

ANZ Bank (Lao) Limited

Financial statements for the year ended
31 December 2018
and
Independent Auditor's Report

ANZ Bank (Lao) Limited

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Corporate Information

Bank ANZ Bank (Lao) Limited

Foreign Investment License No. 007-15/PI/PM4, dated 08 December 2015
Enterprise Registration Certificate No. 0274/ERO
Dated 30 March 2018

Board of Directors	Mr. Aseem Goyal	Chairman
	Mr. Nigel Jarvis Piper	Director
	Mr. Rufus Pinto	Director
	Mr. Karl Holden	Director
	Mrs. Anna Green	Director

Board of Management	Mr. Rufus Pinto	Chief Executive Officer
	Mr. Sophy Keo	Chief Operating Officer
	Mr. Dinh Anh Tuan Nguyen	Chief Risk Officer
	Mr. Pem Khammounkhoun	Chief Finance Officer
	Mrs. Souphachanh Khansyla	Head of Transaction Banking and Head of International Banking
	Ms. Nanthala Salichanh	Head of Markets
	Mrs. Mukdalay Xayarath	Head of Human Resource
	Mrs. Somvone Siaphay	Head of Compliance
Ms. Limleevanh Sysananh	Customer Advocate and CSR	

Registered office ANZ Bank (Lao) Limited
ANZ Building
33 Lane Xang Avenue
PO Box 5001
Vientiane capital, Lao PDR

Auditors KPMG Lao Co.,Ltd.
10th Floor, Royal Square Office Building,
Samsenthai Road, Nongduong Nua Village,
Sikhotabong District, P.O.Box 6978,
Vientiane, Lao PDR
Tel +856 (21) 454240-7

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Management of ANZ Bank (Lao) Limited (“the Bank”) is responsible for the preparation of the financial statements and for ensuring that the financial statements present fairly in all material respects, the financial position of the Bank as at 31 December 2018, and the statement of income, statement of changes in capital and other reserves and statement of cash flows for the year then ended that are in accordance with the accounting regulations of the Bank of Lao PDR and accounting rules in the Lao PDR. In preparing the financial statements, Management is required to:

- i) Adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) Comply with the accounting regulations of the Bank of Lao PDR and accounting rules in the Lao PDR, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) Maintain adequate accounting records and an effective system of internal controls;
- iv) Take reasonable steps for safeguarding the assets of the Bank and for preventing and detecting fraud, error and other irregularities;
- v) Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- vi) Effectively control and direct the Bank and be involved in all material decisions affecting the Bank's operations and performance and ascertain that such have been properly reflected in the financial statements.

Management confirms that they have complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

I, Mr. Rufus Pinto, on behalf of the Board of Management, do hereby state that the financial statements set out on pages 6 to 34 are present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and cash flows for the year then ended and have been properly drawn up in accordance with the accounting regulations of the Bank of Lao PDR and accounting rules in the Lao PDR.

Signed on behalf of the Board of Management,


Rufus Pinto
Chief Executive Officer



ທະນາຄານ ສປປ ລາວ
ທະນາຄານ
ເອເອັນແອັດ(ລາວ)
ຈຳກັດ
ANZ BANK (LAO)
LIMITED
ພູມສິມ
ຊຽງຈັນ

29 March 2019



KPMG Lao Co.,Ltd.
10th Floor, Royal Square Office Building,
Samsenthai Road, Nongduong Nua Village,
Sikhotabong District, P.O.Box 6978,
Vientiane, Lao PDR
Tel +856 (21) 454240-7

ບໍລິສັດ ເຄມີເອັມຈີລາວ ຈຳກັດ
ຊັ້ນ 10, ອາຄານ ໂຮໂຢລສະແຄລ
ຖະໜົນ ສາມແສນໄທ, ບ້ານ ຫນອງດ້ວງເໜືອ,
ເມືອງ ສີໂຄດຕະບອງ, ຕູ້ ປ.ນ. 6978,
ນະຄອນຫຼວງວຽງຈັນ, ສປປ ລາວ
ໂທ : +856 (21) 454240-7

INDEPENDENT AUDITORS' REPORT

**To: The Board of Directors
ANZ Bank (Lao) Limited**

Opinion

We have audited the financial statements of ANZ Bank (Lao) Limited (the “Bank”), which comprise the statement of financial position as at 31 December 2018, the statements of income, changes in capital and other reserves and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018 and its financial performance and cash flows for the year then ended in accordance with the accounting regulations of the Bank of Lao PDR and accounting rules in the Lao PDR.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting regulations of the Bank of Lao PDR and accounting rules in the Lao PDR, 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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 misstatement, 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank'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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank 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 management 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.

KPMG Lao Co., Ltd.

KPMG Lao Co., Ltd.
Vientiane Capital, Lao PDR



Date: 29 March 2019

ANZ Bank (Lao) Limited
Statement of financial position

		31 December	
	<i>Note</i>	2018	2017
		<i>(in millions LAK)</i>	
Assets			
Cash	5, 22	14.787	33.159
Interbank and money market items			
Amounts due from head office and other branches		256.873	284.782
Amounts due from other banks	6	198.543	204.099
Statutory deposits with Central Bank	7	87.719	243.387
Loans and advances, net of specific provision	8	231.607	162.835
Property and equipment	9	4.516	13.829
Assets classified as held for sale	10	3.254	-
Deferred tax asset	11	8.364	391
Other assets	12	3.506	4.718
Total assets		809.169	947.200

The accompanying notes form an integral part of these financial statements

ANZ Bank (Lao) Limited
Statement of financial position

		31 December	
	<i>Note</i>	2018	2017
		<i>(in millions LAK)</i>	
Liabilities, Capital and other reserves			
Liabilities			
Deposits from customers	<i>13</i>	419.449	650.377
Interbank and money market items			
Amounts due to other banks	<i>14</i>	88.380	60
Tax liabilities	<i>15</i>	1.155	1.209
Other liabilities	<i>16</i>	8.533	10.260
Total liabilities		517.517	661.906
Capital and other reserves			
Paid up share capital	<i>17</i>	300.000	300.000
Statutory reserve	<i>18</i>	3.425	3.425
General provision for credit activities		1.159	1.629
Retained earnings		(12.932)	(19.760)
Total Capital and other reserves		291.652	285.294
Total liabilities, Capital and other reserves		809.169	947.200

The accompanying notes form an integral part of these financial statements.

ANZ Bank (Lao) Limited
Statement of income

		Year ended 31 December	
	<i>Note</i>	2018	2017
		<i>(in millions LAK)</i>	
Interest income			
Interest from loans and advances		11.731	9.697
Interest from interbank and money market items		6.554	4.983
Total interest income		18.285	14.680
Interest expense			
Interest on deposits	19	(2.354)	(4.391)
Interest on interbank and money market items		(1.324)	(227)
Total interest expense		3.678	(4.618)
Net interest income		14.607	10.062
Fees and services income		6.638	11.058
Fees and services expenses		(593)	(2.328)
Fees and services income, net	20	6.045	8.730
Other income			
Gain on foreign exchange		20.275	13.807
Other income		3.923	10.342
Net (loss)/gain from fixed assets disposal		(1.986)	63
Total other income		22.212	24.212
Income before non-interest expense, doubtful accounts and income tax expense		42.864	43.004
Operating expenses			
Personnel expenses		(14.240)	(20.349)
Premises, depreciation and amortization expenses		(3.531)	(3.872)
Other expenses		(26.708)	(26.965)
Provision for bad debts and doubtful loans and advances			
General		470	102
Specific		-	(8.140)
Total operating expenses		(44.009)	(59.224)
Loss before income tax expense		(1.145)	(16.220)
Income tax benefit (expense)	21	7.973	(1.992)
Profit/(loss) for the year		6.828	(18.212)

The accompanying notes form an integral part of these financial statements.

ANZ Bank (Lao) Limited
Statement of changes in capital and other reserves

	Paid up share capital	Retained earnings / (Accumulated losses)	Statutory reserve	General provision for credit activities	Total
	LAK (in millions)	LAK (in millions)	LAK (in millions)	LAK (in millions)	LAK (in millions)
Balance as at 1 January 2017	300.000	(1.548)	3.425	1.731	303.608
Change in general provision (Loss) for the year	-	- (18,212)	-	(102)	(102) (18,212)
Balance as at 31 December 2017 and 1 January 2018	300.000	(19.760)	3.425	1.629	285,294
Change in general provision Profit for the year	-	- 6.828	-	(470)	(470) 6.828
Balance as at 31 December 2018	300.000	(12.932)	3.425	1.159	291.652

The accompanying notes form an integral part of these financial statements.

ANZ Bank (Lao) Limited
Statement of cash flows

	Year ended 31 December	
Note	2018	2017
	<i>(in millions LAK)</i>	
Cash flows from operating activities		
Loss before income tax expense	(1.145)	(16.220)
<i>Adjustments for</i>		
Interest income	(18.285)	(14.680)
Interest expense	3.678	4.618
Allowance for doubtful debts	(470)	8.038
Depreciation and amortisation	3.531	3.872
Loss/ (gain) from fixed assets disposal	1.986	(63)
Loss from operations before change in operating assets and liabilities	(10.705)	(14.435)
<i>Change in operating assets / liabilities</i>		
Change in statutory deposits	24.264	(18.447)
Change in loans and advances to customers	(68.773)	10.250
Change in asset held for sale	(3.254)	-
Change in other assets	1.730	(915)
Change in deposits from customers	(230.928)	13.517
Change in deposits from banks	88,320	(26.151)
Change in deposits to banks	123.062	(171.842)
Change in other liabilities	(2.686)	(932)
Interest received	17.767	15.113
Interest paid	(2.771)	(4.725)
Income tax paid	-	-
Net cash used in operating activities	(63.974)	(198.567)
Cash flows from investing activities		
Acquisition of property and equipment	(889)	(4.452)
Proceeds from disposal of assets	4.685	100
Net cash generated from/(used in) investing activities	3.796	(4.352)
Net change in cash and cash equivalents	(60.178)	(202.919)
Cash and cash equivalents at 1 January	457.071	659.990
Cash and cash equivalents at 31 December	396.893	457.071
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ANZ Bank (Lao) Limited
Notes to the financial statements
For the year ended 31 December 2018

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ANZ Bank (Lao) Limited
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1 General information

ANZ Bank (Lao) Limited is 100% foreign invested commercial bank which was incorporated in Lao People's Democratic Republic and has its registered office at ANZ Building, 33, Lane Xang Avenue, PO Box 5001, Vientiane, Lao PDR.

The Bank began operating as ANZ Vientiane Commercial Bank Ltd in September 2007 as the Australia and New Zealand Banking Group Limited ("ANZBGL") purchased a majority shareholding in the Vientiane Commercial Bank Ltd, a privately owned bank that had been operating in Laos for 14 years. In August 2010, ANZ moved to 100% ownership and renamed it to ANZ Bank (Lao) Limited.

The Bank is operating under Foreign Investment License No. 007-15/PI/PM4 dated 08 December 2015 granted by the Ministry of Planning and Investment and Enterprise Registration Certificate No. 0274/ERODated 30 March 2018 issued by the Enterprise Registration Officer.

The principal activities of the Bank are to provide comprehensive banking and related financial services in Lao P.D.R.

As at 31 December 2018, the Bank had 39 (2017: 67) employees.

During 2018, there has been a change in members of the management as follows:

Management members resigned and appointed:

Name	Title	Date of Appointment/resignation
Mr.Gethin Jones	Chief Risk Officer	Resigned on 15 June 2018
Mr.Dinh Anh Tuan Nguyen	Chief Risk Officer	Appointment on 15 June 2018
Mr.Chris Kermodé	Chief Finance Officer	Resigned on 04 Sep 2018
Mr. Pem Khammoungkhoun	Chief Finance Officer	Appointment on 04 Sep 2018
Mr. Aksone Bouphakonekham	Local Advisory	Resigned on 31 Jul 2018
Mr. Vignarsone Mounalard	Customer Advocate and CSR	Resigned on 25 June 2018
Ms. Limleevanh Sysanonh	Customer Advocate and CSR	Appointment on 25 June 2018

2 Basis of preparation of the financial statements

(a) General basis of accounting

(i) Basis of preparation

The accompanying financial statements are expressed in million Lao Kip (mn"LAK"), in accordance with Decree No. 02/PR by the Prime Minister of Lao PDR dated 22 March 2000 and the Enterprise Accounting Law of Lao PDR and accounting regulations of the Bank of Lao PDR and accounting rules in the Lao PDR. This is also the functional currency of the Bank..

The financial statements have been prepared in accordance with accounting regulations of the Bank of Lao PDR and accounting rules in the Lao PDR, which may differ in some material respects from International Financial Reporting Standards and the generally accepted accounting principles and standards of other countries. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations, changes in equity, cash

ANZ Bank (Lao) Limited
Notes to the financial statements
For the year ended 31 December 2018

flows and notes thereto in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than the Lao PDR. Furthermore, their utilization is not designed for those who are not informed about the Lao PDR's accounting rules, procedures and practices.

The Bank is 100% foreign invested commercial bank which was incorporated in the Lao PDR. The accompanying financial statements have been prepared from the records of the Bank and reflect only transactions recorded locally. The Bank has significant transactions and balances with its Head Office and other branches.

The financial statements were authorized for issue on behalf of the Board of Management on 29 March 2018.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except as stated in the accounting policies. The accounting policies have been consistently applied by the Bank and are consistent with those used in the previous year except otherwise stated.

(iii) Use of judgements and estimates

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions based on the management's best knowledge of current events and actions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and the disclosures of contingent liabilities at the reporting date.

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual outcomes may differ from management's assessment and such differences could require revisions that are recognized in the period in which the estimates are revised and in any future periods affected.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency at exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rates at the reporting date. All realized and unrealized foreign exchange differences arising from translation are recognized in the statement of income.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the function currency at the exchange rates at the dates of transactions.

ANZ Bank (Lao) Limited
Notes to the financial statements
For the year ended 31 December 2018

The applicable exchange rates for the LAK against currencies were:

	31 December 2018	31 December 2017
United State Dollar (“USD”)	8.510,00	8.274,00
Thai Baht (“THB”)	266,36	253,97
Euro (“EUR”)	9.757,00	9.893,00

(c) Fiscal Year

The Bank reporting period starts on 1 January and ends on 31 December.

3 Regulation 512/BOL

On 29 June 2018, the Bank of the Lao P.D.R (“BOL”) issued Regulation 512/BOL (“BOL 512”) effective from 1 October 2018 on classification and impairment provision for loans to replace Regulation 324/BOL (“BOL 324”) dated 19 April 2011.

BOL 512 largely retains the existing requirements in BOL 324 for the classification of loans based on the payment arrears status and other qualitative factors. The requirements of BOL 512 are stated below:

(a) Classification of performing loans and non-performing loans

In accordance with BOL 512, loans classified as Normal or Pass (Group A) are considered as performing loans. Loans classified as Special Mention (Group B) are considered as watch list or special mention customers and loans classified as Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as non-performing loans

For more details on how the Bank classifies its loan, see Note 4 (f).

(b) General provision for performing loans

In accordance with BOL 512, the Bank is required to create a general provision for performing loans at the fixed rate of 0.5% of the total balance of Normal or Pass loans. Provision for Watch or Special Mention loans is considered as specific provision together with provision for Substandard, Doubtful and Loss loans. Under the previous regulation, the general provision also included 3.0% of the total balance of Watch or Special Mention loans, and the general provision rate for Normal or Pass loans was not fixed but was in the range of 0.5% to 1.0% in accordance with the Official Letter No. 242/BOL issued by the Bank of Lao P.D.R on 2 April 2011.

For more details on how the Bank makes provision in compliance with BOL 512, see Note 4 (f)

(c) Specific provision for non-performing loans

Under BOL 512, specific provision includes provision for Watch or Special Mention, Substandard, Doubtful and Loss loans. This provision is established by multiplying the outstanding balance of each loan item less the value of collaterals (if any) in accordance with the regulation of BOL with the provision rates applicable to that loan classification. Value of collateral was not taken into account when calculating provision under previous regulation.

For more details on how the Bank makes provision in compliance with BOL 512, see Note 4(f).

ANZ Bank (Lao) Limited
Notes to the financial statements
For the year ended 31 December 2018

(d) Write-off

In accordance with BOL 512, loans in Loss category (Group E) must be written off not later than 90 days after being classified to Loss category. Under the previous regulation, the writing-off of loans in Loss category was carried out at the end of each quarter but not later than the end of the last quarter of the calendar year.

For more details on the Bank's policy on its bad debts written off in compliance with BOL 512, see Note 4 (g).

(e) Provision for off-balance sheet commitments

In accordance with BOL 512, the Bank has to classify and make provision for off-balance sheet commitments if a payment under the guarantee contract has been made by the Bank on behalf of its customers. The classification and provisioning for off-balance sheet commitments were not mentioned under the previous regulation.

For more details on the Bank's policy on classification and provisioning for off-balance sheet commitments in compliance with BOL 512, see Note 4 (f).

(f) Transition

Management assesses the provision considering recoverability of each customer and the BOL regulation. The regulation BOL 512 has been applied prospectively (effective date 1 October 2018) in the financial statements.

4 Significant accounting policies

The significant accounting policies set out below have been adopted by the Bank in the preparation of the financial statements.

(a) Financial instruments

The Bank's financial instruments include cash and cash equivalents, originated loans and receivables, deposits, investments, inter-bank balances and other receivables and payables. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

(b) Cash and cash equivalents

Cash and cash equivalents consist of: cash; highly liquid short-term investments with an original maturity of less than or equal to 30 days that are readily convertible to known amounts of cash; and accounts due from banks with original maturity of less than or equal to 30 days.

(c) Loans and advances

Loans and advances are originated by the Bank providing money to a customer for purposes other than short-term profit taking. They are stated at the outstanding principal balances less an impairment allowance for bad and doubtful loans and advances, to reflect the estimated recoverable amount. Loans and advances are shown exclusive of accrued interest receivable.

ANZ Bank (Lao) Limited
Notes to the financial statements
For the year ended 31 December 2018

(d) Provision for bad debts and doubtful loans and advances

Regulation 512/BOL applicable from 1 October 2018

In accordance with Regulation 512/BOL (“BOL 512”) dated 29 June 2018 and effective from 1 October 2018, the bank is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into performing loans or Watch List or non-performing loans based on the payment arrears status and other qualitative factors. Loans classified as Normal or Pass (Group A) are considered as performing loans, loans classified as Watch or Special Mention (Group B) is considered as Watch List or Special Mention customers and loans classified as Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as non-performing loans.

According to BOL 512, general provision is created at the rate of 0.5% of the total balance of Normal or Pass loans as at the reporting date. Concurrently, specific provision for Watch or Special Mention, Substandard, Doubtful and Loss loans is established by multiplying the outstanding balance of each loan item less the value of collaterals (if any) in accordance with the regulation of BOL with the provision rates applicable to that loan classification as follows:

Classification	Number of days past due	Provision rate
Normal or Pass (A)	0-29 days	0.5%
Watch or Special mention (B)	30-89 days	3%
Substandard (C)	90-179 days	20%
Doubtful (D)	180-359 days	50%
Loss (E)	Over 360 days	100%

Maximum ratio of collateral benefits allowed under BOL 512 are as follows:

Type of collaterals	Maximum allowed ratio
(a) Deposits at the Bank	
- in the same currency with loans	100%
- in different currencies with those of loans	95%
(b) Gold kept at the Bank	90%
(c) Government bonds and BOL bonds	
- in the same currency with loans	
▪ With a remaining term of below 1 year	100%
▪ With a remaining term of between 1 year to 5 years	90%
▪ With a remaining term of over 5 years	80%
- in different currencies with those of loans	
▪ With a remaining term of below 1 year	95%
▪ With a remaining term of between 1 year to 5 years	85%
▪ With a remaining term of over 5 years	75%
(d) Deposits at other banks or financial institutions	
▪ With a remaining term of below 1 year	80%
▪ With a remaining term of between 1 year to 5 years	75%
▪ With a remaining term of over 5 years	70%
(e) Letter of Credit or Standby Letter of Credit	95%
(f) Letter of Guarantee or Bank Guarantee	90%
(g) Real estates	40%

ANZ Bank (Lao) Limited
Notes to the financial statements
For the year ended 31 December 2018

Changes in provision for non-performing loans is recorded to the income statement as “Net provision charges for non-performing loans”. Accumulated specific provision reserve for non-performing loans is recorded in the balance sheet in “Loans and advances to customers, net of specific provision for NPL”.

In accordance with the relevant accounting regulations as stipulated by the Bank of Lao P.D.R, any changes in general provision for credit activities are recorded to the income statement as “Other operating expenses” for general provision expense and “Other operating income” for reversal of general provision expense and the balance of general provision reserve is recorded in the balance sheet in “General provision for credit activities” under capital and reserves of the Bank.

Regulation 324/BOL applicable before 1 October 2018

In accordance with Regulation 324/BOL (“BOL324”) dated 19 April 2011, the Bank is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into Performing loans or Non-performing loans based on the payment arrears status and other qualitative factors. Loans classified as either Normal or Pass (Group A) or Watch or Special Mention (Group B) are considered as performing loans. Loans classified as either Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as Non-performing loans.

According to BOL324, provision for loans to customers is established by multiplying the outstanding balance of each loan item with the provision rates applicable to that loan classification as follows:

Classification	Number of days past due	Provision
Normal or Pass (A)	0-29 days	0.5% - 1%
Watch or Special mention (B)	30-89 days	3%
Substandard (C)	90-179 days	20%
Doubtful (D)	180-359 days	50%
Loss (E)	Over 360 days	100%

Changes in provision for non-performing loans is recorded to the income statement as “Net provision charges for non-performing loans”. Accumulated specific provision reserve for non-performing loans is recorded in the balance sheet in “Loans and advances to customers, net of specific provision for NPL”.

In accordance with BOL324, the Bank is required to create a general provision for loan losses at the rate of 3% of the total balance of Watch or Special Mention loans as at the reporting date and general provision made for Normal or Pass loans shall be upon the BoL’s notification for each year. For the period before 1 October 2018, the general provision rate for Normal or Pass loans is ranging from 0.5% to 1% in accordance with the Official Letter No. 242/BOL issued by the Bank of Lao P.D.R on 2 April 2011. Accordingly, the Bank provided general provision at rate of 0.5% out of total balance of Normal or Pass loans.

The Bank complied with BOL 324 on general provision provided for Normal or Pass and Watch or Special loans for the period before 1 October 2018.

In accordance with the relevant accounting regulations as stipulated by the Bank of Lao P.D.R, any changes in general provision for credit activities are recorded to the income statement as “Other operating expenses” for general provision expense and “Other operating income” for reversal of general provision expense and the balance of general provision reserve is recorded in the balance sheet in “General provision for credit activities” under capital and reserves of the Bank.

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(e) Write-off

In accordance with BOL 512, loans are written off not later than 90 days after being classified to Loss group.

Loans written off are recorded as off-balance sheet items for following up and collection. The amounts collected from the loans previously written-off, including the proceeds from sales of collaterals against those debts, are recognised in the income statement upon receipt

(f) Provision for off-balance sheet commitments

In accordance with BOL 512, the Bank is not required to make provision for off-balance sheet commitments, except where the Bank has made payment under the guarantee contract on behalf of its customers, in which case the payment is classified and provision for credit losses is made in accordance with the accounting policy as described in Note 4(d).

(g) Interbank and money market items

Interbank and money market items are carried at cost.

(h) Statutory reserves

Under the requirement of the Law on commercial Bank dated 16 January 2007, commercial banks are required to appropriate net profit to following reserves:

- Regulatory reserve fund
- Business expansion fund and other funds

In accordance with the Law on Enterprise (Revision) No.46/NA dated 26 December 2013, the Bank is required to provide statutory reserve at a rate of 10% on profit after deducting retained loss. The Bank can stop reserving when the statutory reserve has reached up to 50 percentage of Registered Capital.

(i) Property and equipment

(i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

(ii) In accordance with the new Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016 stipulated by the President of the National Assembly, the depreciation of property and equipment is charged to the statement of income on a straight line basis over the estimated useful lives of the individual assets at the following annual rates:

Leasehold improvement	5%
Electronic equipment	20%
Furniture, fitting and office equipment	20%
Vehicle	20%

(iii) Subsequent expenditure relating to an item of property and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

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- (iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognized in the statement of income on the date of retirement or disposal.
- (v) Fully depreciated property and equipment is retained on the balance sheet until disposed of or written off.

(j) Income recognition

Interest income is recognized on a daily accrual basis, except in relation to non-performing accounts. Where an account becomes non-performing, the recording of interest as income is suspended until it is realized on a cash basis. Customers' accounts are deemed to be non-performing where repayments are in arrears for more than 90 days, in accordance with BoL regulations.

Fees and commissions consist of fees received from fund transfer transactions, trade settlement, foreign currency exchange transactions, ATM transaction fee, financial guarantees, facility approval fees, maintaining and administering existing facilities and others. Fee and commission income are recognized in to the income statement on cash basis.

Income from the various activities of the Bank is accrued using the following bases:

- (i) Loan arrangement fees and commissions on services and facilities extended to customers are recognized on the occurrence of such transactions;
- (ii) Commitment fees and guarantee fees on services and facilities extended to customers are recognized as income over the period in which the services and facilities are extended; and
- (iii) Service charges and processing fees are recognized when the service is provided.

(k) Interest expense

Interest expense on deposits is recognized on a daily accrual basis.

(l) Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss.

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions of amounts payable to the tax authorities.

Provision is made for taxation based on the current year's total revenue as per the laws governing taxation within the Lao PDR. For each profitable year, the Bank is subject to the current tax rate of 24% on total taxable income.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability.

(n) Related parties

Parties are considered to be related to the Bank 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 or where the Bank and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

(o) Employee benefits

Post-employment benefits

Post-employment benefits are paid to retired employees of the National Social Security Fund (NSSF) which belongs to the Ministry of Labour and Social Welfare. The Bank is required to contribute to these post-employment benefits by paying to the Security Welfare at the rate of 6.00% of NSSF threshold on a monthly basis (maximum NSSF threshold is LAK 4,500,000 million, new max threshold effective from 1 Jan 2017). The Bank has no further obligation concerning post-employment benefits for its employees other than this

Termination benefits

In accordance with Article 82 of the Amended Labor Law issued by the President of Lao People's Democratic Republic on 24 December 2013, the Bank has the obligation to pay compensation for employees who are terminated in the following cases:

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- The worker lacks specialized skills or is not in good health and has a medical certificate, and after allowing the worker in question to undertake other, more appropriate work according to their ability and health, yet the person in question is still unable to work;
- The employer considers it necessary to reduce the number of workers in order to improve the work within the labor unit after consulting the trade union or employee representative or the majority of employees, and has reported to the Labor Administration Agency.

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay compensation allowance which is calculated on the basis of 10% of the last salary or wage multiplied by the total number of months worked. As at 31 December 2018, there are 18 employees of the Bank who were dismissed under the above-mentioned grounds, the banks already made full dismissal's payments to employees therefore the Bank has not made a provision for termination allowance in the financial statements.

(p) Assets classified as held for sale

Assets classified as held for sale, which comprise of building is measured at the lower of their carrying value or fair value less cost to sale. The fair value is based on both independent and internal appraisals.

Loss on impairment of properties for sale is recognised in profit or loss. Gain or losses on the disposal of properties for sale are reflected in profit or loss.

5 Cash

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Lao Kip ("LAK")	4.354	14.254
United States Dollar ("USD")	9.214	15.060
Thai Baht ("THB")	791	3.545
Others	428	300
	<u>14.787</u>	<u>33.159</u>

6 Amounts due from other banks

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Lao Kip ("LAK")	179.910	60.900
Other foreign currencies	18.633	143.199
	<u>198.543</u>	<u>204.099</u>

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a) Domestic items

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
At call	66.034	61.898
Term deposits	115.000	107.562
	<u>181.034</u>	<u>169.460</u>

b) Foreign items

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
At call		
USD	3.958	13.246
THB	11.318	18.745
Other	2.233	2.648
	<u>17.509</u>	<u>34.639</u>

Demand deposits at domestic and foreign banks are non-interest bearing.

7 Statutory deposits with Central Bank

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Statutory deposits:		
Compulsory	52.419	76.683
Demand deposits	35.300	166.704
	<u>87.719</u>	<u>243.387</u>

Balances with the BoL include demand deposits and compulsory deposits. These balances bear no interest.

Under regulations of the BoL, the Bank is required to maintain certain cash reserves with the BoL in the form of compulsory deposits, which are computed at 5% and 10%, on a bi-monthly basis (2017: 5% and 10%) of customer deposits having original maturities of less than 12 months, in LAK and in foreign currencies, respectively. During the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BoL.

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8 Loans and advances, net of specific provision

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Loans and receivables:		
Overdrafts	659	678
Loans	230.948	162.157
	<u>231.607</u>	<u>162.835</u>
Provision for bad debts and doubtful loans and advances:		
Specific	-	-
Loans and advances to customers	<u>231.607</u>	<u>162.835</u>

a) Classified by residual maturity

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Within 1 year	159.967	134.179
Over 1 year	71.640	28.656
Non-performing loans	-	-
	<u>231.607</u>	<u>162.835</u>

b) Classified by currencies

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
LAK	196.716	157.008
USD	34.891	5.827
THB	-	-
	<u>231.607</u>	<u>162.835</u>

c) Classified by type of business

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Agriculture	-	9.546
Manufacturing	29.226	40.274
Trading and service	202.381	110.783
Others	-	2.232
	<u>231.607</u>	<u>162.835</u>

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d) Classified by performance

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Normal or Pass	231.607	162.835
Watch list or special mention	-	-
Non-performing loans	-	-
	<u>231.607</u>	<u>162.835</u>

e) Classified by interest rate (per annum)

	2018 %	2017 %
Loans		
LAK	4,25 – 8,00	4,25 – 16,00
USD	4,00 – 10,00	4,00 – 10,00
THB	4,00 – 10,00	4,00 – 10,00

Specific Provision for credit activities

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Balance at beginning of the year	-	8.197
Foreign exchange translation	-	108
Provision made in the year	-	8.140
Direct write off	-	(16.445)
Balance at end of the year	<u>-</u>	<u>-</u>

General Provision for credit activities

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Balance at beginning of the year	1.629	1.731
Foreign exchange translation	2	31
Provision made in the year	(472)	(133)
Balance at end of the year	<u>1.159</u>	<u>1.629</u>

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9 Property and equipment

	<i>Note</i>	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Capital work in progress		220	329
Intangible assets		201	240
Tangible fixed assets	9.1	4,095	13,260
Total		4,516	13,829

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9.1 Tangible fixed assets

	Leasehold improvement LAK (in millions)	Office equipment LAK (in millions)	Furniture and fixtures LAK (in millions)	Vehicles LAK (in millions)	Total LAK (in millions)
Cost					
Balance at 1 January 2017	21,660	21,633	1,943	4,114	49,350
Additions	2,434	3,452	139	-	6,025
Disposal	-	(12)	-	(309)	(321)
Balance at 31 December 2017 and at 1 January 2018	24,094	25,073	2,082	3,805	55,054
Additions	640	96	7	-	743
Transfer to assets held for sale	(23,968)	(2,214)	(7)	-	(26,189)
Disposal	(43)	(6,023)	(110)	(1,477)	(7,653)
Balance at 31 December 2018	723	16,932	1,972	2,328	21,955
Accumulated depreciation					
Balance at 1 January 2017	21,306	14,455	932	1,577	38,270
Depreciation for the year	259	2,452	292	807	3,810
Disposal	-	(2)	-	(284)	(286)
Balance at 31 December 2017 and at 1 January 2018	21,565	16,905	1,224	2,100	41,794
Depreciation for the year	334	2,316	277	506	3,433
Transfer to assets held for sale	(21,826)	(1,103)	(6)	-	(22,935)
Disposal	(21)	(3,488)	(66)	(857)	(4,432)
Balance at 31 December 2018	52	14,630	1,429	1,749	17,860
Net book value					
At 1 January 2017	354	7,178	1,011	2,537	11,080
At 31 December 2017 and 1 January 2018	2,529	8,168	858	1,705	13,260
At 31 December 2018	671	2,302	543	579	4,095

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10 Assets classified as held for sale

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Premises and equipment	3.254	-
	<u>3.254</u>	<u>-</u>

During October 2018, the bank classified its office building as held for sale, the asset was recorded as per policy defined in note 4(p).

11 Deferred tax asset

The Bank has unused tax losses on which the deferred tax asset has been recognised in the financial statements as at 31 December 2018.

	At 1 January 2018 LAK <i>(in millions)</i>	(Charged) / Credited to: Profit or loss LAK <i>(in millions)</i>	At 31 December 2018 LAK <i>(in millions)</i>
<i>Deferred tax asset</i>			
Provisions	391	(113)	278
Loss carry forward	-	8.086	8.086
	<u>391</u>	<u>7.973</u>	<u>8.364</u>

The tax losses expire during 2019-2021. The Bank expects to receive a net gain from property sale in 2019, thus management revised its estimate of future taxable profits and the deferred tax asset for loss carry forward has been recognized amounting to LAK8.364million because management considered it probable that the future taxable profits would be available against which such losses can be used.

	At 1 January 2017 LAK <i>(in millions)</i>	(Charged) / Credited to: Profit or loss LAK <i>(in millions)</i>	At 31 December 2017 LAK <i>(in millions)</i>
<i>Deferred tax asset</i>			
Provisions	2.382	(1.992)	391
	<u>2.382</u>	<u>(1.992)</u>	<u>391</u>

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12 Other assets

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Accrued interest receivable	814	51
Other receivables and prepayments	2.692	4.667
	<u>3.506</u>	<u>4.718</u>

13 Deposits from customers

a) Classified by type of deposits

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Current	311.562	317.778
Savings	4.781	190.104
Term	96.604	142.495
Unclaimed deposit from retail customers*	6.502	-
	<u>419.449</u>	<u>650.377</u>

These deposit includes unclaimed balances by retail customers as a result of closure of retail segment of ANZ Laos. These balances were approved by the BOL to move to unclaimed deposit for a period of 3 years after which they will be transferred to government treasury if the customer does not claim the balance.

b) Classified by currencies

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
LAK	74.963	71.199
USD	332.509	536.560
THB	8.225	37.893
Others	3.752	4.725
	<u>419.449</u>	<u>650.377</u>

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c) Interest rate (per annum)

	2018	2017
	%	%
Saving accounts		
LAK	1,00 - 1,91	1,00 - 1,91
USD	1,00 - 2,00	1,00 - 2,00
THB	0,50 - 2,00	0,50 - 2,00
Fixed deposits		
LAK	2,00 - 3,00	2,00 - 3,00
USD	0,25 - 1,75	0,25 - 1,75
THB	0,50 - 1,75	0,50 - 1,75

14 Amounts due to other banks

a) Classified by type of deposits

	2018	2017
	LAK	LAK
	(in millions)	(in millions)
At call	62	60
Term deposits	88.318	-
	88.380	60

b) Classified by residence

	2018	2017
	LAK	LAK
	(in millions)	(in millions)
Domestic	88.380	60
Foreign	-	-
	88.380	60

c) Classified by currencies

	2018	2017
	LAK	LAK
	(in millions)	(in millions)
USD	75.000	60
THB	62	-
Others	13.318	-
	88.380	60

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15 Tax liabilities

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Corporate tax	-	-
Value added tax	178	364
Withholding tax	845	841
Fringe benefit tax	132	4
	<u>1.155</u>	<u>1.209</u>

16 Other liabilities

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Deferred income	319	284
Payable to employees	358	1,575
Accrued interest payables	1,254	347
Settlement accounts	1,013	1,122
Other payables – related parties	1,363	1,080
Other payables	4,226	5,852
	<u>8.533</u>	<u>10.260</u>

17 Paid up capital

The movement of the paid up capital during the year is presented below:

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Balance as at 1 January	<u>300.000</u>	<u>300.000</u>
Balance as at 31 December	<u>300.000</u>	<u>300.000</u>
Total contributed legal capital	<u>300.000</u>	<u>300.000</u>

There was no increase in capital during the year 2018 and 2017.

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18 Statutory reserve

The statutory reserve is provided for at the rate of at least 10% of profit for the year in accordance with the BOL regulations. The Bank accumulated loss for current year amounted to LAK 12.932 million hence no statutory reserve is required to be recorded.

19 Interest expense

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Interest from deposits		
Savings deposits	28	166
Term deposits	2.326	4.225
	<u>2.354</u>	<u>4.391</u>

20 Fees and service income, net

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Fee and service income		
Settlement services	954	1.111
Fees - loan related	501	854
Other fees and services	5.183	9.093
	<u>6.638</u>	<u>11.058</u>
Total fee and service expense	<u>(593)</u>	<u>(2.328)</u>
Fees and service income, net	<u>6.045</u>	<u>8.730</u>

21 Income tax expense

Income tax recognized in profit or loss

	Note	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Current tax expense			
Current year		-	-
Deferred tax benefit/(expense)			
Movements in temporary differences	<i>11</i>	<u>7.973</u>	<u>(1.992)</u>
Total income tax benefit/(expense)		<u>7.973</u>	<u>(1.992)</u>

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Reconciliation of effective tax rate

		2018		2017
	Rate	LAK	Rate	LAK
	(%)	(in millions)	(%)	(in millions)
Loss before income tax expense		<u>(1.147)</u>		<u>(16.220)</u>
Income tax using the Lao PDR corporation tax rate	24	(275)	24	(3.893)
Tax effect of income and expense that are not taxable income or not deductible in determining taxable profit, net		5		15
Unutilised loss carried forward		-		5.896
Previous year tax losses recognised		(8.086)		-
Others		383		(26)
Total	695	<u>(7.973)</u>	-12	<u>1.992</u>

The corporate tax expense is calculated at 24% on taxable profit. The calculation of taxable income is subject to review and approval by the tax authorities.

22 Cash and cash equivalents

		2018		2017
	Note	LAK		LAK
		(in millions)		(in millions)
Cash	5	14.787		33.159
Amounts due from BoL		35.300		166.704
Amounts due from head office and other branches		163.263		119.301
Amounts due from other banks		183.543		137.907
		<u>396.893</u>		<u>457.071</u>

23 Related party transactions

Related party transactions include all transactions undertaken with other parties to which the Bank is related. A party is related to the Bank if:

- (a) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the Bank that gives it significant influence over the Bank; or
 - has joint control over the Bank.
- (b) the party is a joint venture in which the Bank is a venture;
- (c) the party is a member of the key management personnel of the Bank or its parent;

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- (d) the party is a close member of the family of any individual referred to in (a) or (d);
- (e) the party is a Bank that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Bank resides with, directly or indirectly, any individual referred to in (c) or (d); or
- (f) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any Bank that is a related party of the Bank.

Significant transactions for the years ended 31 December 2018 and 2017 with related parties were:

Related party	Relationship	Transactions	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Australian and NewZealand Bank - Melbourne	Head office	Intergroup expenses	9.667	11.873
Australian and NewZealand Bank - Singapore	Group entity	Interest expense	5.349	2.673
Australian and NewZealand Bank -Manila Hub	Group entity	Interest income	301	435
Australian and NewZealand Bank -Bangalore Hub	Group entity	Intergroup expense	535	529
Australian and NewZealand Bank -Fiji Hub	Group entity	Intergroup expense	-	23

Significant balances with related parties were as follows:

Related party	Relationship	Transactions	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Australian and NewZealand Bank - Melbourne	Head office	Assets - Receivable	369	346
Australian and NewZealand Bank - Melbourne	Head office	Liabilities - Payable	1.259	996
Australian and NewZealand Bank -Singapore	Group entity	Assets - IG Deposit & Interest Accrual	255.388	281.451
Australian and NewZealand Bank - Manila Hub	Group entity	Liabilities - Payable	44	26
Australian and NewZealand Bank - Bangalore Hub	Group entity	Liabilities - Payable	58	58

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Remuneration to members of the Board of Directors and the Board of Management is as follows:

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Salaries	4.480	4.994
Bonus	1.109	706
Other allowance	809	437
	<u>6.398</u>	<u>6.137</u>

24 Commitments

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated from these transactions, which consists of:

	2018 LAK <i>(in millions)</i>	2017 LAK <i>(in millions)</i>
Letters of guarantee outstanding	573	557
Letters of credit outstanding	11.957	-
Undrawn overdraft	831	812
Undrawn loans	346.243	304.477
Other contingent	20.855	20.326
	<u>380.459</u>	<u>326.172</u>

25 Subsequent Event

Subsequent to the year end, as a result of previous changes to the business strategy of Australia and New Zealand Banking Group Limited (“ANZBGL”) within its International business to focus on institutional business, the existing operating entity in Lao PDR was converted from a subsidiary of ANZBGL to a legal branch of ANZBGL, on 8 March 2019. Such change was approved by the ANZBGL Board of Directors at its meeting on 12 September 2018, and the Bank of Lao PDR issued a banking licence to the branch on 21 January 2019. At the same time the transfer of the banking business occurred between the subsidiary to the branch, a new core banking system (MIDANZ) also rolled out to replace the existing core banking system operating in business (Finacle).