

**Australia and New Zealand Banking
Group Limited, Lao Branch**

Financial statements for the year ended
31 December 2021

and

Independent Auditor's Report

Australia and New Zealand Banking Group Limited, Lao Branch

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Corporate Information

Branch Australia and New Zealand Banking Group Limited, Lao Branch

Foreign Investment License No. 007-15/PI/PM4, dated 08 December 2015
Enterprise Registration Certificate No. 05/BOL
Dated 21 January 2019

Senior Management Team of Branch

Mrs. Carli Renzi	Country Head
Mrs. Souphachanh Khansyla	Chief Operating Officer
Mrs. Peta Gartner	Chief Risk Officer
Mr. Vilaysack Syvilay	Chief Finance Officer
Mr. Aekananh Keosouvath	Acting Head of Coverage
Ms. Nanthala Salichanh	Head of Markets
Mrs. Mukdalay Xayarath	Head of Talent & Culture
Mrs. Somvone Siaphay	Head of Compliance

Registered office Australia and New Zealand Banking Group Limited, Lao Branch
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 Australia and New Zealand Banking Group Limited, Lao Branch 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 Branch as at 31 December 2021, and the statement of comprehensive income, statement of changes in Head Office's equity and statement of cash flows for year ended 31 December 2021 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 Branch 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 Branch will continue operations in the foreseeable future; and
- vi) Effectively control and direct the Branch and be involved in all material decisions affecting the Branch'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, Mrs. Souphachanh Khansyla, on behalf of the Board of Management, do hereby state that the financial statements set out on pages 6 to 34 present fairly, in all material respects, the financial position of the Branch as at 31 December 2021, and the statements of comprehensive income, changes in Head Office's equity 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,

Mrs. Souphachanh Khansyla
Acting Country Head

24 March 2022





KPMG Lao Co., Ltd.
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INDEPENDENT AUDITORS' REPORT

To: The Senior Management Team of the Branch
Australia and New Zealand Banking Group Limited, Lao Branch

Opinion

We have audited the financial statements of Australia and New Zealand Banking Group Limited, Lao Branch ("the Branch"), which comprise the statement of financial position as at 31 December 2021, the statements of comprehensive income, changes in Head Office's equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The Branch is a part of Australia and New Zealand Banking Group Limited and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2021 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 Branch in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence standards) ("IESBA Code") 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 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 Branch 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 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 Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 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.
Vientiane Capital, Lao PDR
24 March 2022

Australia and New Zealand Banking Group Limited, Lao Branch
Statement of financial position
For the year ended 31 December 2021

		2021	2020
	<i>Note</i>	LAK	LAK
Assets		<i>(in million)</i>	<i>(in million)</i>
Cash	4, 22	10.065	5.076
Interbank and money market items	5	281.222	500.263
Amounts due from head office and other branches	22	1.956	96.192
Amounts due from other banks	22	279.266	404.071
Statutory deposits with Central Bank	6	87.379	85.462
Loans and advances, net of specific Provision	7	645.377	525.486
Property and equipment	8	1.947	2.486
Right of use asset	9	3.854	5.444
Deferred tax asset	10	-	10
Other assets	11	37.043	11.284
Total assets		1.066.887	1.135.511

Australia and New Zealand Banking Group Limited, Lao Branch
Statement of financial position
For the year ended 31 December 2021

		2021	2020
	<i>Note</i>	LAK	LAK
		<i>(in million)</i>	<i>(in million)</i>
Liabilities and Head Office's equity			
Liabilities			
Deposits from customers	<i>12</i>	586.455	732.138
Interbank and money market items			
Amounts due to other banks	<i>13</i>	-	9.234
Tax liabilities	<i>14</i>	9.424	2.659
Lease liabilities		3.700	5.243
Other liabilities	<i>15</i>	40.798	18.520
Total liabilities		640.377	767.794
Head Office's equity			
Branch capital	<i>16</i>	300.000	300.000
Legal reserve	<i>17</i>	15.421	9.600
General provision for credit activities		3.165	2.579
Retained earnings		107.924	55.538
Total Head Office's equity		426.510	367.717
Total liabilities and Head Office's equity		1.066.887	1.135.511

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

Australia and New Zealand Banking Group Limited, Lao Branch
Statement of comprehensive income
For the year ended 31 December 2021

	Note	1 January till 31 December 2021 (in million)	1 January till 31 December 2020 (in million)
Interest income			
Interest from loans and advances	18	25.430	19.772
Interest from interbank and money market items		23	581
Total interest income		25.453	20.353
Interest expense			
Interest on customer deposits	19	(1.961)	(2.053)
Interest on interbank and money market items		(223)	(425)
Interest on intercompany loan		-	(4.832)
Total interest expense		(2.184)	(7.310)
Net interest income		23.269	13.043
Fees and services income		4.918	5.274
Fees and services expenses		(459)	(393)
Fees and services income, net	20	4.459	4.881
Other income			
Gain on foreign exchange		72.231	56.775
Other income		524	668
Net gain from property and equipment disposal		-	59
Total other income		72.755	57.502
Income before non-interest expense, doubtful accounts and income tax expense		100.483	75.426
Operating expenses			
Personnel expenses		(17.311)	(12.511)
Premises, depreciation and amortization expenses		(2.349)	(2.845)
Other expenses		(6.546)	(15.290)
Provision for bad debts and doubtful loans and advances			
General		(586)	(710)
Specific		-	(4.653)
Total operating expenses		(26.792)	(36.009)
Profit before income tax expense		73.691	39.417
Income tax expense	21	(15.484)	(8.468)
Profit for the year		58.207	30.949

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

Australia and New Zealand Banking Group Limited, Lao Branch
Statement of changes in Head Office's equity
For the year ended 31 December 2021

	Branch Capital		Retained earnings		Legal 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 31 December 2019 and 1 January 2020	150.000		27.727		3.081		1.869		182.677	
Transferred from the Subsidiary of ANZ Banking Group Limited	150.000		(43)		3.424		-		153.381	
Change in general provision	-		30.949		-		710		710	
Profit for the year	-		(3.095)		-		-		30.949	
Transfer to legal reserve	-				3.095		-		-	
Balance as at 31 December 2020 and 1 January 2021	300.000		55.538		9.600		2.579		367.717	
Change in general provision	-		-		-		586		586	
Profit for the year	-		58.207		-		-		58.207	
Transfer to legal reserve	-		(5.821)		5.821		-		-	
Balance as at 31 December 2021	300.000		107.924		15.421		3.165		426.510	

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

Australia and New Zealand Banking Group Limited, Lao Branch
Statement of cash flows
For the year ended 31 December 2021

	<i>Note</i>	2021 <i>(in million)</i>	2020 <i>(in million)</i>
Profit before income tax expense		73.691	39.417
<i>Adjustments for</i>			
Interest income		(25.453)	(20.353)
Interest expense		2.184	7.310
Interest expense on lease liability		154	208
Allowance for doubtful debts		586	5.363
Depreciation and amortisation		2.349	2.845
(Loss) Gain from property and equipment disposal		16	(59)
Profit from operations before change in operating assets and liabilities		53.527	34.731
<i>Change in operating assets / liabilities</i>			
Change in statutory deposits		13.724	(9.678)
Change in loan and advances		(119.890)	(150.839)
Change in other assets		(25.122)	874
Change in deposits from customers		(145.683)	230.185
Change in deposits from banks		-	80.000
Change in deposits to banks		(9.234)	(72.244)
Change in other liabilities		22.356	(251.625)
Interest received		24.815	20.485
Interest paid		(2.261)	(8.106)
Income tax paid		(8.709)	(7.488)
Net cash used from operating activities		(196.477)	(133.705)
<i>Cash flows from investing activities</i>			
Acquisition of property and equipment		(257)	(1.254)
Proceeds from disposal of assets		20	152
Net cash used from investing activities		(237)	(1.102)
<i>Cash flows from financing activities</i>			
Payment of lease liabilities		(1.697)	(1.823)
Capital contribution		-	153.381
Net cash (used)/generated from financing activities		(1.697)	151.558
Net change in cash and cash equivalents		(198.411)	16.751
Cash and cash equivalents at 1 January		532.818	516.067
Cash and cash equivalents at 31 December	22	334.407	532.818

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

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2021

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Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
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1 General information

Australia and New Zealand Banking Group Limited, Lao Branch (“The Branch”) is 100% foreign invested commercial branch 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 Branch was established under Business Operating License No. 05/BOL dated 21 January 2019 issued by the Bank of Lao P.D.R., Enterprise Registration Certificate No. 0213/ERO dated 18 February 2019 issued by the Enterprise Registration Office of the Ministry of Industry and Commerce and Investment License No. 007-19/MPI.IPD4 dated 22 May 2019 issued by the Ministry of Planning and Investment.

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

As at 31 December 2021, the Branch had 33 employees.

During 2021 and till the date of the audit report, there has been a change in members of the management as follows:

Management members resigned and appointed:

Name	Title	Date of Appointment/resignation
Mrs. Carli Renzi	Country Head	Role changed and relocated to Australia on 11 January 2022
Mrs. Asha Ali	Chief Operating Officer	Role changed and relocated to Fiji on 04 June 2021
Mrs. Souphachanh Khansyla	Chief Operating Officer	Appointed on 15 May 2021
Mr. Dinh Anh Tuan Nguyen	Chief Risk Officer	Resigned on 06 May 2021
Mrs. Peta Gartner	Chief Risk Officer	Appointed on 14 May 2021
Mr. Aekananh Keosouvath	Acting Head of Coverage	Appointed on 15 May 2021

2 Basis of preparation of the financial statements

(a) General basis of accounting

The Branch is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally

(i) Basis of preparation

The accompanying financial statements are expressed in million Lao Kip (“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 Branch.

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

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2021

are not intended to present the financial position, results of operations, changes in equity, cash 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 Branch is 100% foreign invested commercial branch which was incorporated in the Lao PDR. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally. The Branch 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 24 March 2022.

(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 Branch.

(iii) Use of judgements and estimates

The preparation of the Branch'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 comprehensive 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.

The applicable exchange rates for the LAK against currencies were:

	31 December 2021	31 December 2020
United State Dollar ("USD")	11.129	9.252
Thai Baht ("THB")	331	307
Euro ("EUR")	12.583	11.326

(c) Fiscal Year

The Branch reporting period starts on 01 January and ends on 31 December.

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2021

3 Significant accounting policies

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

(a) Financial instruments

The Branch'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 Branch 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.

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

Credit Policy during COVID-19 Outbreak No. 238/ BOL dated 26 March 2020

During the year BOL issued a decision No 238/BOL dated 26 March 2020, the objective of which was to mitigate the adverse impact of COVID-19 on the financial situation of the borrowers.

This decision can be used for individual and legal entity who has obtained the loan from the Bank and whose business is impacted due to COVID-19.

1. Bank and financial institutions to provide the postponement on the loan repayment which includes both principal and interest payment, reduction of the interest rate, and fees for the client as reasonable.

2. Provide or disburse new loan to clients who gets impacted from the COVID-19 to improve their business.

3. For commercial bank and institution that follow this agreement will be exempted on applying the Decision on debt classification and reduction of classified debt of commercial bank no. 512/BOL, dated 29 June 2018, and Regulation on loan classification and provision for Micro Finance Institution no 02/BOL, dated 04 Feb 2015, and agreement on Credit Cooperatives and saving deposit no. 03/BOL, dated 20 June 2008 as follow:

(1) For non non-performing loan customers impacted from the virus, the loan classification after the restructuring can be classified as same class before restructuring and the customer classified as non performing loan as at 1 January 2020 can be classified as Watchlist or Special Mention.

(2) The loan restructuring can be made for more than 2 times.

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2021

(3) The bank can provide or disburse new loans to clients who are impacted by the COVID-19 and classified as a bad loan from 1 Jan 2020 onward.

Measure:

1. Restructure the loan to a customer who gets impacted from COVID-19 by renewing the contract period, principal and interest repayment, interest rate to be in line with the ability to repayment of the customer. Also provide grace period for both principal and interest for 1 year or based on the agreement between bank and the customer.

2. Provide a new loan to the customer who is impacted from COVID-19, if they apply.

Additional policy according to decision No. 256 / BOL Dated May 13, 2021

- Commercial banks, Microfinance Institutions that accept deposits and non-deposits should postpone the repayment of both costs and interest to loan customers (types of loans for consumption) for 3 months from May to July 2021 in accordance with the conditions stipulated below.

Criteria for Consideration:

- Clients who will receive a deferred payment policy must be those affected by the COVID-19 outbreak who have not received their salaries or wages or received any part of it, resulting in inability to repay the payment or installment with the confirmation from the employer.

For clients whose source of income from doing business affected by COVID-19 is considered based on financial status and actual circumstances.

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 Branch 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:

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2021

Type of collaterals	Maximum allowed ratio
(a) Deposits at the Bank - in the same currency with loans - in different currencies with those of loans	100% 95%
(b) Gold kept at the Bank	90%
(c) Government bonds and BOL bonds - in the same currency with loans <ul style="list-style-type: none"> ▪ With a remaining term of below 1 year ▪ With a remaining term of between 1 year to 5 years ▪ With a remaining term of over 5 years - in different currencies with those of loans <ul style="list-style-type: none"> ▪ With a remaining term of below 1 year ▪ With a remaining term of between 1 year to 5 years ▪ With a remaining term of over 5 years 	100% 90% 80% 95% 85% 75%
(d) Deposits at other banks or financial institutions <ul style="list-style-type: none"> ▪ With a remaining term of below 1 year ▪ With a remaining term of between 1 year to 5 years ▪ With a remaining term of over 5 years 	80% 75% 70%
(e) Letter of Credit or Standby Letter of Credit	95%
(f) Letter of Guarantee or Bank Guarantee	90%
(g) Real estates	40%

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

(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 statement of comprehensive income upon receipt.

(f) Provision for off-balance sheet commitments

In accordance with BOL 512, the Branch is not required to make provision for off-balance sheet commitments, except where the Branch 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 3(d).

(g) Interbank and money market items

Interbank and money market items are carried at cost.

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2021

(h) Legal 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 Branch is required to provide legal reserve at a rate of 10% on profit after deducting retained loss. The Branch can stop reserving when the legal 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 comprehensive 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 Branch. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

(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 comprehensive income on the date of retirement or disposal.

(v) Fully depreciated property and equipment is retained on the statement of financial position 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, financial guarantees, facility approval fees, maintaining and administering existing facilities and others. Fee and commission income are recognized in to the statement of comprehensive income on cash basis.

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Income from the various activities of the Branch 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 statement of comprehensive income.

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 profitable year 2021, the Branch is subject to the current tax rate of 20% 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.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Branch 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.

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(m) Provisions

A provision is recognized if, as a result of a past event, the Branch 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 Branch 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 Branch 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 Branch 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 Branch 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 Branch has the obligation to pay compensation for employees who are terminated in the following cases:

- 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.

(p) Leases

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

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(i) Right-of-use assets

The Branch recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets include the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

(ii) Lease liabilities

At the commencement date of the lease, the Branch recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Branch and payments of penalties for terminating the lease, if the lease term reflects the Branch exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Branch uses incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

4 Cash

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Lao Kip (“LAK”)	3.822	2.633
United States Dollar (“USD”)	4.964	1.291
Thai Baht (“THB”)	845	810
Others	434	342
	10.065	5.076

5 Amounts due from head office, other branches and from other banks

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Lao Kip (“LAK”)	63.004	147.304
Other foreign currencies	218.218	352.959
	281.222	500.263

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a) Domestic items

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
At call	152.041	225.949
	152.041	225.949

b) Foreign items

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
At call		
USD	101.769	167.941
THB	24.398	8.544
Others	3.014	5.305
	129,181	181.790

c) Term deposits

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
At call		
USD	-	92.524
	-	92.524

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

6 Statutory deposits with Central Bank

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Statutory deposits:		
Compulsory	44.259	57.983
Demand deposits	43.120	27.479
	87.379	85.462

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 3% for LAK and 5% (2020: 4% and 8%), on a bi-monthly basis, of customer deposits having original maturities of less than 12 months. During the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BoL.

The reserve percentages were revised by BOL through a letter 272/BOL dated 26 May 2021.

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7 Loans and advances, net of specific provision

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Loans and receivables:		
Overdrafts	19.733	12.566
Loans	625.644	512.920
	645.377	525.486
Provision for bad debts and doubtful loans and advances:		
Specific	-	-
	645.377	525.486

a) Classified by residual maturity

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Within 1 year	474.307	401.119
Over 1 year	171.070	124.367
	645.377	525.486

b) Classified by currencies

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
LAK	412.059	354.387
USD	233.318	171.099
	645.377	525.486

c) Classified by type of business

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Agriculture – Forestry	19.962	6.626
Commercial	32.856	124.291
Industry	12.407	12.178
Service	519.894	327.317
Transportation – Postal	60.258	55.074
	645.377	525.486

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d) Classified by performance

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Normal or Pass	645.377	525.486
Non-performing loans	-	-
	<u>645.377</u>	<u>525.486</u>

e) Classified by interest rate (per annum)

	2021 %	2020 %
Loans		
LAK	4,25%-6,25%	4,25% - 6,25%
USD	1,57%-6,00%	1,66% - 2,38%
THB	N/A	N/A

f) Specific Provision for credit activities

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Balance at beginning of the year	-	11.247
Provision made during the year	-	4.653
Write off made during the year	-	(15.900)
Balance at end of the year	<u>-</u>	<u>-</u>

g) General Provision for credit activities

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Balance at beginning of the year	2.579	1.869
Foreign exchange translation	-	14
Provision made during the year	586	696
Balance at end of the year	<u>3.165</u>	<u>2.579</u>

8 Property and equipment

	<i>Note</i>	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Tangible fixed assets	8.1	1.947	2.486
Total		<u>1.947</u>	<u>2.486</u>

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8.1 Tangible fixed assets

	Leasehold improvement	Computer Hardware	Office equipment	Furniture and fixtures	Vehicles	Total
	LAK (in millions)	LAK (in millions)	LAK (in millions)	LAK (in millions)	LAK (in millions)	LAK (in millions)
Balance at 31 December 2019	3,158	7,661	-	3,194	322	14,335
Additions during the year	140	1,467	-	13	-	1,620
Disposal during the year	(1,066)	(1,452)	-	(1,235)	-	(3,753)
Balance at 31 December 2020 and 1 January 2021	2,232	7,676	-	1,972	322	12,202
Additions during the year	-	257	-	-	-	257
Disposal during the year	(168)	(3,533)	(61)	(166)	-	(3,928)
Adjustments	114	(711)	411	278	-	92
Balance at 31 December 2021	2,178	3,689	350	2,084	322	8,623
Accumulated depreciation						
Balance at 31 December 2019	2,172	7,113	-	2,682	319	12,286
Depreciation for the year	244	409	-	434	3	1,090
Disposal during the year	(1,000)	(1,446)	-	(1,214)	-	(3,660)
Balance at 31 December 2020 and 1 January 2021	1,416	6,076	-	1,902	322	9,716
Depreciation for the year	161	461	37	101	-	760
Disposal during the year	(145)	(3,491)	(61)	(157)	-	(3,854)
Adjustments	99	(605)	344	216	-	54
Balance at 31 December 2021	1,531	2,441	320	2,062	322	6,676
Net book value						
Balance at 31 December 2019	986	548	-	512	3	2,049
Balance at 31 December 2020 and 1 January 2021	816	1,600	-	70	-	2,486
Balance at 31 December 2021	647	1,248	30	22	-	1,947

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9 (a) Right-of-use assets

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Balance at 1 January	5.444	6.786
Addition during the year	-	340
Depreciation charge for the year	(1.589)	(1.682)
Balance at 31 December	3.854	5.444

(b) Amount recognized in statement of comprehensive income

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Interest on Lease Liability	154	208
Depreciation expense	1.589	1.682
Total	1.743	1.890

10 Deferred tax assets

	At 1 January 2020 LAK <i>(in millions)</i>	(Charged) / Credited to: Statement of comprehensive income LAK <i>(in millions)</i>	At 31 December 2020 LAK <i>(in millions)</i>	(Charged) / Credited to: Statement of comprehensive income LAK <i>(in millions)</i>	At 31 December 2021 LAK <i>(in millions)</i>
<i>Deferred tax asset</i>					
Provisions	3.147	(3.147)	-	-	-
Others	-	10	10	(10)	-
	3.147	(3.137)	10	(10)	-

11 Other assets

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Accrued interest receivable	711	73
Prepayments	722	579
Other receivables	35.610	10.632
	37.043	11.284

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12 Deposits from customers

a) Classified by type of deposits

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Current deposits	571.994	688.379
Savings deposits	8.655	2.473
Term deposits	2.036	34.816
Unclaimed deposit from retail customers*	3.770	6.470
	586.455	732.138

*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

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
LAK	64.806	185.317
USD	461.950	518.917
THB	58.324	24.905
Others	1.375	2.999
	586.455	732.138

c) Interest rate (per annum)

	2021 %	2020 %
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	3,00%	2,00% - 4,00%
USD	1,25% - 1,75%	0,25% - 2,00%
THB	1,25% - 1,75%	0,50% - 2,50%

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13 Amounts due to other banks

a) Classified by type of deposits

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Term deposits	-	9.234
	<u>-</u>	<u>9.234</u>

b) Classified by residence

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Domestic	-	9.234
	<u>-</u>	<u>9.234</u>

c) Classified by currencies

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
THB	-	9.234
	<u>-</u>	<u>9.234</u>

14 Tax liabilities

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Corporate tax	8.789	2.115
Value added tax	10	184
Withholding tax	2	2
Payroll tax	623	358
	<u>9.424</u>	<u>2.659</u>

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15 Other liabilities

	<i>Note</i>	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Payable to employees		382	204
Accrued interest payables		20	49
Other payables		40.396	18.267
		40.798	18.520

16 Branch capital

The movement of the Branch capital during the year is presented below:

	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Balance as at 1 January	300.000	150.000
Transferred during the year from subsidiary of ANZ Banking Group Limited against loan payable*	-	150.000
Balance as at 31 December	300.000	300.000
Total Branch capital	300.000	300.000

*Refer note 1, which describes transfer of capital.

17 Legal reserve

The Legal reserve is provided for at the rate of at least 10% of profit for the year in accordance with the BOL regulations. The Branch recorded profit for the year of LAK 58.207 million (2020: LAK 30.949 million) so a legal reserve of 5.821 million was booked for the year ended 31 December 2021 (2020: LAK 3.095 million).

18 Interest income

	For year ended 31 December 2021 LAK <i>(in millions)</i>	For year ended 31 December 2020 LAK <i>(in millions)</i>
Interest from loans and advances		
Overdraft	1.212	686
Term loans	24.218	19.086
	25.430	19.772

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19 Interest expense

	For year ended 31 December 2021 LAK <i>(in millions)</i>	For year ended 31 December 2020 LAK <i>(in millions)</i>
Interest from deposits		
Savings deposits	1.885	1.494
Term deposits	76	559
	1.961	2.053

20 Fees and service income, net

	For year ended 31 December 2021 LAK <i>(in millions)</i>	For year ended 31 December 2020 LAK <i>(in millions)</i>
Fee and service income		
Fees – Loan related	177	258
Fee Income – Current Account	-	91
International service fees	4.576	4.480
Fee income – other services	165	446
Total fees and service income	4.918	5.274
Fee and service expense		
Bank charges	(415)	(357)
Fee expense – Current Account	(44)	(36)
Total fee and service expense	(459)	(393)
Fees and service income, net	4.459	4.881

21 Income tax expense

Income tax recognized in statement of comprehensive income

	For year ended 31 December 2021 LAK <i>(in millions)</i>	For year ended 31 December 2020 LAK <i>(in millions)</i>
Current tax expense		
Current year	(14.728)	(5.172)
Permanent differences	(278)	-
Prior year adjustments	(468)	(159)
	(15.474)	(5.331)
Deferred tax expense		
Movements in temporary differences	10 (10)	(3.137)
Total income tax expense	(15.484)	(8.468)

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Reconciliation of effective tax rate

	For year ended 31 December 2021		For year ended 31 December 2020	
	Rate (%)	LAK (in millions)	Rate (%)	LAK (in millions)
Profit before tax		<u>73.691</u>		<u>40.689</u>
Income tax using the Lao PDR corporation tax rate	20%	(14.738)	20%	(7.883)
Income not subject to tax		(278)		292
Tax rate differential		-		(758)
Prior years adjustments		(468)		(159)
Others		-		40
Effective tax rate	<u>21.01%</u>	<u>(15.484)</u>	<u>21.48%</u>	<u>(8.468)</u>

The corporate tax expense is calculated at 20% on taxable profit. The calculation of taxable income is subject to review and approval by the tax authorities.

22 Cash and cash equivalents

	Note	2021 LAK (in millions)	2020 LAK (in millions)
Cash	4	10.065	5.076
Amounts due from BoL	6	43.120	27.479
Amounts due from head office and other branches		1.956	96.192
Amounts due from other banks		<u>279.266</u>	<u>404.071</u>
		<u>334.407</u>	<u>532.818</u>

23 Related party transactions

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

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

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- (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 Branch, or of any Bank that is a related party of the Branch.

Significant transactions with related parties in statement of comprehensive income were:

Related party	Relationship	Transactions	2021 LAK <i>(in millions)</i>	2020 LAK <i>(in millions)</i>
Australian and New Zealand Bank - Singapore	Group entity	Interest received	16	320
Australian and New Zealand Bank - Singapore	Group entity	Interest Payable	33	93
ANZ Bank (Lao) Limited - Subsidiary	Subsidiary	Interest payable	-	4.832
Australian and New Zealand Bank - Melbourne	Head Office	Inter group expenses	3.732	7.396
Australian and New Zealand Bank - Manila Hub	Group entity	Intergroup expense	177	481
Australian and New Zealand Bank - Bangalor Hub	Group entity	Intergroup expense	419	448

Significant balances with related parties in On-Balance Sheet were:

Related party	Relationship	Transactions	31 December 2021 LAK <i>(in millions)</i>	31 December 2020 LAK <i>(in millions)</i>
Australian and New Zealand Bank - Singapore	Group entity	Assets - Placements	-	92.524
Australian and New Zealand Bank - Philippines Branch	Group entity	Assets - Other Assets	-	437
Australian and New Zealand Bank - Melbourne	Head office	Liabilities - Payable	1.173	1.600
Australian and New Zealand Bank - Manila and Bangaluru Hub	Group entity	Liabilities - Payable	-	170

Remuneration to members of the Leadership Team is as follows:

	For year ended 31 December 2021 LAK <i>(in millions)</i>	For year ended 31 December 2020 LAK <i>(in millions)</i>
Salaries	8.097	8.141
Bonus	1.333	550
Other allowance	1.263	-
	10.693	8.691

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24 Commitments

In the normal course of business, the Branch 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:

	For year ended 31 December 2021 LAK <i>(in millions)</i>	For year ended 31 December 2020 LAK <i>(in millions)</i>
Letters of guarantee outstanding	589	1,415
Letters of credit outstanding	112,443	68,939
Undrawn loans	604,893	708,210
Other contingent	39,032	-
	756,957	778,564

25 Subsequent event

As other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2021 that significantly impacted the financial position of the Branch as at 31 December 2021.

26 Interest rate benchmark reform

Interbank offered rates (IBORs), such as the London Interbank Offered Rate (LIBOR) have played a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and in the valuation of financial instruments.

Uncertainty surrounding the integrity of IBOR rates has led to regulators and industry to transition away from IBOR to alternative risk-free benchmark reference rates (RFRs).

The development of new RFR products and the migration of the Branch's existing contracts that reference IBORs to RFRs exposes the Branch to financial, compliance, legal and operational risks. The Branch is managing the transition to RFRs and these risks through an enterprise-wide Benchmark Transition Program (the Program) set up by the Group, which is overseen by a formal Steering Committee of senior executives. The Program provides regular updates to the Group Executive and Board Audit & Board Risk committees.

The IBOR reforms have a wide-ranging impact for the Branch and our customers given the fundamental differences between IBORs and RFRs. RFRs are available both as backward-looking in arrears rates and, for some currencies, as forward-looking term rates. The key difference between IBORs and RFRs is that IBOR rates include a term and bank credit risk premium, whereas RFRs do not. As a result of these differences, adjustments are required to an RFR to ensure contracts referencing an IBOR rate, transition on an economically comparable basis.

The Program includes the identification of impacted IBOR contracts across the Group (including the Branch), actions necessary to develop product capability and transition existing contracts to RFRs. This includes the assessment and mitigation of financial, legal and conduct risks arising from changes to pricing and valuation (largely interest rate risk), compliance risks arising from any potential non-compliance with relevant regulatory requirements, legal risks arising from changes to customer contracts, and operational risks including changes to IT systems, controls and reporting infrastructure. In undertaking these changes, the Group is actively engaging with various regulatory bodies across a

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number of countries in which the Group operates in respect of our IBOR transition readiness. From an industry perspective, the Group is also actively participating in, and contributing to, different RFR Working Groups, industry associations and business forums focusing on different aspects of interest rate benchmark reform.

The Program also includes the management of the impact on customers. The Branch is well-progressed in ensuring all customer transition plans are finalised ahead of IBOR cessation dates. In relation to our loan and transaction banking customers, the Branch has commenced a proactive outreach program to ensure an orderly and well-managed migration to RFRs. The Branch is planning to continue to extend and deliver its RFR product suite and pricing options to be able support our customers in line with regulatory best practice guidelines.

Changes to accounting standards

In 2018, given the uncertainty with regards to the longer term viability of IBORs, the International Accounting Standards Board (IASB) commenced a review of the financial reporting implications of the reforms, given the significant potential consequences for financial instrument accounting.

In September 2019, the IASB issued *Interest Rate Benchmark Reform – Phase 1*, which amended certain existing hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interest rate benchmark reform. The amendments had no significant impact on the Branch.

In August 2020, the IASB issued *Interest Rate Benchmark Reform – Phase 2*, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases, which the Group (including the Branch) early adopted from 1 April 2021.

This IASB amendment addresses issues that may affect the Branch at the point of transition from an existing IBOR rate to a RFR, including the effects of changes to contractual cash flows or hedging relationships. The Standard includes amendments in respect of:

- Modification of a financial asset or a financial liability measured at amortised cost: IBOR reform is expected to result in a change to the basis for determining contractual cash flows of impacted assets and liabilities of the Branch. The Standard provides a practical expedient to account for a change in the basis for determining the contractual cash flows by updating the effective interest rate. As a result, no immediate gain or loss is recognised. This applies only when the change is a direct consequence of IBOR reform, and the new basis for determining the contractual cash flows is economically comparable to the previous basis;
- Additional disclosure requirements: the Standard amended AASB 7 Financial Instruments: Disclosures which requires additional qualitative and quantitative disclosures in relation to the impact of IBOR reforms on the Branch. These disclosures are contained within this note.

Financial Impacts of IBOR reform

The following sets out the Branch's impact assessment in relation to IBOR reforms as at 31 December 2021:

i) Impact for the year ended 31 December 2021

For the year ended 31 December 2021, there is no impact to the Branch's net profit after tax arising from IBOR reforms.

ii) Exposures subject to benchmark reform as at 31 December 2021

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The table below shows the Branch's exposure to interest rate benchmarks subject to IBOR reform. These are financial instruments that contractually reference an IBOR benchmark planned to transition to an RFR, and have a contractual maturity date beyond the planned IBOR cessation date.

As at 31 December 2021	Financial Instruments yet to transition to RFRs			
	USD Libor LAKm	THB Libor LAKm	GBP Libor LAKm	Others ¹ LAKm
Loan and advances ²	19,635	-	-	-
Loan commitments ²	1,292	-	-	-

¹Comprises financial instruments referencing other significant benchmark rates subject to cessation yet to transition to alternative benchmarks.

²Excludes Expected Credit Losses (ECL).

iii) Future Developments

As the most widely referenced USD LIBOR benchmark tenors will continue to be published up to 30 June 2023, the Group's transition program supporting our customers and the Group's own risk management activities will continue beyond 2021.