C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	F	0	9	5	-	1	2	7

COMPANY NAME

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED
PHILIPPINE BRANCH

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

14th Floor, Solaris One
Building, 130 Dela Rosa St.
Legaspi Village
Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	S E C	G S E D

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	8841-7777	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
N/A	N/A	September 30

CONTACT PERSON INFORMATION

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jesus Plaridel Santiago, Jr.	N/A	841-7777	N/A

CONTACT PERSON's ADDRESS

14F Solaris One Bldg. 130 Dela Rosa St. Legaspi Village, Makati City

***Note 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

***2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Australia and New Zealand Banking Group, Ltd. – Philippine Branch** (the "**Philippine Branch**") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended September 30, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Country Head is responsible for overseeing the Philippine Branch's financial reporting process.

The Country Head reviews and approves the financial statements including the schedules attached therein and submits the same to the Head Office.

R. G. Manabat & Co., the independent auditor appointed by the management, has audited the financial statements of the Philippine Branch in accordance with Philippine Standard Auditing, and in its report to the management, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

JESUS PLARIDEL SANTIAGO, JR.
Country Head/CEO

ALJON ROQUE
Chief Financial Officer

Signed this 28th day of January 2025

14/F Solaris One, 130 Dela Rosa Street, Legaspi Village, Makati City 1229, Philippines | **Phone** +63 2 8841 7770 | **Fax** +63 2 8818 8179 | anz.com/philippines
Australia and New Zealand Banking Group Limited ABN 11 005 357 522 (Incorporated in Australia)

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
Philippine Branch

FINANCIAL STATEMENTS
September 30, 2024 and 2023

With Independent Auditors’ Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
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REPORT OF INDEPENDENT AUDITORS

The Chief Executive Officer
Australia and New Zealand Banking Group Limited - Philippine Branch
14th Floor, Solaris One Building
130 Dela Rosa St., Legaspi Village
Makati City, 1229

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Australia and New Zealand Banking Group Limited - Philippine Branch (the Philippine Branch), which comprise the statements of financial position as at September 30, 2024 and 2023, and the statements of income and expenses, statements of comprehensive income, statements of changes in assigned capital funds and statements of cash flows for the years then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Philippine Branch as at September 30, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Basis for Opinion

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

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required under Section 174 of the Manual of Regulations for Banks and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the Manual of Regulations for Banks in Note 34 and Revenue Regulations 15-2010 in Note 36 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Philippine Branch. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements*
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-038-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 10467183
Issued January 2, 2025 at Makati City

**Based on the transition clause of the draft BSP Revised Framework for Selecting External Auditors, external auditors of banks with accreditation effective until 2023 financial statements (FS) audit will be allowed to audit 2024 FS.*

January 28, 2025
Makati City, Metro Manila

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
PHILIPPINE BRANCH

STATEMENTS OF FINANCIAL POSITION

		September 30	
	Note	**2024**	2023
ASSETS			
Cash and Other Cash Items	*5*	**P24,211,082**	P20,660,061
Loans and Advances to Banks	*5, 8*	**10,910,939,443**	11,000,580,852
Financial Assets at Fair Value through Profit or Loss (FVPL)	*5, 9*	**8,153,569,906**	1,464,181,222
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	*5, 6, 10*	**14,911,766,550**	9,568,256,715
Loans and Receivables - net	*5, 11*	**5,311,366,745**	8,611,741,713
Property and Equipment	*13*	**21,225,397**	23,935,890
Deferred Tax Assets - net	*25*	**97,397,148**	142,404,319
Other Assets	*5, 14*	**140,353,260**	63,172,748
		P39,570,829,531	P30,894,933,520
LIABILITIES AND ASSIGNED CAPITAL FUNDS			
Deposits from Customers	*5, 15, 31*	**P21,606,320,797**	P21,180,362,192
Deposits and Borrowings from Banks	*5, 15, 31*	**328,418,393**	350,151,503
Financial Liabilities at FVPL	*5, 6, 9, 31*	**912,297,467**	1,087,483,510
Net Due to Head Office and Other Branches	*5, 18, 31*	**7,802,710,999**	367,584,380
Accrued Interest Payable	*5, 15*	**20,053,146**	13,676,811
Income Tax Payable		**-**	100,358,891
Other Liabilities	*5, 16*	**354,563,514**	282,668,417
Total Liabilities		**31,024,364,316**	23,382,285,704
ASSIGNED CAPITAL FUNDS			
Assigned Capital Funds	*17*	**4,225,189,506**	4,225,189,506
Unremitted Profits	*33*	**4,115,103,660**	3,357,309,342
Reserves	*19*	**153,883,211**	(140,568,626)
Appropriation for General Loan Loss Provision	*7*	**52,288,838**	70,717,594
Total Assigned Capital Funds		**8,546,465,215**	7,512,647,816
		P39,570,829,531	P30,894,933,520

See Notes to the Financial Statements.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
PHILIPPINE BRANCH
STATEMENTS OF INCOME AND EXPENSES

		Years Ended September 30	
	Note	**2024**	2023
INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD	*20*	**P1,626,909,672**	P1,244,318,721
INTEREST INCOME ON FINANCIAL ASSETS AT FVPL	*9, 20*	**316,444,513**	301,390,917
		1,943,354,185	1,545,709,638
INTEREST EXPENSE	*21*	**567,734,756**	604,638,829
NET INTEREST INCOME		**1,375,619,429**	941,070,809
OTHER INCOME - Net			
Trading and securities gain - net	*23*	**184,866,545**	502,138,514
Foreign exchange gains (losses) - net	*24*	**10,925,519**	(229,658,000)
Fees and commission income	*22*	**64,919,027**	57,768,675
Gain (loss) on sale of debt financial assets at FVOCI	*10*	**15,371,221**	(1,237,310)
Miscellaneous income		**90,676**	40,000
		276,172,988	329,051,879
PROVISION FOR (REVERSAL OF) CREDIT AND IMPAIRMENT LOSSES AND RECOVERIES	*12*	**(125,366,160)**	(21,741,200)
OTHER EXPENSES			
Salaries, bonuses and allowances	*26*	**300,794,349**	292,970,748
Taxes and licenses	*25*	**172,428,444**	132,885,216
General office expenses	*27*	**106,134,891**	120,073,896
Allocated Head Office expenses	*18*	**61,843,564**	86,690,967
Deposit insurance and supervisory fees	*28*	**50,327,211**	46,995,223
Occupancy costs		**32,486,873**	31,666,117
Brokerage expenses		**19,642,163**	25,194,838
Professional fees		**9,672,445**	10,901,580
Depreciation and amortization	*13*	**6,530,580**	14,943,840
Miscellaneous		**3,419,549**	4,544,953
		763,280,069	766,867,378
INCOME BEFORE INCOME TAX EXPENSE		**1,013,878,508**	524,996,510
INCOME TAX EXPENSE	*25*	**272,080,028**	186,326,016
NET INCOME		**P741,798,480**	P338,670,494

See Notes to the Financial Statements.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
PHILIPPINE BRANCH

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended September 30	
	Note	**2024**	2023
NET INCOME		**P741,798,480**	P338,670,494
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may not be reclassified to statements of income and expenses			
Net remeasurement gain (loss) on retirement plan - net of tax	*26*	**(2,432,918)**	7,027,475
		(2,432,918)	7,027,475
Items that may be reclassified to statements of income and expenses			
Net change in unrealized gain (loss) on debt financial assets at FVOCI - net of tax and allowance for credit loss	*19, 10*	**296,010,076**	75,390,600
Translation adjustment for the year	*19*	**(1,558,239)**	1,140,898
		294,451,837	76,531,498
		292,018,919	83,558,973
TOTAL COMPREHENSIVE INCOME		**P1,033,817,399**	P422,229,467

See Notes to the Financial Statements.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
PHILIPPINE BRANCH

STATEMENTS OF CHANGES IN ASSIGNED CAPITAL FUNDS

Years Ended September 30

		Reserves						
	Assigned Capital Funds (Note 17)	Cumulative Translation Adjustment (Note 19)	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Notes 10,19)	Total Reserves	Remeasurement Gain (Loss) on Retirement Plan (Note 26)	Appropriation for General Loan Loss Provision (Note 7)	Unremitted Profits	Total
Balance as at October 1, 2023	**P4,225,189,506**	**P35,104,658**	**(P175,673,284)**	**(P140,568,626)**	**P -**	**P70,717,594**	**P3,357,309,342**	**P7,512,647,816**
Net income for the year	-	-	-	-	-	-	**741,798,480**	**741,798,480**
Other Comprehensive Income (Loss) for the Year								
Items that may not be reclassified to statements of income and expenses	-	-	-	-	**(2,432,918)**	-	-	**(2,432,918)**
Net remeasurement gain (loss) on retirement plan, net of tax	-	-	-	-	-	-	-	-
Net change in unrealized gain on equity financial assets at FVOCI - net of tax	-	-	-	-	-	-	-	-
Items that may be reclassified to statements of income and expenses	-	-	-	-	-	-	-	-
Net change in unrealized gain on debt financial assets at FVOCI - net of tax	-	-	**296,010,076**	**296,010,076**	-	-	-	**296,010,076**
Translation adjustment for the year	-	**(1,558,239)**	-	**(1,558,239)**	-	-	-	**(1,558,239)**
Total other comprehensive income (loss) for the year	-	**(1,558,239)**	**296,010,076**	**294,451,837**	**(2,432,918)**	-	-	**292,018,919**
Total comprehensive income (loss) for the year	-	**(1,558,239)**	**296,010,076**	**294,451,837**	**(2,432,918)**	-	**741,798,480**	**1,033,817,399**
Appropriation for general loan loss provision	-	-	-	-	-	**(18,428,756)**	**18,428,756**	-
Remeasurement loss on retirement plan transferred to unremitted profits (Notes 26)	-	-	-	-	**2,432,918**	-	**(2,432,918)**	-
Balance as at September 30, 2024	**P4,225,189,506**	**P33,546,419**	**P120,336,792**	**P153,883,211**	**P -**	**P52,288,838**	**P4,115,103,660**	**P8,546,465,215**

Forward

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
PHILIPPINE BRANCH

STATEMENTS OF CHANGES IN ASSIGNED CAPITAL FUNDS

Years Ended September 30

	Assigned Capital Funds (Note 17)	Reserves: Cumulative Translation Adjustment (Note 19)	Reserves: Net Unrealized Loss on Financial Assets at FVOCI (Notes 10,19)	Reserves: Total Reserves	Remeasurement Gain (Loss) on Retirement Plan (Note 26)	Appropriation for General Loan Loss Provision (Note 7)	Unremitted Profits	Total
Balance as at October 1, 2022	P4,225,189,506	P33,963,760	(P251,063,884)	(P217,100,124)	P -	P45,352,313	P3,036,976,654	P7,090,418,349
Net income for the year	-	-	-	-	-	-	338,670,494	338,670,494
Other Comprehensive Income (Loss) for the Year								
Items that may not be reclassified to statements of income and expenses								
Net remeasurement gain on retirement plan, net of tax	-	-	-	-	7,027,475	-	-	7,027,475
Net change in unrealized gain on equity financial assets at FVOCI, net of tax	-	-	-	-	-	-	-	-
Items that may be reclassified to statements of income and expenses								
Net change in unrealized gain on debt financial assets at FVOCI, net of tax	-	-	75,390,600	75,390,600	-	-	-	75,390,600
Translation adjustment for the year	-	1,140,898	-	1,140,898	-	-	-	1,140,898
Total other comprehensive income (loss) for the year	-	1,140,898	75,390,600	76,531,498	7,027,475	-	-	83,558,973
Total comprehensive income (loss) for the year	-	1,140,898	75,390,600	76,531,498	7,027,475	-	338,670,494	422,229,467
Appropriation for general loan loss provision	-	-	-	-	-	25,365,281	(25,365,281)	-
Remeasurement gain on retirement plan transferred to unremitted profits (Notes 26)	-	-	-	-	(7,027,475)	-	7,027,475	-
Balance as at September 30, 2023	P4,225,189,506	P35,104,658	(P175,673,284)	(P140,568,626)	P -	P70,717,594	P3,357,309,342	P7,512,647,816

See Notes to the Financial Statements.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
PHILIPPINE BRANCH

STATEMENTS OF CASH FLOWS

		Years Ended September 30	
	Note	**2024**	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax expense		**P1,013,878,508**	P524,996,510
Adjustments for:			
Interest income	*20*	**(1,943,354,185)**	(1,545,709,638)
Interest expense	*21*	**567,734,756**	604,638,829
Unrealized trading and securities gain - net	*23*	**175,614,554**	(421,418,037)
Provision for (reversal of) credit and impairment losses and recoveries	*12*	**16,662,540**	(21,741,200)
Loss (gain) on sale of financial assets at FVOCI	*10*	**(15,371,221)**	1,237,310
Depreciation and amortization expense	*13*	**6,530,580**	14,943,840
Other provision for liability	*26*	**6,379,000**	-
Retirement expense	*26*	**819,458**	16,762,994
Operating loss before changes in operating assets and liabilities		**(171,106,010)**	(826,289,392)
Decrease (increase) in:			
Financial assets at FVPL		**(6,865,003,238)**	1,899,386,404
Loans and receivables		**3,390,653,045**	(951,877,274)
Other assets		**(23,893,716)**	68,192,487
Increase (decrease) in:			
Financial liabilities at FVPL	*9*	**(175,186,043)**	(1,759,508,680)
Deposits and borrowings from banks	*15*	**(21,733,110)**	219,547,099
Deposits from customers	*15*	**425,958,605**	6,046,758,750
Liabilities for acceptances		**-**	(313,351,198)
Other liabilities		**76,958,982**	114,469,250
Cash generated (absorbed) by operations		**(3,363,351,485)**	4,497,327,446
Interest received		**1,862,935,050**	1,546,153,798
Interest paid		**(561,358,421)**	(621,024,364)
Income taxes paid		**(380,718,544)**	(199,437,102)
Contributions paid	*26*	**(16,831,950)**	(16,182,068)
Net cash provided by (used in) operating activities		**(2,459,325,350)**	5,206,837,710
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from debt financial assets at FVOCI		**(5,056,513,601)**	1,184,482,423
Additions to property and equipment	*13*	**(3,820,087)**	(21,116,008)
Net cash provided by (used in) investing activities		**(5,060,333,688)**	1,163,366,415

Forward

		Years Ended September 30	
	Note	**2024**	2023
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from (payment to) Head Office and other branches	*18*	**P7,435,126,889**	(P19,324,590,216)
Principal payments of lease liabilities		**-**	(610,140)
Net cash provided by (used in) financing activities		**7,435,126,889**	(19,325,200,356)
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS	*19*	**(1,558,239)**	1,140,898
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(86,090,388)**	(12,953,855,333)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	*5*	**20,660,061**	22,519,651
Loans and advances to banks	*8*	**11,000,580,852**	23,952,576,595
		11,021,240,913	23,975,096,246
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	*5*	**24,211,082**	20,660,061
Loans and advances to banks	*8*	**10,910,939,443**	11,000,580,852
		P10,935,150,525	P11,021,240,913

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Australia and New Zealand Banking Group Limited - Philippine Branch (referred to herein as the “Philippine Branch”) is the local branch of Australia and New Zealand Banking Group Limited (referred to herein as the “Head Office”), a foreign corporation existing under the laws of the Commonwealth of Australia. The Philippine Branch was authorized by the Bangko Sentral ng Pilipinas (BSP) to operate as a full commercial bank on September 25, 1995. The Philippine Branch started commercial banking operations on October 2, 1995. The Monetary Board of the BSP, in its Resolution No. 111 dated January 29, 2010, approved the upgrade of the Philippine Branch’s license to a universal bank and the Philippine Branch subsequently started its operations as a universal bank on March 19, 2010.

The Philippine Branch was also granted an Expanded Foreign Currency Deposit Unit Authority and an Expanded Financial Derivative License by the Monetary Board on October 18, 1995 and August 23, 2001, respectively. The Philippine Branch was granted a Type I Limited Expanded Dealer Authority by the BSP on November 13, 2008.

The Philippine Branch was registered with the Philippine Securities and Exchange Commission on September 28, 1995.

The Head Office guarantees the payment of all liabilities of the Philippine Branch, as embodied in its Deed of Guarantee executed on August 17, 1995.

The Philippine Branch’s principal place of business is at 14th Floor, Solaris One Building, 130 Dela Rosa St., Legaspi Village, Makati City.

2. Basis of Preparation

<u>Statement of Compliance</u>
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC), consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations.

The Philippine Branch’s financial statements as at and for the year ended September 30, 2024 were authorized for issue by the Chief Executive Officer on January 28, 2025.

<u>Basis of Measurement</u>
These financial statements include the accounts maintained in the Regular Banking Unit (RBU) and the Foreign Currency Deposit Unit (FCDU) of the Philippine Branch. The financial statements of these units are combined after eliminating inter-unit accounts.

These financial statements have been prepared using the historical cost basis, except for the following items:

Items	Measurement Bases
Financial instruments at FVPL	Fair value
Financial assets at FVOCI	Fair value
Defined benefit liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency
The functional currencies of the RBU and the FCDU are the Philippine Peso (PHP) and the United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency denominated accounts in the RBU are translated into their equivalents in PHP (see Note 3 for accounting policy on Foreign Currency Transactions and Translation).

The financial statements of the Philippine Branch are presented in PHP. All financial information presented in PHP has been rounded off to the nearest peso, except as otherwise indicated.

Presentation of Financial Statements
The Philippine Branch presents its statements of financial position broadly in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 31.

3. Summary of Material Accounting Policies

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

Adoption of Amendments to Standards
The Philippine Branch has adopted the following amendments to standards starting October 1, 2023 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Philippine Branch's financial statements.

- *Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

  The amendments will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures. The Company has adopted the amendments starting July 1, 2023, and accordingly, changed its accounting policy .

  The Philippine Branch reviewed the accounting policies and although the amendments did not result in any changes to the accounting policies themselves, updates were made to the accounting policy information disclosed in this Note *Summary of Material Accounting Policies* in certain instances in line with the amendments.

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

RBU
The books of accounts of the RBU of the Philippine Branch are maintained in PHP with various foreign currency transactions. The foreign currency income and expenses in the books of accounts are translated into its equivalent in PHP based on the functional rate exchange at the date of transaction. The foreign currency monetary assets and monetary liabilities at the reporting date are translated into PHP using the Bankers Association of the Philippines (BAP) closing rate as at the reporting date. Foreign exchange differences arising from remeasurement of foreign currency-denominated monetary assets and liabilities in the RBU are credited or charged to "Foreign exchange gains (losses) - net" account in the statements of income and expenses in the year in which the rates change.

Non-monetary assets and liabilities that are measured at historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU
The books of accounts of the FCDU with various foreign currency transactions are maintained in USD. The foreign currency income and expenses in the books of accounts are translated into their USD equivalents based on the functional rate of exchange at the date of transaction. The foreign currency-denominated monetary assets and liabilities at the reporting date are translated into USD using the BAP closing rate as at the reporting date.

Foreign exchange differences arising from remeasurement of foreign currency-denominated monetary assets and liabilities in the FCDU are credited or charged to “Foreign exchange gains (losses) - net” account in the statements of income and expenses in the year in which the rates change.

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

As at the reporting date, the assets and liabilities of the FCDU are translated from their functional currency (in USD) into their equivalent presentation currency (in PHP) using the BAP closing rate prevailing at the financial reporting date, and the income and expenses are translated using the BAP weighted average rate for the year. Foreign exchange differences arising from translation of the FCDU accounts to PHP as presentation currency are recognized directly as a separate component of equity as “Cumulative translation adjustment” under “Reserves” in the statements of financial position.

Financial Instruments
Financial assets and financial liabilities are accounted for as follows:

Initial Recognition
The Philippine Branch recognizes a financial asset or a financial liability on the trade date when it becomes a party to the contractual provisions of the financial instrument. Purchases or sales of financial assets that require delivery of the asset within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Derivatives are recognized on trade date basis (i.e., the date that the Philippine Branch commits to purchase or sell the asset).

Loans and advances to banks, loans and receivables, deposits from customers and deposits and borrowings from other banks and net due to/from Head Office and other branches are recognized on the date of origination, when cash is received by the Philippine Branch or when it is advanced to the borrower. Purchases and sales of financial assets and financial liabilities held at FVPL and FVOCI financial assets are initially recognized on trade date.

All financial instruments, whether financial assets or financial liabilities are initially measured at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial assets or financial liabilities includes transaction costs, except for those financial assets and liabilities at FVPL where the transaction costs are charged to expense in the period incurred.

Classification and Subsequent Measurement
Business Model Assessment
The Philippine Branch’s business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Philippine Branch’s business model does not depend on management’s intentions for an individual instrument (i.e., it is not an instrument-by-instrument assessment). This assessment is performed at a higher level of aggregation. The level of aggregation is at a level which is reviewed by key management personnel, enabling them to make strategic decisions for the business. The Philippine Branch has more than one business model for managing its financial instruments.

The assessment of the business model requires judgment based on facts and circumstances, considering quantitative and qualitative factors. The Philippine Branch considers all relevant evidence that is available at the date of the assessment.

Assessment of whether the Contractual Cash Flows represents Solely Payments of Principal and Interest (SPPI)
If an instrument is held in either a hold to collect or hold to collect and sell business model, then an assessment to determine whether contractual cash flows are SPPI on the principal outstanding is required to determine classification. For SPPI, interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a period of time. It can also include consideration for other basic lending risks (for example, liquidity risk) and costs (e.g., administrative costs) associated with holding the financial asset for a particular period of time and a profit margin that is consistent with a basic lending arrangement. Other contractual features that result in cash flows that are not payments of principal and interest result in the instrument being measured at FVPL. Other features considered in the assessment include effect of subordination, non-recourse terms, leverage and existence of embedded derivatives.

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that meet the SPPI criteria.

The contractual cash flows test must be performed at initial recognition of the financial asset and, if applicable, as at the date of any subsequent changes to the contractual provisions of the instrument.

Financial Assets
The Philippine Branch classifies its financial assets in the following categories: financial assets at amortized cost, financial assets at FVOCI or financial assets at FVPL.

Where assets are measured at fair value, gains and losses are either recognized entirely in statements of income and expenses (fair value through profit or loss, FVPL), or recognized in other comprehensive income (fair value through other comprehensive income, FVOCI).

For debt instruments, the FVOCI classification is mandatory for certain assets unless the fair value option is elected. Whilst for equity investments, the FVOCI classification is an election. Furthermore, the requirements for reclassifying gains or losses recognized in other comprehensive income are different for debt instruments and equity investments.

The classification of a financial asset is made at the time it is initially recognized, namely when the Philippine Branch becomes a party to the contractual provisions of the instrument, if certain conditions are met, the classification of an asset may subsequently need to be reclassified.

In March 2023, within the trading book of the Philippine Branch’s Markets business, a component of the Institutional division, the Philippine Branch commenced the management of repurchase agreements and associated reverse repurchase agreements on a fair value basis. This resulted in repurchase and associated reverse repurchase agreements being recognized and measured at fair value through profit and loss.

Debt Instruments

Financial Assets at Amortized Cost

A debt instrument that meets the following two conditions must be measured at amortized cost (net of any write down for impairment) unless the asset is designated at FVPL under the fair value option.

Business model: hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes).

Cash flow characteristics: give rise on specified dates to cash flows that are solely payments of principal and interest.

Debt financial assets meeting these criteria are measured initially at fair value plus transaction costs. These financial assets are subsequently measured at amortized cost using the effective interest method less any loss allowance. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is recognized under “Interest income calculated using the effective interest method” in the statements of income and expenses. The losses arising from impairment of financial assets at amortized cost are recognized in “Provision for (reversal of) credit and impairment losses and recoveries” in the statements of income and expenses.

The Philippine Branch’s financial assets at amortized cost include loans and advances to banks, loans and receivables, due from head office and other branches presented under “Net due to Head Office and other branches” account, accounts receivable, deposits for lease contracts and unsettled trade assets presented under “Other assets” account in the statements of financial position as at September 30, 2024 and 2023 (see Notes 8, 11, 14 and 18).

Financial Assets at FVOCI

A debt instrument that meets the following two conditions must be measured at FVOCI unless the asset is designated at FVPL under the fair value option:

Business model: hold the financial asset within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Cash flow characteristics: give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt financial assets meeting these criteria are measured initially at fair value plus transaction costs. These instruments are subsequently measured at fair value with gains and losses due to changes in fair value recognized under “Net change in unrealized gain (loss) on debt financial assets at FVOCI” in the statements of comprehensive income. Interest earned on these instruments is recognized under “Interest income calculated using the effective interest method” in the statements of income and expenses.

Financial Assets at FVPL
All other debt instruments not measured at amortized cost or at FVOCI are classified as financial assets at FVPL. The Philippine Branch's financial assets at FVPL consist of Held-for-trading (HFT) securities and derivative assets.

a. HFT Securities
   HFT investments are recorded in the statements of financial position at fair value. Changes in fair value relating to the held-for-trading positions are recognized in "Trading and securities gain - net" in the statements of income and expenses. Interest earned is recorded under "Interest income on financial assets at FVPL" in the statements of income and expenses.

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

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

The Philippine Branch's derivative transactions include forward exchange contracts, options, interest rate, currency and cross-currency swaps.

Even if an instrument meets the two requirements to be measured at amortized cost or FVOCI, the Philippine Branch has an option to designate, at initial recognition, a financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases or the liability is part or a group of financial liabilities or financial assets and financial liabilities that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Philippine Branch's key management personnel.

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

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

b. Financial assets at FVOCI which shall consist of:

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

   - Financial assets mandatorily measured at fair value. This includes investment in equity instruments, previously accounted at cost under PAS 39, which do not have quoted price in an active market for an identical instrument. There is no 'cost exception' for unquoted equities.

Dividends earned from equity instruments are recognized in "Miscellaneous income" in the statements of income and expenses when the Philippine Branch's right to receive payment has been established.

All equity investments in scope of PFRS 9 are measured at fair value in the statements of financial position, with value changes recognized in statements of income and expenses, except for those equity investments for which the Philippine Branch has elected to present value changes in OCI.

If an equity investment is not held for trading, the Philippine Branch can make an irrevocable election at initial recognition to measure it at FVOCI with only dividend income recognized in statements of income and expenses.

Financial Liabilities
The Philippine Branch classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or at FVPL.

Financial liabilities are classified and subsequently measured at amortized cost using the effective interest method, except for financial liabilities measured at FVPL. Financial liabilities measured at FVPL consists of: (a) financial liabilities HFT, including derivative liabilities that are not accounted for as hedging instruments; and (b) financial liabilities designated at FVPL.

The Philippine Branch may, at Initial recognition, irrevocably designate financial liabilities at FVPL.

The Philippine Branch's financial liabilities at amortized cost include deposits from customers, deposits and borrowings from banks, accrued interest payable, due to Head Office and other branches presented under "Net due to Head Office and other branches" account and certain financial liabilities presented under "Other liabilities" account, except for provisions, statutory liabilities, unclaimed monies, defined benefit liability and miscellaneous liabilities (see Notes 15, 16 and 18).

Financial liabilities at FVPL include derivative liabilities held-for-trading arising from interest rate swaps, cross-currency swaps and forward contracts. Similar to derivative assets, any gains or losses arising from changes in fair values of derivative liabilities are taken directly to "Foreign exchange gains (losses) - net" and "Trading and securities gain - net" in the statements of income and expenses. Derivatives are carried as liabilities when the fair value is negative.

Impairment
The Philippine Branch recognizes allowance for expected credit losses (ECL) using the ECL method which incorporates forward-looking information and does not require an actual loss event to have occurred for an impairment provision to be recognized. The ECL model was applied to all financial assets measured at amortized cost, debt instruments measured at FVOCI, certain loan commitments and financial guarantees not measured at FVPL. Under the ECL model, the following three-stage approach is applied to measuring ECL based on credit migration between the stages since origination:

Stage 1: At the origination of a financial asset, and where there has not been a significant increase in credit risk since origination, a provision equivalent to 12-month ECL is recognized.

Stage 2: Where there has been a significant increase in credit risk was origination, a provision equivalent to lifetime ECL is recognized. If credit risk was to improve in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure returns to a Stage 1 classification and a 12- month ECL.

Stage 3: Similar to the current PAS 39 requirements for individual impairment provisions, lifetime ECL is recognized for financial assets at amortized cost and debt instruments at FVOCI where there is objective evidence of impairment.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible defaults events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial statements allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Expected credit losses are estimated at the facility level by using a PD reflecting a probability weighted range of possible future economic scenarios, and applying this to the estimated exposure of the Philippine Branch at the point of default (exposure at default) after taking into account the value of any collateral held or other mitigants of loss (loss given default), while allowing for the impact of discounting for the time value of money.

Significant Increase in Credit Risk
The Philippine Branch considers both qualitative and quantitative information. For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination. The Philippine Branch will also use secondary indicators, such as 30 days past due arrears, as backstops to these primary indicators.

Credit-impaired Financial Assets (Stage 3)
Financial assets are considered credit impaired when they default. The definition of default used in measuring ECL is aligned to the definition used for internal credit risk management purposes across all portfolios. Evidence of credit-impairment includes arrears of over 90 days on any material credit obligation, indications that the borrower is experiencing significant financial difficulty, a breach of contract, bankruptcy or distressed restructuring.

When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the Philippine Branch’s internal process and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are credited to the “Provision for (reversal of) credit and impairment losses and recoveries” account in the statements of income and expenses.

An asset that is in Stage 3 will move back to Stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired. The asset will migrate back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly since initial recognition.

Definition of Default
The definition of default used in measuring ECL is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default.

Default occurs when there are indicators that a debtor is unlikely to meet contractual credit obligations to the Philippine Branch in full, or the exposure is 90 days past due (DPD). When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the Philippine Branch's internal process and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are credited to the "Provision for (reversal of) credit and impairment losses and recoveries" account in the statements of income and expenses.

Presentation of Allowance for ECL in the Statements of Financial Position
Loss allowances for ECL are presented in the statements of financial position as follows:

- Financial assets measured at amortized cost: as a deduction form the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision recorded as "Provision for liability" under "Other liabilities" account in the statements of financial position;
- Where a financial instrument includes both a drawn and an undrawn component, and the Philippine Branch cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Philippine Branch presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statements of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in "Reserves" account presented under "Assigned capital funds" in the statements of financial position.

Components of ECL Measurement
The measurement of ECL involves degrees of complexity and judgment, including estimation of probabilities of default (PD), loss given default (LGD), exposures at default (EAD), a range of future economic scenarios, application of probability weightings, estimation of expected lives and assessing significant increases in credit risk. Impairment charges will tend to be more volatile and will be recognised earlier.

Unsecured products with longer expected lives, such as revolving credit cards, are the most impacted. Management exercises credit judgment in assessing probability weights to attach to scenarios and in determining the amount of impairment provisions at each reporting date.

Write-off
Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Philippine Branch determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in "Provision for (reversal of) credit and impairment losses and recoveries" account in the statements of income and expenses.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Philippine Branch's procedures for recovery of amounts due.

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

When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an entry price). In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price).

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Philippine Branch on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure.

The Philippine Branch recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Fair Value Adjustments
When establishing the exit price of a financial instrument using a valuation technique, the Australia and New Zealand Banking Group (the "Group") considers adjustments to the modeled price which market participants would make when pricing that instrument. The Philippine Branch has made valuation adjustments in determining the fair value of financial assets and financial liabilities classified as Level 2 financial instruments.

Bid-offer Valuation Adjustment
The existing financial reporting framework makes use of mid-market prices as basis for establishing the fair value of financial instruments. The adjustment to fair value is made to incorporate the bid-offer spread and where there are offsetting market risks, this adjustment is made to the net open risk position. Bid-offer calculation methodology uses official market risk data from Market Risk Reporting System (MaRRS).

The bid-offer spread is independently sourced from third party rate providers and vetted by market risk and valuation control. Netting between maturity buckets is limited to the extent that risk sensitivities sourced from MaRRS would have the same pillars as the daily market risk report. This is to ensure that the risks used for bid-offer calculation are aligned to how the risks are viewed and managed by market risk.

Credit Valuation Adjustment (CVA)
The Group makes CVA against fair value of derivative instruments. The recognition and measurement require a derivative to be accounted for at full fair value where the credit quality of the counterparty must be reflected in the calculation of its fair value. In determining the fair value of a derivative, the Group recognizes CVA to reflect the probability that the counterparty may default at some point over the life of the transaction.

It is calculated by applying a probability of default (PD) on the potential estimated future positive exposure of the counterparty after taking into account the impact of collateral arrangements. As the Group's source derivative valuation systems value off a mid-swap curve being an interbank pricing (effectively disregarding credit quality), the CVA adjustment is required to reflect the difference in fair value attributable to the creditworthiness of the counterparty. The combination of the Group source system valuation and the CVA adjustment together meet the definition of fair value required under the standard. The Group makes greater use of market information for determining the PD and enhanced exposure modelling for estimating CVA.

Funding Valuation Adjustment (FVA)
The Group makes an FVA against derivative instruments. FVA reflects an estimate of the adjustment to its fair value that a market participant would make to incorporate funding costs that could arise in relation to the exposure. FVA is calculated by determining the net expected exposure at a counterparty level and then applying a funding rate to those exposures that reflect the market cost of funding. The FVA for collateralized derivatives are based on discounting the expected future cash flows at the relevant overnight indexed swap (OIS) rate after taking into consideration the terms of the underlying collateral agreement with the counterparty.

The FVA for uncollateralized (including partially collateralized) derivatives incorporates the estimated present value of the market funding cost or benefit associated with funding these transactions.

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same financial instrument or based on a valuation technique whose variables include only data from observable markets, the Philippine Branch recognizes the difference between the transaction price and fair value (a "Day 1" Difference) as part of current operations in the period when the financial asset is acquired or the financial liability is incurred.

In cases where the transaction price used is based on inputs which are not observable, the difference between the transaction price and model value is only recognized in the statement of income and expenses or when the financial instrument is derecognized. For each transaction, the Philippine Branch determines the appropriate method of recognizing the "Day 1" difference.

Financial Liabilities
The Philippine Branch derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting of Financial Instruments
Financial assets and financial liabilities are generally not offset. Offsetting in the statements of financial position is allowed when, and only when, the Philippine Branch has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, as related financial assets and financial liabilities are presented gross in the statements of financial position.

As at September 30, 2024 and 2023, the Philippine Branch has identified due from and due to Head Office and other branches accounts as financial instruments qualified for offsetting and accordingly presented the net amount as part of "Net Due to Head Office and Other Branches" account in the statements of financial position.

Cash and Other Cash Items
For purposes of reporting cash flows, cash and other cash items include cash and other cash equivalents, due from BSP, due from other banks and interbank loans receivable that are convertible to known amounts of cash with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

Cash and cash equivalents are carried at amortized cost in the statements of financial position.

Repurchase and Reverse Repurchase Agreements
Securities purchased under resale agreement (SPURA) to resell at a specified future date ("reverse repos") are not recognized in the statements of financial position. The corresponding cash paid, including accrued interest, is recognized in the statements of financial position as securities purchased under resale agreement, and is considered as a loan to the counterparty. The Philippine Branch is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. The difference between the purchase price and resale price is treated as interest income in the statements of income and expenses and is amortized over the life of the agreement using the effective interest method. Reverse repos classified as amortized cost are held for basic lending, with the intention to collect principal and interest upon maturity only, as opposed to those classified at fair value through profit or loss which are acquired for short-term profit taking. This includes reverse repurchase agreements with BSP under 'Loans and advances to banks' account in the statements of financial position.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and impairment losses, if any.

Initially, an item of property and equipment, is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Philippine Branch. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which these are incurred.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated useful life of the improvements or the term of the lease, whichever is shorter.

The estimated useful lives of the Philippine Branch's property and equipment and right-of-use assets are as follows:

	Number of Years
Computer equipment	3 - 5
Leasehold improvements	3 or lease term, whichever is shorter
Motor vehicles	5
Furniture, fixtures and equipment	10

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is reflected in the statements of income and expenses of the current period.

Impairment of Non-financial Assets

The carrying amounts of the Philippine Branch's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss equal to the excess of the asset's carrying amount over its recoverable amount is recognized in the statements of income and expenses in the period in which it arises.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal can be made only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in statements of income and expenses. After such a reversal, the depreciation is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

Equity

Assigned Capital Funds

Assigned capital funds represent the capital permanently assigned by the Head Office to the Philippine Branch. Assigned capital is measured at the fair value of the cash or other resources received for the initial investment transferred to the Philippine Branch from the Head Office. Assigned capital funds include the initial remittance of the Head Office to the Philippine Branch in accordance with the registration requirements of the SEC including any additional contributions to finance the Philippine Branch's working capital requirements.

Unremitted Profits

Unremitted profits represent the accumulated earnings and losses of the Philippine Branch less remittances to Head Office.

Appropriation for General Loan Loss Provision

Appropriation for general loan loss provision pertains to the accumulated amount of appropriation from Unremitted Profits made by the Philippine Branch arising from the excess of the one-percent general loan loss provisions for all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations, as required by the Manual of Regulations for Banks (MORB) Section 172, *Financial Records, Adoption of PFRS; Appendix 27 - Guidelines on the adoption of PFRS 9 - Classification and Measurement; Appendix 100 - Guidelines on the adoption of PFRS 9 - Impairment* over the computed allowance for ECL.

Revenue Recognition

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Philippine Branch expects to be entitled in exchange for those services.

The Philippine Branch assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Philippine Branch concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before income and expenses are recognized:

Within the Scope of PFRS 15
The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of Income	**Nature and Timing of Satisfaction of Performance Obligations**	**Revenue Recognition under PFRS15**
Lending fees and commission	Fee for every trade-related transaction. This also includes fees charged for providing customers a distinct good or service that are recognized separately from the underlying lending product.	*Guarantee Fees* Revenue is recognized upon execution of the trade finance products (e.g., loan commitments, LCs, import/export bills, etc.). *Arrangement Fees* Revenue is recognized when service (i.e. arrangement) is provided. If there are contract milestones, these arrangement fees are recognized upon completion of such milestones. *Structuring Fees* Revenue is recognized upon rendering of advice or during provision of service. Revenue is recognized over the term of loan syndication.
Non-lending fees and commission	Non-lending fees and commission pertain to service transfer pricing income allocated by Head Office, outward telegraphic transfer fees, import and export fees and guarantee fees and other non-lending services costs. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.	*Account, Transactions and Service Fees* Revenue is recognized at point in time that the associated service is provided as non-interest income (fees and commission) *Service Transfer Fees* Revenue is recognized monthly based on an accrual computation made by the Head Office.

A contract with customer that results in a recognized financial instrument in the Philippine Branch's financial statements may be partially in the scope of PFRS 9 and partially in the scope of PFRS 15. If this is the case, then the Philippine Branch first applies PFRS 9 to separate and measure the part of the contract that is in the scope of PFRS 9 and then applies PFRS 15 to the residual.

Lending and non-lending fees are recorded as part of "Fees and commission income" account in the statements of income and expenses.

Outside the Scope of PFRS 15
Interest income and expense are recognized in statements of income and expenses using the effective interest rate method. The “effective interest rate’’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Philippine Branch estimates future cash flows considering all the contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted EIR is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the EIR, transactions costs and all other premiums or discounts. Transaction costs include incremental costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability.

Amortized Cost and Gross Carrying Account
The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of Interest Income
The effective interest rate of a financial asset is calculated on initial recognition. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation
Interest income presented under “Interest income calculated using the effective interest method” in the statements of income and expenses includes interest earned on financial assets at amortized cost and at FVOCI - debt. Interest income on financial assets at FVPL is presented under “Interest income on financial assets at FVPL” in the statements of income and expenses.

Trading and Securities Gain - net
This consists of income from trading activities, including all gains and losses from changes in fair value of financial assets and financial liabilities at FVPL and gains and losses from disposal of financial assets at FVPL, except for gains and losses arising from foreign exchange differences.

Foreign Exchange Gains (Losses) - net
Trading gains and losses on spot foreign exchange contracts, forward foreign exchange contracts, over-the-counter foreign exchange options and exchange differences from translating transaction currency to functional currency are presented in “Foreign exchange gains (losses) - net” account in the statements of income and expenses.

<u>Expense Recognition</u>
Expense is recognized when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen to the Philippine Branch that can be measured reliably.

These financial statements are prepared on the accrual basis of accounting. Under this basis, costs and expenses are recognized when they occur and are reported in the financial statements in the periods to which they relate.

Offsetting of Income and Expenses
Income and expenses are generally not offset unless required or permitted by an accounting standard. This generally arises in the following circumstances:

- where transaction costs form an integral part of the effective interest rate (EIR) of a financial instrument which is measured at amortized cost, these are offset against the interest income generated by the financial instrument; and
- where gains and losses arise from a group of similar transactions such as gains/losses from financial assets and financial liabilities at FVPL and foreign exchange gains and losses.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as the Philippine Branch’s trading activities.

<u>Interest Expense</u>
Interest expense is recognized in the statements of income and expenses using the effective interest method. The effective interest is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instruments or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

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

<u>Employee Benefits</u>
Short-term Employee Benefits
Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Philippine Branch has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment Benefits
Under the defined contribution plan, the Philippine Branch pays fixed contributions based on the employees' monthly salaries. The Philippine Branch, however, is covered under Republic Act (RA) No. 7641, *The Philippine Retirement Law*, which provides for its qualified employees a defined benefits (DB) minimum guarantee. The DB minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of R.A. No. 7641.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation relating to the minimum guarantee at the end of the reporting period, or if higher, the sum of the defined contribution (DC) liability and the present value of the excess of the projected DB obligation over projected DC obligation, reduced by the fair value of the plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The DC liability is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the DC benefits.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Philippine Branch, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined liability or asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized as "Remeasurement gain (loss) on retirement plan" which is transferred to "Unremitted profits" in the statements of financial position. This is in accordance with PAS 19-R, *Employee Benefits* which states that remeasurements of the net defined benefit liability or asset recognized in other comprehensive income shall not be reclassified to statements of income and expenses in a subsequent period. However, the Philippine Branch may transfer those amounts recognized in other comprehensive income within equity.

The Philippine Branch determines the net interest expense (income) on the net defined benefit liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined liability or asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in the statements of income and expenses.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statements of income and expenses.

The Philippine Branch recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Obligations for contributions to defined contribution plan are expensed as the related service is provided and recognized as part of “Salaries, bonuses and allowances” account in the statements of income and expenses. Prepaid contributions, if any, are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

The net defined benefit is presented as liability under “Other liabilities” or asset under “Other assets” account in the statements of financial position.

Share-based Compensation
The Philippine Branch has share-based compensation plans. The shares are not issued by the Philippine Branch but by the Head Office, the cost of which is being charged back to the Philippine Branch via the Service Transfer Pricing mechanism that is included in the allocated head office expenses (see Note 18).

Expenses related to equity-settled share-based compensation are included in long-term benefits under “Salaries, bonuses and allowances” account (see Note 26).

At a date approved by the Board of Directors (BOD), the shares are issued to all eligible employees using the ANZ share price calculated by applying the one week weighted average price of ANZ shares sold on the Australian Stock Exchange, up to and including the date of issue of the shares.

If an employee is not required to complete a specified period of service before becoming unconditionally entitled to ANZ’s equity instruments, then ANZ is required to recognize the services received in full, with a corresponding increase in ANZ’s equity. ANZ accrues the expense for the shares that may be issued (note that the accrual does not necessarily mean that the shares will in fact be granted) in relation to a financial year. The accrual is recognized on a monthly basis as employees render the service in a particular financial year that may give rise to the granting of the shares to eligible staff. In the event that the shares are not granted, the accrual is reversed.

The fair value of equity instruments granted to employees is determined at grant date by the Head Office’s share plan administrator based on the latest weighted average and closing price of ANZ shares as shown in Australian Dollars (AUD).

In 2024 and 2023, the Philippine Branch recognized equity-settled share-based compensation, as part of “Salaries, bonuses and allowances” account in the statements of income and expenses, with a corresponding increase in “Net Due to Head Office and Other Branches” account in the statements of financial position.

Income Taxes
Income tax comprises current and deferred tax. Income tax is determined in accordance with Philippine tax law. Income tax is recognized in the statements of income and expenses, except to the extent that it relates to items recognized directly in equity. Taxes on these items are recognized in other comprehensive income (OCI).

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date. Unrecognized deferred tax assets, if any, are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

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

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the statements of income and expenses.

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

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

As at September 30, 2024 and 2023, the Philippine Branch has provision for liabilities amounting to P17.79 million and P11.41 million, respectively.

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

Amendments to Standards Issued but Not Yet Adopted
Amendments to standards are effective for annual periods beginning after October 1, 2023. However, the Philippine Branch has not applied the following amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

Effective January 1, 2025

- *Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates*). The amendments clarify that a currency is exchangeable into another currency when a company is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

  When a currency is not exchangeable, a company needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

  The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the company because the currency is not exchangeable.

  The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the company uses a presentation currency other than its functional currency.

  The Philippine Branch is still in the process of assessing the impact of the new standard, particularly with respect to the estimation of spot rates for currencies that are not exchangeable, and the required disclosures to assess the impact of using the estimated exchange rates.

Effective January 1, 2027

- PFRS 18*, Presentation and Disclosure in Financial Statements* will replace PAS 1 *Presentation of Financial Statements* and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements:

  - Entities are required to classify all income and expenses into five categories in the statement of income: operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
  - Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
  - Enhanced guidance on how to group information in the financial statements.

  In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

  The Philippine Branch is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Philippine Branch's statement of comprehensive income, the statement of cash flows and the additional disclosures required for MPMs. The Philippine Branch is also assessing the impact on how information is grouped in the financial statements, including for items currently labeled as "other".

4. Significant Accounting Judgments and Estimates

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

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

The following are the critical judgments, key estimates and assumptions that may have a risk of material adjustment to the carrying amounts of assets, liabilities, income, expenses, and disclosures of contingent assets and contingent liabilities in the next financial year.

<u>Judgments</u>
In the process of applying the Philippine Branch's accounting policies, management has made the following judgments, apart from those involving estimations, which may have the most significant effect on amounts recognized in the financial statements.

Identifying Leases - Philippine Branch as Lessee
The Philippine Branch uses its judgment in assessing that a contract is, or contains, a lease when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Philippine Branch reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

The Philippine Branch applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Philippine Branch reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Philippine Branch has not recognized right-of-use asset and lease liability for its lease of office premises. The Philippine Branch has determined that the risk and rewards of ownership of the premises have not been transferred to the Philippine Branch and so accounts for the lease as an operating lease.

Functional Currency
PAS 21, *The Effect of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine the Philippine Branch functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the Philippine Branch.

In making this judgment, the Philippine Branch considers the following:

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

Based on the economic substance of the underlying circumstance relevant to the Philippine Branch, the functional currency of the Philippine Branch's RBU book of accounts and FCDU book of accounts have been determined to be PHP and USD, respectively.

PHP and USD are the currencies of the primary economic environment on which the Philippine Branch operates. These are the currencies that mainly influence the income and costs arising from the Philippine Branch operations.

Classification of Financial Assets
The Philippine Branch exercises judgment in classifying a financial asset on initial recognition in accordance with the substance of the contractual arrangement and the definition of the types of financial assets. The substance of a financial asset, rather than its legal form, governs its classification in the statements of financial position.

Business Model Assessment
The Philippine Branch determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- how managers of the business are compensated.

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

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

Considering the realization of cash flows for repurchase agreements and reverse repurchase agreements are different from expectations, the Philippine Branch accounted for new repurchase agreements and reverse repurchase agreements as FVPL starting March 29, 2023. These products were classified as Level 2 within the fair value hierarchy. Interest income and expenses arising from these instruments are classified under interest income (expense) on financial assets (liabilities) at FVPL in the statement of income and expenses.

The SPPI Test
As a second step of its classification process, the Philippine Branch assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

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

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

Significant Increase in Credit Risk (SICR)
Stage 2 assets are those that have experienced a SICR since initial recognition. In determining what constitutes a SICR, the Philippine Branch considers both qualitative and quantitative information. For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination. The Philippine Branch will also use secondary indicators, such as 30 days past due arrears, as backstops to these primary indicators.

The determination of trigger points in relation to the deterioration of rating grades, combined with secondary risk indicators where used, requires judgment. In determining the Philippine Branch's policy, alternative indicators have been considered and assessed, and these will be subject to regular review to ensure they remain appropriate. Analysis of the sensitivity associated with the assessment of significant increase in credit risk is presented in Note 5.

Forward Looking Information
The measurement of ECLs reflects an unbiased probability-weighted range of possible future outcomes.

In applying forward looking information in the Philippine Branch's PFRS 9 credit models, the Philippine Branch uses four alternative economic scenarios in estimating ECL. A base case scenario reflects management's base case assumptions used for medium term planning purposes. Additional upside and downside scenarios are determined together with a severe downside scenario.

The Philippine Branch’s Credit and Market Risk Committee (CMRC) is responsible for reviewing and approving forecast economic scenarios and the associated probability weights applied to each scenario.

Where applicable, adjustments may be made to account for situations where known or expected risks have not been adequately addressed in the modelling process. CMRC will be responsible for recommending such adjustments.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

Fair Value of Financial Instruments

The Philippine Branch evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgment and estimation in determining the carrying values of financial assets and financial liabilities at the reporting date.

Credit and Impairment Loses

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

The Philippine Branch’s expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- the Philippine Branch’s internal credit grading model, which assigns the probability of defaults to individual grades;
- the Philippine Branch’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- the segmentation of financial assets when their ECL is assessed on a collective basis;
- development of ECL models, including the various formulas and the choice of inputs;
- determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on probability of defaults, exposure at defaults and loss given defaults; and
- selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Financial Assets at Amortized Cost

As at September 30, 2024 and 2023, allowance for credit and impairment losses on financial assets at amortized cost amounted to P13.77 million and P23.66 million, respectively (see Note 12).

Financial Assets at FVOCI

As at September 30, 2024 and 2023, the allowance for credit and impairment losses of financial assets at FVOCI, amounted to P37.43 million and P13.04 million, respectively (see Note 12).

Off-balance Sheet Items
As at September 30, 2024 and 2023, the allowance for credit and impairment losses of commitments and other financial guarantees amounting to P2.70 million and P0.57 million, respectively, is presented under "Other liabilities" as provision for liability (see Notes 12 and 16).

Impairment of Non-financial Assets
The Philippine Branch assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, except for goodwill acquired in a business combination which is tested for impairment annually. The factors that the Philippine Branch considers important, which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Philippine Branch recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair values less costs to sell and value in use.

Management performs business strategic review and assesses if there are impairment indicators affecting the carrying amount of property and equipment and intangible assets to warrant an impairment analysis. There were no impaired property and equipment as at September 30, 2024 and 2023.

Estimated Useful Lives of Property and Equipment
The useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from property and equipment.

The estimated useful lives of property and equipment are disclosed in Note 3.

Recognition and Realizability of Deferred Tax Assets
Deferred tax assets are recognized for all temporary differences and unused tax losses to the extent that it is probable that taxable income will be available against which the temporary differences and unused tax losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income.

Management assessed that there are deferred tax assets that can be realized by applying against future taxable income. The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The Philippine Branch recognized deferred tax assets amounting to P103.72 million and P149.83 million as at September 30, 2024 and 2023, respectively (see Note 25).

Present Value of Retirement Obligation
The present value of retirement obligation depends on number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining retirement cost include future salary increases, mortality rates, future pension increases and the discount rate. Any change in these assumptions will impact the carrying amount of the retirement obligation.

The assumed discount rates were determined using the prevailing market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting date. Retirement benefit asset (liability) amounting to P1.10 million and P5.16 million as at September 30, 2024 and 2023, respectively (see Notes 14 and 26).

Provisions and Contingencies
The Philippine Branch, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingences. Judgment is exercised by management to distinguish between provisions and contingencies.

5. Financial Risk Management Objectives and Policies

Introduction and Overview

Strategy in Using Financial Instruments
Financial instruments are fundamental to the Philippine Branch's business, constituting the core element of its operations. Accordingly, the risks associated with financial instruments are a significant component of the risks faced by the Philippine Branch. Financial instruments create, modify or reduce the credit, market (including traded or fair value risks and non-traded or interest and foreign currency related risks) and liquidity risks of the Philippine Branch. These risks and the Philippine Branch's policies and objectives for managing such risks are outlined below.

The Philippine Branch's overall risk management program based on the policy of the Group focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

The Philippine Branch has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

Credit Risk

Credit risk is the risk of financial loss from counterparties being unable to fulfill their contractual loan or other credit obligations. The Philippine Branch has an overall lending objective of sound growth for appropriate returns. The credit risk management framework exists to provide a structured and disciplined process to support this objective.

The Philippine Branch assumes credit risk in a wide range of lending and other activities in diverse markets and many jurisdictions. Credit risks arise not only from traditional lending to customers, but also from inter-bank, treasury, international trade and capital market activities around the world.

Credit Risk Management
A credit risk management framework is in place across the Philippine Branch with the aim of ensuring that a structured and disciplined approach is maintained in achieving the objectives set at the Group level. The framework focuses on policies, people, skills, vision, values, controls, risk concentrations and portfolio quality. It is supported by portfolio analysis and asset-writing strategies which guide lending decisions and identify segments of the portfolio requiring attention. The effectiveness of the framework is monitored through a series of compliance and reporting processes.

The Philippine Branch sets limits at an acceptable level of credit risk. Acceptance of credit risk is initially based on the counterparty's assessed capacity to meet contractual obligations (i.e., interest and capital repayments). Obtaining collateral supports this. An independent Risk Management function, at Group, Divisional and Business Unit levels, are staffed by risk specialists. Risk Management objectives on credit risk management include developing robust credit policies, making independent credit decisions and providing strong support to front line staff in the application of sound credit practices.

In addition to providing independent credit assessment and lending decisions, Risk Management also perform key roles in portfolio management, credit risk measurement system development and validation, loan asset quality reporting, and development of credit standards and policies. All credit decisions greater than predetermined thresholds require the approval from both business writers and independent risk personnel. These credit approval discretions (CADs) are delegated to individuals, at progressively diminishing levels, thus forming a credit approval hierarchy ensuring that larger and more complex credits are given greater analysis. The approval limits of each CADs-holder are contained in a CADs schedule.

Credit Risk Governance
CAD applicable to the Philippine Branch is exercised or delegated by the Group's CMRC to senior executives who further delegate to senior officers of the head office, regional office or in-country office. CMRC is an executive management committee comprising senior risk, business and group executives, chaired by the Chief Risk Officer of each of the countries. CMRC receives a delegated discretion from the Board Risk Committee to set credit policies, review divisional credit risk appetite and make credit decisions within set limits.

CMRC further delegates credit responsibilities to the broader organization, based on a combination of factors, including size of risk, level of risk, nature of counterparty, collateral support, risk concentration limits, location of risk and expertise of special credit points.

Each country's CMRC also oversees credit portfolio composition including large exposures, risk grade migration and risk concentration, changes to credit policy, Value-at-Risk (VaR) limits setting, new products and regulatory compliance, as well as recommendations for approval by the Board Risk Committee at a group level.

Country Risk Measurement
Some customer credit risks involve country risk whereby actions or events at a national or international level could disrupt servicing of commitments. Country risk arises when payment or discharge of an obligation will, or could, involve the flow of funds from one country to another or involve transactions in a currency other than the domestic currency of the relevant country. Country ratings are assigned to each country where the Philippine Branch incurs country risk and have a direct bearing on the Philippine Branch's risk appetite for each country.

The country rating is determined through a defined methodology based on external rating agencies' ratings and internal specialist opinion. It is also a key risk consideration in the Philippine Branch's capital pricing model for cross border flows. The recording of country limits provides the Group with a means to identify and control country risk. Country limits ensure that there is a country-by-country ceiling on exposures that involve country risk. They are recorded by time to maturity and purpose of exposure (e.g., trade, markets and project finance). Country limits are managed centrally for the Group, through a global country risk exposure management system managed by a specialist unit.

Concentration of Credit Risk
Concentrations of credit risk arise when a number of customers are engaged in similar business activities or activities within the same geographical region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Philippine Branch monitors its portfolios, to identify and assess risk concentrations. The Philippine Branch's strategy is to maintain well-diversified credit portfolios focused on achieving an acceptable risk-return balance. Credit risk portfolios are actively monitored and frequently reviewed to identify, assess and guard against unacceptable risk concentrations. Concentration analysis will typically include geography, industry, credit product and risk grade. The Philippine Branch also applies single customer counterparty limits to protect against unacceptably large exposures to single name risk. These limits are established based on a combination of factors including the nature of the counterparty, probability of default and collateral provided.

Portfolio Stress Testing
Stress testing is integral to strengthening the predictive approach to risk management and is a key component to managing risk appetite, asset writing strategies and business strategies. It creates greater understanding of impacts on financial performance through modeling relationships and sensitivities between geographic, industry and business unit exposures under a range of macro-economic scenarios. The Group has a dedicated stress testing team within Risk Management that models and reports periodically to the management and the Board Risk Committee on a range of scenarios and stress tests. The Philippine Branch's Market Risk Team and CMRC also use the reports to monitor risk levels.

Portfolio Analysis and Reporting
Global credit portfolios are analyzed by the Risk Committees, Senior Business and Board Risk Management. While these include Philippine-related exposures already, Philippine Branch credit portfolios are additionally analyzed by the Philippine Branch CRO and discussed in CMRC. A central risk reporting area produces credit portfolio analysis at both Group and Country (i.e., Philippine) levels which is distributed to senior Risk and Business executives through monthly, half yearly and ad hoc reporting, or as set agenda reports to the various Risk Committees.

This area provides an independent mechanism to ensure that significant and emerging credit risks are proactively identified and communicated to Group Risk and Business Units executives, including the Executive Management and Board Risk Committee.

Credit Risk Assurance
The credit risk objectives of the Group are set by the CMRC and are implemented and monitored within a tiered structure of delegated authority, designed to oversee multiple facets of credit risk, including asset writing strategies, credit policies/controls, single exposures, portfolio monitoring and risk concentrations. The integrity of the credit risk function is maintained by the independence of the credit chain and is supported by comprehensive risk analysis, risk tools, monitoring processes and policies.

The Group manages its credit risk within its credit risk management framework by dealing with creditworthy counterparties, setting credit limits on exposures to counterparties, and obtaining collateral where appropriate. To provide specialist management of impaired loans, Portfolio Management Department performs a role as workout specialist for identified sub-standard assets.

The credit risk review function within Group Audit provides further independent checks and balances on the quality of credit decisions.

This includes providing an independent periodic check on asset quality and compliance with agreed standards and policies across the Group.

Collateral Management
The Philippine Branch credit principles specify to only lend when the counterparty has the capacity and ability to repay, and the Group sets limits on the acceptable level of credit risk. Obtaining collateral is only used to mitigate credit risk. Procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured. The Group’s policy as implemented by the Philippine Branch sets out the types of acceptable collateral, including: cash; mortgages over property; charges over business assets (e.g., premises, stock and debtors); charges over financial instruments (e.g., debt securities and equities in support of trading facilities); and financial guarantees. In the event of customer default, any loan security is usually held as mortgagee in possession and therefore the Group usually holds any real estate or other assets acquired through the enforcement of security.

The Philippine Branch uses International Swaps and Derivatives Association (ISDA) Master Agreements to document derivatives activities to limit exposure to credit losses. The credit risk is reduced by a master agreement to the extent that if an event of default occurs, all contracts with the counterparty are terminated and settled on a net basis.

Further, it is the Group’s preferred practice to include all products covered by the ISDA in the Credit Support Annex (CSA) in order to achieve the objective of further credit exposure reduction. Under a CSA, collateral is passed between the parties, depending on the aggregate fair value (positive or negative) of derivatives trades between the two entities to mitigate the market contingent counterparty risk inherent in the outstanding positions.

Credit Quality
For financial assets recognized in the statements of financial position, the maximum exposure to credit risk is the carrying amount. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Philippine Branch would have to pay if the instrument is called upon. For undrawn facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

A core component of the Group's credit risk management capability is the risk grading framework used across all major Business Units and geographic areas. A set of risk grading principles and policies are supported by a complementary risk grading methodology. Pronouncements by the Basel Committee on Banking Supervision have been encapsulated in these principles and policies including governance, validation and modeling requirements.

The Group's risk grade profile changes dynamically through new counterparty lending acquisitions and/or existing counterparty movements in either risk or volume. All counterparty risk grades are subject to regular reviews.

The Group uses a two-dimensional risk grading system, which measures both the customer's ability to repay - PD, and the loss given default (LGD), a factor of the security taken to support the lending. The Group also uses financial and statistical tools to assist in the risk grading of customers. Customer risk grades are actively reviewed and monitored to ensure the risk grade accurately reflects the credit risk of the customer and the prevailing economic conditions. Similarly, the performance of risk grading tools used in the risk grading process is reviewed regularly to ensure the tools remain statistically valid.

The Group applies a master scale to the key outputs of the risk grading process, the PD and LGD, to consistently report on the Group's lending portfolios. The credit quality of financial assets is managed by the Group using internal ratings which aim to reflect the relative ability of counterparties to fulfill, on time, their credit-related obligations, and is based on their current probability of default.

Internal Credit Risk Rating

	CCR Grade	Description
Strong credit profile	0+ 1+ 1= 1- 2+ 2= 2-	Customers that have demonstrated superior stability in their operating and financial performance over the long-term, and whose debt servicing capacity is not significantly vulnerable to foreseeable events.
Satisfactory risk	3+ 3= 3- 4+ 4= 4- 5+ 5= 5-	Customers that have consistently demonstrated sound operational and financial stability over the medium to long term, even though some may be susceptible to cyclical trends or variability in earnings.
Sub-standard but not past due or impaired	6+ 6= 6- 7+ 7=	Customers that have demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.
Past due but not impaired	7- 8+ 8=	Customers where contractual interest or principal payments are past due but impairment is not appropriate base on the level of security/collateral available and/or the stage of collections of amounts owed.

	CCR Grade	Description
Specifically impaired	8- 9 10	Customers where there is the expectation of partial or total loss of principal, total loss of interest and fees and a time value loss measured through the estimation of discounted expected future cash flows.

Definitions of stages for financial assets are as follows:

	Impairment Stage	Staging Criteria	Loss Period
Stage 1	No significant increase in credit risk	▪ Low credit risk ▪ On origination all facilities attract a collectively assessed provision equivalent to 12 months ECL ▪ Facilities remain Stage 1 unless they are determined to have experienced a significant increase in credit risk (SICR) ▪ Previously under-performing facilities that are determined to be performing are able to migrate back to Stage 1	12- month ECL
Stage 2	Significant increase in credit risk	▪ Stage 2 facilities attract a collectively assessed provision equivalent to lifetime ECL Facilities that are Stage 2 include: • Previously performing facilities that have experienced SICR Previously non-performing facilities that are determined to no longer be credit impaired and hence have migrated back to Stage 2 • **Origination CCR** — **Significant Increase** 0+ to 3- — To CCR 4- and beyond 4+ to 5- — 3 notches (1 full grade) 6+ to 6- — 2 notches 7+ to 8= — 1 notch (any downgrade)	Lifetime ECL
Stage 3	Credit impaired	▪ NPL definition during model development based on Section 306 *Past Due Accounts and Non-Performing Loans* of the MORB ▪ 91+ days past due ▪ items in litigation ▪ matured with balance ▪ Restructured ▪ Rescheduled	Lifetime ECL

The table below shows the internal risk rating of the Philippine Branch's financial assets as at September 30, 2024 and 2023 (amounts in thousands):

	September 30, 2024					
	Neither Past Due nor Impaired					
	Strong Credit Profile	**Satisfactory Risk**	**Sub-standard but not Past Due or Impaired**	**Past Due but not Impaired**	**Specifically Impaired**	**Total**
Loans and Advances to Banks (Gross)						
Due from BSP	**P -**	**P7,482,738**	**P -**	**P -**	**P -**	**P7,482,738**
Reverse repurchase agreement	**-**	**1,000,000**	**-**	**-**	**-**	**1,000,000**
Due from other banks	**1,594,412**	**333,789**	**-**	**-**	**-**	**1,928,201**
Interbank loans receivable	**-**	**500,000**	**-**	**-**	**-**	**500,000**
Total	**P1,594,412**	**P9,316,527**	**P -**	**P -**	**P -**	**P10,910,939**
Financial Assets at FVPL						
Reverse repurchase agreement	**P -**	**P5,416,390**	**P -**	**P -**	**P -**	**P5,416,390**
Debt securities held-for-trading	**-**	**2,100,627**	**-**	**-**	**-**	**2,100,627**
Derivative financial assets	**142,007**	**494,546**	**-**	**-**	**-**	**636,553**
Total	**P142,007**	**P8,011,563**	**P -**	**P -**	**P -**	**P8,153,570**
Financial Assets at FVOCI (Gross)						
US Treasury bills	**P1,958,477**	**P -**	**P -**	**P -**	**P -**	**P1,958,477**
Republic of the Philippines (ROP) PHP bonds	**-**	**12,949,710**	**-**	**-**	**-**	**12,949,710**
Equity securities	**-**	**3,580**	**-**	**-**	**-**	**3,580**
Total	**P1,958,477**	**P12,953,290**	**P -**	**P -**	**P -**	**P14,911,767**
Loans and Receivables (Gross)						
Term loans	**P1,700,000**	**P3,421,721**	**P -**	**P -**	**P -**	**P5,121,721**
Customers' liabilities on acceptances	**-**	**-**	**-**	**-**	**-**	**-**
Accrued interest receivable	**-**	**203,410**	**-**	**-**	**-**	**203,410**
Total	**P1,700,000**	**P3,625,131**	**P -**	**P -**	**P -**	**P5,325,131**
Due from Head Office and Other Branches (Gross)	**P271,668**	**P -**	**P -**	**P -**	**P -**	**P271,668**
Other Assets*	**P -**	**P3,354**	**P -**	**P -**	**P -**	**P3,354**

**This account includes accounts receivable and unsettled trade assets.*

	September 30, 2023					
	Neither Past Due nor Impaired					
	Strong Credit Profile	Satisfactory Risk	Sub-standard but not Past Due or Impaired	Past Due but not Impaired	Specifically Impaired	Total
Loans and Advances to Banks (Gross)						
Due from BSP	P1,851,903	P -	P -	P -	P -	P1,851,903
Due from other banks	5,454,384	1,194,294	-	-	-	6,648,678
Interbank loans receivable	2,500,000	-	-	-	-	2,500,000
Total	P9,806,287	P1,194,294	P -	P -	P -	P11,000,581
Financial Assets at FVPL						
Reverse repurchase agreement	P 279,944	P -	P -	P -	P -	P279,944
Debt securities held-for-trading	-	577,278	-	-	-	577,278
Derivative financial assets	-	606,960	-	-	-	606,960
Total	P279,944	P1,184,238	P -	P -	P -	P1,464,182
Financial Assets at FVOCI (Gross)						
US Treasury bills	P -	P3,370,649	P -	P -	P -	P3,370,649
Republic of the Philippines (ROP) PHP bonds	-	6,194,028	-	-	-	6,194,028
Equity securities	-	3,580	-	-	-	3,580
Total	P -	P9,568,257	P -	P -	P -	P9,568,257
Loans and Receivables (Gross)						
Term loans	P4,557,181	P3,955,229	P -	P -	P -	P8,512,410
Customers' liabilities on acceptances	-	-	-	-	-	-
Accrued interest receivable	-	122,991	-	-	-	122,991
Total	P4,557,181	P4,078,220	P -	P -	P -	P8,635,401
Due from Head Office and Other Branches (Gross)	P325,140	P -	P -	P -	P -	P325,140
Other Assets*	P -	P14,422	P -	P -	P -	P14,422

**This account includes accounts receivable, deposits on lease contracts and unsettled trade assets.*

The following table shows the credit quality by class of the Philippine Branch's financial assets including loans and receivables (gross of allowance for credit and impairment losses) as at September 30, 2024 and 2023 (amounts in thousands).

		September 30, 2024			
	Note	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and Advances to Banks	*8*				
Neither past due nor impaired:					
Strong credit profile		**P1,594,412**	**P -**	**P -**	**P1,594,412**
Satisfactory risk		**9,316,527**	**-**	**-**	**9,316,527**
Sub-standard but not past due or impaired		**-**	**-**	**-**	**-**
Past due but not impaired		**-**	**-**	**-**	**-**
Impaired		**-**	**-**	**-**	**-**
		10,910,939	**-**	**-**	**10,910,939**
Financial Assets at FVPL	*9*				
Neither past due nor impaired:					
Strong credit profile		**142,007**	**-**	**-**	**142,007**
Satisfactory risk		**8,011,563**	**-**	**-**	**8,011,563**
Sub-standard but not past due or impaired		**-**	**-**	**-**	**-**
Past due but not impaired		**-**	**-**	**-**	**-**
Impaired		**-**	**-**	**-**	**-**
		8,153,570	**-**	**-**	**8,153,570**
Financial Assets at FVOCI	*10*				
Neither past due nor impaired:					
Strong credit profile		**1,958,477**	**-**	**-**	**1,958,477**
Satisfactory risk		**12,953,290**	**-**	**-**	**12,953,290**
Sub-standard but not past due or impaired		**-**	**-**	**-**	**-**
Past due but not impaired		**-**	**-**	**-**	**-**
Impaired		**-**	**-**	**-**	**-**
		14,911,767	**-**	**-**	**14,911,767**
Loans and Receivables (Gross)	*11*				
Neither past due nor impaired:					
Strong credit profile		**1,700,000**	**-**	**-**	**1,700,000**
Satisfactory risk		**3,604,431**	**20,700**	**-**	**3,625,131**
Sub-standard but not past due or impaired		**-**	**-**	**-**	**-**
Past due but not impaired		**-**	**-**	**-**	**-**
Impaired		**-**	**-**	**-**	**-**
		5,304,431	**20,700**	**-**	**5,325,131**
Due from Head Office and Other Branches	*18*				
Neither past due nor impaired:					
Strong credit profile		**271,668**	**-**	**-**	**271,668**
Satisfactory risk		**-**	**-**	**-**	**-**
Sub-standard but not past due or impaired		**-**	**-**	**-**	**-**
Past due but not impaired		**-**	**-**	**-**	**-**
Impaired		**-**	**-**	**-**	**-**
		271,668	**-**	**-**	**271,668**
Total		**P39,552,375**	**P20,700**	**P -**	**P39,573,075**

		September 30, 2023			
	Note	Stage 1	Stage 2	Stage 3	Total
Loans and Advances to Banks	*8*				
Neither past due nor impaired:					
Strong credit profile		P9,806,287	P -	P -	P9,806,287
Satisfactory risk		1,194,294	-	-	1,194,294
Sub-standard but not past due or impaired		-	-	-	-
Past due but not impaired		-	-	-	-
Impaired		-	-	-	-
		11,000,581	-	-	11,000,581
Financial Assets at FVPL	*9*				
Neither past due nor impaired:					
Strong credit profile		279,943	-	-	279,943
Satisfactory risk		1,184,238	-	-	1,184,238
Sub-standard but not past due or impaired		-	-	-	-
Past due but not impaired		-	-	-	-
Impaired		-	-	-	-
		1,464,181	-	-	1,464,181

Forward

	Note	September 30, 2023 Stage 1	Stage 2	Stage 3	Total
Financial Assets at FVOCI	10				
Neither past due nor impaired:					
Strong credit profile		P -	P -	P -	P -
Satisfactory risk		9,568,257	-	-	9,568,257
Sub-standard but not past due or impaired		-	-	-	-
Past due but not impaired		-	-	-	-
Impaired		-	-	-	-
		9,568,257	-	-	9,568,257
Loans and Receivables (Gross)	11				
Neither past due nor impaired:					
Strong credit profile		4,557,181	-	-	4,557,181
Satisfactory risk		3,980,220	98,000	-	4,078,220
Sub-standard but not past due or impaired		-	-	-	-
Past due but not impaired		-	-	-	-
Impaired		-	-	-	-
		8,537,401	98,000	-	8,635,401
Due from Head Office and Other Branches	18				
Neither past due nor impaired:					
Strong credit profile		325,140	-	-	325,140
Satisfactory risk		-	-	-	-
Sub-standard but not past due or impaired		-	-	-	-
Past due but not impaired		-	-	-	-
Impaired		-	-	-	-
		325,140	-	-	325,140
Total		P30,895,560	P98,000	P -	P30,993,560

Concentration of Credit Risk Analysis

Composition of financial assets that give rise to credit risk by industry (excluding accrued interest receivable but gross of allowance for impairment and credit losses) (in thousands):

Industry	**September 30, 2024** **Loans and Advances to Banks**	**Financial Assets at FVPL**	**Financial Assets at FVOCI**	**Loans and Receivables**	**Due from Head Office and Other Branches**	**Other Assets***	**Total**
Government and official institutions	**P7,482,738**	**P2,100,627**	**P14,911,767**	**P -**	**P -**	**P -**	**P24,495,132**
Financial institutions	**3,428,201**	**6,046,592**	**-**	**1,760,000**	**271,668**	**-**	**11,506,461**
Manufacturing	**-**	**-**	**-**	**1,918,260**	**-**	**-**	**1,918,260**
Real estate, renting and business activities	**-**	**-**	**-**	**27,826**	**-**	**-**	**27,826**
Wholesale and retail trade	**-**	**974**	**-**	**-**	**-**	**-**	**974**
Electricity, gas and water supply	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Agriculture and forestry	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transportation and storage	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Telecommunication	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Professional, scientific and technical services	**-**	**14**	**-**	**1,148,700**	**-**	**-**	**1,148,714**
Mining and Quarrying	**-**	**-**	**-**	**250,000**	**-**	**-**	**250,000**
Others	**-**	**5,363**	**-**	**16,935**	**-**	**3,354**	**25,652**
	P10,910,939	**P8,153,570**	**P14,911,767**	**P5,121,721**	**P271,668**	**P3,354**	**P39,373,019**

**This account includes accounts receivable, deposits from lease contracts and unsettled trade assets.*

Industry	September 30, 2023 Loans and Advances to Banks	Financial Assets at FVPL	Financial Assets at FVOCI	Loans and Receivables	Due from Head Office and Other Branches	Other Assets*	Total
Government and official institutions	P1,851,903	P577,277	P9,581,302	P -	P -	P -	P12,010,482
Financial institutions	9,148,678	821,977	-	1,660,000	325,140	-	11,955,795
Manufacturing	-	3	-	4,547,257	-	-	4,547,260
Real estate, renting and business activities	-	-	-	30,261	-	-	30,261
Wholesale and retail trade	-	85	-	-	-	-	85
Electricity, gas and water supply	-	-	-	589,971	-	-	589,971
Agriculture and forestry	-	-	-	-	-	-	-
Transportation and storage	-	-	-	-	-	-	-
Telecommunication	-	-	-	-	-	-	-
Professional, scientific and technical services	-	-	-	1,226,000	-	-	1,226,000
Mining and Quarrying	-	-	-	450,000	-	-	450,000
Others	-	64,839	-	8,921	-	14,422	88,182
	P11,000,581	P1,464,181	P9,581,302	P8,512,410	P325,140	P14,422	P30,898,036

**This account includes accounts receivable, deposits from lease contracts and unsettled trade assets.*

Past Due but not Impaired Loans
Loans and securities where contractual interest or principal payments are past due but the Philippine Branch believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Philippine Branch is considered past due but not impaired loans. All loans regardless of delinquency are provisioned for losses based on ANZ Group Portfolio Impairment Provision policies.

Loan Loss Provisioning
The Philippine Branch uses the PFRS 9 loan loss provisioning. Loan loss provisions are booked given expected losses and incorporate forward-looking information based on the macroeconomic outlook, amongst other factors. Furthermore, loan loss provisioning is calculated on the lifetime expected losses for assets that have experienced a significant deterioration in credit quality. As a result of these elements, loan loss provisioning in statements of income and expenses could become more volatile.

More information on the impairment methodology for financial assets under PFRS 9 can be found in Note 3 under “Impairment” policy.

Of the total Philippine Branch portfolio, 99.61% of total outstanding is classified as Stage 1, while Stage 2 make up 0.39% or equivalent to P98.0 million of total outstanding balance as at year end. The outstanding loans under Stage 2 pertain to loans receivable that has been fully provided and has increased its CCR to 5+.

As at September 30, 2024 and 2023, despite of the stage 2 loan mentioned above, the Philippine Branch has no past due but not impaired financial assets.

Sensitivity Analysis of Key Sources of Estimation Uncertainty
The inherent complexities and potential impact on the carrying amounts of assets and liabilities under PFRS 9 represents a key source of estimation uncertainty. In particular, the Group’s reportable ECL numbers are most sensitive to the forward-looking macroeconomic forecasts used as model inputs, the probability-weights applied to each of the four scenarios, and the criteria for identifying a significant increase in credit risk. As such, these crucial components require consultation and management judgment, and are subject to extensive governance.

- *Forward-looking Macroeconomics Used as Model Inputs*

  As a baseline for PFRS 9, ANZ Group uses the consensus outlook for economic variables. For Australia and New Zealand, the ANZ Group uses the individual countries macroeconomic forecasts respectively whereas the Rest of the World, which includes the Philippine Branch, utilizes US as a proxy. The Philippine Branch uses the US model plus any local management adjustment, as applicable, to align with the current Philippine economic status. The Philippine Branch uses the gross domestic product (GDP) as the base economic forecast being the only applicable measure for the Philippines.

  Base Case Economic Forecast Assumptions
  Continuing uncertainties described above increase the risk of the economic forecast resulting in an understatement or overstatement of the ECL balance. The economic drivers of the base case economic forecasts, reflective of ANZ Economics view of future macroeconomics condition used at September 30, 2024 are set out below. For the years following the near-term forecasts below, the ECL models project future year economic conditions which include an assumption of eventual reversion to mid-cycle economic conditions.

Rest of the world (excluding Australia and New Zealand) Forecast

	2024	2025	2026
GDP	**2.30%**	**1.50%**	**1.90%**
CPI	**3.10%**	**2.40%**	**2.10%**

The base case economic forecasts as at September 30, 2024 are for continuing slowdowns in economic activity. Continued high inflation globally is expected to keep interest rates high and dampen growth over the forecast period.

- *Probability Weights Applied to Each of the Four Economic Scenarios*

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario.

The base case scenario represents an overall deterioration in the forecasts since September 2024, given uncertainties associated with how the economy may respond to rapidly moving factors including inflation and lower economic growth globally, the base case weighting has been remained at 45% (2023:45%), the downside case weighting remained at 40% (2023:40%), and the severe downside scenario remained at 15% (2023:15%).

The assigned probability weightings have a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these weightings to provide the best estimate of the possible loss outcomes and has analyzed inter-relationships and correlations (over both the short and long term) within the Group's credit portfolios in determining them. The average weightings applied are set out below:

Rest of the world (excluding Australia and New Zealand) Forecast.

	2024	2023
Base	**45.00%**	45.00%
Upside	**0.00%**	0.00%
Downside	**40.00%**	40.00%
Stress	**15.00%**	15.00%

Sensitivity Analysis of Expected Credit Loss
The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at September 30, 2024 and 2023:

	September 30, 2024	
	ECL (PHP)	**Impact (PHP)**
If 1% of Stage 1 facilities were included in Stage 2	**P57,141,945**	**P531,733**
100% Upside scenario	**19,063,383**	**(34,839,538)**
100% Base scenario	**24,762,091**	**(29,140,831)**
100% Downside scenario	**45,437,358**	**(9,140,831)**
100% Stress scenario	**128,722,258**	**74,819,336**

	September 30, 2023	
	ECL (PHP)	Impact (PHP)
If 1% of Stage 1 facilities were included in Stage 2	P38,032,586	P748,610
100% Upside scenario	11,780,701	(25,503,275)
100% Base scenario	16,552,162	(20,731,814)
100% Downside scenario	28,878,437	(8,405,539)
100% Stress scenario	85,544,163	48,260,186

- *Criteria for Identifying a Significant Increase in Credit Risk*

  All assets in scope of PFRS 9 impairment and which are subject to collective ECL assessment are allocated a 12-month ECL if deemed to belong in Stage 1, or a lifetime ECL if deemed to belong in Stages 2 and 3. An asset belongs in Stage 2 if it is considered to have experienced a significant increase in credit risk since initial origination or purchase. The stage allocation process involves an asset's derived PD being assessed against a set of PD threshold bandings, which determines the appropriate staging and ECL. The Philippine Branch recorded total collective ECL amounting to P53.90 million and P37.28 million as at September 30, 2024 and 2023, respectively (see Note 12).

  For the wholesale portfolio, SICR is assessed by comparing the current CCR (i.e., CCR at reporting date) to the origination CCR (i.e., CCR when the facility was first written) where any facility that has had a significant increase in credit risk will be allocated to Stage 2 with everything else allocated to Stage 1.

  The Philippine Branch holds collateral against loans and receivables in the form of parent guarantees and real estate mortgage. There are no collaterals held for past due loans in 2024 and 2023. The fair value of real estate mortgage held by the Philippine Branch as at September 30, 2024 and 2023 amounted to P25.72 million and P28.60 million, respectively (see Note 34).

  In 2024 and 2023, the Philippine Branch has no restructured loans.

<u>Liquidity Risk</u>
Liquidity risk is the risk that the Philippine Branch has insufficient capacity to fund increases in assets and is unable to meet its payment obligations as they fall due, including repaying depositors or maturing debt. The timing mismatch of cash flows and the related liquidity risk is inherent in all banking operations and is closely monitored by the Philippine Branch.

To effectively manage liquidity risk, the Philippine Branch has arranged diversified funding sources. The objective of the Philippine Branch's liquidity and funding risk management framework is to ensure that it has sufficient liquidity to meet obligations as they fall due without incurring unacceptable losses.

Key principles of the Philippine Branch's approach to liquidity risk management include:

- Maintaining the ability to meet all the payment obligations in the immediate term.
- Maintaining strength in the balance sheet structure to ensure long-term resilience in the liquidity and funding risk profile.
- Limiting the potential earnings at risk implications associated with unexpected increases in funding costs or the liquidation of assets under stress.
- Ensuring the liquidity management framework is compatible with local regulatory requirements.

- Preparation and review of daily liquidity reports quantifying the Philippine Branch's position.
- Targeting a diversified funding base, avoiding undue concentrations by investor type, maturity, market source and currency.
- Holding a portfolio of high-quality liquid assets to protect against adverse funding conditions and to support day-to-day operations.
- Management of liquidity and funding risks are overseen by the Asset and Liability Committee (ALCO).

A key component of the Philippine Branch's liquidity management framework is scenario modeling to assess liquidity under different scenarios, including 'going-concern' and 'name-crisis'.

"Going-concern": reflects the normal behavior of cash flows in the ordinary course of business. The Philippine Branch must be able to meet all commitments and obligations under a going concern scenario, within the normal funding capacity over at least the following 30 calendar days. In estimating the funding requirement, the ANZ Group models expected cash flows by reference to historical behavior and contractual maturity data.

"Name-crisis": refers to a potential name-specific liquidity crisis which models the behavior of cash flows where there is a problem (real or perceived) which may include, but is not limited to, operational issues, doubts about the solvency of the ANZ Group or adverse rating changes. Under this scenario the Philippine Branch may have significant difficulty rolling over or replacing funding. Under a name crisis, cash flow must be positive over a five business day period.

The Philippine Branch must be able to meet all commitments and obligations under a going concern scenario over at least the following 30 calendar days and required to be cash flow positive over a five business day period.

The table below shows the contractual financial assets and liabilities of the Philippine Branch based on contractual undiscounted cashflows (amounts in thousands):

		2024					
	Note	Less than 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
Financial Assets							
Cash and other cash items		P24,211	P -	P -	P -	P -	P24,211
Loans and advances to banks	8	10,910,939	-	-	-	-	10,910,939
Financial assets at FVPL	9	5,017,645	2,879,008	211,605	45,312		8,153,570
Financial assets at FVOCI (Gross)	10	1,962,057	-	3,248,696	5,406,867	4,294,147	14,911,767
Loans and receivables	11	2,834,610	1,595,760	-	872,012	22,750	5,325,132
Other assets*	14	3,354	-	-	-	-	3,354
		20,752,815	4,474,768	3,460,301	6,324,190	4,316,897	39,328,971
Financial Liabilities							
Deposits from customers	15	20,314,968	983,188	308,165	-	-	21,606,321
Deposits and borrowings from banks	15	194,214	-	134,204	-	-	328,418
Financial liabilities at FVPL	9	347,818	255,081	309,398	-	-	912,297
Liabilities for acceptances		-	-	-	-	-	-
Net due to Head Office and other branches		-	-	7,802,711	-	-	7,802,711
Accrued interest payable	15	6,915	8,788	4,350	-	-	20,053
Other liabilities**	16	196,367	-	-	-	-	196,367
		21,060,282	1,247,057	8,558,828	-	-	30,866,167
Net Liquidity (Gap) Surplus		(P307,466)	P3,227,711	(P5,106,678)	P6,324,190	P4,327,675	P8,454,653

**This account includes accounts receivable and unsettled trade assets.*
***This account includes accruals and unsettled trade payables.*

	Note	2023 Less than 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
Financial Assets							
Cash and other cash items		P20,660	P -	P -	P -	P -	P20,660
Loans and advances to banks	*8*	11,000,581	-	-	-	-	11,000,581
Financial assets at FVPL	*9*	1,001,757	175,963	286,461	-	-	1,464,181
Financial assets at FVOCI (Gross)	*10*	-	3,370,649	2,723,853	3,473,755	-	9,568,257
Loans and receivables	*11*	4,257,145	2,837,046	825,085	691,250	24,875	8,635,401
Other assets*	*14*	14,422	-	-	-	-	14,422
		16,294,565	6,383,658	3,835,399	4,165,005	24,875	30,703,502
Financial Liabilities							
Deposits from customers	*15*	20,433,840	746,522	-	-	-	21,180,362
Deposits and borrowings from banks	*15*	219,556	130,310	286	-	-	350,152
Financial liabilities at FVPL	*9*	418,184	155,095	514,205	-	-	1,087,484
Liabilities for acceptances		-	-	-	-	-	-
Net due to Head Office and other branches		-	-	367,584	-	-	367,584
Accrued interest payable	*15*	8,618	5,059	-	-	-	13,677
Other liabilities**	*16*	152,245	-	-	-	-	152,245
		21,232,443	1,036,986	882,075	-	-	23,151,504
Net Liquidity (Gap) Surplus		(P4,937,878)	P5,346,672	P2,953,324	P4,165,005	P24,875	P7,551,998

**This account includes accounts receivable and unsettled trade assets.*
***This account includes accruals and unsettled trade payables.*

The table below shows the contractual commitments and financial guarantees of the Philippine Branch based on contractual undiscounted cashflows (amounts in thousands):

	Note	**2024** **Less than 1 Month**	**1 - 3 Months**	**3 - 12 Months**	**1 - 5 Years**	**More than 5 Years**	**Total**
Derivatives	*30*	**P45,683,913**	**P24,805,672**	**P10,237,438**	**P1,475,475**	**P -**	**P82,202,498**
Revocable commitments	*30*	**20,441,759**	**1,316,030**	**3,815,014**	**10,515,201**	**7,709,629**	**43,797,633**
Spot FX contracts	*30*	**3,782,171**	**-**	**-**	**-**	**-**	**3,782,171**
Outstanding guarantees issued	*30*	**-**	**-**	**349,975**	**-**	**-**	**349,975**
Financial standby letters of credit	*30*	**5,772**	**-**	**79,556**	**-**	**-**	**85,328**
Commercial letters of credit	*30*	**-**	**4,231**	**-**	**-**	**-**	**4,231**
		P69,913,615	**P26,125,933**	**P14,481,983**	**P11,990,676**	**P7,709,629**	**P130,221,836**

	Note	2023 Less than 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	More than 5 Years	Total
Derivatives	*30*	P37,943,639	P21,753,181	P6,583,023	P9,944,995	P -	P76,224,838
Revocable commitments	*30*	15,753,487	-	137,355	3,279,514	14,484,664	33,655,020
Spot FX contracts	*30*	3,342,223	-	-	-	-	3,342,223
Outstanding guarantees issued	*30*	-	-	193,293	-	-	193,293
Financial standby letters of credit	*30*	-	-	247,627	-	-	247,627
Commercial letters of credit	*30*	-	23,648	7,366	-	-	31,014
		P57,039,349	P21,776,829	P7,168,664	P13,224,509	P14,484,664	P113,694,015

Market Risk

Market risk is the risk to the Philippine Branch's earnings arising from changes in interest rates, currency exchange rates, credit spreads, or from fluctuations in bond, commodity or equity prices. Market risk arises when changes in market rates, prices and volatilities lead to a decline in the value of assets and liabilities including financial derivatives. The Philippine Branch has a detailed risk management and control framework to support its trading and balance sheet activities. The framework incorporates a risk measurement approach to quantify the magnitude of market risk within trading and balance sheet portfolios. This approach and related analysis identify the range of possible outcomes that can be expected over a given period of time, establish the relative likelihood of those outcomes and allocate an appropriate amount of capital to support these activities.

The management of market risk is supported by a comprehensive limit and policy framework to control the amount of risk that the Philippine Branch may accept. The framework allocates individual limits to manage and control asset classes, risk factors and profit and loss limits.

Market Risk Management
To facilitate the management, control, measurement and reporting of market risk, the Philippine Branch has grouped market risk into 2 categories:

a) Traded Market Risk
   This is the risk of loss from changes in the value of financial instruments due to movement in price factors for both physical and derivative trading positions. They arise in trading transactions where the Philippine Branch acts as principal with customers or interbank counterparties.

   The principal risk categories monitored are:

   - *Interest Rate Risk.* This is the potential loss arising from the change in the value of a financial instrument due to changes in market interest rates or their implied volatilities.

   - *Foreign Currency Risk*. This is the potential loss arising from the decline in the value of a financial instrument due to changes in foreign exchange rates or their implied volatilities.

b) Non-traded Market Risk (or Balance Sheet Risk)
   This comprises the management of non-traded interest rate risk, liquidity, and the risk to the foreign currency-denominated value of the Philippine Branch's earnings as a result of foreign exchange rate movements.

Value-at-Risk (VaR) Measure
A key measure of market risk is VaR. VaR is a statistical estimate of the possible one-day loss and is based on historical market movements of risk factors. The Philippine Branch measures VaR at a 99% confidence interval. This means that there is a 99% chance that the loss will not exceed the VaR estimate on any given day.

The Head Office's standard VaR approach for both traded and non-traded risk, as applied by the Philippine Branch, is historical simulation. The Head Office calculates VaR using historical changes in market rates, prices and volatilities over the previous 500 business days.

Traded and non-traded VaR is calculated using a one-day holding period. VaR is not an estimate of the maximum loss that the Head Office could experience from an extreme market event because it is driven by actual historical observations. As a result of this limitation, the Head Office utilizes a number of other risk measures (e.g., stress testing) and risk sensitivity limits to measure and manage market risk.

To supplement the VaR measure, the Head Office applies a wide range of stress tests. The Head Office's stress testing regime provides senior management with an assessment of the financial impact of identified extreme events on market risk exposures. Standard stress tests are applied on a daily basis and measure the potential loss arising from applying extreme market movements to individual and groups of individual price factors. Extraordinary stress tests are applied monthly and measure the potential loss arising as a result of scenarios generated from major financial market events.

The Philippine Branch's exposure to market risk is related to both traded and non-traded market risk (balance sheet risk). The principal objectives of balance sheet management are to manage interest income sensitivity while maintaining acceptable levels of interest rate and liquidity risk and to manage the market value of the Philippine Branch's capital.

Traded Market Risk
Below are the aggregate VaR exposures covering trading positions for the Philippine Branch (in thousands):

	September 30, 2024				September 30, 2023			
	As at	**High for Year**	**Low for Year**	**Average for Year**	As at	High for Year	Low for Year	Average for Year
Value at Risk at 99% Confidence								
Foreign exchange	**P4,510**	**P14,640**	**P605**	**P4,538**	P2,206	P13,814	P646	P4,029
Interest rates	**10,012**	**30,554**	**2,575**	**12,466**	2,692	19,645	2,599	5,566
Consolidated VaR	**P11,192**	**P32,761**	**P3,285**	**P13,492**	P3,731	P23,372	P3,020	P7,230

Non-Traded Interest Rate Risk - VaR
For interest rate risk modeling, assumptions are made about the interest rate sensitivity of non-bearing interest (NBI) accounts. Previously some of these accounts were profiled at zero duration but are now profiled based on independently validated statistical analysis where this was deemed appropriate. NBI without statistical evidence or justification have remained at zero duration (including PHP non-maturity deposits, which comprise the majority of the Branch total deposits).

The extent of mismatching between the repricing characteristics and timing of interest-bearing assets and liabilities at any point has implications on future net interest income. On a global basis, the ANZ Group quantifies the potential variation in future net interest income as a result of these repricing mismatches each month using a static gap model. The repricing gaps themselves are constructed based on contractual repricing information. However, for those assets and liabilities where the contractual term to repricing is not considered to be reflective of the actual interest rate sensitivity, a profile based on historically observed and/or anticipated rate sensitivity is used.

This treatment excludes the effect of basis risk between customer pricing and wholesale market pricing. The repricing assumptions used to determine the VaR and 1% rate shock have been independently validated. Below are aggregate VaR figures (in thousands) covering non-traded interest rate risk.

	September 30, 2024				September 30, 2023			
	As at	**High for Year**	**Low for Year**	**Average for Year**	As at	High for Year	Low for Year	Average for Year
Value at Risk at 99% Confidence								
Interest rates	**P30,454**	**P40,870**	**P13,326**	**P25,463**	P16,948	P22,742	P9,300	P14,911

Non-Traded Interest Rate Risk - Earnings-at-Risk (EaR)
Earnings at Risk (EaR) is an estimate of the amount of the next 12 months' income that is at risk from interest rate movements over a 1 month holding period, expressed to a 97.5% level of statistical confidence. It is calculated by applying a statistically derived interest rate shock to static repricing gaps. This calculation is performed using DV01 based approach. As of 30 September 2024, EaR of the Philippine Branch is P82.35 million.

Interest Rate Risk Sensitivity Analysis
Interest rate risk is the risk that the Philippine Branch will experience gains or losses in its financial position brought about by movements in the absolute level of interest rates. The Philippine Branch employs dollar value of a basis point (DV01) to measure the potential impact of interest rate risk in the financial positions.

The impact does not reflect any unrealized gains or losses on financial assets at FVOCI and fixed income instrument measured at financial assets at FVOCI. Changes in the market value of these assets may provide a natural economic offset to the interest rate risk arising from the Philippine Branch's liabilities.

The table below demonstrates the potential impact of the Philippine Branch's income before income tax and other comprehensive income attributed from a 100-basis point parallel move in interest rates, with all other variables held constant, as at September 30, 2024 and 2023. The impact from non-parallel movements may be materially different from the estimated impact of parallel movements.

	Effect on Income before Income Tax Increase (Decrease)	
Change in Interest Rate	**2024**	2023
+100 basis point	**(P100.89 million)**	(P6.49 million)
-100 basis point	**100.89 million**	6.49 million

	Effect on Other Comprehensive Income Increase (Decrease)	
Change in Interest Rate	**2024**	2023
+100 basis point	**(P292.92 million)**	(P57.9 million)
-100 basis point	**292.92 million**	57.9 million

Foreign Currency Risk
Foreign exchange trading exposure relates to foreign exchange dealing within Global Markets (GM) Philippines and currency exposures originating from the banking business within the Philippine Branch. The latter are transferred to GM where they are managed together with exposures which result from Treasury activities, within risk appetite agreed with the board risk committee and respective delegate as per policy. The Philippine Branch's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Philippine Branch believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for the type of business the Philippine Branch is engaged.

The Philippine Branch had the following net exposures, arising from the use of financial instruments, denominated in foreign currency as at September 30, 2024 and 2023 (equivalent amounts in PHP thousands):

	September 30, 2024			
	USD	**AUD**	**Others**	**Total**
Financial Assets				
Cash and other cash items	**P1,608**	**P19,016**	**P523**	**P21,147**
Loans and advances to banks	**1,207,002**	**-**	**409,856**	**1,616,858**
Financial assets at FVPL	**245,677**	**-**	**86,320**	**331,997**
Financial assets at FVOCI	**1,958,477**	**-**	**-**	**1,958,477**
Loans and receivables	**963,850**	**173**	**-**	**964,023**
	4,376,614	**19,189**	**496,699**	**4,892,502**
Financial Liabilities				
Financial assets at FVPL	**867,473**	**-**	**-**	**867,473**
Deposits from customers	**2,623,530**	**32,627**	**361,331**	**3,017,488**
Deposits and borrowings from banks	**134,204**	**194,214**	**-**	**328,418**
Accrued interest payable	**36,568**	**230**	**1,023**	**37,821**
Other liabilities	**11,782**	**4,564**	**347**	**16,693**
	3,673,557	**231,635**	**362,701**	**4,267,893**
Net On-balance Sheet Position	**P703,057**	**(P212,446)**	**P133,998**	**P624,609**

	September 30, 2023			
	USD	AUD	Others	Total
Financial Assets				
Cash and other cash items	P10	P487	P15	P512
Loans and advances to banks	1,351,170	-	1,188,033	2,539,203
Financial assets at FVPL	479,038	-	-	479,038
Financial assets at FVOCI	3,370,649	-	-	3,370,649
Loans and receivables	62,134	-	-	62,134
	5,263,001	487	1,188,048	6,451,536
Financial Liabilities				
Deposits from customers	3,898,922	28,226	1,184,384	5,111,532
Deposits and borrowings from banks	130,309	219,556	4	349,869
Accrued interest payable	36,024	197	786	37,007
Other liabilities	31	117	7	155
	4,065,286	248,096	1,185,181	5,498,563
Net On-balance Sheet Position	P1,197,715	(P247,609)	P2,867	P952,973

Operational Risk
In addition to managing financial risk exposures, the Philippine Branch also manages the operational risk arising from the use of financial instrument.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, and the risk of reputational loss or damage arising from inadequate or failed internal processes, people and systems, but excludes strategic risk.

The authority for operational risk oversight is delegated by the BOD to the Board Risk Committee. The Operational Risk Executive Committee (OREC) supports the Board Risk Committee in respect of operational risk oversight including compliance.

Business unit staff and line management have first line accountability for the day-to-day management of operational risk. This includes implementation of the operational risk framework and involvement in decision making processes concerning all material operational risk matters. Divisional risk governance functions provide oversight of operational risk undertaken in the business units.

A Country Risk Management Sub-Committee (RMC) in the Philippine Branch is in place for monitoring, reviewing and overseeing all aspects of operational risk. The Philippine Branch has established adequate procedures for accurate, regular and timely escalation and reporting on the on-going management of operational risk to Divisional Risk Management Committees, based on the reporting thresholds specified by the Group Operational Risk Framework as adopted by the Philippine Branch. This includes reporting on key risk profile, material risk events and key risk indicators (KRIs).

The Head Office's Operational Risk Framework outlines the approach to managing operational risk and the minimum requirements in the management of operational risk, supported by specific policies, guidelines and templates. Effectiveness of the framework is assessed through a series of assurance reviews and related processes. This is supported by an independent review program by Internal Audit.

The Head Office's operational risk management process consists of a staged approach involving establishing the context, identification, analysis, treatment and monitoring of current, new and emerging operational risks based on the Risk Management Standard issued by Standards Australia/New Zealand (AS/NZS 4360).

In line with industry practice, the Philippine Branch obtains insurance coverage from third party and captive providers to cover those operational risks where cost-effective premiums can be obtained. In conducting their business, business units are advised to act as if uninsured and not to use insurance as a guaranteed mitigation for operational risk. Business disruption is a critical risk to a bank's ability to operate, so the Philippine Branch has comprehensive business continuity, recovery and crisis management plans. The intention of the business continuity and recovery plans is to ensure critical business functions can be maintained, or restored in a timely fashion, in the event of material disruptions arising from internal or external events.

6. Categories and Fair Value Measurement of Financial Instruments

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

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

Loans and Advances to Banks
Fair values approximate carrying amounts given the short-term nature of these instruments.

Financial Assets at FVPL
Financial assets at FVPL, excluding derivatives, are generally based on quoted market rates or prices. For derivative instruments, fair values are determined based on published quotes or price valuations provided by counterparties or calculations using market-accepted valuation techniques.

Financial Assets at FVOCI
Fair values of financial assets at FVOCI excluding unquoted equity securities, are generally based on quoted market rates or prices. Unquoted equity securities are also measured at fair value. However, due to the lack of suitable methods of arriving at a reliable fair value, the cost is determined to be an appropriate estimate of fair value. The unquoted equity securities are instead measured at their carrying amounts. These are interests in Philippine Dealing System, Philippine Clearing House Corporation and Bankers Association of the Philippines held as per membership requirement.

If an equity investment is not held for trading, an entity can make an irrevocable election at initial recognition to measure it at FVOCI with only dividend income recognized in statements of income and expenses.

Loans and Receivables and Due from Head Office and Other Branches
Loans and receivables and due from Head Office and other branches are carried net of allowance for credit and impairment losses. For loans and receivables maturing within one (1) year and instruments that are repriced, the carrying values approximate the fair values in view of the relatively insignificant impact of discounting due to short term nature of these instruments.

For loans and receivables maturing beyond one (1) year, the fair values of loans and receivables are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date commensurate to the credit risk borne by the Philippine Branch for each of the borrower.

Deposits and Borrowings from Banks and Deposits from Customers (Time, Demand and Savings), Due to Head Office and Other Branches, and Accrued Interest Payable

Fair values of time deposits and lease liabilities are estimated using discounted cash flow methodology, using current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the maturity being valued. For demand and savings deposits, accrued interest payable, due to Head Office and other branches, and liabilities for acceptances, carrying amounts approximate fair values considering that these are due and demandable or short-term in nature.

Other Assets

Other assets, excluding documentary stamp tax, unused creditable withholding tax, prepaid expenses, goodwill, defined benefit asset and miscellaneous assets, maturing within one (1) year, the carrying value approximates the fair values in view of the relatively insignificant impact of discounting due to short term nature of these instruments.

For instruments maturing beyond one (1) year, the fair values are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date commensurate to the credit risk borne by the Philippine Branch for each of the borrower.

Other Liabilities

The carrying values of other liabilities, excluding withholding tax payable, provision for liability, provision for other liabilities, unclaimed monies, government payables, uncleared drafts, defined benefit liability and interoffice clearing account approximate their fair values due to the relatively short-term maturities of these liabilities. For other liabilities maturing beyond one (1) year, the difference between the fair value and the carrying value is deemed insignificant.

Fair Value Hierarchy

The majority of valuation models deploy only observable market data as inputs. The Philippine Branch continuously monitors the assumptions and the appropriateness of valuation inputs on the classification of exposures in the fair value hierarchy.

Fair Value Estimates

The Philippine Branch evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgment and estimation in determining the carrying values of financial assets and financial liabilities at the balance sheet date.

The majority of valuation models the ANZ Group, including the Philippine Branch, uses employ only observable market data as inputs. For certain financial instruments, we may use data that is not readily observable in current markets. If we use unobservable market data, then we need to exercise more judgment to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, we derive unobservable inputs from other relevant market data and compare them to observed transaction prices where available.

When establishing the fair value of a financial instrument using a valuation technique, the Philippine Branch considers valuation adjustments in determining the fair value. We may apply adjustments (such as bid/offer spreads, credit valuation adjustments and funding valuation adjustments) to reflect the Philippine Branch’s assessment of factors that market participants would consider in setting fair value.

The following table presents an analysis of financial instruments carried at fair value, by valuation method or level. The different fair valuation levels are defined as follows:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs other than quoted prices included within Level 1 that are observable for instrument, either directly (e.g., as prices) or indirectly (e.g., derived from prices).
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		September 30, 2024			
	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
			(In Thousands)		
Financial Assets					
Financial assets at FVPL:	*9*				
Reverse repurchase agreements		**P5,416,390**	**P -**	**P -**	**P5,416,390**
Debt securities held-for-trading		**2,100,627**	**-**	**-**	**2,100,627**
Derivative financial assets		**-**	**636,553**	**-**	**636,553**
Financial assets at FVOCI	*10*	**14,908,187**	**-**	**3,580**	**14,911,767**
Financial Liabilities					
Financial liabilities at FVPL	*9*	**-**	**912,297**	**-**	**912,297**

		September 30, 2023			
	Note	Level 1	Level 2	Level 3	Total
			(In Thousands)		
Financial Assets					
Financial assets at FVPL:	*9*				
Reverse repurchase agreements		P279,944	P -	P -	P279,944
Debt securities held-for-trading		577,278	-	-	577,278
Derivative financial assets		-	606,959	-	606,959
Financial assets at FVOCI	*10*	9,564,677	-	3,580	9,568,257
Financial Liabilities					
Financial liabilities at FVPL	*9*	-	1,087,484	-	1,087,484

Level 3 Fair Value Measurements

The assets which incorporate significant unobservable inputs primarily include:

- equities for which there is no active market or traded prices cannot be observed;
- structured credit products for which credit spreads and default probabilities relating to the reference assets and derivative counterparties cannot be observed;
- net loans and advances that are required to be measured at fair value for which there is no observable market data; and
- other derivatives referencing market rates that cannot be observed primarily due to lack of market activity.

Sensitivity to Level 3 Data Inputs

When the Philippine Branch makes assumptions due to significant inputs not being directly observable in the marketplace (Level 3 inputs), then changing these assumptions changes the Philippine Branch’s estimate of the instrument’s fair value. Favorable and unfavorable changes are determined by changing the primary unobservable parameter used to derive the valuation.

As at September 30, 2024 and 2023, there have been no transfers into and out of each of the levels of the fair value hierarchy.

7. Capital Management

The primary objective of the Philippine Branch's capital management is to ensure that it complies with externally imposed capital requirements. The Philippine Branch manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policies and processes from the previous years.

<u>Regulatory Capital</u>
The BSP sets and monitors capital requirements for the Philippine Branch as a whole. The Philippine Branch's capital position presented as at September 30, 2024 and 2023 is based on the combined amounts of the RBU and the FCDU.

On July 6, 2022, the Philippine Branch has remitted its accumulated profits to the Head Office amounting to P458.80 million which has been approved by the BSP in its letter dated June 14, 2022. An additional P169.34 million was remitted on October 9, 2024 which has been approved by the BSP in its letter dated October 1, 2024 (Note 33).

For both instances, the BSP has interposed no objection to the Philippine Branch's plan to repatriate said accumulated profits to the Head Office, subject to the condition that the Philippine Branch shall comply with the guidelines of repatriation and reporting, as well as the minimum documentary requirements provided under Appendices 1.4, and 10.A of the *Manual of Regulations on Foreign Exchange Transactions*.

<u>BASEL III</u>
Section 125 and related appendices, *Basel III Risk Based Capital* of the MORB implements the guidelines on the revised risk-based capital adequacy framework for the Philippine banking system in accordance with the Basel III standards.

This contains the following revised minimum capital requirements for universal banks (uBs) and commercial banks (KBs) and their subsidiary banks and quasi-banks (QBs):

- 6.00% Common Equity Tier 1 (CET1)/Risk-Weighted Assets (RWAs);
- 7.50% Tier 1 Capital/RWAs; and
- 10.00% Total Qualifying Capital (Tier 1 plus Tier 2)/RWAs.

The Qualifying Capital must consist of the sum of the following elements, net of required deductions: Tier 1 - 'going concern' [Common Equity Tier 1 (CET1) plus Additional Tier 1 (AT1)] and Tier 2 - 'gone concern'. A bank must ensure that any component of capital included in qualifying capital complies with all the eligibility criteria for the particular category of capital in which it is included. The Circular further describes the elements/criteria that a domestic bank should meet for each capital category.

In conformity with the Basel III standards, a Capital Conservation Buffer (CCB) of 2.50% of RWAs, comprised of CET1 capital, has been required of U/KBs and their subsidiary banks and QBs. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during financial and economic stress.

The restrictions on distribution that a bank must meet at various levels of CET1 capital ratios are established, as shown in below table.

Restrictions will be imposed if a bank has no positive earnings, has CET1 of not more than 8.50% (CET Ratio of 6.00% plus conservation buffer of 2.50%) and has not complied with the minimum 10.00% capital adequacy ratio (CAR).

Level of CET 1 Capital	Restriction on Distributions
<6.00%	No distribution
6.00%-7.25%	No distribution until more than 7.25% CET1 capital is met
>7.25%-8.50%	50.00% of earnings may be distributed
>8.50%	No restriction on the distribution

The BSP issued preliminary information through Circular No. 822, *Amendment to the Capital Framework of Foreign Branches to Branches of Foreign Banks (BFB)*, last December 13, 2013 of the planned alignment of capital requirements with local banks of the same category.

On March 21, 2014, the Head Office infused additional capital in the Philippine Branch amounting to $19.14 million (equivalent to P865.11 million) to comply with minimum capital required under its universal banking authority.

On October 29, 2014, the BSP issued Circular No. 854, *Minimum Capitalization of Banks*, which implemented the minimum capitalization requirements for banks, as approved by the Monetary Board in its Resolution No. 1607 dated October 9, 2014. The revision requires a minimum capital of P6.00 billion for universal banks that have up to 10 branches, including the Head Office.

On November 12, 2014, the Head Office infused additional capital in the Philippine Branch amounting to $25.63 million (equivalent to P1.15 billion) to comply with minimum capital required under its universal banking authority which was also prompted by BASEL III requirements.

On November 21, 2014, the BSP issued Circular No. 858, *Amendments to Relevant Provisions of the MORB Implementing Republic Act No. 10641*, *"An Act Allowing the Full Entry of Foreign Banks in the Philippines amending for the purpose Republic Act No. 7721".*

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

1) Assigned capital
2) Undivided profits
3) Trust Department retained earnings
4) Any Net Due from Head Office Branches/Agencies abroad
5) Accumulated net earnings comprising of:
   i. Unremitted profits not yet approved by the BSP for outward remittance.
   ii. Unrealized losses in operations
   iii. Capital adjustments in accordance with MORB Section X111 paragraph a - g as follows:
      a. Unbooked valuation reserve and other capital adjustments as maybe required by the BSP
      b. Total outstanding unsecured credit accommodations, both direct and indirect to directors, officers, stockholders and their related interests (DOSRI) granted by the bank proper
      c. Unsecured loans and other credit accommodations and guarantees granted to subsidiaries and affiliates
      d. Deferred income tax

e. Appraisal increment reserve as a result of appreciation or an increase in the book value of bank assets
f. Equity investment of a bank in another bank or enterprise, whether foreign or domestic, if the other bank or enterprise has a reciprocal equity investment in the investing bank in which case the investment of the bank or the reciprocal investment of other bank or enterprise whichever is lower
g. In the case of Rural banks/Cooperative banks, the government counterpart equity, except those arising from conversion of arrearages under the BSP rehabilitation program

On June 9, 2015, BSP issued the implementing guidelines on the Basel III Leverage ratio framework under Circular No. 881. It is computed as the level of a bank's Tier 1 capital against its total on-book and off-book exposures. The leverage ratio shall not be less than 5%. The BSP assesses the calibration as well as the treatment of the components of the leverage ratio during the 2-year monitoring period from 01 January 2015 to 31 December 2016, in view of migrating to a Pillar 1 requirement starting 2017. On January 22, 2018, BSP issued Circular No. 990 approving the extension of the monitoring period of the Basel III Leverage ratio framework under Circular No. 881. The monitoring of the leverage ratio shall be implemented as a Pillar 1 minimum requirement effective on July 1, 2018.

On March 10, 2016, the BSP adopted Basel II''s Liquidity Coverage Ratio (LCR) under Circular No. 905. The new liquidity rule requires banks to have available High Quality Liquid Assets (HQLA) to meet anticipated net cash outflow for a 30-day period under stress conditions. The standard, which initially covers universal and commercial banks, prescribes that, under a normal situation, the value of the liquidity ratio be no lower than 100% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against potential onset of liquidity stress. The guidelines provide for an observation period from July 1, 2016 to end-2017. During the observation period, no minimum ratio has to be complied with.

However, to encourage transitioning internally to the new standard and to monitor level of compliance, banks are required to submit quarterly reports to the BSP.

The Philippine Branch's Basel III Leverage Ratio Report as at September 30, 2024 and 2023 is as follows (amounts in millions):

	2024	2023
On balance sheet exposure	**P32,842**	P30,245
Derivative exposures:		
Replacement cost associated with all derivatives transactions	**641**	618
Add-on amounts for potential future exposure associated with all derivative transactions	**789**	868
Securities financing transaction exposures	**6,409**	280
Off-balance sheet exposures	**5,155**	4,024
Total exposures (a)	**45,836**	36,035
Tier 1 Capital (b)	**8,290**	7,277
Basel III: Leverage Ratio (b)/(a)	**18.09%**	20.19%

Amounts presented in the table above are in accordance with the financial reporting package submitted by Philippine Branch to BSP.

The Philippine Branch's regulatory capital position as at September 30, 2024 and 2023 based on Basel III requirements as reported to the BSP is as follows (amounts in millions):

	2024	2023
CET 1 capital	**P8,290**	P7,277
Tier 1 capital	**8,290**	7,277
Tier 2 capital	**66**	94
Gross qualifying capital	**8,356**	7,371
Less: required deductions	**-**	-
Total qualifying capital	**P8,356**	P7,371
Risk weighted assets	**P12,118**	P16,638
CET 1 ratio	**68.42%**	43.74%
Tier 1 capital ratio	**68.42%**	43.74%
Risk-based capital adequacy ratio	**68.96%**	44.30%

The capital requirements as of September 30, 2024 and 2023 for each risk type are shown below (amounts in millions):

	2024	2023
Credit risk	**P8,557**	P13,172
Market risk	**1,469**	1,582
Operational risk	**2,092**	1,884
	P12,118	P16,638

The Philippine Branch is required to maintain a prescribed risk-based capital adequacy ratio (expressed as a percentage of qualifying capital to risk weighted assets) of not less than 10% at all times, which is computed and monitored using the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios"), based on the Basel III framework. The increase in CAR ratio was mainly due to the decline in credit risk offset by the increase in market risk which resulted to an increase in qualifying capital.

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

Appropriation of General Loan Loss Provisions (GLLP)

Section 172, Financial Records, Adoption of PFRS; Appendix 27, Guidelines on the adoption of PFRS 9 - Classification and Measurement; Appendix 100 - Guidelines on the adoption of PFRS 9 - Impairment of the MORB requires banks to set up GLLP equivalent to 1.0% of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. In cases when the computed loss allowance on such Stage 1 accounts is less than the 1.0% general provision required, the deficiency shall be recognized by appropriating the retained earnings in compliance with existing BSP regulations. The Philippine Branch appropriated a portion of unremitted profits amounting to P52.29 million and P70.72 million as at September 30, 2024 and 2023, respectively, to comply with such requirement.

Liquidity Coverage Ratio (LCR)
Based on the LCR report submitted to the BSP as at September 30, 2024 and 2023, the Philippine Branch's LCR is 322.56% and 156.08%, respectively, which is above the prescribed minimum requirement initially set at 100.0% (amounts in millions):

	2024	2023
High-quality Liquid Assets (After Cap) (a)	**P31,691**	P14,837
Net Cash Outflows (b)	**9,825**	9,506
Liquidity Coverage Ratio (a/b)	**322.56%**	156.08%

Net Stable Funding Ratio (NSFR)
Based on the NSFR report submitted to the BSP as at September 30, 2024 and 2023, the Philippine Branch's NSFR is 267% and 182% which is above the prescribed minimum requirement initially set at 100.0%. As at September 30, 2024, NFSR is computed by dividing the Available Stable Funding amounting to P22.50 billion by the Required Stable Funding amounting to P8.43 billion, while as at September 30, 2023, NSFR is computed by dividing the Available Stable Funding of P16.57 billion by Required Stable Funding of P9.13 billion.

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

Internal Capital Adequacy Assessment Process (ICAAP)
Section X303, Credit Exposure to Limits to a Single Borrower of the MORB provided supplemental guidelines in relation to the adoption of the ICAAP and the related Supervisory Review Process (SRP) for foreign branches under Circular No. 639 dated January 15, 2009. For branches of foreign banks, the regulation provides that BSP's evaluation of ICAAP will refer to the ICAAP developed at the level of the head office/ parent bank, and the home supervisor's assessment thereof.

However, BSP expects that there will be variation in the ICAAP prepared by the branches of foreign banks operating in the Philippines in accordance with the nature, size and complexity of its business in the Philippines, risks faced arising from the occurrence of domestically-oriented scenarios and specific circumstances.

The ICAAP document submitted by the Philippine Branch included discussions on stress scenarios and the amount of capital requirements both under base case and stress scenarios. The Philippine Branch submitted its latest ICAAP document on March 29, 2024. The provisions of Circular No. 822, Circular No. 854, Circular No. 856, and Circular No. 858 were considered by the Philippine Branch in the ICAAP documentation.

8. Loans and Advances to Banks

This account consists of the following:

	Note	**2024**	2023
Due from BSP	*15*	**P7,482,737,698**	P1,851,902,571
Due from other banks		**1,928,201,745**	6,648,678,281
Reverse repurchase agreement		**1,000,000,000**	-
Interbank loans receivable		**500,000,000**	2,500,000,000
	5	**P10,910,939,443**	P11,000,580,852

All accounts in the table above are included under the “Cash and other cash items” account for purposes of reporting cash flows since these have maturities of three (3) months or less from dates of placement.

Summary of reduction in reserve requirements which took effect during the comparative years, is as follows:

	Rate	Effectivity Date
100 basis points	17.00%	31 May 2019
50 basis points	16.50%	28 June 2019
50 basis points	16.00%	26 July 2019
100 basis points	15.00%	1 November 2019
100 basis points	14.00%	6 December 2019
200 basis points	12.00%	3 April 2020
250 basis points	9.50%	30 June 2023
250 basis points	7.00%	25 October 2024

The reduction applied to those reserve liabilities of universal and commercial banks (U/KBs) that are currently subject to a reserve requirement on deposits and deposit substitute of 9.50%.

For the years ended September 30, 2024 and 2023, the Philippine Branch is compliant with the reserve requirements of the BSP.

Due from BSP pertains to demand deposit account (DDA) and overnight deposit with the BSP. Accrued interest income on Due from BSP amounted to P0.96 million and nil for the years ended September 30, 2024 and 2023 (see Note 11).

Accrued interest income on interbank loans receivable and reverse repurchase agreements with the BSP amounted to P0.26 million and P2.41 million as at September 30, 2024 and 2023, respectively (see Note 11). Interest rates per annum of interbank loans receivable ranged from 5.75% to 6.68% in 2024 and 3.18% to 5.33% in 2023 for foreign currency-denominated transactions.

Interest income earned is as follows:

	Note	**2024**	2023
Reverse repurchase agreement		**P91,504,324**	P145,673,375
Due from BSP and interbank loans receivable		**131,321,172**	61,873,640
Due from other banks		**91,483,339**	57,425,437
	20	**P314,308,835**	P264,972,452

As at September 30, 2024 and 2023, there were no loans and advances to banks pledged as collateral for liabilities.

9. Financial Assets and Financial Liabilities at FVPL

Financial Assets

	Note	2024	2023
Reverse repurchase agreement		**P5,416,390,329**	P279,944,160
Debt securities held-for-trading		**2,100,626,798**	577,278,486
Fair values of derivative financial instruments:			
Forward foreign exchange contracts		**408,401,399**	317,532,349
Currency swaps		**218,604,537**	258,488,065
Interest rate swaps		**13,991,022**	42,271,174
Bid offer adjustment		**(4,350,393)**	(11,229,978)
Credit valuation adjustment		**(93,786)**	(103,034)
	5	**P8,153,569,906**	P1,464,181,222

The Philippine Branch entered into reverse repurchase agreements (RPPs) with the other banks. Interest rates per annum of RRPs with other banks ranged from 0.15% to 5.83% in 2024.

Debt securities pertain to government securities held-for-trading.

Accrued interest income on debt securities held-for-trading, shown as part of accrued interest receivable presented under "Loans and receivables - net" account amounted to P24.00 million and P7.35 million as at September 30, 2024 and 2023, respectively (see Note 11). The interest rates on debt securities held-for-trading in 2024 and 2023 ranged from 3.38% to 9.25% and 2.625% to 8.125%, respectively.

Interest income relating to debt securities held-for-trading presented as "Interest income on financial assets at FVPL" account in the statements of income and expenses amounted to P316.44 million and P301.39 million in 2024 and 2023, respectively (see Note 20).

Financial Liabilities

	Note	2024	2023
Fair values of derivative financial instruments:			
Forward foreign exchange contracts		**P506,633,382**	P378,088,297
Currency swaps		**347,196,819**	488,344,147
Interest rate swaps		**58,467,266**	221,051,066
	5	**P912,297,467**	P1,087,483,510

The realized and unrealized market valuation gain or loss of financial assets at FVPL and derivative financial instruments are presented as part of "Trading and securities gain - net" account (see Note 23) excluding trading gains and losses on spot foreign exchange contracts, forward foreign exchange contracts and over-the-counter foreign exchange options which are presented in "Foreign exchange gains (losses) - net" account in the statements of income and expenses (see Note 24).

The following table shows the positive and negative fair values of the Philippine Branch's derivative transactions, together with the notional amounts analyzed by the term of maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding as at September 30, 2024 and 2023 and are neither indicative of the market risk nor the credit risk.

	September 30, 2024 (In Thousands)						
				Notional Amounts by Term to Maturity			
	Positive Fair Value	**Negative Fair Value**	**Notional Amount Total**	**Within 3 Months**	**Over 3 Months but not More 12 Months**	**Over 1 Year but not More than 5 Years**	**Over 5 Years**
Interest rate swaps	**P13,991**	**P58,467**	**P6,387,390**	**P3,412,300**	**P2,181,780**	**P793,310**	**P -**
Forward foreign exchange contracts	**408,401**	**506,633**	**70,974,844**	**70,974,844**	**-**	**-**	**-**
Cross currency swaps	**218,605**	**347,197**	**4,840,264**	**1,400,750**	**2,757,349**	**682,165**	**-**
Foreign exchange options contracts	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Credit valuation adjustments	**(94)**	**-**	**-**	**-**	**-**	**-**	**-**
Bid offer adjustments	**(4,350)**	**-**	**-**	**-**	**-**	**-**	**-**
Funding valuation adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	P636,553	**P912,297**	**P82,202,498**	**P75,787,894**	**P4,939,129**	**P1,475,475**	**P -**

	September 30, 2023 (In Thousands)						
				Notional Amounts by Term to Maturity			
	Positive Fair Value	Negative Fair Value	Notional Amount Total	Within 3 Months	Over 3 Months but not More 12 Months	Over 1 Year but not More than 5 Years	Over 5 Years
Interest rate swaps	P42,271	P221,051	P9,697,701	P2,182,251	P1,948,625	P5,566,825	P -
Forward foreign exchange contracts	317,532	378,088	59,557,832	59,557,832	-	-	-
Cross currency swaps	258,488	488,344	6,969,305	2,545,875	45,260	4,378,170	-
Foreign exchange options contracts	-	-	-	-	-	-	-
Credit valuation adjustments	(103)	-	-	-	-	-	-
Bid offer adjustments	(11,230)	-	-	-	-	-	-
Funding valuation adjustments	-	-	-	-	-	-	-
	P606,958	P1,087,483	P76,224,838	P64,285,958	P1,993,885	P9,944,995	P -

As at September 30, 2024 and 2023, there were no financial assets at FVPL pledged as collateral for liabilities.

10. Financial Assets at FVOCI

Financial assets at FVOCI consist of:

	Note	**2024**	2023
ROP PHP bonds		**P12,949,709,938**	P6,194,028,038
US treasury bills		**1,958,476,762**	3,370,648,827
Equity securities		**3,579,850**	3,579,850
	5	**P14,911,766,550**	P9,568,256,715

Equity securities pertains unquoted investments with the Philippine Clearing House Corporation and Philippine Dealing System Holdings Corporation as part of membership requirements amounting to P3.58 million.

Accrued interest income on financial assets at FVOCI, shown as part of accrued interest receivable presented under “Loans and receivables - net” account amounted to P108.55 million and P29.87 million as at September 30, 2024 and 2023, respectively (see Note 11). The interest rates of financial assets at FVOCI ranged from 2.63% to 18.3% in 2024 and 2.38% to 6.25% in 2023.

Interest income earned from financial assets at FVOCI amounted to P744.31 million and P403.96 million in 2024 and 2023, respectively (see Note 20).

As at September 30, 2024 and 2023, there were no financial assets at FVOCI pledged as collateral for liabilities.

The movements in net unrealized gain (loss) on financial assets at FVOCI are as follows:

	Note	**2024**	2023
Balance as at beginning of year	*19*	**(P175,673,284)**	(P251,063,884)
Movements in OCI:			
Net realized gain (loss) from sale of debt securities at FVOCI reclassified to statements of income and expenses		**15,371,221**	(1,237,310)
Reversal of (allowance for) credit and impairment losses	*12*	**(24,384,306)**	5,793,423
Net unrealized gains (losses) from changes in fair value during the year		**305,023,161**	70,834,487
	19	**296,010,076**	75,390,600
Balance at end of year		**P120,336,792**	(P175,673,284)

11. Loans and Receivables

	Note	**2024**	2023
Loans and receivables:			
Term loans		**P5,090,178,112**	P8,485,384,966
Bills purchased		**31,543,558**	27,024,828
		5,121,721,670	8,512,409,794
Allowance for credit and impairment losses	*12*	**(13,765,296)**	(23,659,317)
		5,107,956,374	8,488,750,477
Accrued interest receivable:			
Financial assets at FVOCI	*10*	**108,551,259**	29,869,897
Loans and receivables		**69,466,987**	83,196,720
Financial assets at FVPL	*9*	**23,999,563**	7,349,629
Due from BSP	*8*	**958,333**	-
Interbank loans receivable	*8*	**261,007**	2,407,639
Due from Head Office and other branches	*18*	**173,222**	167,351
		203,410,371	122,991,236
		P5,311,366,745	P8,611,741,713

Interest rates per annum on loans and receivables range from 6.5% to 8.65% in 2024 and 8.65% in 2023 for USD denominated transactions, and from 2.132% to 7.90% and 3.75% to 7.85% for PHP denominated transactions for the years ended September 30, 2024 and 2023, respectively.

Interest income earned is as follows:

	Note	**2024**	2023
Term loans		**P558,133,062**	P534,114,738
Import bills under trust receipts		**-**	7,017,962
	20	**P558,133,062**	P541,132,700

Regulatory Reporting

Effective January 24, 2013, based on Section X303 of the MORB relating to Single Borrower's Limit (SBL) Banks, the total amount of loans, credit accommodations and guarantees may be increased by an additional twenty-five percent (25%) of the Philippine Branch's net worth provided those are granted for the purpose of undertaking infrastructure and/or development projects under the Public-Private Partnership Program of the government duly certified by the Secretary of Socio-Economic Planning; Provided, further that the total exposures of the Philippine Brach to any borrower pertaining to the above-mentioned projects shall not exceed 25% of the Philippine Branch's net worth and that it shall only be allowed for a period of six (6) years from December 28, 2010.

As at September 30, 2024 and 2023, there were no loans and receivables pledged as collateral for liabilities.

12. Allowance for Credit and Impairment Losses

	2024				
	Financial Assets at FVOCI (Note 10)	**Loans and Receivables** (Note 11)	**Due from Head Office and Other Branches** (Note 18)	**Commitments and Financial Guarantee Contracts** (Note 16)	**Total**
Balance at September 30, 2023	**P13,044,919**	**P23,659,317**	**P3,878**	**P568,138**	**P37,276,252**
Provision for (reversal of) credit and impairment losses and recoveries	**24,385,063**	**(9,858,941)**	**(271)**	**2,136,689**	**16,662,540**
Effect of foreign exchange rate difference	**(757)**	**(35,080)**	**(34)**	**-**	**(35,871)**
Balance at September 30, 2024	**P37,429,225**	**P13,765,296**	**P3,573**	**P2,704,827**	**P53,902,921**

	2023				
	Financial Assets at FVOCI (Note 10)	Loans and Receivables (Note 11)	Due from Head Office and Other Branches (Note 18)	Commitments and Financial Guarantee Contracts (Note 16)	Total
Balance at September 30, 2022	P18,838,342	P38,627,586	P5,924	P2,457,107	P59,928,959
Provision for (reversal of) credit and impairment losses and recoveries	(4,930,978)	(14,919,435)	(1,817)	(1,888,970)	(21,741,200)
Effect of foreign exchange rate difference	(862,445)	(48,834)	(228)	-	(911,507)
Balance at September 30, 2023	P13,044,919	P23,659,317	P3,879	P568,137	P37,276,252

The tables show reconciliation from the opening balance to the closing balance of the allowance for credit and impairment losses by class of financial instruments (amounts in thousands).

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial Assets at FVOCI				
Balance at October 1, 2023	**P13,045**	**P -**	**P -**	**P13,045**
Provision of credit and impairment losses	**24,385**	**-**	**-**	**24,385**
Transfer to Stage 1	**-**	**-**	**-**	**-**
Transfer to Stage 2	**-**	**-**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
Foreign exchange differences	**(1)**	**-**	**-**	**(1)**
Balance at September 30, 2024	**P37,429**	**P -**	**P -**	**P37,429**
Loans and Receivables				
Balance at October 1, 2023	**P23,422**	**P237**	**P -**	**P23,659**
Provision for credit and impairment losses	**(9,670)**	**(189)**	**-**	**(9,859)**
Transfer to Stage 1	**-**	**-**	**-**	**-**
Transfer to Stage 2	**-**	**-**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
Foreign exchange differences	**(35)**	**-**	**-**	**(35)**
Balance at September 30, 2024	**P13,717**	**P48**	**P -**	**P13,765**
Due from Head Office and Other Branches				
Balance at October 1, 2023	**P4**	**P -**	**P -**	**P4**
Reversal of credit and impairment losses	**-**	**-**	**-**	**-**
Transfer to Stage 1	**-**	**-**	**-**	**-**
Transfer to Stage 2	**-**	**-**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
Foreign exchange differences	**-**	**-**	**-**	**-**
Balance at September 30, 2024	**P4**	**P -**	**P -**	**P4**
Commitments and Financial Guarantee Contracts				
Balance at October 1, 2023	**P568**	**P -**	**P -**	**P568**
Reversal of credit and impairment losses	**2,137**	**-**	**-**	**2,137**
Transfer to Stage 1	**-**	**-**	**-**	**-**
Transfer to Stage 2	**-**	**-**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
Foreign exchange differences	**-**	**-**	**-**	**-**
Balance at September 30, 2024	**P2,705**	**P -**	**P -**	**P2,705**

	2023			
	Stage 1	Stage 2	Stage 3	Total
Financial Assets at FVOCI				
Balance at October 1, 2022	P18,838	P -	P -	P18,838
Provision of credit and impairment losses	(4,931)	-	-	(4,931)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign exchange differences	(862)	-	-	(862)
Balance at September 30, 2023	P13,045	P -	P -	P13,045
Loans and Receivables				
Balance at October 1, 2022	P38,618	P9	P -	P38,627
Provision for credit and impairment losses	(15,147)	228	-	(14,919)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign exchange differences	(49)	-	-	(49)
Balance at September 30, 2023	P23,422	P237	P -	P23,659
Due from Head Office and Other Branches				
Balance at October 1, 2022	P6	P -	P -	P6
Reversal of credit and impairment losses	(2)	-	-	(2)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign exchange differences	-	-	-	-
Balance at September 30, 2023	P4	P -	P -	P4
Commitments and Financial Guarantee Contracts				
Balance at October 1, 2022	P2,457	P -	P -	P2,457
Reversal of credit and impairment losses	(1,889)	-	-	(1,889)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign exchange differences	-	-	-	-
Balance at September 30, 2023	P568	P -	P -	P568

The breakdown of ‘Provision for (reversal of) credit and impairment losses and recoveries’ account follows:

	2024	2023
Provision for (reversal of) credit and impairment losses and recoveries	**P16,662,540**	(P21,741,200)
Recovery of previously written off loan	**(142,028,700)**	-
Total	**(P125,366,160)**	(P21,741,200)

The Philippine Branch was able to recover bad debts amounting to P142.03 million, consisting of principal and interest amounting to P136.25 million and P5.78 million, respectively. This relates to a previously written-off claim in 2017 involving a standby letter of credit issued by the Philippine Branch which was counter-guaranteed by ANZ China for a local customer of the Philippine Branch. The written-off amount was recovered on October 30, 2023 as a result of the recovery efforts by ANZ Group. The impact of this recovery is reflected under “Provision for (reversal of) credit and impairment losses and recoveries” on the statement of income and expenses for the year ended September 30, 2024. There is no impact to the prior year financial statements as inflow of economic benefits was not probable as of prior period end.

13. Property and Equipment

The movements in property and equipment are as follows:

	September 30, 2024					
	Computer Equipment	**Leasehold Improvements**	**Motor Vehicles**	**Furniture, Fixtures and Equipment**	**Right-of-Use Assets**	**Total**
Cost						
Balance at beginning of year	**P107,916,128**	**P30,339,457**	**P -**	**P5,326,533**	**P -**	**P143,582,118**
Additions	**3,820,087**	**-**	**-**	**-**	**-**	**3,820,087**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Balance at end of year	**111,736,215**	**30,339,457**	**-**	**5,326,533**	**-**	**147,402,205**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**86,053,634**	**30,339,457**	**-**	**3,253,137**	**-**	**119,646,228**
Depreciation and amortization	**6,091,506**	**-**	**-**	**439,074**	**-**	**6,530,580**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Balance at end of year	**92,145,140**	**30,339,457**	**-**	**3,692,211**	**-**	**126,176,808**
Carrying Amount						
Balance at beginning of year	**P21,862,494**	**P -**	**P -**	**P2,073,396**	**P -**	**P23,935,890**
Balance at end of year	**P19,591,075**	**P -**	**P -**	**P1,634,322**	**P -**	**P21,225,397**

	September 30, 2023					
	Computer Equipment	Leasehold Improvements	Motor Vehicles	Furniture, Fixtures and Equipment	Right-of-Use Assets	Total
Cost						
Balance at beginning of year	P86,800,121	P30,339,457	P -	P5,326,533	P7,021,217	P129,487,328
Additions	21,116,008	-	-	-	-	21,116,008
Disposals	-	-	-	-	(4,180,342)	(4,180,342)
Write off	-	-	-	-	(2,840,875)	(2,840,875)
Balance at end of year	107,916,129	30,339,457	-	5,326,533	-	143,582,119
Accumulated Depreciation and Amortization						
Balance at beginning of year	75,466,380	30,021,404	-	2,809,848	585,099	108,882,731
Depreciation and amortization	10,587,254	318,053	-	443,290	3,595,243	14,943,840
Disposals	-	-	-	-	(4,180,342)	(4,180,342)
Balance at end of year	86,053,634	30,339,457	-	3,253,138	-	119,646,229
Carrying Amount						
Balance at beginning of year	P11,333,741	P318,053	P -	P2,516,685	P6,436,118	P20,604,597
Balance at end of year	P21,862,495	P -	P -	P2,073,395	P -	P23,935,890

Depreciation and amortization, which is presented under "Depreciation and amortization" and included in "Other expenses" account in the statements of income and expenses, amounted to P6.53 million and P14.94 million in 2024 and 2023, respectively.

Fully depreciated assets which are still in use amounted to P107.42 million and P102.77 million as at September 30, 2024 and 2023, respectively.

As at September 30, 2024 and 2023, there were no property and equipment pledged as collateral for liabilities.

14. Other Assets

The table below shows the composition of other assets.

	Note	**2024**	2023
Prepaid income tax		**P72,921,896**	P10,414,831
Settlement clearing account		**25,753,985**	-
Documentary stamp tax		**20,068,899**	15,996,480
Goodwill		**13,834,833**	13,834,833
Prepaid expenses		**3,286,376**	3,309,987
Accounts receivable		**2,068,662**	3,785,984
Unsettled trade assets		**1,284,978**	10,035,813
Defined benefit asset	*26*	**1,095,980**	5,159,329
Deposits on lease contract		**-**	600,000
Miscellaneous		**37,651**	35,491
		P140,353,260	P63,172,748

Prepaid income tax pertain to withheld taxes which will be used for the payment of income and other taxes.

Settlement clearing account refers collections credited to the Philippine Branch's Nostro account not yet cleared by the bank as of year-end and is cleared the following day.

Documentary stamp tax includes prepayments for stamp duties that will be utilized in levying documents, loan agreements and other instruments.

Goodwill amounting to P13.83 million was recognized as a result of the acquisition by ANZ of the Royal Bank of Scotland (RBS) Philippines business on November 20, 2009, which includes the entire balance sheet and all existing customers and accounts at completion date for the entities ABN AMRO Bank N.V. (Philippines) Offshore Branch and The Royal Bank of Scotland (Philippines), Inc. Such goodwill is assessed to have an indefinite useful life.

Prepaid expenses include advances for software maintenance, BSP supervisory fees and advance payments of taxes.

Accounts receivable primarily include receivables from Metrobank for advances made by the Philippine Branch for its separated employees.

Unsettled trade assets pertain to trade securities sold during the year but have yet to be delivered over the next banking days of the following year amounting to P1.28 million and P10.04 million as at September 30, 2024 and 2023, respectively.

Defined benefit asset is the excess of the value of assets in the Philippine Branch's defined benefit pension plan over the present value of the plan's liabilities (see Note 26).

As at September 30, 2024 and 2023, there were no other assets pledged as collateral for liabilities.

15. Deposits and Other Borrowings

Deposits from Customers

	Note	2024	2023
Time		**P10,616,887,041**	P10,445,256,927
Demand		**9,398,018,542**	8,021,254,395
Savings		**1,591,415,214**	2,713,850,870
	5	**P21,606,320,797**	P21,180,362,192

Deposits and Borrowings from Banks

	Note	2024	2023
Interbank loans payable to other banks		**P328,418,393**	P349,865,431
Time		**-**	286,072
	5	**P328,418,393**	P350,151,503

Accrued interest payable on deposits and other borrowings, shown as part of accrued interest payable presented under "Accrued interest payable" account in the statements of financial position, amounted to P20.05 million and P13.68 million as at September 30, 2024 and 2023, respectively. The interest rates on deposit from customers ranged from in 2.04% to 4.60% in 2024 and 0.01% to 4.60% in 2023. On the other hand, interest rates on deposits from banks ranged from 3.45% to 6.50% in 2024 and ranged from 1.75% to 6.28% in 2023.

Accrued interest payable consists of:

	Note	2024	2023
Deposits from customers		**P19,333,817**	P13,508,658
Due to Head Office and other branches	*18*	**719,329**	168,153
	5	**P20,053,146**	P13,676,811

Interest expense on deposits from customers consists of:

	Note	2024	2023
Time		**P265,938,424**	P202,240,367
Demand		**40,263,223**	22,402,878
	21	**P306,201,647**	P224,643,245

Interest expense on deposits and borrowings from banks amounted to P28.12 million and P20.46 million in 2024 and 2023, respectively (see Note 21).

Under the existing BSP regulations (Section 253 of the MORB - Exemptions from Reserve Requirements and BSP Circular No. 1004), all local currency deposits and deposit substitute liabilities of universal banks are subject to reserve requirements of 18%. The required reserves of the Philippine Branch are comprised of demand deposit accounts with the BSP.

On March 31, 2020, Section 251 - Accounts subject to reserves; amounts required under MORB as amended by the BSP Circular 1082. Reduction in Reserve Requirements which decrease reserve requirement by 400 basis points (or 4 percentage points) which is equivalent to 12%, effective reserve week April 3, 2020.

On June 8, 2023, the BSP issued Circular 1175 Reduction in Reserve Requirements, which decreased reserve requirement by 250 basis points (or 2.5 percentage points) which is equivalent to 9.5%, effective reserve week June 30, 2023. As at September 30, 2024 and 2023, the demand deposit set aside in compliance with the reserve requirements amounted to P1.48 billion and P1.85 billion, respectively (see Note 8).

16. Other Liabilities

This account consists of the following:

	Note	**2024**	2023
Unsettled trades		**P139,265,433**	P95,973,137
Accruals for employee-related expenses		**50,256,018**	42,515,572
Interoffice clearing accounts		**36,642,450**	14,407,515
Government payables		**33,759,046**	36,580,306
Advance withholding taxes		**26,676,803**	-
Accrual for deposit insurance		**17,491,761**	26,261,254
Unclaimed monies		**10,115,131**	9,833,392
Accrued and other expenses		**6,845,444**	13,756,571
Uncleared drafts		**5,792,513**	6,577,028
Provision for liability	*12*	**2,704,827**	568,137
Settlement exchange clearing		**-**	27,024,828
Miscellaneous		**25,014,088**	9,170,677
		P354,563,514	P282,668,417

Unsettled trades represent receivable from counterparties for the proceeds of sale of debt securities recorded on trade date. This receivable is usually settled within two days from trade date. These debt securities include Philippine Government securities such as treasury bills, retail treasury bonds and fixed rate treasury notes.

Accruals for employee-related expenses pertains to provision for bonus which includes cash and share-based payments for employee incentives. This also includes provision future tax reimbursement of retiring employees amounting to P6.38 million. This is classified as ‘Other provision for liability’ in the statement of cash flows.

Government payables pertain to accrual of penalty for under-compliance of the agri-agra and micro, small and medium enterprise credit allocation per BSP regulation, and accrual of gross receipts tax.

Advance withholding taxes pertain to 20% final withholding tax on interest income from government securities.

Accrual for deposit insurance refers to insurance for deposit liabilities, unclaimed monies refer to unclaimed balances for escheatment to the government, and accrued and other expenses pertain to accrual of outsourced services, software licenses and other charges. Uncleared drafts are drafts written but not yet paid.

Provision for liability pertains to loss allowance on off-balance sheet items (see Note 12).

Miscellaneous liabilities pertain to sundry liabilities which consist of utilities and communications payable and settlement or clearing accounts.

17. Assigned Capital Funds and Due from and to Head Office and Other Branches

Under R.A. No. 7721, *An Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines*, (the "Act") which took effect on June 5, 1994, a foreign bank with existing branch or branches in the Philippines is required to inwardly remit and convert into Philippine currency, as permanently assigned capital, the U.S. dollar equivalent of P210.00 million computed at P26.98 to US$1, which is the exchange rate on the effectivity date of the Act. Under the same Act, a foreign bank is entitled to establish up to 6 branches [the first 3 additional branches in locations of its choice and the next 3 additional branches in locations designated by the Monetary Board (MB) in addition to its branch or branches existing as at the effectivity date of the Act]. The P210.00 million referred to above shall be the capital for a foreign bank's first three branches. For each of the next 3 additional branches to be established in locations designated by the MB, a foreign bank is required to inwardly remit and convert into Philippine currency, as additional permanently assigned capital, the U.S. dollar equivalent of P35.00 million computed at the same exchange rate of P26.98 to US$1.

Under Section 1420 of MORB - Deals with Foreign Banks, the capital of a branch may consist of its permanently assigned capital plus the "Net due to Head office and other Branches" account, which should not exceed the equivalent of four times the amount of permanently assigned capital. The "Net due to Head office and other Branches" account shall include all net due to Head Office, other branches, subsidiaries (more than 50% owned by the foreign bank) and offices outside the Philippines. Additionally, at least 15% of the "Net due to Head office and other Branches" should be inwardly remitted and converted into Philippine currency, provided that amounts invested in productive enterprises or utilized by the Philippine companies for export activities, including foreign currency denominated loans granted to Philippine exporters and loans for productive purposes such as agriculture, fisheries and forestry, manufacturing, mining, public utilities, construction and home building, need not be subject to conversion into Philippine currency.

On August 9, 2001, the BSP approved the Philippine Branch's request to transfer its cumulative unremitted income amounting to about P193.98 million to the previously permanently assigned capital of P250.34 million. On July 24, 2008, unremitted FCDU income amounting to P651.15 million was also approved by BSP to be transferred to assigned capital.

Additionally, BSP approved the transfer of P274.00 million and P840.00 million unremitted income to assigned capital on November 10, 2009 and June 18, 2010, respectively.

On March 21, 2014, the Head Office infused additional capital in the Philippine Branch amounting to $19.14 million (equivalent to P865.11 million) to comply with minimum capital required under its universal banking authority.

On October 29, 2014, under Section 121- Minimum Required Capital of the Manual of Regulations for Banks ("MORB") of BSP, which implemented the new minimum capitalization requirements for banks. For the Philippine Branch, having a universal banking license with Head Office only, the minimum capitalization required is P3 billion. To comply with the revised minimum capital requirements, the Philippine Branch received additional capital of $25.63 million (equivalent to P1.15 billion) from the Head Office on November 13, 2014 as part of the permanently assigned capital.

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

Effective December 6, 2014, BSP Circular No. 858 amended the regulations on Single Borrower's Limit under Section 1002 - Capital Adequacy Framework and Section 1004 - Capital Conservation Buffer. Per amendment, loans and credit commitments of foreign bank branches as of the effectivity of Republic Act (R.A.) No. 10641 may be maintained, but once repaid or expired, shall no longer be increased in excess of the ceiling allowed under this Circular. Further, existing foreign bank branches shall be given until December 31, 2019 to use twice the level of capital as defined in this Circular as net worth, as reference point for purposes of determining the appropriate SBL.

On February 10, 2020, the BSP issued Circular No. 1073. The Monetary Board, in its Resolution No. 123 dated 23 January 2020, approved the extension of the transitory period until 31 December 2020 for existing foreign bank branches to use twice the level of capital as basis for determining the Single Borrower's Limit (SBL).

Pursuant to BSP Memorandum No. M-2020-057 dated 21 July 2020 on Amendments to the Operational Relief Measures for BSFI, The Single Borrower's Limit (SBL) is increase from 25 percent to 30 percent until 31 March 2021, pursuant to national interest.

On January 4, 2021, the BSP issued Memorandum No. M-2021-002 for Regulatory Relief on the Non-imposition of Sanction for Breach in Single Borrower's Limit by Certain Foreign Bank Branches.

In view of the lapse of the transitory period for SBL pursuant to Section 103 of the Manual of Regulations for Banks (MORB), the existing foreign bank branches prior to R.A. No. 10641 that breached the SBL shall not be subject to sanctions until December 31, 2021. Provided that the amount of the new loan, credit accommodation, or guarantee extended as well as the restructured, renewed, and refinanced existing credit exposures beginning January 1, 2021 to December 31, 2021, shall not exceed the prescribed percentage limit using as reference point twice the level of capital as defined under Section 103 of the MORB.

On April 26, 2021, the BSP issued Memorandum No. M-2021-026 on the Amendments to the Relief Measure on the Single Borrower's Limit (SBL) where there is an increase in the SBL under Section 362 of the Manual of Regulations for Banks (MORB)/Section 342-Q of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) from 25 percent to 30 percent until 31 December 2021, pursuant to national interest.

The Monetary Board of the BSP, on its Memorandum No M-2022-004 dated January 17, 2022, extended the BSP Prudential Relief Measures and increased the SBL (Single Borrower's limit) from 25 percent to 30 percent until December 31, 2022, pursuant to national interest.

In view of the lapse of the transitory period for the SBL pursuant to Section 103 of the Manual of Regulations for Banks (MORB), as amended by Circular No. 1073 dated February 10, 2020, existing foreign bank branches established in the Philippines prior to Republic Act No. 10641 that breach the SBL shall not be subject to sanctions until December 31, 2022. Provided, That the amount of the new loan, credit accommodation, or guarantee extended as well as the restructured, renewed, and refinanced existing credit exposures, beginning January 1, 2021 until December 31, 2022, shall not exceed the prescribed percentage limit using as reference point twice the level of capital as defined under Section 103 of the MORB.

The Philippine Branch's regulatory capital position as at September 30, 2024 and 2023 based on Basel III requirements as reported to the BSP is as follows (amounts in thousands):

	2024	2023
Tier 1 Capital		
Permanently assigned capital	**P4,225,190**	P4,225,190
Unremitted profits	**3,367,638**	3,000,603
Undivided profits	**740,259**	350,897
Cumulative other comprehensive income	**153,099**	(141,927)
Less: Required deductions from Tier 1 Capital		
Deferred income tax	**176,281**	142,399
Defined benefit assets	**3,961**	-
Unsecured DOSRI	**1,975**	1,494
Goodwill	**13,835**	13,835
Total Tier 1 Capital	**8,290,134**	7,277,035
Add: Tier 2 Capital		
General loan loss provisioning (maximum 1% of Credit RWA)	**66,010**	94,144
	P8,356,144	P7,371,179

Amounts presented in the table above are based on the financial reporting package submitted by the Philippine Branch to the BSP.

18. Related Parties

Related Parties and Transactions

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

The Philippine Branch has transactions with its Head Office, other branches and with certain DOSRI. Banking law and regulations, the aggregate amount of loans to DOSRI should not exceed the total net worth or 15% of the total loan portfolio of the Philippine Branch, whichever is lower.

In addition, the amount of direct credit accommodations to DOSRI, of which 70% must be secured, should not exceed the amount of their respective unencumbered deposits and book value of their respective investments in the Philippine Branch. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations.

BSP also prescribed separate lending limits to subsidiaries and/or affiliates of banks which shall not exceed 10% of the net worth of the lending bank. Aggregate ceiling is 20% of net worth and unsecured exposure should not exceed 5% of the net worth of the lending bank.

This also excludes exposures that are considered non-risk during existing regulations. The Philippine Branch is in compliance with such regulations in 2024 and 2023.

The significant account balances with respect to related parties included in the financial statements are as follows (in thousands):

Related Party/Transactions	*Note*	Year	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Parent					
Due from Head Office					
Due from banks					
Deposits	*18a*	**2024**	**P2,128,868,442**	**P56,474**	Working fund with Head office; short term, no impairment, unsecured, non-interest bearing
Withdrawal			**(2,128,882,481)**	**-**	
Deposits		2023	2,183,233,641	70,513	
Withdrawal			(2,183,303,193)	-	
Due to Head Office					
Allocated head office expense	*18c*	**2024**	**61,844**	**-**	Share in Head Office expenses
		2023	86,691	-	
Entities under Common Control					
Due from Branches					
Interbank loans	*18a*				
Drawdown		**2024**	**4,120,626**	**213,635**	Short-term, no impairment; unsecured; interest rates are disclosed in 18a below
Collection			**(4,163,139)**	**-**	
Drawdown		2023	5,983,872	256,149	
Collection			(6,184,224)	-	
Due from banks					
Deposits	*18a*	**2024**	**369,972,597**	**1,160**	Short-term, no impairment; unsecured; non-interest bearing
Withdrawal			**(369,971,886)**	**-**	
Deposits		2023	377,551,898	449	
Withdrawal			(377,553,010)	-	
Intercompany receivable/payable	*18a*	**2024**	**2,369**	**399**	Payable from intercompany transactions
		2023	(2,196)	(1,970)	
Interest income	*18a, 11, 20*	**2024**	**10,159**	**173**	Interest accrued on interbank placement; short-term; no impairment; unsecured
		2023	34,254	167	
Due to Branches					
Short-term borrowings	*18b*				Short-term; interest rates on these short-term borrowings are disclosed in 18b below
Proceeds		**2024**	**174,660,518**	**(7,988,023)**	
Withdrawal			**(182,082,791)**	**-**	
Proceeds		2023	141,868,160	(565,750)	
Withdrawal			(122,325,536)	-	
Interest expense	*15, 18b, 21*	**2024**	**(233,414)**	**(719)**	Interest accrued on interbank placements
		2023	(359,535)	(168)	
Others	*18b*	**2024**	**40,618**	**(86,353)**	Deposits to Head Office and other branches and liabilities incurred for services provided by ANZ Manila Hub
		2023	55,151	(126,971)	
Key Management Personnel	*18d*	**2024**	**997**	**9,345**	Lending to key management personnel
		2023	(19,971)	10,342	
Allowance for Credit and Impairment Losses	*12*	**2024**	**-**	**(4)**	
		2023	2	(4)	
Total Net Due to Head Office and Other Branches		**2024**		**(P7,793,913)**	
		2023		(P357,243)	

The balance presented in the statements of financial position is net of Due from Head Office and other branches account and Due to Head office and other branches account.

All outstanding balances with related parties are to be settled in cash.

As at September 30, 2024 and 2023, all related party transactions pertaining to short-term lending and interbank loans are unsecured with impairment and due and demandable within one (1) year.

18a Due from Head Office and Other Branches

Loans and advances represent deposit with and short-term lending to Head Office and other branches. Deposits with Head Office and other branches are accounts maintained with them for inter-branch transactions. Interest rates on these short-term lending booked under RBU range from 4.17% to 5.33% and 3.18% to 5.33%, while interest rates on short-term lending booked under FCDU range from 3.92% to 4.17% and 2.23% to 3.92% as at September 30, 2024 and 2023, respectively.

Interest was accrued for these short-term lending and are shown under “Loans and receivables” account in the statements of financial position. As at September 30, 2024 and 2023, accrued interest income from these short-term lending amounted to P0.17 million and P0.17 million (see Note 11), while interest income earned amounted to P10.16 million and P34.25 million, respectively (see Note 20).

18b Due to Head Office and Other Branches

These represent short-term borrowings from the Head Office and other branches. These borrowings have interest rates benchmarked to the Federal Funds Rates for 2024 and 2023, respectively. Interest rates booked under RBU range from 0.08% to 5.35% in 2024 and 2.9% to 5.35% in 2023, while interest rates booked under FCDU range from 4.25% to 5.35% in 2024 and 0.0001% to 5.35% in 2023.

Interest was accrued for these short-term borrowings and is, shown as part of “Accrued interest payable” account in the statements of financial position amounting to P0.72 million and P0.17 million as at September 30, 2024 and 2023, respectively (see Note 15). Interest expense on these short-term borrowings for the years ended September 30, 2024 and 2023 amounted to P233.41 million and P359.54 million, respectively (see Note 21).

Others represent deposits to Head Office and other branches and payables incurred for accounting and operations services outsourced by the Philippine Branch to the ANZ Manila Hub.

18c Allocated Head Office Expenses

Head Office expenses allocated to the Philippine Branch pertain to the: (1) cost for use and maintenance of global or centralized technology or processing system; (2) share in the manpower expenses related to the employment of regional staff/officers; and (3) share in the cost incurred for the operation and administration of the Hyperion, the group financial reporting computer system; (4) payments made to Philippine Branch for the share-based compensation; and, (5) plan relationship banking charges for the income that is booked locally but is originated by offshore Relationship Manager.

18d Key Management Personnel

These represent long-term, secured, with no impairment, lending to key management personnel, who are members of the Executive Committee (EXCO) of the Philippine Branch. As at September 30, 2024 and 2023, interest rates on these loans are at 5.82% and 5.59%, respectively, with a term of five (5) to ten (10) years. These loans are presented under "Loans and receivables" account in the statements of financial position.

Compensation of Key Management Personnel

The Philippine Branch's compensation to key management personnel shown as part of "Salaries, bonuses and allowances" account in the statements of income and expenses is as follows:

	2024	2023
Short-term employee benefits	**P64,151,113**	P92,658,186
Post-employment benefits	**6,353,680**	7,457,878
	P70,504,793	P100,116,064

Interest Arbitrage (INTARBI) Transactions

INTARBI transactions are internal deals usually between the Foreign Exchange (FX) and Money Market (MM) desks to shift funding or risk exposure from one currency to another and from banking to trading book and vice-versa. The INTARBI transactions involve an FX swap (which comprises FX spot and forward legs), a loan involving one of the currency pair in the FX swap transaction and a deposit involving the other currency of the FX swap transaction. INTARBI transactions are only book entries. There are no net physical cash flows involved for the Philippine Branch as a whole because all the transactions cancel themselves out. Because INTARBI deals are only internal, there cannot be any profits or losses recognized in the statements of income and expenses made from these transactions on an overall site basis. However, there may be impact on the statements of income and expenses at the desk level or a timing difference, which should be calculated by the Back Office and agreed by the Treasurer and Chief Dealer and reported to local ALCO.

19. Reserves

This account consists of the following:

	Note	**2024**	2023
Cumulative Foreign Currency Translation Adjustments			
Balance at beginning of the year		**P35,104,658**	P33,963,760
Translation adjustment for the year		**(1,558,239)**	1,140,898
		33,546,419	35,104,658
Net Unrealized Gains (Losses) on Financial Assets at FVOCI			
Balance at beginning of the year		**(175,673,284)**	(251,063,884)
Net unrealized gain (loss) from changes in fair value during the year	*10*	**296,010,076**	75,390,600
		120,336,792	(175,673,284)
Total Reserves		**P153,883,211**	(P140,568,626)

20. Interest Income

This account consists of the following:

	Note	**2024**	2023
Interest Income Calculated Using the Effective Interest Method			
Financial assets at FVOCI	*10*	**P744,308,400**	P403,959,891
Loans and receivables	*11*	**558,133,062**	541,132,700
Loans and advances to banks	*8*	**314,308,835**	264,972,452
Due from Head Office and other branches	*18*	**10,159,375**	34,253,678
		1,626,909,672	1,244,318,721
Interest Income Financial Assets at FVPL	*9*	**316,444,513**	301,390,917
		P1,943,354,185	P1,545,709,638

21. Interest Expense

This account consists of the following:

	Note	**2024**	2023
Deposits from customers	*15*	**P306,201,647**	P224,643,245
Deposits and borrowings from:			
Head Office and other branches	*18*	**233,414,179**	359,535,145
Other banks	*15*	**28,118,930**	20,460,439
		P567,734,756	P604,638,829

22. Fees and Commission Income

This account consists of the following:

	2024	2023
Non-lending fees and commission	**P56,904,441**	P53,170,080
Lending fees and commission	**8,014,586**	4,598,595
	P64,919,027	P57,768,675

Non-lending fees and commission pertain to service transfer pricing income allocated by Head Office, outward telegraphic transfer fees, import and export fees and guarantee fees and other non-lending services costs.

In the table below, fees and commission income from contracts with customers within the scope of PFRS 15 is disaggregated by major type of services as follows:

	2024	2023
Account, transactive and service fees	**P33,914,287**	P19,781,393
STP income	**22,990,154**	33,388,687
Guarantee fee	**7,534,586**	3,799,712
Dividend income	**480,000**	560,000
Other lending fees	**-**	238,883
	P64,919,027	P57,768,675

23. Trading and Securities Gain - net

This account consists of the following:

	2024	2023
Debt instruments:		
Realized	**P18,672,074**	P20,173,726
Unrealized	**22,276,859**	1,646,377
	40,948,933	21,820,103
Derivative financial instruments:		
Realized	**341,809,025**	60,546,751
Unrealized	**(197,891,413)**	419,771,660
	143,917,612	480,318,411
	P184,866,545	P502,138,514

Trading and securities gain - net on derivative financial instruments include realized gains and losses on currency swaps and interest rate swaps.

Trading gains or losses on spot foreign exchange contracts, forward foreign exchange contracts and over the counter foreign exchange options are presented in "Foreign exchange gains (losses) - net" account in the statements of income and expenses.

24. Foreign Exchange (Losses) Gains - net

Foreign exchange gains and losses on spot foreign exchange contracts, forward foreign exchange contracts, foreign exchange swaps and over the counter foreign exchange options and on balance sheet revaluation are presented in "Foreign exchange losses - net" account in the statements of income and expenses. Foreign exchange losses - net amounted to P10.93 million (gain) and P229.66 million (loss) for the years ended September 30, 2024 and 2023, respectively.

25. Income and Other Taxes

Under Philippine tax laws, income from operations of the RBU of the Philippine Branch is subject to percentage and other taxes (presented as "Taxes and licenses" account in the statements of income and expenses) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax. Income taxes paid consist of corporate income tax and a final withholding tax of 20% on gross interest income from government securities, deposits and other deposit substitutes. These income taxes are presented in the statements of income and expenses as income tax expense.

Branch profits remitted by the Philippine Branch to its Head Office are subject to 15% profit remittance tax.

The corporate income tax rate for RBU is 25%. Interest allowed as a deductible expense is reduced by an amount equivalent to 20% of interest income subjected to final tax. The regulations also provide for MCIT of 1% (2% beginning 1 July 2023) on modified gross income and allow NOLCO. The Philippine Branch did not incur any NOLCO as at September 30, 2024 and 2023, and has MCIT due amounting to P0.16 million and P0.06 million for the years ended September 30, 2024 and 2023, respectively. The MCIT and NOLCO before the year 2020 may be applied against the Philippine Branch's income tax liability and taxable income, respectively, over a three-year period from the year of incurrence. The NOLCO incurred in 2020 and 2021, it can be applied for a five-year period.

Moreover, the Philippine Branch has available creditable withholding taxes amounting to P73.73 million and P10.41 million as September 30, 2024 and 2023, respectively, recorded as part of "Other assets" account in the statements of financial position (Note 14).

FCDU offshore income (income from nonresidents) of the FCDU is tax-exempt. Onshore income (income from residents) of the FCDU is subject to 10% gross income tax.

On April 28, 2004, R.A. No. 9294 was enacted into law, titled as "An Act Restoring the Tax Exemption of Offshore Banking Units (OBUs) and FCDUs." This law restored the tax exemption of OBUs and FCDUs. Income derived by FCDUs and OBUs from foreign currency transactions with nonresidents, OBUs, local commercial banks including foreign banks that may be authorized by the BSP to transact business with foreign currency deposit system units and other depository banks under foreign currency deposit system shall be exempt from all taxes, except net income from such transaction as may be specified by the Secretary of Finance, upon recommendation by the Monetary Board to be subject to the regular income tax payable by banks. Provided, however, that interest income from foreign currency loans granted by other FCDUs to residents under the offshore units in the Philippines or other depository banks under the expanded system shall be subject to a final tax at the rate of 10%.

The income tax expense consists of:

	2024	2023
Current:		
RBU	**P9,947,758**	P149,116,488
FCDU	**164,938**	63,069
Final taxes	**216,149,188**	142,096,607
Deferred	**45,818,144**	(104,950,148)
	P272,080,028	P186,326,016

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

	2024	2023
Income before income tax	**P1,013,878,508**	P524,996,510
Income tax expense computed at statutory income tax rate at 25% in 2024 and 2023	**P253,469,627**	P131,249,128
Additions to (reductions from) income taxes resulting from the tax effects of:		
Tax-exempt/tax-paid income	**(365,023,732)**	(256,918,281)
Final taxes	**216,149,188**	142,096,607
Nondeductible interest and other expenses	**161,233,109**	170,502,717
Unrecognized deferred tax asset on MCIT	**10,112,696**	63,069
Unrecognized deferred tax on others - excess of MCIT over RCIT	**(2,444,688)**	-
Recognition of previously unrecognized DTA on NOLCO	**(1,130,776)**	(466,320)
Others	**(285,394)**	(200,904)
Effective income tax	**P272,080,030**	P186,326,016

The components of deferred tax assets and liabilities are as follows:

	2024					
	Beginning Balance (Tax Effect)	**Amount (Charged) Credited to Statements of Income and Expenses**	**Write off**	**Amount Recognized in OCI**	**Tax Base**	**Ending Balance (Tax Effect)**
Deferred Tax Assets Included in Statements of Income and Expenses						
Unrealized mark-to-market gain and foreign exchange transactions	**P120,131,233**	**(P51,195,061)**	**P -**	**P -**	**P275,744,689**	**P68,936,172**
Allowance for credit and impairment losses	**9,774,815**	**4,165,635**	**-**	**-**	**55,761,798**	**13,940,450**
Accruals and provision for employee benefits	**11,220,392**	**721,024**	**-**	**-**	**47,765,665**	**11,941,416**
Accrued retirement benefits	**8,702,019**	**204,864**	**-**	**-**	**35,627,532**	**8,906,883**
	149,828,459	**(46,103,538)**	**-**	**-**	**414,899,684**	**103,724,921**
Deferred Tax Liabilities Included in Statement of Income and Expenses						
PFRS 16	**(285,394)**	**-**	**285,394**	**-**	**-**	**-**
	(285,394)	**-**	**285,394**	**-**	**-**	**-**
Deferred Tax Liabilities Included in OCI						
Remeasurement gain on retirement plan	**(7,138,746)**	**-**	**-**	**810,973**	**(25,311,096)**	**(6,327,773)**
	(7,138,746)	**-**	**-**	**810,973**	**(25,311,096)**	**(6,327,773)**
	P142,404,319	**(P46,103,538)**	**P285,394**	**P810,973**	**P389,588,588**	**P97,397,148**

	2023					
	Beginning Balance (Tax Effect)	Amount (Charged) Credited to Statements of Income and Expenses	Write off	Amount Recognized in OCI	Tax Base	Ending Balance (Tax Effect)
Deferred Tax Assets Included in Statements of Income and Expenses						
Unrealized mark-to-market gain and foreign exchange transactions	P13,545,317	P106,585,916	P -	P -	P480,524,934	P120,131,233
Accruals and provision for employee benefits	8,540,267	2,680,125	-	-	44,881,569	11,220,392
Allowance for credit and impairment losses	14,982,215	(5,207,400)	-	-	39,099,258	9,774,815
Accrued retirement benefits	8,556,788	145,231	-	-	34,808,074	8,702,019
	45,624,587	104,203,872	-	-	599,313,835	149,828,459
Deferred Tax Liabilities Included in Statement of Income and Expenses						
PFRS 16	(1,031,670)	746,276	-	-	(1,141,575)	(285,394)
	(1,031,670)	746,276	-	-	(1,141,575)	(285,394)
Deferred Tax Liabilities Included in OCI						
Remeasurement gain on retirement plan	(4,796,255)	-	-	(2,342,491)	(28,554,987)	(7,138,746)
	(4,796,255)	-	-	(2,342,491)	(28,554,987)	(7,138,746)
	P39,796,662	P104,950,148	P -	(P2,342,491)	P569,617,273	P142,404,319

Management believes that certain future deductible items may not be realized in the near foreseeable future as future taxable income may not be sufficient for the related tax benefits to be realized. Accordingly, the Philippine Branch did not recognize deferred tax assets on the following:

	2024		2023	
	Deductible Temporary Differences	**Unrecognized Deferred Tax Asset**	Deductible Temporary Differences	Unrecognized Deferred Tax Asset
NOLCO	**P22,891,638**	**P5,722,910**	P27,414,743	P6,853,686
MCIT	**10,199,409**	**10,199,409**	86,713	86,713
	P33,091,047	**P15,922,319**	P27,501,456	P6,940,399

Details of the Philippine Branch's NOLCO and MCIT as at September 30, 2024 and 2023 are as follow:

<u>NOLCO</u>

On September 30, 2020, the Bureau of Internal Revenue issued Revenue Regulations (RR) No. 25-2020 which provides that businesses or enterprises which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from gross income for the next five (5) consecutive taxable years, immediately following the year of such loss, unless otherwise disqualified. The net operating loss for the said taxable years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next five (5) consecutive taxable years following the year such loss was incurred. Such RR took effect immediately.

Inception Year	Expiry Year	October 1, 2023	Addition	Application	Expiration	**September 30, 2024**
2024	2027	P -	P -	P -	P -	**P -**
2023	2026	-	-	-	-	**-**
2022	2025	1,725,387	-	-	-	**1,725,387**
2021	2026	9,277,628	-	-	-	**9,277,628**
2020	2025	16,411,728	-	(4,523,105)	-	**11,888,623**
		P27,414,743	P -	(P4,523,105)	P -	**P22,891,638**

MCIT

Inception Year	Expiry Year	October 1, 2023	Addition	Expiration/ Application	**September 30, 2024**
2024	2027	P -	P10,112,696	P -	**P10,112,696**
2023	2026	63,069	-	-	**63,069**
2022	2025	23,644	-	-	**23,644**
		P86,713	P10,112,696	P -	**P10,199,409**

The breakdown of "Taxes and licenses" account presented in the statements of income and expenses follows:

	2024	2023
Gross receipts tax	**P115,581,795**	P90,335,856
Documentary stamp expenses	**49,569,369**	35,910,307
Fringe benefit taxes	**3,953,010**	5,114,596
License and permit fees	**3,324,270**	1,524,457
	P172,428,444	P132,885,216

26. Employee Benefits

Expenses recognized for salaries and employee benefits under "Salaries, bonuses and allowances" in the statements of income and expenses are presented below:

	2024	2023
Short-term benefits	**P276,763,941**	P276,207,754
Post-employment benefits	**24,030,408**	16,762,994
	P300,794,349	P292,970,748

Post-employment benefits consist of the following:

	2024	2023
Contributions paid to the trust fund	**P16,831,950**	P16,182,068
Defined benefit cost	**819,458**	580,926
Other provision for liability	**6,379,000**	-
	P24,030,408	P16,762,994

Total amount paid by the Philippine Branch to Metrobank Trust Fund for the defined contribution plan amounted to P16.83 million and P16.18 million for the years ended September 30, 2024 and 2023, respectively.

Other provision for liability refers to provision for future tax reimbursements of retiring employees amounting to P6.38 million and nil for the years ended September 30, 2024 and 2023, respectively.

During the year ended September 30, 2024, the Philippine Branch's retirement plan had forfeitures amounting to P0.38 million, which were contributed to the retirement plan and consequently reduced the retirement expense for the year. Forfeitures applied as contributions are recognized as reversal of retirement expense for the year.

The Philippine Branch's retirement plan is treated as a defined contribution plan with a minimum defined benefit in line with the adoption of the Philippine Interpretations Committee Questions and Answers (PIC Q&A) No. 2013-03 relating to PAS 19, *Accounting for Employee Benefits under a Defined Contribution Plan,* subject to requirements of R.A. No. 7641, *Retirement Pay Law*. The valuation method, which only analyzed the minimum defined benefit, used in determining retirement cost is the projected unit credit method.

The benefits valued hereunder pertain to the expected excess of the minimum defined benefit over the projected accumulated contributions under DC Plan.

The retirement benefit expense presented under "Salaries, bonuses and allowances" account in the statements of income and expenses are on top of the required contributions of the Philippine Branch to the DC Plan. In the event that retirement benefits to be paid to employees, hired starting January 1, 2009, are less than that required under R.A. No. 7641, the Philippine Branch shall pay the difference to comply with the said legislation. The retirement fund is being managed and administered by Metropolitan Bank and Trust Company which is covered by a Trust Agreement.

The following table shows the reconciliation from the opening balances to closing balances for defined benefit liability and its component that were calculated based on the minimum defined retirement benefit required by R.A. No. 7641.

	Defined Benefit Obligation		Fair Value of Plan Assets		Defined Benefit Liability (Asset) (Notes 14 and 16)	
	2024	2023	**2024**	2023	**2024**	2023
Balance at October 1	**P26,480,219**	P21,257,133	**P31,639,548**	P17,627,420	**(P5,159,329)**	P3,629,713
Included in Statements of Income and Expenses						
Current service cost	**1,533,695**	1,270,079	**-**	-	**1,533,695**	1,270,079
Net interest income	**1,721,214**	1,551,771	**2,056,571**	1,286,802	**(335,357)**	264,969
Contribution from forfeitures	**-**	-	**378,880**	954,123	**(378,880)**	(954,123)
	3,254,909	2,821,850	**2,435,451**	2,240,925	**819,458**	580,925
Included in OCI						
Remeasurements (gain) loss	**1,653,125**	(9,899,642)	**-**	-	**1,653,125**	(9,899,642)
Return on plan asset excluding interest income	**-**	-	**(1,590,766)**	(529,675)	**1,590,766**	529,675
	1,653,125	(9,899,642)	**(1,590,766)**	(529,675)	**3,243,891**	(9,369,967)
Benefits paid	**-**	12,300,878	**-**	12,300,878	**-**	-
Balance at September 30	**P31,388,253**	P26,480,219	**P32,484,233**	P31,639,548	**(P1,095,980)**	(P5,159,329)

As at September 30, 2024 and 2023, the retirement plan asset amounted to P197.91 million and P161.81 million, respectively. The Philippine Branch has allocated and unallocated funds to employees covered by the defined benefit plan amounting to P165.43 million and P32.48 million, and P130.17 million and P31.64 million for the years ended September 30, 2024 and 2023, respectively.

The Philippine Branch made P16.83 million and P16.18 million contributions to its DC plan for the years ended September 30, 2024 and 2023, respectively.

As at September 30, 2024 and 2023, the carrying amount of defined benefit asset (liability) amounted to P1.10 million and P5.16 million, respectively.

The fair value of the plan assets consists of the following:

	2024	2023
Government securities	**99.06%**	97.93%
Cash in bank	**0.45%**	1.46%
Other assets	**0.49%**	0.61%

The movement of net remeasurement gain (loss) on retirement plan arising from the fair value of plan assets and present value of the obligation follows:

	2024	2023
Remeasurement loss (gain) on retirement plan at beginning of year	**P -**	P -
Net change in remeasurement loss (gain) on retirement plan during the year gross of tax	**3,243,891**	(9,369,967)
Deferred tax effect	**(810,973)**	2,342,492
Transferred to unremitted profits	**(2,432,918)**	7,027,475
Remeasurement gain (loss) on retirement plan at end of year	**P -**	P -

As at September 30, 2024 and 2023, the net remeasurement gain on retirement plan recorded as part of Unremitted profit amounted to P25.31 million and P26.21 million, respectively.

For the years ended September 30, 2024 and 2023, the Philippine Branch has taken the option available under PAS 19-R to transfer remeasurement gain (loss) on retirement plan within unremitted profits.

The loss on plan assets included in the other comprehensive income amounted to P1.59 million and P0.53 million in 2024 and 2023, respectively.

Principal actuarial assumptions used to determine pension expense are as follows:

Annual Rates	**2024**	2023
Average working life	**13**	13
Discount rate	**5.90%**	6.50%
Future salary increases	**5.00%**	5.00%

Assumptions for mortality and disability rate are based on the adjusted 1985 Unisex Annuity Table and the 1952 Disability of Study of the Society for Actuaries reflecting improvement in Philippine disability experience, respectively.

Discount Rate Sensitivity

The following illustrates the sensitivity to a reasonably possible change in each key assumption, with all other variable held constant, of the Branch's retirement benefit obligation. A 100bps increase or decrease is used when reporting this risk internally to key management personnel and represents management's assessment of the reasonably possible change in discount rate and salary increase.

The impact on the Philippine Branch's retirement benefit obligation as at September 30, 2024 and 2023 is as follows:

	2024		
	Increase (Decrease)	**Present Value of Obligation**	**Increase (Decrease) on Present Value of Obligation**
Discount rate	**1%**	**P26,559,412**	**P4,828,841**
	-1%	**38,560,499**	**(7,172,246)**
Salary rate	**1%**	**38,197,304**	**(6,809,051)**
	-1%	**26,766,677**	**4,621,576**

	2023		
	Increase (Decrease)	Present Value of Obligation	Increase (Decrease) on Present Value of Obligation
Discount rate	+1%	P23,319,264	P28,478,583
	-1%	31,314,751	36,474,080
Salary rate	+1%	31,055,380	36,214,709
	-1%	23,487,936	28,647,265

Maturity Analysis of Expected Future Benefit Payments

The maturity analysis of the undiscounted benefit payments as at September 31, 2024 and 2023 is as follows:

	2024			
	1 to 5 Years	**6 to 10 Years**	**11 to 15 Years**	**16 Years and Up**
Normal retirement	**P11,229,592**	**P17,658,183**	**P18,789,497**	**P48,854,456**

	2023			
	1 to 5 Years	6 to 10 Years	11 to 15 Years	16 Years and Up
Normal retirement	P13,055,521	P18,737,060	P1,776,821	P38,473,562

The weighted average duration of the defined benefit obligations is equal to the expected remaining working lives as at September 30, 2024 and 2023.

27. General Office Expenses

This account consists of the following:

	2024	2023
Outsourced and other service costs	**P37,042,036**	P40,549,140
Software development and license fee	**34,667,964**	51,802,343
Agent bank charges	**19,096,853**	8,665,462
Other service charges	**5,362,779**	6,890,580
Telecommunication	**2,206,059**	4,583,910
Other bureau costs	**1,468,769**	1,548,788
Security guards and patrol	**798,611**	681,936
Stationery printing	**156,182**	491,322
Other brokerage fee	**797,343**	281,346
Travel and transportation	**597,808**	252,281
Repairs and maintenance	**764,881**	95,450
Others	**3,175,606**	4,231,338
	P106,134,891	P120,073,896

Outsourced and other service costs pertain to hub support expenses, outsourced logistics service costs, payroll processing fees, courier services, logistics services, and administrative fees.

Software development expenses include software maintenance and distribution of computer software and system costs. Other service charges include installation costs for computer hardware and payments.

Agent bank charges include PhilPaSS fees, bank interest charges, service fees, activity fees, and account analysis fees among others.

Other service charges consist of expenses for the manpower supply and other service fees.

Others consist of stationery printing, client representation expenses, courier expenses and other general office expenses.

28. Deposit Insurance and Supervisory Fees

The accounts consists of fees paid by the Philippine Branch to the Philippine Deposit Insurance Corporation for the insurance of its deposits amounting to P9.24 million and P10.84 million and annual supervisory fee paid to the Bangko Sentral ng Pilipinas amounting to P41.09 million and P36.16 million in 2024 and 2023, respectively.

29. Share-based Compensation

ANZ operates a number of employee share and option scheme under ANZ Employee Share and Acquisition Plan and ANZ Share Option Plan.

Employee Share and Acquisition Plan - Equity Settled
The Philippine Branch scheme that operated in years 2022 and 2021 year was the Deferred Share Plan.

Under ANZ's standard Short Term Incentive arrangements equity deferral into shares applies to half of all incentive amounts above a specified threshold. Half the deferred portion is deferred for one (1) year and half deferred for two years.

Under the Institutional Total Incentives Performance Plan mandatory deferral into shares also applies to 60% of incentive amounts above a specified threshold, deferred evenly over three (3) years.

Selected employees may be granted Long Term Incentive deferred shares which vest to the employee three (3) years from the date of grant.

In exceptional circumstances, deferred shares may be granted to certain employees upon commencement with ANZ to compensate for remuneration forgone from their previous employer. The vesting period generally aligns with the remaining vesting period of remuneration forgone, and therefore varies between grants.

Retention deferred shares may also be granted occasionally to high performing employees who are regarded as a significant retention risk to ANZ.

Unless the Board decides otherwise, unvested deferred shares are forfeited on resignation, termination on notice or dismissal for serious misconduct. Deferred shares remain at risk and can be adjusted downwards at any time prior to the vesting date. The deferred shares may be held in trust beyond the deferral period.

The employee receives dividends on deferred shares while those shares are held in trust (cash or dividend reinvestment plan). Deferred share rights may be granted instead of deferred shares. The issue price for deferred shares is based on the volume weighted average price (VWAP) of the shares traded on the Australian Securities Exchange (ASX) in the week leading up to and including the date of grant.

Deferred shares and rights granted by the ANZ Management Board to officers and employees of ANZ and outstanding as of September 30, 2024 are shown below:

Grant Date	Vesting Period (Years)	Type of Securities	No. of Shares	Issue Price Per Share on the Date of Grant
November 22, 2021	3	Deferred Shares	3354	22.79
November 22, 2022	2	Deferred Shares	1190	21.85
November 22, 2022	3	Deferred Shares	1264	20.57
July 8, 2024	2	Deferred Shares	1711	21.46
July 8, 2024	3	Deferred Shares	1823	20.15
July 8, 2024	1	Deferred Shares	1607	22.85

Expenses related to equity-settled share-based compensation are included in long-term benefits under the "Salaries, bonuses and allowances" account (see Note 26).

30. Commitments and Contingencies

In the normal course of the Philippine Branch's operations, there are various outstanding commitments, which are not reflected in the financial statements. The Philippine Branch does not anticipate material losses as a result of these transactions.

The following is a summary of the Philippine Branch's commitments as at September 30, 2024 and 2023 (amounts in thousands):

	2024	2023
Derivatives	**P82,202,498**	P76,224,838
Revocable commitments	**43,797,633**	33,655,020
Spot FX contracts	**3,782,171**	3,342,223
Outstanding guarantees issued	**349,975**	193,293
Financial standby letters of credit	**85,329**	247,627
Commercial letters of credit	**4,231**	31,014
	P130,221,837	P113,694,015

The Philippine Branch has suits, claims and regulatory examinations that remain unsettled or outstanding. It is not practicable to estimate the potential financial impact of these contingencies.

As at September 30, 2024 and 2023, off-balance sheet commitments and contingent liabilities with credit risk exposure (i.e. Revocable commitments, Financial standby letters of credit, Outstanding guarantees issued, and Commercial letters of credit) amounted to P44.24 million and P34.13 million, respectively. These include commitments and other financial guarantees which are subject to ECL.

The Philippine Branch has no outstanding tax assessments or pending tax cases as of September 30, 2024.

The Philippine Branch also has an operating lease for its office premises. On October 14, 2019, the Branch renewed the contract with a lease term of 5 years from May 1, 2020 to April 30, 2025 subject to 5% annual escalation clause.

The total rent expense charged to operations amounted to P26.07 million and P26.04 million in 2024 and 2023, respectively.

Future minimum lease payments as at September 30 are as follows:

	2024	2023
Not later than 1 year	**P15,257,573**	P26,066,332
Later than 1 year but not later than 5 years	**-**	15,257,573
	P15,257,573	P41,323,905

31. Maturity Analysis of Assets and Liabilities

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

	2024			2023		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Financial Assets - at gross						
Cash and other cash items	**P24,211**	**P -**	**P24,211**	P20,660	P -	P20,660
Loans and advances to banks	**10,910,939**	**-**	**10,910,939**	11,000,581	-	11,000,581
Financial assets at FVPL	**8,153,570**	**-**	**8,153,570**	1,464,181	-	1,464,181
Financial assets at FVOCI	**5,210,752**	**9,701,015**	**14,911,767**	6,094,501	3,473,755	9,568,256
Loans and receivables	**4,430,370**	**894,762**	**5,325,132**	7,919,275	716,126	8,635,401
Other assets	**3,354**	**-**	**3,354**	14,422	-	14,422
	28,733,196	**10,595,777**	**39,328,973**	26,513,620	4,189,881	30,703,501
Non-financial Assets - at gross						
Property and equipment	**-**	**147,402**	**147,402**	-	143,582	143,582
Deferred tax assets	**-**	**97,397**	**97,397**	-	142,404	142,404
Other assets	**123,165**	**13,835**	**137,000**	34,916	13,835	48,751
	123,165	**258,634**	**381,799**	34,916	299,821	334,737
	28,856,361	**10,854,411**	**39,710,772**	26,548,536	4,489,702	31,038,238
Less:						
Allowance for credit and impairment losses	**-**	**-**	**51,194**	-	-	36,704
Accumulated depreciation and amortization	**-**	**-**	**126,177**	-	-	119,646
	P28,856,361	**P10,854,411**	**P39,533,401**	P26,548,536	P4,489,702	P30,881,888
Financial Liabilities						
Deposit from customers	**P21,606,321**	**P -**	**P21,606,321**	P21,180,362	P -	P21,180,362
Deposit and borrowing from banks	**328,418**	**-**	**328,418**	350,152	-	350,152
Financial liabilities at FVPL	**912,297**	**-**	**912,297**	1,087,484	-	1,087,484
Accrued interest payable	**20,053**	**-**	**20,053**	13,677	-	13,677
Other liabilities	**196,366**	**-**	**196,366**	152,245	-	152,245
Net due to Head office and other branches	**7,802,711**	**-**	**7,802,711**	367,584	-	367,584
	30,866,166	**-**	**30,866,166**	23,151,504	-	23,151,504
Non-financial Liabilities						
Income tax payable	**-**	**-**	**-**	100,359	-	100,359
Other liabilities	**158,198**	**-**	**158,198**	130,423	-	130,423
	158,198	**-**	**158,198**	230,782	-	230,782
	P31,024,364	**P -**	**P31,024,364**	P23,368,609	P -	P23,368,609

32. Financial Performance

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

	2024	2023
Return on average assets	**1.85%**	0.89%
Return on average equity	**15.98%**	8.24%
Net interest margin	**5.05%**	3.40%

33. Events After Reporting Period

In accordance with PAS 10, the Philippine Branch has evaluated events occurring after the balance sheet date but before the issuance of these financial statements. The following event is disclosed as a subsequent event:

Repatriation of Earnings
On October 1, 2024, subsequent to the balance sheet date, the Bangko Sentral ng Pilipinas approved the Philippine Branch's request to repatriate accumulated profits as of September 30, 2023 to its Head Office in Melbourne, Australia. The repatriation, which amounted to P169.34 million, was executed on October 9, 2024 in compliance with relevant local tax and regulatory requirements.

The repatriation was part of ANZ Group strategy to consolidate all excess capital at the Head Office. The amount repatriated is expected to have no material impact on the financial position or cash flows of the Philippine Branch.

No other events related to the repatriation or other significant subsequent events occurred that would materially affect the financial position or results of operations as of the date of these financial statements.

34. Supplementary Information Required under Section 174 of the MORB, *Audited Financial Statements; Appendix 55 - Checklist of Bangko Sentral Requirements in the Submission of Audited Financial Statements and Annual Audit Report*

The following supplementary information is required by Appendix 55 - Disclosure Requirements to the Audited Financial Statements (AFS) to Section 174, *Audited Financial Statements; Appendix 55 - Checklist of Bangko Sentral Requirements in the Submission of Audited Financial Statements and Annual Audit Report of the MORB*, as amended by BSP Circular No. 1074, *Amendments to Regulations on Financial Audit of Banks*.

a. *Description of Capital Instruments Issued*

The Philippine Branch considers its assigned capital from the Head Office as capital instrument for purposes of calculating its capital adequacy ratio as at September 30, 2024 and 2023.

b. Significant Credit Exposures

As at September 30, 2024 and 2023, the information on the concentration of credit as to industry of loans and receivables (gross of allowance for credit and impairment losses) is as follows (amount in thousands, except percentages):

	2024		2023	
	Amount	**%**	Amount	%
Manufacturing	**P1,918,260**	**37.45**	P4,547,257	53.42
Financial institutions	**1,760,000**	**34.36**	1,660,000	19.50
Professional, scientific and technical services	**1,148,700**	**22.43**	1,226,000	14.40
Wholesale and retail trade			589,971	6.93
Mining and Quarrying	**250,000**	**4.88**	450,000	5.29
Real estate, renting and business activities	**27,827**	**0.54**	30,261	0.36
Agriculture and forestry	**-**	**-**	-	-
Others	**16,935**	**0.33**	8,921	0.10
	P5,121,722	**100**	P8,512,410	100.00

BSP considers that concentration of credit risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.0% of total loan portfolio or 10% of Tier 1 capital.

The Philippine Branch has credit concentration in the manufacturing and financial institutions as at September 30, 2024 and in the manufacturing industry as at September 30, 2023. Management believes this should not be a cause for concern because the main target market of the Philippine Branch as mandated by the Head Office are low risk institutional clients, most of which are engaged locally in the manufacturing sectors.

As at September 30, 2024, 10% of Tier 1 capital amounted to P829.01 million and the table above includes the three industry groups exceeding this level as of that date. On the other hand, three industry groups also exceeded the 10% of Tier 1 capital P728.00 million as at September 30, 2023. The CMRC constantly monitors the credit concentration risk of the Philippine Branch.

c. Breakdown of Total Loans as to Security and Status

As to Security

As at September 30, 2024 and 2023, the breakdown of loans and receivables as to collateral (gross amounts in thousands) is as follows:

	2024		2023	
	Amount	**%**	Amount	%
Secured loans:				
Real estate	**P25,721**	**0.5**	P28,601	0.34
Chattel	**16,935**	**0.33**	8,898	0.10
	42,656	**0.83**	37,499	0.44
Unsecured	**5,079,066**	**99.17**	8,474,911	99.56
	P5,121,722	**100**	P8,512,410	100.00

Other secured loans are composed of trade financing loans secured by trust receipts, while unsecured loans are composed of clean obligations of private corporations.

As to Status

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

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

As at September 30, 2024 and 2023, the gross and net NPLs, as defined under Section 304 of MORB, of the Philippine Branch amounted to nil.

Banks that have no unbooked valuation reserves and capital adjustments as required by the BSP are authorized to exclude loans from non-performing classification, loans and advances classified as "Loss" in the latest examination of the BSP which are fully covered by allowance for impairment losses, provided, that interest on said loans shall not be accrued and that such loans shall also be deducted from total loan portfolio for purposes of computation.

d. *Information on Related Party Loans*

The following table shows information relating to related party loans related party (in thousands):

	DOSRI Loans	**2024 Related Party Loans (inclusive of DOSRI Loans)**	DOSRI Loans	2023 Related Party Loans (inclusive of DOSRI Loans)
Outstanding loans	**P44,631**	**P44,631**	P38,993	P38,993
Percentage of DOSRI/ related party loans to total loan portfolio	**0.67%**	**0.67%**	0.46%	0.46%
Percentage of unsecured DOSRI/ related party loans to total DOSRI loans	**4.43%**	**4.43%**	3.83%	3.83%
Percentage of past due DOSRI/ related party loans to total DOSRI loans	**0%**	**0%**	0%	0%
Percentage of non-performing DOSRI/related party loans to total DOSRI/related party loans	**0%**	**0%**	0%	0%

e. *Secured Liabilities and Assets Pledged as Security*

The Philippine Branch does not have secure liabilities and assets pledged as security.

Other disclosures required by Section 174 of the MORB - Audited Financial Statements as amended by BSP Circular 1074 are disclosed in Notes 7 and 30.

35. Sustainable Finance Framework

Environment Social Governance and Risk Management

The Board is responsible for oversight of the Group and its overall governance and performance. There are six principal Board Committees: the Ethics, Environment, Social and Governance (EESG) Committee; the Audit Committee; the Risk Committee; the Human Resources Committee; the Digital Business and Technology Committee; and the Nomination and Board Operations Committee. Each Committee has its own charter setting out its roles and responsibilities. At management level, the Group Executive Committee comprises ANZ's most senior executives. A delegations of authority framework outlines matters delegated from the Board to our Chief Executive Officer (CEO) and other members of senior management. In addition, a number of formally established management committees deal with particular sets of ongoing issues.

The ANZ Group's ESG governance processes are overseen by the Board and management through our Board EESG Committee and management Ethics and Responsible Business Committee.

The ANZ Group's roadmap has five focus areas: Culture; Governance and Accountability; Management of Operational Risk; Remediation; and Simplification. Executive Committee members have 'ownership' of each focus area.

Delivering on the ANZ Group's roadmap will give it confidence that the lessons of the Royal Commission and the themes raised in our Self-Assessment report have been acted on.

Through the ANZ Group's annual materiality assessment, the ANZ Group engages with internal and external stakeholders to inform the ANZ Group's identification of ESG risks and opportunities. The ANZ Group seeks to identify those issues that have the most potential to impact to the ANZ Group's ability to operate successfully and create value for the ANZ Group's shareholders and other stakeholders.

Most material issues:

- *Environmental Sustainability*
  Managing the business risks, opportunities and impact of our financing activities on climate change, nature including biodiversity, which includes supporting our customers to transition to a low carbon economy and supporting them to protect, restore and mitigate biodiversity loss.

- *Financial Wellbeing*
  Building financial knowledge and resilience through our products, services and partnerships to help our people, customers and communities meet their current financial commitments and future goals.

- *Housing*
  Improving the availability of and access to suitable and affordable housing for all Australians and New Zealanders.

- *Ethics, Conduct and Culture*
  Maintaining a strong corporate culture known for ethics, integrity and conducting our business responsibly, and aligned to our purpose and values.

- *Information Security*
  Responding and continually adapting to scams, fraud and cyberattacks that threaten the confidentiality and security of systems and data.

- *Responsible Customer Engagement*
  Offering affordable, accessible and responsible financial products and services that meet customer needs. This includes clear and transparent communications, selling practices, lending practices, and hardship and collections policies.

Ethics, Environment, Social and Governance (EESG) Committee
The Board EESG Committee, led by ANZ's Chairman, is responsible for assisting the Board by overseeing measures to advance ANZ's purpose, focusing on ethical and ESG matters. This includes the oversight, review and approval of ANZ's ESG approach, objectives and performance, and public disclosures including ESG and climate-related targets. The Board EESG Committee meetings typically open with an overview of the ESG operating environment, covering current and emerging issues, including regulatory and parliamentary inquiries, community sentiment, relevant international developments and our stakeholder engagement.

Ethics and Responsible Business Committee (ERBC)
The ERBC, chaired by the CEO, comprises Senior Executives and members from business divisions and Group functions. Independent ethics adviser Dr. Simon Longstaff participates as an observer every second meeting.

The Committee is a leadership and decision-making body that exists to advance ANZ's purpose and seeks to ensure that ANZ operates responsibly and achieves fair, ethical and balanced stakeholder outcomes.

This year, we have undertaken a review of the ERBC to ensure the Committee continues to effectively fulfill its role. The ERBC charter was updated to reflect adjustments to the Committee's key responsibilities to align with restated objectives, including relating to financial wellbeing, affordable housing and ethical and ESG risks and opportunities.

The ERBC considers the key social and environmental impacts of various industries, customers and communities ANZ serves. The ERBC is responsible for overseeing the ERBC Sub-Committee for sensitive wholesale transactions.

The ERBC is accountable to the Board EESG Committee in the effective discharge of its responsibilities. It operationalises Board objectives and makes decisions on issues and policies.

Risk Management
Constant changes and uncertainties in the macroeconomic environment, climate change and evolving geopolitical tensions continue to pose challenges to our operating conditions. We understand that our customers are similarly affected by these as well as additional challenges such as experiencing increasing fraud and scams activities. We continue to strengthen our risk management framework and practices to meet such challenges.

Macroeconomic and Geopolitical environment
The Group's financial performance is closely linked to the political, economic and financial conditions in the countries and regions in which ANZ, its customers and its counterparties carry on business. The current external environment is shaped by significant global events particularly geopolitical conditions and climate change that impact economic stability, regulatory environments and financial markets.

Risk Culture
Risk culture is an important component of our organizational culture and underpins the shared values, behaviours and practices that drive how risk is considered in decisions.

Annual Risk Culture Assessments Our Talent and Culture, and Group Risk teams work closely together to share insights and create alignment between our organisational and risk culture. Across the year, the Group's focus was on embedding ANZ's Risk Principles with targeted training and activities supporting leaders and teams in taking action to attain our sound risk culture in line with the requirements of APRA Prudential Standard CPS 220 Risk Management. Risk culture is assessed annually, providing insight into how well actions aimed at promoting the importance, understanding and awareness of risk culture have progressed. The outcomes of the assessments support the Board to form a view of ANZ's risk culture. Risk Culture Assessments consider the data from our Risk Culture survey informing our people's perceptions of risk management behaviours and practices. risk culture metrics supported by benchmarks, and The business environment and context with a focus on how risk is considered in our decision-making. Outcomes of Risk Culture Assessments are a consideration in annual Performance and Remuneration Reviews and are used by executives, senior leaders and people leaders to develop Risk Culture Action Plans.

Non-financial Risk
We have made progress in the delivery of our NFR program, I.AM Amplified, however it is clear there is more to do and ongoing vigilance is required.

This will continue to be a significant focus in 2025. The actions we are taking on NFR and the Board's response on the specific matters arising within the Markets business is outlined here.

Financial Crime
We maintain a strong focus on financial crime data collection, monitoring and screening with ongoing upgrades across Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF), sanctions and fraud platforms. These upgrades also improve our ability to collaborate with external parties to fight financial crime.

Our employees and contractors undertake mandatory annual training to ensure they understand their role in preventing financial crime. This year, 99.85% of employees and contractors completed the training. Additional training is tailored for specific roles, including senior management and Board.

Emerging Risk
Two emerging risks that we are paying particular attention to are:

Nature - We consider that our most material nature risks can arise from lending to customers that have material impacts and/or dependencies on nature. These risks can also arise from legal and regulatory changes, which may impact ANZ directly or indirectly through our customers. Failure to manage these risks may lead to financial and non-financial risks to ANZ.

We acknowledge the need to protect and restore nature and mitigate biodiversity loss including as a result of species extinction or decline, ecosystem degradation and nature loss. We are seeking to understand the impacts and dependencies nature can have on our customers, including how customers are managing and mitigating material risks and impacts.

Artificial Intelligence (AI) - At ANZ, we recognise the opportunity of using AI to help shape a better world where communities thrive. AI has the potential to drive significant innovation and efficiency in our operations, leading to enhanced customer experiences and business growth. With this opportunity comes the need to act responsibly to mitigate the potential risks associated with use of AI. ANZ is adapting our governance and risk management frameworks to ensure that AI is adopted safely, in pace with evolving regulatory standards and the expectations of our customers.

Our Risk Management Framework

The Board is ultimately responsible for establishing and overseeing the Group's Risk Management Framework (RMF) which is supported by the Group's underlying systems, structures, policies, procedures, processes and people. The Board has delegated authority to the Board Risk Committee (BRC) to develop and monitor compliance with the Group's risk management policies. The Committee reports regularly to the Board on its activities. The key pillars of the Group's RMF include:

The Risk Management Strategy (RMS) which is a critical element of the Group's RMF. The RMS includes: how the risk function is structured to support the Group's purpose and strategy, and the execution of the Group Chief Risk Officer's prescribed responsibilities as an Accountable Person under the Financial Accountability Regime; the values, attitudes and behaviours that support risk decision-making in delivering on strategic priorities and a Board approved target risk culture; a description of each material risk; and an overview of how the RMS addresses each material risk, with reference to the relevant policies, standards and procedures. It also includes information on how the Group identifies, measures, evaluates, monitors, reports and controls or mitigates the material risks and the oversight mechanism and/or committees in place.

The Risk Appetite Statement (RAS), conveys, for each material risk, the maximum level of risk the Group is willing to accept in pursuing its strategic objectives and its operating plans considering its shareholders', depositors' and customers' interests.

Risk Principles support the RMF and outline the behaviours and practices that are expected to be applied to guide risk management and help to instil an appropriate risk culture across the Group.

The Group operates under the Three Lines-of-Defence Model. Each line of defence has clearly defined roles, responsibilities and escalation paths to support effective risk management at ANZ. The three lines of defence model embeds a culture where risk is everyone's responsibility.

The business and enablement functions form the first lines-of-defence and are responsible for the implementation and ongoing maintenance of the RMF including day-to-day ownership of risks and controls.

The Risk function forms the second line of defence, providing independent oversight of the Group's risk profile and RMF, including effective challenge to activities and decisions that materially affect the Group's risk profile and working with the first line, in developing and maintaining the RMF.

Internal Audit is the third line of defence, providing independent evaluation and objective assurance on the appropriateness, effectiveness and adequacy of the Group's RMF.

The governance and oversight of risk management, while embedded in day-to-day activities, is also the focus of committees and regular forums across the bank (see diagram next page). The committees and forums discuss and monitor known and emerging risks, review management plans and monitor progress to address known issues.

Strengthening the ANZ Group's Supplier Code of Practice (SCOP)
Our Supplier Code of Practice (SCOP) outlines our minimum requirements for suppliers including in relation to human rights and workplace relations, occupational health and safety, ethical business practices, information management and confidentiality, accessibility, environmental management and supplier diversity.

We endeavor to include SCOP clauses in new and renewed supplier contracts with 83% of all live supply contracts including the SCOP clauses. Since 2021 our usual practice is to include separate contractual clauses covering human rights and modern slavery in ANZ standard contract templates and where we are using the supplier's standard contract. We endeavor to ensure suppliers conduct their business in accordance with our expectations. While not a contractual requirement, we seek an annual attestation of adherence to the SCOP from major suppliers managed under our Operational Contract Management Framework (OCMF).

In 2024, 77% of major suppliers provided an attestation of adherence to our SCOP. We also seek attestations from a sample of suppliers each year in countries such as India, China, the Philippines, Vietnam, and Pacific nations. We continue to encourage major suppliers to attest to the SCOP.

Improving Our Data Collection of Operational Scope 3 Emissions
ANZ has set targets for 2025 and 2030 to reduce our operational footprint. The targets aim to reduce our operational footprint in line with our purpose to support household, business and financial practices that improve environmental sustainability.

In support of this, during the year we have continued to work on expanding the number of suppliers who provide emissions data for services supplied to ANZ.

Supplier Payments
As a signatory to the Business Council of Australia's Supplier Payment Code, we are committed to paying Australian small businesses within a maximum of 30 days of receiving a correct invoice or otherwise in accordance with the Code, unless the contract stipulates a shorter term. However, our aim is to pay small businesses, and all Aboriginal and Torres Strait Islander businesses regardless of size, as promptly as possible upon approval of the invoice. On average, payment to small businesses are made within approximately 15 days of receipt of the invoice. In the latest Australian Government's Payment Term Reporting Scheme (June 2024) we reported payment to 89% of all small business supplier invoices within 30 days.

In New Zealand, we support the New Zealand Banking Association's initiative, which was established to assist small-to-medium businesses during COVID-19. To date, we have processed approximately 81% of payments (excluding purchasing card transactions) within the 10 business days target, with average payment made within approximately seven days of receipt of a valid invoice.

Supporting Supplier Diversity
We are a member of Social Traders, an organisation helping to create jobs for disadvantaged Australians by linking business and government to social enterprises. This year, we spent $6.6 million with social enterprises.

In New Zealand, we were a member of Ākina in 2024, a buyer group to access a wide range of certified social enterprise suppliers. We spent NZ$64,000 with social enterprises in 2024 and seek to influence our suppliers to also use social enterprises in their own supply chain.

Procurement with Indigenous Businesses

We spent a total of $13.4 million with 50 Indigenous businesses in Australia this year, up from a total of $11.7 million with 46 businesses in 2023. We are a member of both Supply Nation and Kinaway (the Victorian Indigenous Chamber of Commerce). Due to our work in this space, a member of ANZ's Procurement team was shortlisted for the Supply Nation Supplier Diversity Advocate of the Year award in 2024.

As part of our Stretch Reconciliation Action Plan4, we have an objective to spend $6 million with Aboriginal and Torres Strait Islander-owned businesses from 2021 - 2024. Over the period of the RAP, we spent $37.8 million.

Our Approach to Climate Change

Our five-year Climate and Environment Strategy was approved by the Board in October 2024. It sets out our objective to be a trusted partner for our customers, supporting them to adapt and become more resilient, to a changing environment and economy. In particular, we aim to be a leading bank in supporting an effective and orderly transition for our large business customers.

To achieve our Climate and Environment Strategy we have established three core ambitions:

- Building our capability to help customers understand climate and nature risks;
- Transitioning our lending portfolio to net zero financed emissions; and
- Supporting our customers' transition and resilience.

These ambitions will be supported by each division having specific focus areas, and prioritised divisional action plans that we plan to implement commencing 2025. In this year's Climate-related Financial Disclosures we set out how we have been supporting our customers to date. This lays the foundation for us to deliver on our objective and support an effective and orderly transition in coming years.

The ANZ Group's ESG Targets

Each year we set public targets that reflect our ESG focus areas, support the delivery of our business strategy and respond to our most material ESG issues.

Progress against our ESG targets is monitored quarterly by the ERBC and twice a year by the Board EESG Committee. An annual review of these targets is conducted to ensure they remain relevant. Proposed targets are reviewed by the ERBC and the Board EESG Committee and approved by the Board EESG Committee.

As a founding signatory to the UN Principles for Responsible Banking, the ANZ Group has set targets that address the most significant potential impacts; and are aligned with the UN SDGs and the Paris Climate Agreement.

36. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Revenue Regulations No. 15-2010

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following tax information required for the taxable year ended September 30, 2024 are based on the combined amounts of the RBU and the FCDU.

A. Documentary Stamp Affixed

Debt instruments	**P104,101,717**
Other transactions	**8,247,616**
	P112,349,333

This includes amounts assumed by customers.

B. Withholding Taxes

Tax on compensation and benefits	**P67,198,211**
Final withholding taxes	**56,342,493**
Creditable withholding taxes	**5,363,859**
VAT Withholding taxes	**1,820,103**
	P130,724,666

The above withholding taxes pertain to total remittances to tax authority for the year from October 2023 to September 2024.

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and Licenses" account under Other Expenses	
Gross receipts tax	**P115,589,541**
Documentary stamp expenses	**49,569,369**
Fringe benefit taxes	**5,270,759**
License and permit fees	**2,347,427**
	P172,777,096

D. Tax Cases and Assessments

As of September 30, 2024, the Philippine Branch has no final tax assessments and pending tax cases.