on a quarterly basis. No conduct risk breaches within the bank have occurred over the past twelve months.

The bank's assessment of conduct risk continued to reflect a similar risk level as in the previous year.

Operational Risk

Operational risk is defined as losses arising from inadequate or failed internal processes, people, or systems. These events could vary from internal and external fraud, systems failures, bank and customer data breaches, human errors, errors in processing wholesale and retail transactions, amongst others. BPI Europe exercises caution in performing operations processes to ensure that these are performed with a high degree of accuracy to avoid errors which may eventually lead to reputational and regulatory consequences. Throughout the year, the bank periodically reviewed these risks and ensured that controls remained appropriate. The bank deems that these risks have been managed and mitigated accordingly. No incidents of fraud were recorded during the reporting period.

Climate Change Risk

Climate change risk refers to the risk of financial losses arising from the impact of climate change on the value of the bank's physical assets and financial investments, either through physical or transition risks. BPI Europe has established a framework that governs the way climate change risk is managed in the bank. While climate change may have minimal direct impact on BPI Europe as a financial institution, it has investments whose market value may be vulnerable to climate change. This has consequently been incorporated in the bank's stress testing exercise, and investment decisions include an assessment of climate change risks to specific sectors and/or names. The bank has stringent credit parameters, a well-managed liquidity profile, regular management information, and escalation processes in the event of triggers. Management continues to enhance its risk management framework in relation to climate change risks to align with the latest regulatory expectations and industry practice.

KEY PERFORMANCE INDICATORS (KPIs)

The Board of Directors provides governance and oversight of the bank's performance through the following Key Performance Indicators:

Financial

• **Profit/Loss after Tax**. BPI Europe Management and the Board of Directors monitor the bank's profitability on a monthly and quarterly basis. Profit/loss after tax is monitored against the Board-approved annual budget. For 2024, the bank reported a pre-tax loss of $797,125 in 2024, primarily driven by a substantial impairment provision related to the material credit deterioration of a fixed

income securities exposure. In contrast, the pre-tax loss in 2023 of $1.0 million was largely due to foreign exchange translation losses. Excluding these exceptional items, the bank delivered a strong underlying performance in 2024, achieving a net adjusted profit of $852,168.[3] The 2023 net adjusted profit was $531,616.[4] Further discussions on the impairment provision are provided in Notes 13 and 14. Net of the tax credit of $196,779 arising from DTA recognition, loss for the financial year was recorded at $600,346 (2023: loss of $771,489).

• **Balance Sheet Movement and Composition**. This shows the movement in the bank's balance sheet, investment, and funding strategies. Total assets grew by 13.8% year-on-year and ended the year at $228.9 million (2023: $201.0 million). With the slight decrease in the size of loan books in 2024 to $73.1 million (2023: $74.8 million), investment securities portfolio has taken a significantly larger proportion of the balance sheet at $151.8 million (2023: $121.9 million), comprising 66.4% (2023: 60.6%) of total assets. Funding remains largely from equity, at 53.0% (2023: 60.6%). Bank borrowings declined to $1.8 million (2023: $62.0 million), as deposits from customers and amounts due to group undertakings grew significantly to comprise 45.6% (2023: 0.8%) of total assets, following the bank's engagement with a deposit aggregator.

• **Operating Income.** This provides information on the bank's capability to generate revenues and reflects the bank's business focus. Operating Income went up by 73.9% year-on-year to $4.5 million (2023: $2.6 million).

• **Net Interest Margin**. This represents the bank's net interest differential between sources and uses of funds. Net interest income grew marginally by 1.9%, buoyed by the marked increase in deposit volume which provided a cheaper funding source and enabled the prepayment of expensive borrowings. Net interest margin slightly improved to 1.8% (2023: 1.7%).

• **Regulatory Capital and Liquidity Metrics**. The bank monitors capital ratio, liquidity coverage ratio, and net stable funding ratio on a daily basis and ensures that risk taking activities are within regulatory limits. As at 31 December 2024, the capital ratio stood at 61.6%, well above the regulatory limit of 25.0% while liquidity coverage and net stable funding ratios were at 329% and 163%, respectively, versus regulatory limits of 100% for both.

Non-financial

• **Operational Resilience**. This represents the ability to prevent, adapt and respond to, recover, and learn from operational disruptions. The bank assesses its operational resilience by identifying its important business services, establishing impact tolerance levels for each service, mapping the necessary resources for the delivery of each service, and stress testing these services to determine possible contingency strategies it can implement when necessary. In 2024, BPI Europe has conducted a successful annual disaster recovery testing for its various application systems, noting no significant issues that could give rise to potential adverse consequences.

• **Outsourcing Risk**. The bank outsources some of its business activities to third parties to support its day-to-day operations and administration functions. As these outsourced relationships are critical to the smooth functioning of the bank, a process of periodic evaluation of the performance

[3] Comprising of loss on ordinary activities before taxation adding back impairment charges of $1.6 million.

[4] Comprising of loss on ordinary activities before taxation adding back loss of $383,713 from the sale of a syndicated loan exposure, as well as impairment charges of $15,771 and $1.16 million for the impact on trades executed to manage foreign exchange risk following the change in functional currency.

of the service providers and compliance with agreed terms of business is in place. No issues were encountered for the reporting period.

• **Information Security and Data Privacy Risks**. The bank treats data with extreme care and high importance, therefore policies and procedures, staff training, and information security are established to minimise the probability of data breaches. Management likewise ensures that governance framework and a robust information technology infrastructure are in place to ensure the security of the bank's information assets. There were no breaches or negative findings noted for the reporting period.

• **Conduct Risk**. This is defined as any action, behaviour, or decision made by the bank, its Board of Directors, or any of its employees that may be detrimental to the bank's and the entire BPI Group's reputation, or may compromise the integrity of the financial market, and may result in unfair and inappropriate outcomes to customers. There were no reported breaches for 2024.

• **Financial Crime Risk**. This refers to the risk of financial losses, regulatory sanctions, and reputational damage due to failure to avoid the bank's involvement in internal and external fraudulent activities, money laundering, and terrorist financing activities. For 2024, there were no unsatisfactory audit results, policies have been complied with, and active staff have completed the requisite training.

These KPIs are presented and discussed at Management level on a monthly basis, and with the Board during its quarterly meetings. The Board's discussion focuses on the factors that influenced the movement of these KPIs as well as management strategies to optimise returns on a forward-looking basis.

In line with the guidance provided by its regulators, and in accordance with the Parent Bank's broader Environmental, Social, and Governance (ESG) framework and the UN's Principles for Responsible Banking, BPI Europe has developed a proportionate approach in establishing a framework to help address and manage its potential exposure to risks associated with climate change. It covers key risks to the bank, breakdown of management and Board responsibilities, responsibilities across divisions and functional areas, disclosure and reporting, credit assessment, risk management, and milestones.

Consistent with the Parent Bank's philosophy of excluding industries that are harmful from an ESG perspective, the bank's Credit and Treasury policies were updated to incorporate its climate change/ESG agenda. Corresponding risk appetite indicators and metrics and stress test scenarios were also established concurrently with the annual conducting of the bank's ICAAP.

The framework is expected to drive BPI Europe's business to become one that is more sustainable, helping the UK and Parent Bank achieve their ESG and climate-related targets. It will continue to evolve as regulations become clearer and more guidance is issued.

On behalf of the Board

Ms Lizbeth Joan Yulo
Managing Director
25 April 2025

THE DIRECTORS' REPORT

The Board of Directors presents its report and the audited financial statements of the Bank of the Philippine Islands (Europe) Plc (the "bank" or "BPI Europe") for the year ended 31 December 2024.

Financial Instruments and Business Strategy

The bank utilises a range of financial instruments as part of its operations, including placements (loans and advances) to banks and corporate accounts, investment securities, bank borrowings, and customer deposit accounts.

In 2024, BPI Europe remained focused on optimising its wholesale business consistent with the Board's direction and appetite. A key priority for the year was de-risking the portfolio while aggressively expanding the deposit base. To achieve this, the bank engaged with a deposit aggregator to enhance its ability to attract a broader range of customers, providing a more stable and lower-cost funding source compared to corporate borrowings. This strategy has allowed the bank to diversify its funding sources, ensuring greater financial resilience and supporting sustainable growth moving forward.

Financial Performance

The bank delivered a strong operating performance in 2024, though this was impacted by a substantial provision for potential losses related to the material downgrade of a fixed income securities exposure, resulting to a net loss of $600,346 reported for the year (2023: loss of $771,489). Despite a contraction in the loan portfolio and lower interest rates, which reduced interest income, the bank achieved a higher net interest income by significantly lowering funding costs. This was achieved through a successful deposit build-up campaign, which included a partnership with a deposit aggregator, making the bank's term deposit products available to the local retail market. Of the $87.3 million increase in total deposits from customers, $74.3 million was sourced through the aggregator platform. This initiative resulted in a significant volume of sterling-denominated deposits, which were strategically swapped into USD and deployed across various asset types or used to reduce higher-cost borrowings.

Other income also made a strong contribution, with gains from securities and foreign exchange trading and additional revenue from service charges on deposit accounts with balances below the prescribed minimum. Operating expense growth was contained at 1.3%.

Provisioning and Credit Risk Management

As part of its de-risking strategy, the bank liquidated a loan exposure and exited another syndicated loan account, improving the overall loan portfolio quality. This led to the reversal of loan loss provisions of $213,989. However, the deterioration of one of its bond holdings necessitated a provision of $1.9 million, resulting in a net provision of $1.6 million for 2024.

While this provision resulted in another year of reported losses, the bank considers it prudent to fully recognise potential risks within its financial statements.

Capital, Liquidity, and Risk Management

Despite recent challenges, BPI Europe remains committed to sustainable growth, deploying funds in a calculated manner within Board-approved risk parameters and limits. The bank continues to refine its internal policies and processes to ensure compliance with the regulatory framework while optimising its resources.

The bank is exposed to various financial risks including but not limited to, credit risk, liquidity risk, market risk, interest rate risk, and foreign exchange risk. The Board of Directors is responsible for establishing a risk management framework, ensuring policies are in place to mitigate potential risks while maintaining liquidity for operational needs. Risk governance follows the three lines of defence model, ensuring appropriate oversight on significant concerns and high-risk areas. Annual compliance testing of BPI Europe's corporate governance and enterprise-wide risk management frameworks continues to yield satisfactory assessments.

- Capital Adequacy: The 2024 ICAAP assessed a capital requirement of 27.6%, higher than the 25.0% set by the PRA, reflecting heightened risks factors during the year. As of 31 December 2024, the bank's capital ratio stood at 61.6%.
- Liquidity Risk Management: The 2024 ILAAP incorporated global risk factors to ensure appropriate stress testing. As of 31 December 2024, the bank's Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) stood at 329% and 163%, respectively, well above the 100% regulatory minimum for both.
- Operational Resilience: Ongoing operational risk self-assessments ensure that the bank can continue to deliver and improve its identified important business services.

A detailed discussion of the bank's principal risks and uncertainties, including financial risk management strategies, is provided in the Strategic Report. Further quantitative disclosures on risk exposure and sensitivity analysis are available in Note 20 to the Financial Statements.

Regulatory and Compliance Disclosures

The bank qualifies for an exemption from energy and carbon reporting under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, as it does not exceed the qualifying thresholds for mandatory reporting. Therefore, the bank is not required to disclose its energy consumption, greenhouse gas emissions, or related efficiency measures.

Going Concern and Post-Balance Sheet Events

A discussion on the bank's ability to continue as a going concern over the next 12 months is provided on page 18 of this document. Additionally, details on events after the reporting period are disclosed in Note 26 to the Financial Statements.

Outlook

Guided by its mission to uplift Filipinos in the UK through access to quality financial products and reliable service, BPI Europe remains committed to delivering superior returns to stakeholders while maintaining the highest standards of corporate governance, risk management, and regulatory compliance. Looking ahead, the bank is exploring the expansion of its product offerings to better serve UK-based Filipinos, particularly through the potential introduction of loan and deposit products in the medium-term. Additionally, management will continue to assess and pursue opportunities that align with the bank's strategic vision. With its resilience, adaptability, and forward-looking approach, BPI Europe is well-positioned to navigate future challenges and capitalise on emerging growth opportunities in the evolving financial landscape.

Dividend

The directors have not recommended a dividend for 2024 (2023: nil).

DIRECTORS AND SECRETARIES

The directors who each held office as Director of the bank throughout the period and until the date of this report, unless disclosed otherwise here were:

Mr Jose Teodoro Limcaoco, President & CEO of the BPI Group and Chairman of BPI Europe Board
Mr Alexander John Shapland, INED and Chairman of the Audit and Risk Committee
Ms Lizbeth Joan Yulo, Managing Director of BPI Europe
Mr Martin Lynch O'Neil, INED
Mr Robert David Reoch, INED
Ms Maria Theresa Marcial, Executive Director
Mr Dino Gasmen, Executive Director

The Secretary who held office throughout the period and until the date of this report was:

Mr Chi Wai Lu

THIRD PARTY INDEMNITIES

The bank has arranged qualifying third-party indemnity insurance for all Directors. BPI Europe is a wholly owned subsidiary of BPI Parent which is incorporated under the laws of the Republic of the Philippines. The interests of the BPI Group directors are disclosed in the financial statements of BPI Parent.

POLICY ON THE PAYMENT OF CREDITORS

It is the bank's policy, in respect of all suppliers, to settle its obligations to creditors within 30 days of invoice date. The number of creditor days in relation to suppliers' balance outstanding at 31 December 2024 was not more than 30 days.

INTERNAL CONTROLS

BPI Europe's internal control mechanism finds its basis in the enterprise-wide risk management framework (EWRMF). The EWRMF lays out Board-approved parameters, controls, and governance structures that guide BPI Europe management in executing its activities while also managing its financial and non-financial risks. It uses the "three lines of defence" model, which fosters a strong governance, risk management, and controls culture that entails establishing limits, monitoring and control of risk exposures, and timely, accurate and comprehensive reporting through management information. The model defines the risk management responsibilities of each unit as follows:

1. **First Line of Defence (Risk Ownership).** BPI Europe's first line of defence includes the majority of the bank's personnel and management who are responsible for the day-to-day risk-taking activities of the bank. The units of the bank responsible for such activities are the Wholesale Business and Branch Operations, who ensure the efficient use of capital and enter into transactions that are within the bank's approved risk appetite. An annual Risk and Control Self-Assessment (RCSA) exercise is also carried out bank-wide to ensure that risks are properly identified, and controls to

mitigate these risks are established and observed.

2. **Second Line of Defence (Risk Management Oversight).** The Compliance and Risk Management Units perform the compliance and risk management oversight functions, respectively, and as such, remain independent of business units which form the first line of defence. The second line ensures that the bank is kept abreast of relevant regulatory rules and standards and that the firm has adequate resources to comply with these rules. The Units perform regular assessments of the bank's systems and controls and make recommendations for process improvements based on its evaluations. They are responsible for providing the bank with the risk management and compliance frameworks, tools, and policies to aid the first line of defence in remaining compliant with current and future policies and regulations. The Heads of Risk Management and Compliance also have a direct functional reporting line to the bank's Audit & Risk Committee and its Chair.

3. **Third Line of Defence (Independent Assurance).** The bank's Internal Audit, outsourced to BPI Parent's Internal Audit, performs the independent monitoring, review, and assessment of the bank's compliance to rules, regulations, and policies and the effectiveness of the bank's EWRMF. As necessary, the bank engages the services of a local, reputable third-party subject matter expert to conduct a deep-dive analysis on regulatory matters of particular topical importance to further supplement the efforts of Internal Audit.

4. **Governing Bodies.** The bank's Audit and Risk Committee is a Board-level Committee that sits above the Three Lines of Defence. It has the overall responsibility of providing direction and guidance on how to comply with the bank's risk appetite. The Committee monitors the risk exposures and regulatory compliance status of the bank through reviews of the various management information regularly provided.

GOING CONCERN

Overview

BPI Europe remains a going concern, underpinned by a strong capital base and robust liquidity position that comfortably exceed regulatory requirements. Despite reporting a third consecutive annual loss due to a specific credit provision, the bank remains well-capitalised and highly liquid, with a clear strategy in place to return to profitability. In 2024, a significant rise in deposits provided a cost-effective funding base, improving margins. The bank pursued a prudent, risk-aware approach, focusing on high-quality liquid assets and stable funding sources. Continued enhancement in governance, risk management, and cybersecurity further reinforce its long-term resilience. Looking ahead, BPI Europe aims to expand operations in a measured way, aligned with its commitment to supporting Filipinos in the UK through accessible, high-quality financial services.

Capital Position

The 2024 Internal Capital Adequacy Assessment Process (ICAAP) considered heightened risks and stress scenarios to ensure robust capital planning. The capital requirement was assessed at 27.61%, surpassing the 24.95% requirement set by the Prudential Regulation Authority (PRA) currently in effect and higher than the previous year's assessment of 27.01%. This increase reflects a more conservative approach to risk modelling, factoring in potential macroeconomic stress events.

For its stress testing, the bank employs scenario analyses that are appropriate to the nature, scale, and complexity of the major sources of risks proportionate to the complexity and size of its business. The results confirmed that BPI Europe's capitalisation remains sufficient to absorb significant financial shocks.

As of 31 December 2024, the bank's capital ratio stood at 61.59%, significantly above its internal threshold and regulatory requirements. This robust capital buffer enables the bank to pursue growth opportunities while safeguarding against economic downturns and regulatory changes.

Liquidity Position

BPI Europe maintains a robust liquidity profile, ensuring resilience in challenging market conditions. The 2024 Internal Liquidity Adequacy Assessment Process (ILAAP) incorporated risks arising from global events and reinforced the appropriateness of stress scenarios. Regular liquidity stress testing assesses the bank's ability to withstand short-term and long-term funding pressures.

Reverse stress testing further identified potential extreme scenarios that could impact liquidity adequacy. The results confirmed that even under the most severe conditions, the bank's liquidity buffers would remain sufficient to meet its obligations.

As of 31 December 2024, the bank's Liquidity Coverage Ratio (LCR) stood at 329% (versus an internal limit of 120% and a regulatory requirement of 100%), and Net stable Funding Ratio was 153% (versus an internal limit of 110% and a regulatory requirement of 100%). These metrics affirm BPI Europe's strong liquidity position and reinforce confidence in its ability to manage funding risks effectively.

Operational Resilience

The bank has enhanced its operational resilience through strengthened risk management frameworks, governance structures, and process improvements. BPI Europe follows a three-lines-of-defence model to manage financial and non-financial risks. The Board of Directors and senior management oversee operational resilience initiatives, ensuring compliance with regulatory requirements and industry best practices. Business continuity planning and stress testing further support resilience against potential disruptions, including supply chain and third-party risks, cyber threats, and unexpected market shocks. The bank also invests in staff training and process enhancements to ensure seamless operations under varying conditions.

Cyber Crime Risk Management

BPI Europe relies on the cybersecurity framework of its Parent Bank under an IT outsourcing agreement to safeguard its operations against cyberthreats. The Parent Bank's established security infrastructure and expertise provide comprehensive protection, ensuring compliance with regulatory requirements and industry standards. The bank benefits from the broader oversight, risk management protocols, and security controls implemented at the group level. The recent Cyber Resilience Questionnaire (CQUEST) assessment submitted to the PRA provided satisfactory feedback, reaffirming the adequacy of the existing cybersecurity measures in place. In any event, BPI Europe retains broad responsibilities over its Cyber Security Framework.

Expansion Plans

For 2025, BPI Europe aims to scale its operations further while maintaining financial prudence. The bank plans to expand its product offerings and client base in a measured manner, leveraging its strong liquidity position. Expansion strategies under consideration include entering new markets and forging strategic partnerships to increase market penetration. These growth initiatives will be carefully evaluated and progressed in alignment with the bank's risk appetite and governance standards. The bank remains committed to maintaining a diversified and resilient business model that aligns with its long-term strategic objectives and supports its mission of empowering Filipinos in the UK to thrive.

Litigation

As of the date of this statement, the bank does not have any material litigation that would significantly impact its financial stability or operations. All existing legal matters are managed within the bank's risk tolerance, and adequate provisions have been set aside where necessary. The bank continues to maintain strict compliance with regulatory and legal standards, ensuring that all risk exposures related to legal disputes are effectively mitigated. Management remains vigilant in monitoring any emerging regulatory changes that could impact the bank's operations.

Current Financial Position

While the bank is reporting a loss for the third consecutive year, this is primarily due to a provision set up for an exposure that underwent severe credit deterioration. Despite this, BPI Europe remains well-capitalised and highly liquid, demonstrating resilience in the face of economic headwinds. The bank's strategic initiatives, strengthened governance frameworks, and disciplined financial management underpin its ability to navigate current challenges. With a prudent approach to risk and cost optimisation, BPI Europe is well-positioned to capitalise on future growth opportunities and improve financial performance in the coming years, remaining committed to serving the Filipino community in the UK with quality financial products and reliable service.

Plan for Recovery from Loss Position and Sustainability of Business

Despite potential short-term financial challenges, the bank has outlined a clear strategy to sustain and enhance its financial position. This includes:

- Optimising cost efficiencies through process streamlining and operational enhancements to reduce overhead expenses.
- Diversifying revenue streams by expanding lending activities and broadening investment strategies to increase profitability.
- Enhancing risk management frameworks to proactively identify and mitigate credit, market, and operational risks while ensuring compliance with evolving regulatory requirements.
- Maintaining strong liquidity buffers to withstand economic downturns, unexpected market events, and liquidity shocks through stress testing and contingency planning.
- Strengthening governance and compliance by fostering a culture of accountability, integrity, and transparency to reinforce investor confidence and regulatory trust.

The basis of preparation of the annual report and accounts on a going concern basis is appropriate, and the directors are satisfied that the bank's ability to continue and operate as a going concern for a period of twelve months from the date of the approval of the annual report and accounts.

INDEPENDENT AUDITORS

Forvis Mazars LLP has expressed its willingness to continue in office and the Directors have decided to reappoint Forvis Mazars LLP as external auditors.

On behalf of the Board

Ms Lizbeth Joan Yulo
Managing Director
25 April 2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The directors are responsible for preparing the directors' report and financial statements in accordance with applicable laws and regulations.

Company law requires directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF FINANCIAL INFORMATION TO AUDITORS

For all directors at the time when the report is approved, the following apply:

- As far as the director is aware, there is no relevant audit information of which the bank's auditors are unaware; and
- The director has taken all the steps that they ought to have taken as a director in order to make themself aware of any relevant audit information and to establish that the bank's auditors are aware of that information.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC

Opinion

We have audited the financial statements of Bank of the Philippine Islands (Europe) Plc (the "Bank") for the year ended 31 December 2024 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Movement in Shareholder's Funds and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. 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 Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRCs') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern;
- Obtaining an understanding of the relevant process and controls relating to the directors' going concern assessment;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Bank's future financial performance;
- Assessing the sufficiency of the Bank's capital and liquidity taking into consideration the most recent Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity

Assessment Process ('ILAAP') documents, and evaluating the results of management's stress testing and reverse stress testing, including consideration of principal risks on liquidity and regulatory capital;

- Challenging the appropriateness of the directors' key assumptions used in their forecasts, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of stress testing on the Bank's capital and liquidity and their consideration of severe but plausible scenarios. This included assessing the viability of mitigating actions within the directors' control and assessment of the directors' considerations of the implications of the macroeconomic environment and geopolitical risk;
- Assessing the reasonableness and testing the arithmetical accuracy of the forecasts prepared by the directors, including evaluating the historical accuracy of past forecast;
- Reading regulatory correspondence and minutes of meetings of the Audit and Risk Committee and the Board of Directors to identify events or conditions that may impact the Bank's ability to continue as a going concern;
- Considering whether there were events subsequent to the balance sheet date which could have a bearing on the Bank's going concern conclusion;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Bank's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matter in forming our opinion above, together with an overview of the principal audit procedures performed to address the matter and our key observations arising from those procedures.

This matter, together with our findings, was communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Provision for impairment on loans and advances to customers *Refer to significant accounting policies (note 3n) and notes 4 and 13 of the financial statements.* As of 31 December 2024, the provision for impairment on loans and advances to customers was $10k (2023: $224k) comprising of a collective provision across the portfolio. Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of estimation in arriving at the year-end impairment provision. The collective provision is provided on externally rated corporate exposures. The Bank has limited actual loss experience to base its impairment assessment of the loan portfolio, resulting in management judgement being required in deriving assumptions to be applied in the assessment. Management applies judgement in estimating the loss emergence period ('LEP') and uses 12-month average default rates as probabilities of default ('PD'), sourced from external credit rating agencies, therefore judgement is required to calibrate the PD assumption against each rated exposure. In addition, the loss given default ('LGD') is calculated using historical global recovery rates allocated against each credit rating. The inputs to the model are historical default rates and recovery rates from studies of S&P and Thomson Reuters. The potential range of outcomes for PD and LEP assumption under the plausible stress scenarios could be greater than our materiality for the financial statement as whole.	Our audit procedures included, but were not limited to: • Evaluating the design and implementation and testing the operating effectiveness of the key controls operating at the Bank in relation to the credit process (monitoring of loans and impairment provisioning); • Assessing management's ability to identify impaired loans by reviewing adequacy of the credit reviews performed by management for material corporate loan counterparties; • Critically assessing how management has performed the accounting estimate, including reasonableness and accuracy of external and internal data used, and considering whether this is consistent with our understanding of the Bank's loan portfolio; • Testing the accuracy of the credit ratings assigned and the LGD applied against each exposure; • Comparing the key assumptions such as PD and LEP with similar lenders and applying sector experience to critically assess the reasonableness and relevance of the assumption applied; • Developing an auditor's range estimate of the collective provision using internal and external data relevant to the Bank's loan portfolio; • Performing a stand-back assessment of the key assumptions such as PD and LEP used in forming the collective impairment estimate to assess the appropriateness of the collective provision; and • Assessing the appropriateness and adequacy of the disclosures relating to provisions for impairment losses on loans and advances to customers. **Our observations** Based on the procedures performed, we found that the provision for impairment on loans and advances to customers and the associated disclosures are not materially misstated as at 31 December 2024 and are materially consistent with the requirements of FRS 102.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial

statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	$1,212,000 (2023: $1,218,000)
How we determined it	1% of net assets (2023: 1% of net assets)
Rationale for benchmark applied	The Bank was loss-making for two consecutive years and net assets is deemed to be the most appropriate benchmark given this is the main focus of the shareholder to assess the value of their investment. Further, net assets is used as a benchmark because regulatory capital is a key measure for both management and regulators. Net assets effectively approximate the resources considered as regulatory capital.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at $848,900 (2023: $852,600), which represents 70% (2023: 70%) of overall materiality. In determining the performance materiality, we considered a number of factors, including the level and nature of uncorrected and corrected misstatements in the prior year and the effectiveness of the control environment, and concluded that an amount towards the upper end our normal range was appropriate.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above $36,300 (2023: $36,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the Bank, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Bank, or returns adequate for our audit have not been received from branches not visited by us; or
- the Bank financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are responsible for assessing the Bank'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 the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

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 ISAs (UK) 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Bank and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: regulatory and supervisory requirements of the Prudential Regulation Authority ('PRA') and of the Financial Conduct Authority ('FCA').

- Gaining an understanding of the legal and regulatory framework applicable to the Bank and the industry in which it operates, and considering the risk of acts by the Bank which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Bank is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities including the PRA and the FCA;
- Attending a bilateral meeting with the PRA;
- Inspecting minutes of meetings of the board of directors and the Audit and Risk Committee held during the year and up to the signing date of the financial statements; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Companies Act 2006 and UK tax legislation.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, fraud risk in revenue recognition in relation to effective interest rate accounting (which we pinpointed to accuracy assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing; and

- Being skeptical to the potential of management bias through judgements and assumptions in significant accounting estimates.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit and Risk Committee, we were appointed by the Board of Directors on 24 June 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the years ended 31 December 2020 to 31 December 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Bank and we remain independent of the Bank in conducting our audit.

Our audit opinion is consistent with our additional report to the Audit and Risk Committee.

Use of the audit report

This report is made solely to the Bank's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body for our audit work, for this report, or for the opinions we have formed.

Greg Simpson (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor

30 Old Bailey
London
EC4M 7AU

25 April 2025

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Year Ended 31 Dec 24 $	Year Ended 31 Dec 23 $
Interest receivable and similar income		8,343,493	8,749,221
Interest payable and similar charges		(4,641,394)	(5,116,017)
Net interest income	8	**3,702,099**	**3,633,204**
Fees and commission income	9	141,289	22,362
Foreign exchange gain/(loss)	10	127,927	(760,974)
Gain on sale of investments	11	504,529	71,503
Loss on sale of syndicated loan		-	(383,713)
Other operating income		17,758	2,226
Operating Income		**4,493,602**	**2,584,608**
Administrative expenses	5	(3,610,660)	(3,550,817)
Depreciation		(30,774)	(44,436)
Impairment charges	13,14	(1,649,293)	(15,771)
Loss on ordinary activities before taxation		**(797,125)**	**(1,026,416)**
Income tax credit	12	196,779	254,927
Loss for the Financial Year		**(600,346)**	**(771,489)**

The above Profit and Loss Account should be read in conjunction with the accompanying notes, which form an integral part of the financial statements. The bank has no other comprehensive income or expenses other than the results for the year as set out above and therefore no separate statement of comprehensive income has been presented. The loss on ordinary activities before taxation arises solely from continuing operations.

BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Year Ended 31 Dec 24 $	Year Ended 31 Dec 23 $
ASSETS			
Cash		5,029	10
Loans and advances to banks		2,725,089	3,736,215
Loans and advances to customers	13	73,129,828	74,751,736
Amounts due from group undertakings		19,057	39,521
Investment in securities	14	151,772,387	121,881,874
Derivative Assets	23	395,392	17,192
Tangible fixed assets	15	139,257	130,877
Deferred tax asset	12	451,474	254,694
Other assets	16	226,234	220,331
TOTAL ASSETS		**228,863,747**	**201,032,450**
LIABILITIES			
Deposits from customers	17	88,970,695	1,696,057
Bank borrowings	18	1,790,256	61,998,461
Amounts due to group undertakings		15,306,531	14,088,060
Derivative liabilities	23	1,061,512	853,975
Other liabilities	19	449,537	510,335
TOTAL LIABILITIES		**107,578,531**	**79,146,888**
TOTAL ASSETS LESS LIABILITIES		**121,285,216**	**121,885,562**
Called up share capital	22	120,390,000	120,390,000
Profit and loss account		895,216	1,495,562
TOTAL SHAREHOLDERS' FUNDS		**121,285,216**	**121,885,562**

The above balance sheet should be read in conjunction with the accompanying notes, which form an integral part of the financial statements. The financial statements on pages 29 to 58 were approved by the Board of Directors and authorised for issue on 25 April 2025 and are signed on their behalf by Ms Lizbeth Joan Yulo.

Ms Lizbeth Joan Yulo
Managing Director

STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital $	Retained earnings $	Shareholder's funds $
Balance as at 1 January 2023	**120,390,000**	**2,267,051**	**122,657,051**
Loss for the year	-	(771,489)	(771,489)
Balance as at 31 December 2023	**120,390,000**	**1,495,562**	**121,885,562**
Balance as at 1 January 2024	120,390,000	1,495,562	121,885,562
Loss for the year	-	(600,346)	(600,346)
Balance as at 31 December 2024	**120,390,000**	**895,216**	**121,285,216**

NOTES TO THE FINANCIAL STATEMENT

1. GENERAL INFORMATION

Bank of the Philippine Islands (Europe) Plc ("BPI Europe" or "the bank") is a public limited company domiciled in the United Kingdom. It was incorporated in London, United Kingdom on 27 July 2006 and obtained its authorisation to provide regulated products and services on 26 April 2007, which includes the following permissions: accepting deposits, dealing in investments as principal, and agreeing to carry out a regulated activity. It is a UK-licensed bank authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA). In 2023, the Bank's registered office address was transferred to 95 Aldwych, London WC2B 4JF.

The bank is 100% owned by the Bank of the Philippine Islands (the "BPI", "Parent", "BPI Parent") which is incorporated in the Republic of the Philippines. Copies of the consolidated financial statements of BPI are available from its Registered Office at 22F–28F Ayala Triangle Gardens Tower 2, Paseo De Roxas cor. Makati Ave., Bel-Air, Makati City, and may also be found in bpi.com.ph.

2. STATEMENT OF COMPLIANCE

The financial statements of the bank have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The bank has adopted FRS 102 in these financial statements.

a) Basis of preparation of financial statements

These financial statements are under the historical cost convention as modified for revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

b) Going Concern

The financial statements are prepared on a going concern basis as detailed in the Directors' Report and Statement of Directors' Responsibilities.

In the annual review and update of its Risk Management Framework documents, the bank considered the severe and plausible stress scenarios factoring in the current volatilities in the

market brought about by the ongoing geopolitical risks directly or indirectly impacting the bank's business, interest rate changes, and asset quality deterioration, among others. In all cases, the stress scenarios identified in the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) were proven to be more severe than the scenarios that actually played out.

The bank meets its day-to-day working capital requirements through its banking facilities.

The Directors have a reasonable expectation that the bank has adequate resources to continue in operational existence for a period of twelve months from the approval of the financial statements. In making this assessment, the Directors have considered the risks associated with both the bank's business, profitability projections, liquidity, funding, and capital plans incorporated in its strategy. The Directors have conducted this assessment and are satisfied that the bank will have adequate resources to continue in business for a period of twelve months from when the financial statements are authorised for issue.

c) Exemptions for qualifying entities under FRS 102

In preparing these financial statements, BPI Europe has taken advantage of the disclosure exemption on the requirement of Section 7 Statement of Cash Flows, as permitted by the FRS 102 'The Financial Reporting Standards applicable in the UK and Republic of Ireland'. The bank is wholly-owned by BPI, a bank incorporated in the Republic of the Philippines and which publishes a consolidated Cash Flow Statement, Balance Sheet, and Income Statement. The bank's Shareholders have been notified and have not objected to the use of this exemption, and otherwise apply the recognition, measurement, and disclosures of FRS 102.

d) Foreign currency

i. Functional and presentation currency

The bank's functional and presentation currency is USD.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the end-of-day foreign exchange rates on transaction date. At the end of each financial reporting period, foreign currency monetary items are translated using the day's closing exchange rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of transactions and from the revaluation of foreign currency denominated assets and liabilities are recognised in the profit and loss account.

e) Recognition of income

Income arising from fees and commissions is recognised when the service is provided. Interest income on loans and advances, interbank placements, and investment in debt securities is recognised on an accrual basis using the effective interest method. Gains or losses on trading of fixed income securities investments are recognised from the sale of debt securities and fair value changes in the period in which they arise.

f) Cash in hand

Cash in hand consists of physical cash notes and coins held by the bank.

g) Loans and advances to banks

Loans and advances to banks comprise placements and deposits with banks and other financial institutions, including accrued interest. These balances are measured at amortised cost, less any impairment provision, where applicable, reflecting their expected realisable value. The bank assessed credit risk on these balances regularly, considering counterparty creditworthiness and prevailing market conditions.

h) Fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and any impairment provisions, where applicable. Depreciation is charged over the asset's estimated useful life to reflect its gradual consumption in operations.

i) Depreciation

Depreciation is calculated over the useful economic life of the asset, less its residual value, as follows:

Leasehold Improvements	Over the period of the lease
Office Furniture	5 years, straight line
Computer Equipment	Over 5 years, straight line

j) Borrowing costs

All borrowing costs are recognised in profit and loss accounts in the period in which they are incurred. The carrying amounts include accrued interest. Interest expense on customer deposits and bank borrowings is recognised on an accrual basis using the effective interest method. Income/loss from foreign exchange transactions is recognised on transaction date and from the daily revaluation of foreign currency positions.

k) Operating lease agreements

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against profits on a straight-line basis over the period of the lease.

l) Pension costs

The bank operates a defined contribution pension plan, under which it pays fixed contributions, in line with statutory minimums requirements, into a separate entity. Once the contributions are made, the bank has no further obligations to make additional payments. The contributions are recognised as an expense in the profit and loss account when they become due. Any unpaid contributions at the reporting date are recorded under payables in the balance sheet. The assets of each individual's pension plan are held separately from the bank's assets. in funds selected by the employees.

m) Taxation

The charge for taxation is based on the profit for the year and takes into account deferred

taxes. Current tax is measured at amounts expected to be paid using the tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, or to receive more tax.

The bank recognises deferred tax assets on the carry forward tax losses to the extent that it is probable that they will be recovered against future taxable profits. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that related tax benefits will be realised. The deferred tax assets is estimated and recognised at an applicable tax rate as of December 2024. Deferred tax balances are not discounted.

n) Financial instruments

The bank has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Basic financial assets, including loans and advances to banks, loans and advances to customers, amounts due from group undertakings, cash, and investments in debt securities at amortised cost are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

Debt securities for trading are measured at fair value with the transaction costs recognised immediately in the profit or loss. Subsequent to initial recognition, the fair value is determined using prevailing market rates on a daily basis. Realised and unrealised trading gains or losses are recognised as part of the Gains or losses on sale of investments in the Profit or Loss statement.

Financial assets booked at amortised cost, such as loans, are regularly tested for impairment based on objective evidence of deterioration in the asset's credit quality since the time of its booking and/or since the last impairment review. The impairment review is based on the asset's credit worthiness, which is assessed based on relevant and available information on past events, current conditions, and future expectations. At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is measured as the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss, if any, is recognised in the profit and loss account. As a prudential measure, the bank sets loan loss provision for syndicated loans to act as buffer for potential losses that may be incurred for the year. In estimating the loss provision, the bank uses the Incurred Loss methodology by deriving default rates from observable market data.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the

asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii. Financial liabilities

Basic financial liabilities, including deposits from customers, amounts due to group undertakings, bank borrowings, amounts due to other banks, and other liabilities, are initially recognised at transaction price, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled or expired.

iii. Derivatives

BPI Europe holds non-basic financial instruments, specifically plain vanilla derivatives, including foreign exchange swaps. These instruments are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at fair value at each reporting date using latest available market data.

Changes in the fair value of these non-basic financial instruments are recognised in the profit and loss account.

o) Provisions and Contingencies

i. Provisions

Provisions are recognised when the bank has an obligation at the reporting date as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

The bank has not made any provision for anticipated operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

ii. Contingencies

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of assets embodying economic benefits is remote. A contingent liability is either:

(1) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(2) a present obligation that arises from past events but is not recognised because:

2.1 it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

2.2 the amount of the obligation cannot be measured with sufficient reliability.

p) **Share capital**

Ordinary shares are classified as equity.

4. ASSUMPTIONS, JUDGEMENTS, AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in compliance with FRS 102 required management to make judgements, estimates, and assumptions that affect the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. The key areas where judgements, estimate, and assumptions have been applied are as follows:

Critical Accounting Judgements

Accounting judgements involve decisions where alternative interpretations exist under accounting standards.

a. Functional Currency Determination

Management has exercised judgement in determining the bank's functional currency, which reflects the primary economic environment in which the bank operates. This assessment considers factors such as the currency of the bank's principal transactions, the currency in which funds from financing activities are generated, and the impact of exchange rate fluctuations. Based on these factors, USD has been determined as the functional currency for 2024 (2023: USD).

b. Recognition of Deferred Tax Assets

The bank recognises deferred income tax assets on carried forward tax losses to the extent that sufficient future taxable profits or taxable temporary differences are expected to be available against which the tax losses can be utilised. Judgement is required in assessing the probability of future taxable income based on financial forecasts and the bank's performance. As of 31 December 2024, a deferred tax asset of $451,474 (2023: $254,694) has been recognised.

Key Sources of Estimation Uncertainty

Estimates are based on past experience, current market conditions, and other factors, including expectations of future events.

a. Change in Provisioning Methodology for Loan Impairment

The bank revised its methodology for estimating the impairment provision on loans, particularly the probability of default (PD), making use of the z-factor to assess the impact of the external factors which remain unidentified as part of the impairment assessment. The impact of this change on the year-end figures is immaterial.

The change constitutes a change in accounting estimate and has been applied prospectively. See Note 13 for further details on loan impairment provisions.

b. Impairment of Debt Securities at Amortised Cost

The bank monitors the fair value of its debt securities portfolio through daily mark-to-market

valuations. While no general impairment model has been developed for the amortised cost portfolio, an allowance for probable loss of $1.9 million was recorded in 2024 (2023: nil) for a security that experiences a significant credit rating deterioration. Future impairments will depend on market conditions and the financial health of the issuers.

Key Assumptions

Certain accounting estimates rely on key assumptions that could significantly impact the financial statements.

a. Future Taxable Profits for Deferred Tax Asset Recognition

The recognition of deferred tax assets depends on assumptions about future profitability and the ability to generate taxable income in subsequent periods. The latest budget, which reflects improved revenue generation due to higher trading volumes and increased customer activity, supports the recoverability of tax losses carried forward. These assumptions are reviewed periodically to ensure alignment with actual financial performance.

5. ADMINISTRATIVE EXPENSES

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
	$	$
Staff costs	1,811,647	1,776,409
Management & Other Professional Fees	589,017	654,203
Bank Charges	171,244	144,211
Premises	298,625	378,117
Taxes and Licenses	236,397	82,002
Referror Commission	59,515	-
Other Operating Expenses	444,215	515,875
Total	**3,610,660**	**3,550,817**

Management & Other Professional Fees include Auditor's Remuneration set out below:

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
	$	$
Auditor's Remuneration:		
Fees payable to the bank's auditors for the audit of the bank	250,026	186,510

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
	$	$
Fees payable to the bank's auditors for other services pursuant to legislation (CASS Limited Assurance Engagement)	10,981	9,699
Total	**261,007**	**196,209**

The amount for 2024 includes payment of $38,274 in relation to audit overrun costs for 2023.

6. PARTICULARS OF EMPLOYEES

The average number of staff employed by the bank during the financial year amounted to:

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
Number of administrative staff	14	16
Number of management staff	6	7
Total	**20**	**23**

The payroll costs recognised under "Administrative expenses" in the Profit or Loss statement were:

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
	$	$
Wages and salaries	1,659,224	1,679,552
Social security cost	107,018	72,186
Other staff costs	45,405	24,671
Total staff costs	**1,811,647**	**1,776,409**

7. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
	$	$
Director's remuneration	445,241	391,398
Highest paid	280,849	260,634
Pension contributions	1,806	1,402

Directors are not entitled to either shares or share options under long-term incentive schemes. No director holds or has exercised share options in the bank. Out of the four (4) directors on BPIE payroll, only two (2) have pension contributions.

Directors' emoluments are included within staff costs in Note 6 above and in the Profit and Loss account.

8. NET INTEREST INCOME

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
	$	$
(a) Interest receivable and similar income		
Interbank placements	150,924	164,714
Debt securities	3,844,729	2,615,082
Time loans	4,340,434	5,945,560
Others	7,406	23,865
	8,343,493	**8,749,221**
(b) Interest payable and similar charges		
Borrowings	(2,456,376)	(4,307,566)
Customer Deposits	(2,182,648)	(791,510)
Others	(2,370)	(16,941)
	(4,641,394)	**(5,116,017)**
(c) Net interest income	**3,702,099**	**3,633,204**

Amount under debt securities include effective interest rate adjustment of $1,047,063 in 2024 (2023: $1,184,771) to reflect premiums/discounts on acquisition.

9. FEES AND COMMISSION INCOME

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
	$	$
Loan referral fees	46,784	-
Below minimum balance fees	94,505	-
Process agent fees	-	22,362
Total	**141,289**	**22,362**

Fees and commission income comprises amounts earned from various banking services provided to customers and counterparties.

Loan referral fees represent income earned from facilitating loan arrangements between borrowers

and lending institutions.

Below minimum balance fees are charges applied to customer accounts that fall below the required balance threshold.

Process agent fees arise from acting as a designated agent to receive legal notices on behalf of counterparties in contractual agreements.

10. FOREIGN EXCHANGE GAIN/ (LOSS)

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
	$	$
Realised losses	(1,191,256)	(777,045)
Unrealised gains	1,319,183	16,071
Total	**127,927**	**(760,974)**

Unrealised gains include movement in FX swaps of $171K (2023: ($26K)).

11. GAIN ON SALE OF INVESTMENTS

	Year Ended 31 Dec 24	Year Ended 31 Dec 23
	$	$
Realised gains/(losses)	672,763	(156,244)
Unrealised gains/(losses)	(168,234)	227,747
Total	**504,529**	**71,503**

12. TAX CREDIT ON ORDINARY ACTIVITIES

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
	$	$
(a) Analysis of tax credit for the year:		
Current tax		
In respect of the year:		
UK corporation tax based on the results for the year at 25%	-	-
Deferred tax:		
Movement in deferred tax asset	(196,779)	(254,927)
Tax credit on loss on ordinary activities	**(196,779)**	**(254,927)**

	Year Ended 31 Dec 2024 $	Year Ended 31 Dec 2023 $
(b) Factors affecting tax credit for the year:		
Loss on ordinary activities before taxation	(797,125)	(1,026,416)
Loss on ordinary activities multiplied by standard rate of UK corporation tax based on the results for the year at 25% (2023: 23.52%)	(199,281)	(195,019)
Disallowable (allowable) expenditure	2,502	1,274
Effect of change in tax rate	-	(61,182)
Tax credit on loss on ordinary activities	**(196,779)**	**(254,927)**
(c) The provision for deferred tax consists of the following deferred tax assets/(liabilities)		
Capital allowances	(12,763)	(13,128)
Unused tax losses recognised	473,520	274,063
Other timing differences	(9,283)	(6,241)
Total deferred tax asset	**451,474**	**254,694**

The bank has recognised deferred tax assets arising from tax losses carried forward and temporary differences, as management considers it probable that sufficient future taxable profits will be available for their utilisation.

As of 31 December 2024, the net deferred tax assets amount to $451,474 (2023: $254,694).

The bank expects these deferred tax assets to be utilised over future periods, depending on the availability of taxable profits. The timing of the reversal will be subject to future trading conditions and tax planning strategies, which management will continue to monitor.

The timing and extent of the reversal of deferred tax assets will depend on the bank's future profitability and taxable income. Management continuously monitors the recoverability of deferred tax assets, considering changes in the bank's financial position, tax legislation, and business performance. The recognition and measurement of deferred tax assets will be reassessed as part of the bank's ongoing financial and tax planning process.

13. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers consists of:

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
	$	$
Corporate loans	73,139,687	74,975,584
Other retail loans	1	1
Provision for impairment	(9,860)	(223,849)
Total	**73,129,828**	**74,751,736**

Movement in provision for impairment

	Year Ended 31 Dec 2024			Year Ended 31 Dec 2023
	Collective	Specific	Total	Total
	$	$	$	$
Beginning balance	223,848	1	223,849	208,078
Additional/ (Reversal of) provision	(213,989)	-	(213,989)	15,771
Ending balance	**9,859**	**1**	**9,860**	**223,849**

Effective 2024, the bank has refined the long run probability of default (PD) assumption used in the estimation of collective loan provisions. The updated assumption incorporates macroeconomic conditions expected over the one-year emergence period, enhancing the alignment of provisioning estimates with unidentified risk factors while remaining consistent with its established methodology.

14. INVESTMENT IN SECURITIES

Investments in debt securities are non-derivative financial assets with fixed or determinable payments and maturities that the bank has the intention and ability to hold to maturity or to trade.

BPI Europe carries a portfolio of investment securities held under amortised cost and debt securities for trading valued at fair value.

Debt securities that are classified as FVTPL are initially recognised at fair value on the trade date and are subsequently re-measured at fair value at each reporting date, with any changes in fair value recognised in the profit or loss account. The fair value is determined using quoted market prices for active markets obtained from published and verifiable market data.

Debt securities classified as amortised cost are initially recognised at their fair value, adjusted for discount or premium, if any, and subsequently measured at amortised cost using the effective interest method. The amortised cost is recalculated to reflect any changes in principal or interest payments.

These securities contribute to the bank's interest income and provide diversification to its asset base. Management has ensured that the average credit rating of the investment securities portfolio remains at investment grade and all investments are made in line with the bank's (and BPI Parent's) credit and other investment criteria. Management also ensures that these securities have an appropriate two-way market.

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
	$	$
Debt securities for trading at FV	34,298,058	20,900,857
Debt securities at amortised cost	119,337,610	100,981,017
Provision for impairment	(1,863,281)	-
Total	**151,772,387**	**121,881,874**

The 2024 provision corresponds to the year-end mark-to-market loss of the bank's £5 million exposure to a fixed income security that has been significantly downgraded during the year.

Following an assessment of its financial asset portfolio, the bank is satisfied that no further impairment is required on the remainder of the portfolio, as the carrying value of these assets remain appropriately supported by their underlying credit quality and expected recoverability.

15. TANGIBLE FIXED ASSETS

	Leasehold Improvements	Fixtures and Fittings	Office Furniture	Computer Equipment	Total
YEAR 2024	$	$	$	$	$
COST					
At 1 January 2024	728,048	51,155	165,641	173,074	1,117,918
Additions	28,149	-	-	11,005	39,154
At 31 December 2024	756,197	51,155	165,641	184,079	1,157,072
DEPRECIATION					
At 1 January 2024	700,682	51,155	165,641	69,563	987,041
Charge for the period	4,287	-	-	26,487	30,774
At 31 December 2024	704,969	51,155	165,641	96,050	1,017,815
NET BOOK VALUE					
At 31 December 2024	51,228	-	-	88,029	139,257

	Leasehold Improvements	Fixtures and Fittings	Office Furniture	Computer Equipment	Total
YEAR 2023	$	$	$	$	$
COST					
At 1 January 2023	700,452	51,155	165,641	77,082	994,330
Additions	27,596	-	-	95,992	123,588
At 31 December 2023	728,048	51,155	165,641	173,074	1,117,918
DEPRECIATION					

	Leasehold Improvements	Fixtures and Fittings	Office Furniture	Computer Equipment	Total
YEAR 2023	$	$	$	$	$
At 1 January 2023	673,908	51,155	165,641	51,901	942,605
Charge for the period	26,774	-	-	17,662	44,436
At 31 December 2023	700,682	51,155	165,641	69,563	987,041
NET BOOK VALUE					
At 31 December 2023	27,366	-	-	103,511	130,877

There were no write-offs booked in 2024 (2023: nil).

16. OTHER ASSETS

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
	$	$
Amounts falling due within one year:		
Prepayments and other assets	208,185	202,512
Operating lease deposit	7,726	17,819
	215,911	**220,331**
Amounts falling due after more than one year:		
Prepayments and other assets	-	-
Operating lease deposit	10,323	-
Total	**226,234**	**220,331**

17. DEPOSITS FROM CUSTOMERS

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
	$	$
Savings Account	850,628	900,779
Time Deposits	88,120,067	795,278
TOTAL	**88,970,695**	**1,696,057**

$743,113 of the Deposits from customers is from related parties (2023: $490,665).

During the year, the bank engaged a deposit aggregator to support its deposit build-up program for UK-based customers. BPI Europe's term placement offerings (91 days, 182 days, and 364 days) went live on the deposit aggregator's platform in July 2024. As at year-end, the bank generated a total of $74.3 million (£59.2 million) from this partnership.

Interest rates on term deposits ranged from 4.30% to 5.05%.

18. BANK BORROWINGS

Included in the bank borrowings from financial institutions are the following:

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
	$	$
Payable in:		
30 days	-	5,014,125
3 months	1,790,256	6,625,277
6 months	-	10,745,282
1 year	-	29,493,231
Over 1 year	-	10,120,546
TOTAL	**1,790,256**	**61,998,461**

The interest rate on the outstanding bank borrowing is 5.5% (2023: 5.5% to 7.2% p.a.).

19. OTHER LIABILITIES

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
	$	$
Other taxation and social security	-	15,703
Accrued expenses and other creditors	351,808	296,067
Other liabilities	97,729	198,565
TOTAL	**449,537**	**510,335**

Funds booked under other liabilities are balances from unclaimed closed accounts. These are treated as customer's money and can be claimed by respective customers anytime from BPI Europe.

20. FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount at which an asset or liability could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced liquidation or sale. Given the bank's balance sheet profile and investment strategy, the fair value of all financial instruments held at 31 December 2024 approximates the amounts at which these instruments are reflected in the balance sheet.

The values of the financial instruments are influenced by relevant risk factors that may be internal (balance sheet gaps) or external (market fluctuations) to the bank. BPI Europe manages these risks by measuring and managing the liquidity, interest rate, and foreign exchange risks of the bank as illustrated in the following sections.

Set out below are the bank's financial instruments by category:

	Year Ended 31 December 2024		
	Amortised Cost	Fair Value through Profit or Loss	Total
FINANCIAL ASSETS	$	$	$
Cash	5,029	-	5,029
Loans and advances to banks	2,725,089	-	2,725,089
Loans and advances to customers	73,129,828	-	73,129,828
Amounts due from group undertakings	19,057	-	19,057
Investment in debt securities	117,474,329	34,298,058	151,772,387
Derivative Assets	-	395,392	395,392
TOTAL	**193,353,332**	**34,693,450**	**228,046,782**
FINANCIAL LIABILITIES			
Deposits from customers	88,970,695	-	88,970,695
Bank borrowings	1,790,256	-	1,790,256
Amounts due to group undertakings	15,306,531	-	15,306,531
Derivative Liabilities	-	1,061,512	1,061,512
Other liabilities	449,537	-	449,537
TOTAL	**106,517,019**	**1,061,512**	**107,578,531**

	Year Ended 31 December 2023		
	Amortised Cost	Fair Value through Profit or Loss	Total
FINANCIAL ASSETS	**$**	**$**	**$**
Cash	10	-	10
Loans and advances to banks	3,736,215	-	3,736,215
Loans and advances to customers	74,751,736	-	74,751,736
Amounts due from group undertakings	39,521	-	39,521
Investment in debt securities	100,981,017	20,900,857	121,881,874
Derivatives	-	17,192	17,192
TOTAL	**179,508,499**	**20,918,049**	**200,426,548**
FINANCIAL LIABILITIES			
Customer accounts	1,696,057	-	1,696,057
Bank borrowings	61,998,461	-	61,998,461
Amounts due to group undertakings	14,088,060	-	14,088,060
Derivatives Liabilities	-	853,975	853,975
Other liabilities	510,335	-	510,335
TOTAL	**78,292,913**	**853,975**	**79,146,888**

Fair Value Measurement

The bank categorises financial instruments held at fair value in the financial statements using a three-level hierarchy as follows:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

	Year Ended 31 December 2024			
	Level 1 $	Level 2 $	Level 3 $	Total
Financial Assets				
Debt securities for trading at Fair Value	34,298,058	-	-	34,298,058
Derivative Assets	-	395,392	-	395,392
Total	**34,298,058**	**395,392**	**-**	**34,693,450**
Financial Liabilities				
Derivatives Liabilities	-	1,061,512	-	1,061,512
Total	**-**	**1,061,512**	**-**	**1,061,512**

	Year Ended 31 December 2023			
	Level 1 $	Level 2 $	Level 3 $	Total
Financial Assets				
Debt securities for trading at Fair Value	20,900,857	-	-	20,900,857
Derivative Assets	-	17,192	-	17,192
Total	**20,900,857**	**17,192**	**-**	**20,918,049**
Financial Liabilities				
Derivatives Liabilities	-	853,975	-	853,975
Total	**-**	**853,975**	**-**	**853,975**

Debt securities held at fair value are highly traded financial instruments of which prices are obtained from published and verifiable market data. The derivatives at fair value comprise of the outstanding FX swaps which were valued through the net present value methodology using forward currency rates and interest rates as inputs to the calculation.

CREDIT RISK

Credit risk is defined as the risk of financial losses due to a borrower's default or inability to pay their obligations as they fall due. The balances disclosed in the credit risk tables below exclude financial assets that are subject to risks other than credit risk.

Maximum exposures to credit risk

The carrying amount of all financial assets of the bank best represents the maximum exposure to credit risk. As of 31 December 2024, this amounted to $228.0 million (2023: $200.4 million).

Collateral and credit enhancements held

The bank has no outstanding marketable securities held as collateral or credit enhancements as at 31 December 2024 (2023: nil).

Credit quality of financial assets

The table below details the credit quality of the bank's financial assets, showing the maximum exposure to credit risk, based on Moody's credit ratings. Assets that have ratings below investment grade have Moody's ratings of B1 to Ba1 and S&P ratings of BB+ to BBB-.

A facility is considered to be past due when a contractual payment falls overdue by one day. When a facility is classified as past due, the entire facility balance after provisions is disclosed in the past due analysis. There are no other balances overdue by one day or more to be presented under past due category other than those disclosed in the table below. Past due as of 2024 is nil (2023: nil).

CREDIT QUALITY – 2024

	Investment Grade	Below Investment Grade	Unrated	Total
	$	$	$	$
Loans and advances to banks	2,725,089	-	-	2,725,089
Loans and advances to customers	36,861,302	36,268,526	-	73,129,828
Investment in debt securities	139,585,697	12,186,690	-	151,772,387
Amounts due from group undertakings	19,057	-	-	19,057
Derivative assets	395,392	-	-	395,392
Total	**179,586,537**	**48,455,216**	**-**	**228,041,753**

CREDIT QUALITY – 2023

	Investment Grade	Below Investment Grade	Unrated	Total
	$	$	$	$
Loans and advances to banks	3,736,215	-	-	3,736,215
Loans and advances to customers	31,703,253	43,048,483	-	74,751,736
Investment in debt securities	111,559,896	10,321,978	-	121,881,874
Amounts due from group undertakings	39,521	-	-	39,521
Derivative assets	17,192	-	-	17,192
Total	**147,056,077**	**53,370,461**	**-**	**200,426,538**

The factors taken into consideration by the bank when determining an asset to be impaired are set out in Financial Statement Note 3(n).

LIQUIDITY RISK

Liquidity risk is the risk that BPI Europe will incur financial losses and reputational damage due to its inability to meet its obligations when they fall due and the inability to provide funding for customer deposit withdrawals. The bank's liquidity profile is managed through regular monitoring of the regulatory metrics, LCR and NSFR, and various internal reports such as the daily cash flow gaps, intra-day liquidity, 92-day liquidity, and cross-currency gap. The Board has set risk appetite levels and escalation processes to ensure that management actions are taken to mitigate liquidity concerns. The bank also performs an annual Internal Liquidity Adequacy Assessment Process to identify the need for additional liquidity buffers. Throughout the period, the bank has kept sufficient liquidity, well above the regulatory limits.

The table below shows the contractual cash flows of financial assets and liabilities:

Financial assets analysed by contractual undiscounted amounts based on remaining contractual maturities as at 31 December 2024

	0-3 months	3-6 months	6-12 month	1-5 years	Over 5 years	Total
Cash	5,029	-	-	-	-	5,029
Loans and advances to banks	2,725,334	-	-	-	-	2,725,334
Loans and advances to customers	1,121,013	5,872,342	2,129,457	64,374,497	15,157,971	88,655,280
Amounts due from group undertakings	19,057	-	-	-	-	19,057
Investment in debt securities	115,119,631	3,260,750	650,559	32,361,756	6,239,000	157,631,696
Derivative Assets	257,868	137,524	-	-	-	395,392
TOTAL	**119,247,932**	**9,270,616**	**2,780,016**	**96,736,253**	**21,396,971**	**249,431,788**

Financial liabilities analysed by contractual undiscounted amounts based on remaining contractual maturities as at 31 December 2024

	0-3 months	3-6 months	6-12 month	1-5 years	Over 5 years	Total
Deposit from customers	36,437,913	5,822,070	46,710,712	-	-	88,970,695
Bank borrowings	1,790,255	-	-	-	-	1,790,255
Amounts due to group undertakings	9,288,126	6,018,405	-	-	-	15,306,531
Amounts due to other banks	-	-	-	-	-	0
Derivative liabilities	784,267	137,901	139,344	-	-	1,061,512
Other liabilities*	351,808	-	-	-	97,729	449,537
Contingents	10,000,000	-	-	-	-	10,000,000
TOTAL	**58,652,369**	**11,978,376**	**46,850,056**	-	**97,729**	**117,578,530**
*Other liabilities excludes taxes liability						
Gap	**60,595,563**	**(2,707,760)**	**(44,070,040)**	**96,736,253**	**21,299,242**	**131,853,258**

Financial assets analysed by contractual undiscounted amounts based on remaining contractual maturities as at 31 December 2023

	0-3 months	3-6 months	6-12 month	1-5 years	Over 5 years	Total
Cash	10	-	-	-	-	10
Loans and advances to banks	3,736,489	-	-	-	-	3,736,489
Loans and advances to customers	7,015,468	1,573,270	2,953,348	92,898,074	-	104,440,160
Amounts due from group undertakings	39,521	-	-	-	-	39,521
Investment in debt securities	70,249,621	360,125	4,066,564	31,922,626	20,818,364	127,417,300
Derivative Assets	17,192	-	-	-	-	17,192
TOTAL	**81,058,301**	**1,933,395**	**7,019,912**	**124,820,700**	**20,818,364**	**235,650,672**

Financial liabilities analysed by contractual undiscounted amounts based on remaining contractual maturities as at 31 December 2023

	0-3 months	3-6 months	6-12 month	1-5 years	Over 5 years	Total
Deposit from customers	1,696,057	-	-	-	-	1,696,057
Bank borrowings	12,247,662	11,436,408	30,648,270	10,448,029	-	64,780,369
Amounts due to group undertakings	8,930,638	5,157,422	-	-	-	14,088,060
Amounts due to other banks	-	-	-	-	-	0
Derivative liabilities	853,975	-	-	-	-	853,975
Other liabilities*	299,189	-	-	-	195,443	494,632
Contingents	6,994,778	-	-	-	-	6,994,778
TOTAL	**31,022,299**	**16,593,830**	**30,648,270**	**10,448,029**	**195,443**	**88,907,871**
*Other liabilities excludes taxes liability						
Gap	**50,036,002**	**(14,660,435)**	**(23,628,358)**	**114,372,671**	**20,622,921**	**146,742,801**

The above figures exclude items that are non-financial instruments and non-contractual accruals and provisions.

Bank borrowings are typically rolled over when required. These are largely determined by the limits issued by funding counterparties to BPI Europe. For example, one creditor has set out a maximum tenor limit of one month, so borrowings from this institution are rolled over on a monthly basis, if necessary.

MARKET RISK

Market risk pertains to the possible loss of a portfolio's value in the future influenced by movements in the level or volatility of market prices or risk factors. The bank's market risk exposure is observed on its net open FX position arising from foreign currency-denominated assets and liabilities in the banking book, its end-of-day investment securities, and derivative positions in the trading book.

The following risk metrics are used to help manage market risk in the bank:

- Value-at-Risk (VaR) is a measure of potential loss from the trading business computed using a financial model with an assumed confidence level and measured over a certain horizon; and
- Loss limit pertains to the maximum cumulative year-to-date loss that the bank is allowed to

incur from its trading activities.

Interest Rate Risk

Interest rate risk pertains to the risk that BPI Europe experiences a deterioration in its financial position in response to movements in interest rates. The bank is exposed to interest rate risks from rate sensitive positions in the balance sheet.

The table below indicates the bank's exposure to movements in interest rates as at 31 December 2024 and 2023. The time bands represent the repricing profile of the entire balance sheet relative to the financial reporting date. The net gap for each time band is subject to an interest rate shock to determine the impact of adverse movements in interest rates on the bank's economic value and earnings. Set out below is the indicative impact of a 200-bp parallel increase or decrease in interest rates.

Financial assets as at 31 December 2024

	0-3 months	3-6 months	6-12 month	1-5 years	Over 5 years	Total
Cash	5,029					5,029
Loans and advances to banks	2,725,089	-	-	-	-	2,725,089
Loans and advances to customers	73,129,828	-	-	-	-	73,129,828
Investment in debt securities	54,355,063	3,065,444	1,029,670	61,737,005	31,585,204	151,772,386
Derivative Assets	257,868	137,524	-	-	-	395,392
Amounts due from group undertakings	19,057	-	-	-	-	19,057
TOTAL	**130,491,934**	**3,202,968**	**1,029,670**	**61,737,005**	**31,585,204**	**228,046,781**

Financial liabilities as at 31 December 2024

	0-3 months	3-6 months	6-12 month	1-5 years	Over 5 years	Total
Deposit from customers	36,437,913	5,822,070	46,710,712	-	-	88,970,695
Bank borrowings	1,790,256	-	-	-	-	1,790,256
Amounts due to group undertakings	9,288,126	6,018,405	-	-	-	15,306,531
Derivative liabilities	784,267	137,901	139,344	-	-	1,061,512
Other liabilities*	351,808	-	-	-	97,729	449,537
Amounts due to other banks	-	-	-	-	-	0
TOTAL	**48,652,370**	**11,978,376**	**46,850,056**	**-**	**97,729**	**107,578,531**

*Other liabilities excludes taxes liability

NET GAP	**81,839,564**	**(8,775,408)**	**(45,820,386)**	**61,737,005**	**31,487,475**	**120,468,250**
+200 bps shock	1,636,791	(175,508)	(916,408)	1,234,740	629,750	2,409,365
-200 bps shock	(1,636,791)	175,508	916,408	(1,234,740)	(629,750)	(2,409,365)

Financial assets as at 31 December 2023

	0-3 months	3-6 months	6-12 month	1-5 years	Over 5 years	Total
Cash	10	-	-	-	-	10
Loans and advances to banks	3,736,215	-	-	-	-	3,736,215
Loans and advances to customers	69,228,449	5,523,287	-	-	-	74,751,736
Investment in debt securities	20,900,857	-	7,676,568	56,107,484	37,196,965	121,881,874
Derivative Assets	17,192	-	-	-	-	17,192
Amounts due from group undertakings	39,521	-	-	-	-	39,521
TOTAL	**93,922,244**	**5,523,287**	**7,676,568**	**56,107,484**	**37,196,965**	**200,426,548**

Financial liabilities as at 31 December 2023

	0-3 months	3-6 months	6-12 month	1-5 years	Over 5 years	Total
Deposit from customers	1,696,057	-	-	-	-	1,696,057
Bank borrowings	41,894,699	10,745,282	9,358,480	-	-	61,998,461
Amounts due to group undertakings	8,930,638	5,157,422	-	-	-	14,088,060
Derivative liabilities	853,975	-	-	-	-	853,975
Other liabilities*	299,189	-	-	-	195,443	494,632
Amounts due to other banks	-	-	-	-	-	-
TOTAL	**53,674,558**	**15,902,704**	**9,358,480**	**-**	**195,443**	**79,131,185**

*Other liabilities excludes taxes liability

NET GAP	**40,247,686**	**(10,379,417)**	**(1,681,912)**	**56,107,484**	**37,001,522**	**121,295,363**
+200 bps shock	804,954	(207,588)	(33,638)	1,122,150	740,030	2,425,908
-200 bps shock	(804,954)	207,588	33,638	(1,122,150)	(740,030)	(2,425,908)

FOREIGN CURRENCY ASSETS AND LIABILITIES

FX risk pertains to the risk that the fair value of future cash flows of financial instruments will change as a result of adverse movements in foreign exchange rates. It arises from financial instruments in the bank's balance sheet that are denominated in currencies other than USD.

From time to time, the bank enters into FX Swap transactions to manage its foreign currency position if necessary.

	Year Ended 31 December 2024				
ASSETS	GBP	EUR	USD	PHP	Total
Cash	5,029	-	-	-	5,029
Loans and advances to banks	1,631,279	106,887	986,923	-	2,725,089
Loans and advances to customers	-	10,149,571	62,980,257	-	73,129,828
Amounts due from group undertakings	656	2,151	2,293	13,957	19,057
Investment in debt securities	29,514,731	2,939,804	119,317,852	-	151,772,387
Derivative Assets	-	-	395,392	-	395,392
TOTAL ASSETS	**31,151,695**	**13,198,413**	**183,682,717**	**13,957**	**228,046,782**
LIABILITIES					
Deposit from customers	76,209,536	1,295,768	11,465,391	-	88,970,695
Bank borrowings	-	-	1,790,255	-	1,790,255
Amounts due to group undertakings	-	1,052,618	14,253,913	-	15,306,531
Amounts due to other banks	-	-	-	-	-
Derivative liabilities	-	-	1,061,512	-	1,061,512
Other liabilities	441,073	806	521	7,137	449,537
	76,650,609	**2,349,192**	**28,571,592**	**7,137**	**107,578,530**
TOTAL ASSETS LESS LIABILITIES	**(45,498,914)**	**10,849,221**	**155,111,125**	**6,820**	**120,468,252**

	Year Ended 31 December 2023				
ASSETS	**GBP**	**EUR**	**USD**	**PHP**	**Total**
Cash	10	-	-	-	10
Loans and advances to banks	802,284	112,966	2,820,965	-	3,736,215
Loans and advances to customers	-	12,955,081	61,796,655	-	74,751,736
Amounts due from group undertakings	11,666	887	5,035	21,933	39,521
Investment in debt securities	27,718,148	-	94,163,726	-	121,881,874
Derivative Assets	-	-	17,192	-	17,192
TOTAL ASSETS	**28,532,108**	**13,068,934**	**158,803,573**	**21,933**	**200,426,548**
LIABILITIES					
Deposit from customers	1,045,638	-	650,419	-	1,696,057
Bank borrowings	-	-	61,998,461	-	61,998,461
Amounts due to group undertakings	-	1,107,367	12,980,693	-	14,088,060
Amounts due to other banks	-	-	-	-	-
Derivative Liabilities	-	-	853,975	-	853,975
Other liabilities	508,126	1,640	569	-	510,335
	1,553,764	**1,109,007**	**76,484,117**	**-**	**79,146,888**
TOTAL ASSETS LESS LIABILITIES	**26,978,344**	**11,959,927**	**82,319,456**	**21,933**	**121,279,660**

As of 31 December 2024, the bank held foreign exchange swaps with a notional value of $57.5 million to hedge its foreign currency risk. Net exposures in GBP and EUR were hedged with FX swaps totalling $46.8 million and $10.6 million, respectively.

The bank considers its exposure to FX risk to be immaterial, as all significant foreign currency positions are offset by corresponding notional amounts of FX swap contracts.

The sensitivity analysis table below shows the impact on the bank's profit and loss of possible changes in significant currency exposures based on assumed near term future volatility.

	Movements of +10%		Movements of -10%	
	2024	2023	2024	2023
Sensitivity of profit before tax[5]	$	$	$	$
Euro	21,181	35,410	(21,181)	(35,410)
British Pound Sterling	134,487	40,389	(134,487)	(40,389)
Philippine Peso	682	2,193	(682)	(2,193)

CAPITAL ADEQUACY

BPI Europe actively manages its capital adequacy. The bank's risk-taking activities are bound by the regulatory capital requirements set by the PRA in their regulatory assessment of the firm and the internal risk appetite set by the Board. The distribution of risk weighted assets is managed to be consistent with the business strategies and objectives of the bank. The bank updates its ICAAP annually. Reverse stress testing is performed to identify the scenarios that will breach the bank's regulatory capital requirement. Components of the bank's capital ratio are set out in the Strategic Report.

21. COMMITMENTS

At 31 December 2024, the bank had total commitments under non-cancellable operating leases as set out below.

Land and buildings

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
	$	$
Operating Leases which expires in		
0 - 1 year	190,218	192,749
1 - 5 years	760,871	770,997
After more than 5 years	653,515	867,371
Total	**1,604,604**	**1,831,117**

[5] Following a review of FX risk, the 2023 figures have been represented to reflect the impact after accounting for the net hedged position.

BPI Europe has loan commitments to extend credit for Syndicated Term Loans amounting to $10,000,000 as at reporting date (2023: $6,994,778).

22. CALLED UP SHARE CAPITAL

	Year Ended 31 Dec 2024 $	Year Ended 31 Dec 2023 $
Authorised and called up share capital:		
100,000,000 ordinary shares of $1.2309 each	120,390,000	120,390,000

There were no ordinary shares issued by the Board of Directors for 2024 (2023: nil). There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

23. DERIVATIVES

BPI Europe's balance sheet consists of plain vanilla financial instruments. The bank enters into FX swap transactions to strategically fund and invest in foreign currency denominated assets with relatively attractive returns. With its entire capital redenominated to USD, BPI Europe books FX swap transactions to take advantage of the better yields from assets denominated in GBP and/or EUR.

BPI Europe performs daily marking to market of these positions, which are then recognised daily in the profit and loss account under "Foreign exchange gains/(loss)." Fair value of FX Swaps is calculated through net present value methodology using forward points and discount rates obtained from published and verifiable market data.

	Year Ended 31 Dec 2024 $	Year Ended 31 Dec 2023 $
FX swaps notional amount	57,481,963	38,180,279
Unrealised gains/(losses) on unsettled forward legs	(666,120)	(836,783)
Derivative assets	395,392	17,192
Derivative liabilities	(1,061,512)	(853,975)

24. RELATED PARTY TRANSACTIONS

In the normal course of business, BPI Europe transacts on an arm's length basis with related parties consisting of the Parent Bank and its subsidiaries and associates.

The bank's related party balances with BPI Parent are:

	Year Ended 31 Dec 2024	Year Ended 31 Dec 2023
	$	$
Amount due from group undertakings	19,057	39,521
Amount due to group undertakings	15,306,531	14,088,060
The corresponding interest earned is:		
Amount due from group undertakings		
Savings Deposits	10	21
Total	**10**	**21**
The corresponding interest incurred is:		
Amount due to group undertakings	**603,001**	**753,867**
Payment made to Parent Bank for outsourced services	101,459	16,912

The amount due from group undertakings represents placements with the Parent Bank in the form of nostro accounts. The nostro accounts represent short-term deposits held with the Parent Bank, which are repayable on demand. The amount is recognised at nominal value and is expected to be settled within the normal operating cycle.

The amount due to group undertakings represents deposits from group entities, including both savings accounts and time deposits, and reflects the balance arising from transactions between the bank and other group entities.

Deposits from related parties total is included in Note 17.

A disclosure on Directors' emoluments is provided in Note 7.

25. ULTIMATE PARENT UNDERTAKING

Bank of the Philippine Islands (Europe) Plc is a wholly owned subsidiary of the Bank of the Philippine Islands which is incorporated in the Republic of the Philippines. Copies of the consolidated financial statements of BPI are available from its Registered Office at 22F–28F Ayala Triangle Gardens Tower 2, Paseo De Roxas cor. Makati Ave., Bel-Air, Makati City, and may also be found in bpi.com.ph.

26. EVENTS AFTER REPORTING PERIOD

On 29 January 2025, the bank has decided to divest its exposure to the fixed income security at a loss of $2.3 million. As of year-end, the specific provision provided for this exposure was $1.86 million (refer to Note 14). This sale is classified as a non-adjusting event, as the fact in respect of the sale