Australia and New Zealand Banking Group Limited, Lao Branch

Financial statements for the year ended
31 December 2022
and
Independent Auditor's Report

Australia and New Zealand Banking Group Limited, Lao Branch

Contents

Australia and New Zealand Banking Group Limited, Lao Branch

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

Mr. Sheng Lee	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, financial position of the Branch as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in Head Office's equity and statement of cash flows for the year ended 31 December 2022 in accordance with the International Financial Reporting Standards ("IFRS"). 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 IFRS or, 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, Mr. Sheng Lee, on behalf of the Board of Management, do hereby state that the financial statements set out on pages 6 to 66 present fairly, in all material respects, the financial position of the Branch as at 31 December 2022 and its financial performance and cash flows for the year ended 31 December 2022 have been properly drawn up in accordance with IFRS.

Signed on behalf of the Board of Management.

Australia and New Zealand Banking Group Limited, Lao Branch

Sheng Lee
Country Head

24 March 2023

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 2022, the statements of profit or loss and other comprehensive income, changes in Head Office's equity and cash flows for the year ended 31 December 2022, 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 2022 and its financial performance and cash flows for the year ended 31 December 2022 in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

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 (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 IFRS Standard, 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

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KPMG Lao Co., Ltd.
Vientiane Capital Lao PDR
24 March 2023

Australia and New Zealand Banking Group Limited, Lao Branch
Statement of financial position
For the year ended 31 December 2022

	Note	As at 31 December 2022 LAK *(in million)*	As at 31 December 2021 LAK *(in million)*
Assets			
Cash	*4, 22*	10.256	10.065
Interbank and money market items	*5*	883.717	281.222
Amounts due from head office and other Branches	*22*	523.191	1.956
Amounts due from other banks	*22*	360.526	279.266
Statutory deposits with central bank	*6*	76.363	86.787
Loans and advances, net	*7*	914.856	658.998
Property and equipment	*8*	3.260	1.947
Right-of-use assets	*9*	2.295	3.854
Other assets	*11*	3.244	37.043
Total assets		**1.893.991**	**1.079.916**

The accompanying notes form an integral part of these financial statements

Australia and New Zealand Banking Group Limited, Lao Branch
Statement of financial position
For the year ended 31 December 2022

	Note	As at 31 December 2022 LAK *(in million)*	As at 31 December 2021 LAK *(in million)*
Liabilities and Head Office's equity			
Liabilities			
Deposits from customers	*12*	961.190	582.685
Interbank and money market items			
Amounts due to other banks	*13*	245.000	-
Tax liabilities	*14*	10.921	9.424
Lease liabilities		2.351	3.700
Deferred tax liabilities	*10*	3.240	3.167
Other liabilities	*15*	186.021	44.926
Total liabilities		**1.408.723**	**643.902**
Head Office's equity			
Branch capital	*16*	300.000	300.000
Legal reserve	*17*	20.317	15.421
Retained earnings		164.951	120.593
Total Head Office's equity		**485.268**	**436.014**
Total liabilities and Head Office's equity		**1.893.991**	**1.079.916**

The accompanying notes form an integral part of these financial statements

Australia and New Zealand Banking Group Limited, Lao Branch
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2022

	Note	For year ended 31 December 2022 LAK *(in million)*	For the year ended 31 December 2021 LAK *(in million)*
Interest income			
Interest from loans and advances	*18*	40.837	25.430
Interest from interbank and money market items		3.935	23
Total interest income		**44.772**	**25.453**
Interest expense			
Interest on deposits	*19*	(2.787)	(1.961)
Interest on interbank and money market items		(8.741)	(223)
Total interest expense		**(11.528)**	**(2.184)**
Net interest income		**33.244**	**23.269**
Fee and service income		7.249	4.918
Fee and service expense		(532)	(459)
Net fee and service income	*20*	**6.717**	**4.459**
Other income			
Gain on foreign exchange		58.468	72.231
Other income		1.669	524
Net gain from fixed assets disposed		12	-
Total other income		**60.149**	**72.755**
Total income		**100.110**	**100.483**
Operating Expenses			
Personnel expenses		(15.318)	(17.311)
Premises, depreciation and amortization expenses		(2.155)	(2.349)
Other expenses		(19.354)	(6.546)
Expected credit loss		(731)	(24)
Total operating expenses		**(37.558)**	**(26.230)**
Profit before income tax expense			
Profit before income tax expense		**62.552**	**74.253**
Income tax	*21*	(13.298)	(15.591)
Profit for the year		**49.254**	**58.662**
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		**49.254**	**58,662**

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 2022

	Branch Capital	Retained earnings	Legal reserve	Total
	LAK	LAK	LAK	LAK
	(in millions)	*(in millions)*	*(in millions)*	*(in millions)*
Balance as at 31 December 2020	**300.000**	**67.752**	**9.600**	**377.352**
Profit for the year	-	58.662	-	58.662
Transfer to legal reserve	-	(5.821)	5.821	-
Balance as at 31 December 2021 and 1 January 2022	**300.000**	**120.593**	**15.421**	**436.014**
Profit for the year	**-**	49.254	**-**	49.254
Transfer to legal reserve	**-**	(4.896)	4.896	-
Balance as at 31 December 2022	**300.000**	**164.951**	**20.317**	**485.268**

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 2022

	Note	For year ended 31 December 2022 *(in million)*	For year ended 31 December 2021 *(in million)*
Profit before income tax expense		62.552	74.253
Adjustments for			
Interest income		(44.772)	(25.453)
Interest expense		11.528	2.184
Interest expense on lease liability		95	154
Expected credit loss		1.121	9
Depreciation and amortisation		2.155	2.349
(Gain)/loss from fixed assets disposal		(12)	16
Profit from operations before change in operating assets and liabilities		**32.667**	**53.512**
Change in operating assets / liabilities			
Change in statutory deposits		2.665	14.316
Change in loans and advances		(256.979)	(120.435)
Change in other assets		34.051	(25.194)
Change in deposits from customers		374.735	(145.683)
Change in deposits to banks		245.000	(9.234)
Change in other liabilities		143.049	22.396
Interest received		44.520	24.815
Interest paid		(9.710)	(2.261)
Income tax paid		(11.727)	(8.709)
Net cash generated from/(used in) operating activities		**598.271**	**(196.477)**
Cash flows from investing activities			
Acquisition of property and equipment		(1.918)	(257)
Proceeds from disposal of assets		20	20
Net cash used in investing activities		**(1.898)**	**(237)**
Cash flows from financing activities			
Payment of lease liabilities		(1.445)	(1.697)
Net cash used in financing activities		**(1.445)**	**(1.697)**
Net increase/(decrease) in cash and cash equivalents		**594.928**	**(198.411)**
Cash and cash equivalent at 1 January		**334.407**	**532.818**
Cash and cash equivalents at 31 December	*22*	**929.335**	**334.407**

The accompanying notes form an integral part of these financial statements

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1. Reporting entity

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 2022, the Branch had 31 employees. *(2021:33* employees*)*

During 2022, there has been a change in members of the management as follows:

Management members resigned and appointed:

Name	Title	Date of Appointment/resignation
Mr. Sheng Lee	Country Head	Appointed on 01 April 2022

2 Basis of financial statement preparation

(i) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements of the Branch were authorised for issue on behalf of the Board of Management on 24 March 2023.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except as stated in the significant accounting policies (Note 3).

(iii) Functional and presentation currency

These accompanying financial statements are presented in million Lao Kip (mn"LAK"), which is the Branch's functional currency. All financial information presented in LAK has been rounded in the financial statements and the accompanying notes to the nearest million, unless otherwise stated.

(iv) Use of judgements and estimates

In preparing this financial statement, management has made judgments, estimates and assumptions that affect the application of the Branch's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(v) Fiscal year

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

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates at the reporting date.

Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated into the functional currency at the exchange rate at the date of the transaction.
Foreign currency differences arising from the translation are recognised in the profit or loss.

The applicable exchange rates for the LAK against foreign currencies were:

	31 December 2022	**31 December 2021**
	LAK	LAK
United State Dollar ("USD")	17.268	11.129
Thai Baht ("THB")	497	331
Euro ("EUR")	18.382	12.583

(b) Financial assets and financial liabilities

(i) Recognition

The Branch initially recognises loans and advances, deposits on the date on which they are originated. A financial asset or financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial assets are classified into these measurement classifications on the basis of two criteria:

- the business model within which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset (specifically whether the contractual cash flows represent solely payments of principal and interest).

The resultant financial asset classifications are as follows:

- Amortised cost: Financial assets with contractual cash flows that comprise the payment of principal and interest only and which are held in a business model whose objective is to collect their cash flows;
- Fair value through other comprehensive income: Financial assets with contractual cash flows that comprise the payment of principal and interest only and which are held in a business model whose objective is to collect their cash flows or to sell; and
- Fair value through profit or loss: Any other financial assets not falling into the categories above are measured at FVTPL.

  The classification and measurement requirements for financial liabilities under IFRS 9 are largely consistent with IAS 39 Financial Instruments: Recognition and Measurement with the exception that for financial liabilities designated as measured at fair value, gains or losses relating to changes in the entity's own credit risk are included in other comprehensive income, except where doing so would create or enlarge an accounting mismatch in profit or loss.

Financial liabilities are measured at amortised cost, or fair value through profit or loss (when they are held for trading). Additionally, financial liabilities can be designated at FVTPL where:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- A group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- The financial liability contains one or more embedded derivatives unless:

  (a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract, or

  (b) it is clear with little or no analysis that separation of the embedded derivative from the financial instrument is prohibited.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Branch changes its business model for managing financial assets.

Financial liabilities

The Branch classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

(i) **Derecognition**

Financial assets

The Branch derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially of all the risks and rewards of ownership of the financial asset are transferred or in which the Branch neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Branch is recognised as a separate asset or liability.

In transactions in which the Branch neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Branch continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Branch derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Branch currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured on initial recognition, minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and. for financial assets, adjusted for any impairment allowance.

(vi) Fair value measurement

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

When available, the Branch measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Branch uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Branch determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Branch measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Branch on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

(vii) Impairment

IFRS 9 has an impairment model based on expected credit losses (ECL). This model is applied to:

Financial assets measured at amortised cost;

Debt instruments measured at fair value through other comprehensive income (FVOCI);

Lease receivables; and

Loan commitments and financial guarantees not measured at fair value through profit or loss.

Expected credit loss impairment model

The measurement of expected credit losses reflects an unbiased, probability weighted prediction which evaluates a range of scenarios and takes into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Expected credit losses are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination, according to the following three-stage approach:

- Stage 1: At the origination of a financial asset, and where there has not been a significant increase in credit risk since origination, a provision equivalent to 12 months ECL is recognised reflecting the expected credit losses resulting from default events that are possible within the next 12 months from the reporting date. For instruments with a remaining maturity of less than 12 months, expected credit losses are estimated based on default events that are possible over the remaining time to maturity.

- Stage 2: Where there has been a significant increase in credit risk since origination, a provision equivalent to lifetime ECL is recognised reflecting expected credit losses resulting from all possible default events over the expected life of a financial instrument. If credit risk were to improve in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure returns to a Stage 1 classification and a 12 month ECL applies.

- Stage 3: Where there is objective evidence of impairment, a provision equivalent to lifetime ECL is recognised.

Expected credit losses are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

Significant increase in credit risk

Stage 2 assets are those that have experienced a significant increase in credit risk (SICR) since origination. In determining what constitutes a SICR, the Branch considers both qualitative and quantitative information as follows:

- Internal credit rating grade

For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination and measured by means of thresholds.

For non-retail portfolios, a significant increase in credit risk is determined by comparing the Customer Credit Rating (CCR) applicable to a facility at reporting date to the CCR at origination of that facility. A CCR is assigned to each borrower which reflects the probability of default of the borrower and incorporates both borrower and non-borrower specific information, including forward looking information. CCRs are subject to review at least annually or more frequently when an event occurs which could affect the credit risk of the customer.

- Backstop criteria

The Branch uses 30 days past due arrears as a backstop criteria for its portfolios.

Measurement of expected credit loss

ECL is calculated as the product of the following credit risk factors at a facility level, discounted to incorporate the time value of money:

- Probability of default (PD)

The estimate of the likelihood that a borrower will default over a given period;

- Exposure at default (EAD)

The expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest;

- Loss given default (LGD)

The expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward looking information through the use of macro-economic variables.

Forward looking information

In applying forward looking information for estimating ECL, the Branch considers four probability-weighted economic scenarios as follows:

- Base case scenario

  The base case scenario is ANZ's view of the most likely future macro-economic conditions. It reflects management's assumptions used for strategic planning and budgeting, and informs the Group Internal Capital Adequacy Assessment Process (ICAAP);

- Upside and Downside scenarios

The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance sheet date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic events and uncertainty over long horizons; and

- Severe downside scenario

The severe downside scenario is also fixed by reference to average economic cycle conditions and accounts for the potentially severe impact of less likely extremely adverse economic conditions. It reflects macro-economic conditions of a downturn economic event occurring once every 25 years.

The four scenarios are described in terms of macro-economic variables required by the PD, LGD and EAD models depending on the portfolio and country of the borrower. Examples of variables included in ECL models are unemployment rates, GDP growth rates, house price indices, commercial property price indices and consumer price indices.

Probability weighting each scenario is determined by management by considering risks and uncertainties surrounding the base case scenario, as well as credit portfolio outlook where required. The Branch's Credit and Market Risk Committee (CMRC) is responsible for reviewing and approving forecast economic scenarios and the associated probability weights applied to each scenario.

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

Expected Life

When estimating ECL for exposures in Stage 2 and 3, the Branch considers the expected lifetime over which it is exposed to credit risk.

For non-retail portfolios, the Branch uses the maximum contractual period as the expected lifetime for non-revolving credit facilities. For non-retail revolving credit facilities, such as corporate lines of credit, the expected life reflects the Branch's contractual right to withdraw a facility as part of a contractually agreed annual review, after taking into account the applicable notice period.

Definition of default, credit impaired and write-offs

The definition of default used in measuring expected credit losses is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to meet contractual credit obligations to the Group in full, or the exposure is 90 days past due.

Financial assets, including those that are well secured, and are considered credit impaired for financial reporting purposes when they default.

When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the Branch's internal processes and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are credited to credit impairment charge in the income statement.

Modified financial assets

If the terms of a financial asset that are modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the existing financial asset should be derecognised. This assessment considers both the change in cash flows arising from the modified terms as well as the change in overall instrument risk profile. Where a modification does not result in derecognition, the date of origination continues to be used to determine SICR. Where a modification results in derecognition, the new financial asset is recognised at its fair value on the modification date which also becomes the date of origination for this new asset.

The Branch may modify the contractual terms of loans for either commercial or credit reasons. The terms of a loan in good standing may be modified for commercial reasons to provide competitive pricing to borrowers. Loans are also modified for credit reasons where the contractual terms are modified to grant a concession to a borrower that may be experiencing financial difficulty. For all financial assets, modifications of the contractual terms may result in derecognition of the original asset when the changes to the terms of the loans are considered substantial. These terms include principal (credit limit), term, or type of underlying collateral.

Presentation of loss allowance for ECL in statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

- loan commitments and financial guarantee contracts: generally, as a provision.

(c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of one month or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Branch in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(d) Loans and advances

Loans and advances in the statement of financial position are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(e) Deposits from customers

Deposits are the Branch's sources of debt funding. Deposits are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(f) 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. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

(ii) Depreciation of property and equipment is charged to the profit or loss 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 recognised 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 recognised as an expense in the period in which it is incurred. Ongoing repairs and maintenance are expensed as 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 net disposal proceeds and the carrying amount of the assets and are recognised in the profit or loss 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.

(g) Interest income

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

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

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Branch estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(h) Interest expense

Interest expense is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or. where appropriate. a shorter period) to the carrying amount of the financial liability. When calculating the effective interest rate, the Branch estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the issue of a financial liability.

(i) Fee and commission

The Branch earns fees and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of securities are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(j) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax

The Current income tax charge is calculated on the basis of 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.

For profitable year 2022, the Branch is subject to the current tax rate of 20% on total taxable income.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. 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 realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

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

Tax exposures

The Branch's tax returns are subject to examination by the tax authorities. As the application of tax laws and regulations too many types of transactions is susceptible to varying interpretations, amount reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

The taxation system in the Lao PDR is relatively new and is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in the Lao PDR substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

(k) Provisions

A provision is recognised 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.

(l) Financial guarantees

In the ordinary course of business, the Branch gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Branch's liability under each guarantee is measured at the higher of the amortised amount and the amount of loss allowance, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the income statement in 'Credit loss expense'. The premium received is recognised in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

(m) Provision for contingent liabilities

Provisions for contingent liabilities are recognised when the Branch has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

(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) 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.

(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

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Lao Kip ("LAK")	2.277	3.822
United States Dollar ("USD")	6.340	4.964
Thai Baht ("THB")	1.045	845
Others	594	434
	10.256	**10.065**

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

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Lao Kip ("LAK")	60.004	63.004
Other foreign items	824.186	218.218
	884.190	**281.222**
Less: Expected credit losses	(473)	-
	883.717	**281.222**

Amount due from other banks is classified under stage 1 as per IFRS 9 and the expected credit loss as at 31 December 2022 is 473 mn (2021: nil).

a) Domestic items

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
At call	102.533	152.041
	102.533	**152.041**

b) Foreign items

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
At call		
USD	72.727	101.769
THB	31.855	24.398
Others	8.153	3.014
	112.735	**129.181**

5 Amounts due from head office, other branches and from other banks (continued)

c) Term deposits

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
At call		
LAK	30.000	-
USD	638.922	-
	668.922	**-**

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

6 Statutory deposits with Central Bank

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Statutory deposits on:		
Compulsory	41.508	44.259
Demand deposits	35.362	43.120
	76.870	**87.379**
Less: Expected credit losses	(507)	(592)
	76.363	**86.787**

Statutory balance with Central bank is classified under stage 2 and the expected credit loss as at 31 December 2022 is 507 mn (2021: 592 mn).

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% for LAK, USD and THB (2021: 3% for LAK and 5% for USD and THB), 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 375/BOL dated 17 May 2022.

7 Loans and advances, net

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Loans and receivables:		
Overdrafts	19.535	19.733
Loans	929.463	664.795
	948.998	**684.528**
Expected credit losses	(34.142)	(25.530)
	914.856	**658.998**

a) Classified by residual maturity

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Within 1 year	560.175	474.307
Over 1 year	336.975	171.070
Non-performing loans	51.848	39.151
	948.998	**684.528**

b) Classified by currency

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
LAK	810.524	451.210
USD	138.474	233.318
	948.998	**684.528**

c) Classified by type of business

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Agriculture - Forestry	13.013	19.962
Commercial	-	32.856
Industry	44.634	51.558
Service	841.600	519.894
Transportation - Postal	49.751	60.258
	948.998	**684.528**

7 Loans and advances, net (continued)

d) Classified by performance

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Performing loans	897.150	645.377
Non-performing loans	51.848	39.151
	948.998	**684.528**

e) The movement in the expected credit losses for loans and advances is as follows:

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Balance at beginning of the year	25.530	22.227
Foreign exchange translation	8.809	2.694
(Reversal)/provision made during the year	(197)	609
Balance at end of the year	**34.142**	**25.530**

8 Property and equipment

	Note	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Tangible fixed assets	*8.1*	3.260	1.947
		3.260	**1.947**

8.1 Tangible fixed assets

	Leasehold improvement LAK *(in millions)*	Computer Hardware LAK *(in millions)*	Office equipment LAK *(in millions)*	Furniture and fixtures LAK *(in millions)*	Vehicles LAK *(in millions)*	Total LAK *(in millions)*
Balance at 31 December 2020	**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**
Additions during the year	-	1.855	63	-	-	1.918
Disposal during the year	(505)	(520)	-	(137)	-	(1.162)
Balance at 31 December 2022	**1.673**	**5.024**	**413**	**1.947**	**322**	**9.379**
Accumulated depreciation						
Balance at 31 December 2020	**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**
Depreciation for the year	133	425	18	20	-	596
Disposal during the year	(497)	(519)	-	(137)	-	(1.153)
Balance at 31 December 2022	**1.167**	**2.347**	**338**	**1.945**	**322**	**6.119**
Net book value						
Balance at 31 December 2021	**647**	**1.248**	**30**	**22**	**-**	**1.947**
Balance at 31 December 2022	**506**	**2677**	**75**	**2**	**-**	**3.260**

9 (a) Right-of-use assets

	2022 LAK *(in million)*	2021 LAK *(in million)*
Balance at 1 January	3.854	5.444
Depreciation charge for the year	(1.559)	(1.589)
Balance at 31 December	**2.295**	**3.854**

(b) Amount recognized in statement of comprehensive income

	2022 LAK *(in million)*	2021 LAK *(in million)*
Interest on Lease Liability	95	154
Depreciation expense	1.559	1.589
Total	**1.654**	**1.743**

10 Deferred tax

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Deferred tax asset	-	-
Deferred tax liabilities	(3.240)	(3.167)
Net Deferred tax	**(3.240)**	**(3.167)**

	At 1 January 2021 LAK *(in millions)*	(Charged)/Credited to: Statement of comprehensive income LAK (in millions)	**At 31 December 2021** LAK *(in millions)*	(Charged)/Credited to: Statement of comprehensive income LAK (in millions)	**At 31 December 2022** LAK *(in millions)*
Deferred tax asset					
Provisions	10	(10)	-	-	10
Deferred tax liabilities					
Provisions	(3.061)	(106)	(3.167)	(73)	(3.240)
Net deferred tax liabilities	**(3.051)**	**(116)**	**(3.167)**	**(73)**	**(3.240)**

11 Other assets

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Accrued interest receivable	962	711
Prepayments	1.211	722
Other receivables	1.071	35.610
	3.244	**37.043**

12 Deposits from customers

a) Classified by type of deposits

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Current deposits	878.313	571.994
Saving deposits	281	8.655
Term deposits	82.596	2.036
	961.190	**582.685**

b) Classified by currency

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
LAK	189.401	62.213
USD	718.635	461.331
THB	48.097	57.767
Others	5.057	1.374
	961.190	**582.685**

13 Amounts due to other banks

a) Classified by type of deposits

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Term deposits	245.000	-
	245.000	**-**

b) Classified by residence

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Domestic	190.000	-
Foreign	55.000	-
	245.000	**-**

c) Classified by currencies

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
LAK	245.000	-
	245.000	**-**

14 Tax liabilities

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Corporate tax	10.225	8.789
Value added tax	79	10
Withholding tax	32	2
Payroll tax	585	623
	10.921	**9.424**

15 Other liabilities

	Note	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Payable to employees		595	382
Accrued interest payables		1.838	20
Other payables*		178.801	44.166
Expected credit loss - off balance sheet**		4.787	358
		186.021	**44.926**

*The balance incudes unclaimed balances by retail customers as a result of closure of retail segment of ANZ Laos (2022: LAK3.348 million). These balances were approved by BOL to move to unclaimed deposit for a period of 3 years after which will be transferred to government treasury if the customer does not claim the balance.

** Loan commitments and financial guarantees are classified under stage 1 and 2 as per IFRS 9 and the expected credit loss as at 31 December 2022 is LAK 4.787 million (2021: LAK 358 million).

16 Branch capital

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

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Balance as at 1 January	300.000	300.000
Balance as at 31 December	**300.000**	**300.000**
Total paid up capital	**300.000**	**300.000**

17 Legal reserve

The Legal reserve is provided for at the rate of at least 10% of regulatory profit for the year in accordance with the BOL regulations. The Branch recorded statutory profit for the year of LAK 48.961 million so a legal reserve of LAK 4.896 million was booked for the year ended 31 December 2022.

18 Interest income

	For year ended 31 December 2022 LAK *(in millions)*	For year ended 31 December 2021 LAK *(in millions)*
Interest from loans and advances		
Overdraft	1.532	1.212
Term loans	39.305	24.218
	40.837	**25.430**

19 Interest expense

	For year ended 31 December 2022 LAK *(in millions)*	For year ended 31 December 2021 LAK *(in millions)*
Savings deposits	1.991	1.885
Term deposits	796	76
	2.787	**1.961**

20 Fees and service income, net

	For year ended 31 December 2022 LAK *(in millions)*	For year ended 31 December 2021 LAK *(in millions)*
Fee and service income		
International service fees	6.921	4.576
Fee income - other services	328	342
Total fees and service income	**7.249**	**4.918**
Fee and service expense		
Bank charges	(469)	(415)
Fee - Current Account	(63)	(44)
Total fee and service expense	**(532)**	**(459)**
Fees and service income, net	**6.717**	**4.459**

21 Income tax

Income tax recognised in profit or loss

	Note	For year ended 31 December 2022 *(in millions)*	For year ended 31 December 2021 *(in millions)*
Current tax expense			
Current year		(12.438)	(14.729)
Permanent differences		(787)	(278)
Prior year adjustments		-	(468)
Deferred tax expense			
Movements in temporary differences	*10*	(73)	(116)
Total income tax expenses		**(13.298)**	**(15.591)**

(i) Reconciliation of effective tax rate

	For period 31 December 2022 Rate (%)	For period 31 December 2022 LAK *(in millions)*	For period 31 December 2021 Rate (%)	For period 31 December 2021 LAK *(in millions)*
Accounting profit		**62.552**		**74.253**
Income tax using the Lao PDR Corporation tax rate	20%	(12.511)	20%	(14.851)
Income not subject to tax		(787)		(278)
Prior years adjustments		-		(468)
Other adjustments		-		6
Effective tax rate	**21.26%**	**(13.298)**	**21.00%**	**(15.591)**

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

22 Cash and cash equivalents

	Note	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Cash	4	10.256	10.065
Amounts due from BoL	6	35.362	43.120
Amounts due from head office and other branches		523.191	1.956
Amounts due from other banks		360.526	279.266
		929.335	**334.407**

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 Bank; 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);

(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.

The pricing policies for particular types of transactions are explained further below:

Transactions	**Pricing Policies**
Intergroup expenses	Contractually agreed price
Guarantee expense	Contractually agreed price
Interest income	Contractually agreed price
Interest expense	Contractually agreed price

Significant transactions with related parties in Profit and Loss were:

Related party	**Relationship**	**Transactions**	For period December 2022 LAK *(in millions)*	For period December 2021 LAK *(in millions)*
Australian and New Zealand Bank - Singapore	Group entity	Interest received	3.876	16
Australian and New Zealand Bank – Singapore	Group entity	Interest payable	2.873	33
Australian and New Zealand Bank - Melbourne	Head Office	Inter group expenses	6.720	3.732
Australian and New Zealand Bank - Manila Hub	Group entity	Intergroup expense	423	177
Australian and New Zealand Bank - Bangalore Hub	Group entity	Intergroup expense	593	419

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

Related party	**Relationship**	**Transactions**	December 2022 LAK *(in millions)*	December 2021 LAK *(in millions)*
Australian and New Zealand Bank - Singapore	Group entity	Assets – Placements	518.294	-
Australian and New Zealand Bank – Melbourne	Head office	Liabilities – Payable	93	1.173
Australian and New Zealand Bank – Singapore	Group entity	Liabilities – Payable	173.833	-

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

	For year ended 31 December 2022 LAK *(in millions)*	For year ended 31 December 2021 LAK *(in millions)*
Salaries	6.044	8.097
Bonus	849	1.333
Other allowance	1.926	1.263
	8.819	**10.693**

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 consist of:

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Letter of guarantee outstanding	127.096	589
Letters of credit outstanding	18.354	112.443
Undrawn loans	1.131.264	604.893
Other contingent	47.269	39.032
	1.323.983	**756.957**

25 Financial risk management

Introduction

The use of financial instruments is fundamental to the Branch's businesses of providing banking and other financial services to our customers. The associated financial risks (primarily credit, market, and liquidity risks) are a significant portion of the Branch's principal risks.

This note details the Branch's financial risk management policies, processes and quantitative disclosures in relation to the key financial risks:

Principal financial risks	Key sections applicable to this risk
Credit risk Credit risk is the risk of financial loss from a customer, or counterparty, failing to meet their financial obligations – including the whole and timely payment of principal, interest, and other receivables.	• Credit risk overview, management and control responsibilities • Maximum exposure to credit risk • Credit quality • Concentrations of credit risk • Collateral management
Market risk Market risk is the risk of loss arising from potential adverse changes in the value of the Branch's assets and liabilities and other trading positions from fluctuations in market variables. These variables include, but are not limited to interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities, and asset correlations.	• Market risk overview, management and control responsibilities • Measurement of market risk • Traded and non-traded market risk • Foreign currency risk - structural exposure
Liquidity and funding risk Liquidity risk is the risk that the Branch is unable to meet its payment obligations when they fall due; or does not have the appropriate amount, tenor and composition of funding and liquidity to fund increases in its assets.	• Liquidity risk overview, management and control responsibilities • Key areas of measurement for liquidity risk • Funding position • Residual contractual maturity analysis of the Branch's liabilities

Credit Risk Overview, Management and Control Responsibilities

Granting credit facilities to customers is one of the Branch's major sources of income. As this activity is also a principal risk, the Branch dedicates considerable resources to its management. The Branch assumes credit risk in a wide range of lending and other activities in diverse markets and in many jurisdictions. Credit risks arise from traditional lending to customers as well as from interbank, treasury, trade finance and capital markets activities around the world.

Branch's credit risk management framework ensures applying a consistent approach across the ANZ Group when Branch measure, monitor and manage the credit risk appetite set by the Board. The Board is assisted and advised by the Risk Management Committee (RMC) in discharging its duty to oversee credit risk. The RMC:

- sets the credit risk appetite and credit strategies; and
- approves credit transactions beyond the discretion of executive management.

We quantify credit risk through an internal credit rating system (master scales) to ensure consistency across exposure types and to provide a consistent framework for reporting and analysis. The system uses models and other tools to measure the following for customer exposures:

Probability of Default (PD)	Expressed by a Customer Credit Rating (CCR), reflecting the Branch's assessment of a customer's ability to service and repay debt.
Exposure at Default (EAD)	The expected amount of loan outstanding at the time of default.
Loss Given Default (LGD)	Expressed by a Security Indicator (SI) ranging from A to G. The SI is calculated by reference to the percentage of loan covered by security which the Branch can realise if a customer defaults. The A-G scale is supplemented by a range of other SIs which cover factors such as cash cover and sovereign backing.

All customers with whom ANZ has a credit relationship are assigned a CCR at origination via either of the following assessment approaches:

- Large and more complex lending;

- Rating models provide a consistent and structured assessment, with judgement required around the use of out-of-model factors. We handle credit approval on a dual approval basis, jointly with the business writer and an independent credit officer.

Branch's internal CCRs is used to manage the credit quality of financial assets neither past due nor impaired. To enable wider comparisons, the Branch's CCRs are mapped to external rating agency scales as follows:

Internal Rating	ANZ Customer Requirements	Moody's Rating	Standard & Poor's Rating
Strong credit profile	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa - Baa3	AAA - BBB-
Satisfactory risk	Demonstrated sound operational and financial stability over the medium to long-term - even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 - B1	BB+ - B+
Sub-standard but not past due nor impaired	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 - Caa	B - CCC

Maximum Exposure to Credit Risk

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For undrawn facilities, this maximum exposure to credit risk is the full amount of the committed facilities. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Branch would have to pay if the instrument is called upon.

Credit Quality analysis

The Branch's internal Customer Credit Rating (CCR) is used to manage the credit quality of financial assets. To enable wider comparisons, the Branch's CCRs are mapped to external rating agency scales as follows:

Credit Quality Description	Internal CCR	ANZ Customer Requirement	Moody's Rating	Standard & Poor's Rating
Strong	CCR 0+ to 4	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa - Baa3	AAA - BBB-
Satisfactory	CCR 5+ to 6	Demonstrated sound operational and financial stability over the medium to long-term - even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 - B1	BB+ - B+
Weak	CCR 7+ to 8	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 - Caa	B - CCC
Defaulted	CCR8- to 10	When doubt arises as to the collectability of a credit facility, the financial instrument (or 'the facility') is classified as defaulted.	N/A	N/A

The following table sets out information about the credit quality of financial assets measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	As at 31 December 2022			
Loans and advances to customers at amortised cost	Stage 1 *LAK* *(in millions)*	Stage 2 *LAK* *(in millions)*	Stage 3 *LAK* *(in millions)*	**Total** *LAK* *(in millions)*
Strong	884.137	-	-	884.137
Satisfactory	13.013	-	-	13.013
Defaulted	-	-	51.848	51.848
Total	**897.150**	**-**	**51.848**	**948.998**
Expected credit loss	(1.686)	-	(32.456)	(34.142)
Carrying amount	**895.464**	**-**	**19.392**	**914.856**

	As at 31 December 2022			
Loans and advances to bank at amortised cost	Stage 1 *LAK (in millions)*	Stage 2 *LAK (in millions)*	Stage 3 *LAK (in millions)*	**Total** *LAK (in millions)*
Strong	360.994	-	-	360.994
Total	**360.994**	**-**	**-**	**360.994**
Expected credit loss	(467)	-	-	(467)
Carrying amount	**360.527**	**-**	**-**	**360.527**

	As at 31 December 2022			
Statutory Deposits with Central Bank	Stage 1 *LAK (in millions)*	Stage 2 *LAK (in millions)*	Stage 3 *LAK (in millions)*	**Total** *LAK (in millions)*
Weak	-	76.870	-	76.870
Total	**-**	**76.870**	**-**	**76.870**
Expected credit loss	-	(507)	-	(507)
Carrying amount	**-**	**76.363**	**-**	**76.363**

	As at 31 December 2022			
Amounts due from head office and other branches	Stage 1 *LAK (in millions)*	Stage 2 *LAK (in millions)*	Stage 3 *LAK (in millions)*	**Total** *LAK (in millions)*
Strong	523.196	-	-	523.196
Total	**523.196**	**-**	**-**	**523.196**
Expected credit loss	(6)	-	-	(6)
Carrying amount	**523.190**	**-**	**-**	**523.190**

	As at 31 December 2022			
Loans commitments and financial guarantee contracts	Stage 1 *LAK (in millions)*	Stage 2 *LAK (in millions)*	Stage 3 *LAK (in millions)*	**Total** *LAK (in millions)*
Strong	1.006.620	-	-	1.006.620
Satisfactory	276.009	-	-	276.009
Weak	41.354	-	-	41.354
Total	**1.323.983**	**-**	**-**	**1.323.983**
Expected credit loss	(4.787)	-	-	(4.787)
Carrying amount	**1.319.196**	**-**	**-**	**1.319.196**

	As at 31 December 2021			
Loans and advances to customers at amortised cost	Stage 1 *LAK (in millions)*	Stage 2 *LAK (in millions)*	Stage 3 *LAK (in millions)*	**Total** *LAK (in millions)*
Strong	625.415	-	-	625.415
Weak	-	19.962	-	19.962
Defaulted	-	-	39.151	39.151
Total	**625.415**	**19.962**	**39.151**	**684.528**
Expected credit loss	(1.331)	(552)	(23.647)	(25.530)
Carrying amount	**624.084**	**19.410**	**15.504**	**658.998**

	As at 31 December 2021			
Loans and advances to banks at amortised cost	Stage 1 *LAK (in millions)*	Stage 2 *LAK (in millions)*	Stage 3 *LAK (in millions)*	**Total** *LAK (in millions)*
Strong	279.266	-	-	279.266
Total	**279.266**	**-**	**-**	**279.266**
Expected credit loss	-	-	-	-
Carrying amount	**279.266**	**-**	**-**	**279.266**

	As at 31 December 2021			
Statutory Deposits with Central Bank	Stage 1 *LAK (in millions)*	Stage 2 *LAK (in millions)*	Stage 3 *LAK (in millions)*	**Total** *LAK (in millions)*
Weak	-	83.379	-	83.379
Total	**-**	**83.379**	**-**	**83.379**
Expected credit loss	-	(592)	-	(592)
Carrying amount	**-**	**82.787**	**-**	**82.787**

	As at 31 December 2021			
Amounts due from head office and other branches	Stage 1 *LAK (in millions)*	Stage 2 *LAK (in millions)*	Stage 3 *LAK (in millions)*	**Total** *LAK (in millions)*
Strong	1.956	-	-	1.956
Total	**1.956**	**-**	**-**	**1.956**
Expected credit loss	-	-	-	-
Carrying amount	**1.956**	**-**	**-**	**1.956**

As at 31 December 2021

Loans commitments and financial guarantee contracts	Stage 1 *LAK (in millions)*	Stage 2 *LAK (in millions)*	Stage 3 *LAK (in millions)*	**Total** *LAK (in millions)*
Strong	756.330	-	-	756.330
Weak	627	-	-	627
Total	**756.957**	**-**	**-**	**756.957**
Expected credit loss	(358)	-	-	(358)
Carrying amount	**756.599**	**-**	**-**	**756.599**

Amount arising from ECL

Please refer note 3(b)(vii) for policies relating to expected credit loss model as per IFRS 9.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

Loans and advances to customers at amortised cost

As at 31 December 2022

LAK(in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January	**1.331**	**552**	**23.647**	**25.530**
New and increased provisions (net of releases)	355	(552)	-	(197)
Foreign currency and other movements	-	-	8.809	8.809
As at 31 December	**1.686**	**-**	**32.456**	**34.142**

Loans and advances to banks at amortised cost

As at 31 December 2022

LAK(in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January	**-**	**-**	**-**	**-**
New and increased provisions (net of releases)	467	-	-	467
Foreign currency and other movements	-	-	-	-
As at 31 December	**467**	**-**	**-**	**467**

Statutory Deposits with Central Bank

As at 31 December 2022

LAK(in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January	**-**	**592**	**-**	**592**
New and increased provisions (net of releases)	-	(85)	-	(85)
As at 31 December	**-**	**507**	**-**	**507**

Amounts due from head office and other branches

As at 31 December 2022

LAK(in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January	**-**	**-**	**-**	**-**
New and increased provisions (net of releases)	6	-	-	6
As at 31 December	**6**	**-**	**-**	**6**

Loans commitments and financial guarantee contracts

As at 31 December 2022

LAK(in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January	**358**	**-**	**-**	**358**
New and increased provisions (net of releases)	4.703	-	-	4.703
Foreign currency and other movements	(274)	-	-	(274)
As at 31 December	**4.787**	**-**	**-**	**4.787**

Loans and advances to customers at amortised cost

As at 31 December 2021

LAK(in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January	**1.274**	**-**	**20.953**	**22.227**
New and increased provisions (net of releases)	57	552	-	609
Foreign currency and other movements	-	-	2.694	2.694
As at 31 December	**1.331**	**552**	**23.647**	**25.530**

Statutory Deposits with Central Bank

As at 31 December 2021

LAK(in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
New and increased provisions (net of releases)	-	592	-	592
As at 31 December	**-**	**592**	**-**	**592**

Loans commitments and financial guarantee contracts

As at 31 December 2021

LAK(in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January	**318**	**-**	**-**	**318**
New and increased provisions (net of releases)	40	-	-	40
As at 31 December	**358**	**-**	**-**	**358**

Credit-impaired financial assets

Reconciliation of changes in the net carrying amount of credit-impaired loans and advances to customers.

	2022	**2021**
	LAK *(in millions)*	LAK *(in millions)*
Credit-impaired loans and advances to customers at 1 January	15.504	14.289
Classified as credit-impaired during the year		
Other movements	3.888	1.215
Credit-impaired loans and advances to customers at 31 December	**19.392**	**15.504**

Collateral held and other credit enhancements and their financial effect

Branch uses collateral for on and off-balance sheet exposures to mitigate credit risk if a counterparty cannot meet its repayment obligations from its expected cash flows. For some products, the collateral provided by customers is fundamental to the product's structuring, so it is not strictly the secondary source of repayment - for example, lending secured by trade receivables is typically repaid by the collection of those receivables.

The Branch holds collateral and other credit enhancements against certain credit exposures. The below sets out the principal types of collateral held against different types of financial assets.

- Business loans may be secured, partially secured or unsecured. Typically, Branch obtains security by way of a mortgage over property and/or a charge over the business or other assets. If appropriate, Branch may take other security to mitigate the credit risk, for example: guarantees, standby letters of credit or derivative protection.

- Collateral for off balance sheet positions is mainly held against undrawn facilities, and they are typically performance bonds or guarantees. Undrawn facilities that are secured include business lending secured by commercial real estate and/or charges over business assets.

The nature of collateral or security held for the relevant classes of financial assets is as follows:

Type of credit exposure *LAK(in millions)*	**Principal type of collateral held for secured lending**	**Percentage of exposure that is subject to an arrangement that requires collateralization**	
		2022	**2021**
Derivative assets	None	-	-
Loans and advances to customers			
Corporate loans	Land & building & LCs issued by other banks	83,06%	63,58%
Participant loans	Financial Guarantee	-	-
Credit cards	None	-	-
Investments	None	-	-

Credit risk concentrations

Credit risk becomes concentrated when a number of customers are engaged in similar activities, have similar economic characteristics, or have similar activities within the same geographic region – therefore, they may be similarly affected by changes in economic or other conditions. The Branch monitors its credit portfolio to manage risk concentration and rebalance the portfolio. The Branch also applies single customer counterparty limits to protect against unacceptably large exposures to one single customer.

Composition of financial instruments that give rise to credit risk by industry group are presented below:

LAK(in millions)	Loan and advances 2022	Due from other banks 2022	Statutory deposits 2022	Loan and advances Commitments * 2022
Carrying amount	**948.998**	**360.994**	**76.870**	**-**
Concentration by Sector				-
Government	-	-	76.870	
Financial Institutions	733.537	360.994	-	362.798
Agriculture	13.013	-	-	262.363
Manufacturing	44.634	-	-	148.096
Trading and services	108.063	-	-	550.681
Transportation and warehousing	49.751	-	-	45
	948.998	**360.994**	**76.870**	**1.323.983**

* Includes lending commitments, financial guarantees and letter of credits

LAK(in millions)	Loan and advances 2021	Due from other banks 2021	Statutory deposits 2021	Loan and advances Commitments * 2021
Carrying amount	**684.528**	**279.266**	**87.379**	-
Concentration by Sector				-
Government	-	-	87.379	
Financial Institutions	443.026	279.266	-	188.573
Agriculture	19.962	-	-	627
Manufacturing	12.407	-	-	133.443
Trading and services	148.875	-	-	422.846
Transportation and warehousing	60.258	-	-	11.468
	684.528	**279.266**	**87.379**	**756.957**

* Includes lending commitments, financial guarantees and letter of credits

Liquidity risk

Liquidity risk is the risk that the Branch is unable to meet its payment obligations when they fall due; or does not have the appropriate amount, tenor and composition of funding and liquidity to fund increases in assets. The timing mismatch of cash flows and the related liquidity risk is inherent in all banking operations and is closely monitored by the Branch.

Liquidity and funding risks are governed by a set of principles which are approved by the Group's Board Risk Committee and include:

- maintaining the ability to meet all payment obligations in the immediate term;
- ensuring that the Group has the ability to meet 'survival horizons' under a range of ANZ specific, and general market, liquidity stress scenarios, at the site and Group-wide level, to meet cash flow obligations over the short to medium term;
- ensuring the liquidity management framework is compatible with local regulatory requirements;
- targeting a diversified funding base to avoid undue concentrations by investor type, maturity, market source and currency;

ANZ's liquidity risk appetite is defined by a range of regulatory and internal liquidity metrics mandated by the Group Board. A key component of this framework is the Liquidity Coverage Ratio (LCR), which is a severe short term liquidity stress scenario mandated by banking regulators including APRA. This is supported by the Wholesale Funding Capacity (WFC), with the key purpose of this metric to measure and monitor wholesale funding concentrations over the near-term and ensure within assessed tolerance.

Each of the Branch's operations is responsible for ensuring its compliance with all scenarios that are required to be modelled. Additionally, we measure, monitor and manage all modelled liquidity scenarios on an aggregated Group-wide level.

- The maturity term of assets and liabilities represents the remaining period of assets and liabilities as calculated from the balance sheet date to the latest date of settlements as stipulated in contracts or in issuance terms and conditions.

Maturity analysis for financial assets and liabilities

The tables below set out the remaining contractual maturities of the Branch's financial assets and financial liabilities.

LAK(in millions)	Carrying amount	Overdue	On demand	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	No maturity
31 December 2022									
Liabilities									
Deposits from customers	961.190	-	878.594	-	34.084	48.512	-	-	-
Interbank and money market items									
- Amounts due to other banks	245.000	-	-	145.000	70.000	30.000	-	-	-
Other liabilities	1.930	-	-	1.930	-	-	-	-	-
	1.208.120	**-**	**878.594**	**146.930**	**104.084**	**78.512**	**-**	**-**	**-**

Maturity analysis for financial assets and liabilities (continued)

In millions of LAK	Carrying amount	Overdue	On demand	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	No maturity
31 December 2022									
Assets									
Cash	10.256	-	10.256	-	-	-	-	-	-
Interbank and money market items									
- Amounts due from head office and other branches	523.196	-	5.151	518.045	-	-	-	-	-
- Amounts due from other banks	360.994	-	360.994	-	-	-	-	-	-
Statutory deposits with Central Bank	76.870	-	35.361	-	-	-	-	-	41.509
Loans and advances	948.998	51.848	-	77.712	169.810	312.653	336.975	-	-
Other assets	3.195	-	-	1.738	-	1.457	-	-	-
	1.923.509	**51.848**	**411.762**	**597.495**	**169.810**	**314.110**	**336.975**	**-**	**41.509**
Difference of on financial reporting items	**715.389**	**51.848**	**(466.832)**	**450.565**	**65.726**	**235.598**	**336.975**	**-**	**41.509**
Loans and advances Commitments *	**1.323.983**	**-**	**-**	**75.500**	**51.811**	**1.196.672**	**-**	**-**	**-**
Liquidity exposure	**(608.594)**	**51.848**	**(466.832)**	**375.065**	**13.915**	**(961.074)**	**336.975**	**-**	**41.509**

* Includes lending commitments, financial guarantees and letter of credits

Maturity analysis for financial assets and liabilities (continued)

LAK(in millions)	**Carrying amount**	**Overdue**	**On demand**	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**More than 5 years**	**No maturity**
31 December 2021									
Liabilities									
Deposits from customers	586.455	-	584.419	-	1.447	-	589	-	-
Interbank and money market items	-	-	-	-	-	-	-	-	-
Other liabilities	1.193	-	-	1.193	-	-	-	-	-
	587.648	**-**	**584.419**	**1.193**	**1.447**	**-**	**589**	**-**	**-**

In millions of LAK	Carrying amount	Overdue	On demand	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	No maturity
31 December 2021									
Assets									
Cash	10.065	-	10.065	-	-	-	-	-	-
Interbank and money market items									
- Amounts due from head office and other branches	1.956	-	1.956	-	-	-	-	-	-
- Amounts due from other banks	279.266	-	279.266	-	-	-	-	-	-
Statutory deposits with Central Bank	87.379	-	43.120	-	-	-	-	-	44.259
Loans and advances	684.528	39.151	-	70.921	242.552	160.834	171.070	-	-
Other assets	1.980	-	-	1.258	-	722	-	-	-
	1.065.174	**39.151**	**334.407**	**72.179**	**242.552**	**161.556**	**171.070**	**-**	**44.259**
Difference of on financial reporting items	**477.526**	**39.151**	**(250.012)**	**70.986**	**241.105**	**161.556**	**170.481**	**-**	**44.259**
Loans and advances Commitments *	**756.957**	**-**	**-**	**59.699**	**36.404**	**660.854**	**-**	**-**	**-**
Liquidity exposure	**(279.431)**	**39.151**	**(250.012)**	**11.287**	**204.701**	**(499.298)**	**170.481**	**-**	**44.259**

* Includes lending commitments, financial guarantees and letter of credits

Liquidity reserves

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Balances with central banks	35.361	35.361	43.120	43.120
Cash and balances with other banks	893.973	893.973	291.287	291.287
Total liquidity reserves	**929.334**	**929.334**	**334.407**	**334.407**

Market risk

Market risk stems from ANZ's trading and balance sheet management activities, the impact of changes and correlation between interest rates, foreign exchange rates, credit spreads and volatility in bond, commodity or equity prices.

The Board Risk Committee (BRC) delegates responsibility for day-to-day management of both market risks and compliance with market risk policies to the Credit & Market Risk Committee (CMRC) and the Group Asset & Liability Committee (GALCO).

Within overall strategies and policies established by the BRC, business units and risk management have joint responsibility for the control of market risk at the Group level. The Market Risk team (a specialist risk management unit independent of the business) allocates market risk limits at various levels and monitors and reports on them daily. This detailed framework allocates individual limits to manage and control exposures using risk factors and profit and loss limits.

Management, measurement and reporting of market risk is undertaken in two broad categories:

Traded market risk

This is the risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. The principal risk categories monitored are:

- Currency risk is the potential loss arising from the decline in foreign exchange rates or their implied volatilities.
- Interest rate risk is the potential loss arising from changes in market interest rates or their implied volatilities.
- Credit spread risk is the potential loss arising from a movement of its margin or spread relative to a benchmark.
- Commodity risk is the potential loss arising from changes in commodity prices or their implied volatilities.
- Equity risk is the potential loss arising from changes in equity price.

Non-Traded market risk

This is the risk of loss associated with the management of non-traded interest rate risk, liquidity risk and foreign exchange exposures. This includes interest rate risk in the banking book. This risk of loss arises from adverse changes in the overall and relative level of interest rates for different tenors, differences in the actual versus expected net interest margin, and the potential valuation risk associated with embedded options in financial instruments and Branch products.

Measurement of Market Risk

A key measure of market risk is Value at Risk (VaR). VaR is a statistical estimate of the possible daily loss and is based on historical market movements. ANZ measures VaR at a 99% confidence interval, which means that there is a 99% chance that the loss will not exceed the VaR estimate for the relevant holding period on any given day.

The Group's standard VaR approach for both traded and non-traded risk is historical simulation. The Branch calculates VaR using historical changes in market rates, prices and volatilities over the previous 500 business days. Traded and non-traded VaR is calculated using a one-day holding period.

It should be noted that because VaR is driven by actual historical observations, it is not an estimate of the maximum loss that the Branch could experience from an extreme market event. As a result of this limitation, the Branch utilises a number of other risk measures (e.g. stress testing) and risk sensitivity limits to measure and manage market risk.

Interest risk sensitivity analysis

Interest rate risk is the potential loss arising from the change in the value of the financial instrument due to change in market interest rate or their implied volatilities.

Significant financial assets and liabilities classified by type of the interest rate as at 31 December 2022 and 2021 are as following:

Exposure to interest rate risk

In millions of LAK	Carrying amount	Non-repricing	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
31 December 2022							
Assets							
Cash	10.256	10.256	-	-	-	-	-
Interbank and money market items							
- Amounts due from head office and other branches	523.196	5.151	518.045	-	-	-	-
- Amounts due from other banks	360.994	360.994	-	-	-	-	-
Statutory deposits with Central Bank	78.870	76.870	-	-	-	-	-
Loans and advances	948.998	-	299.370	312.653	-	336.975	-
Other assets	3.195	-	1.738	1.457	-	-	-
	1.923.509	**453.271**	**819.153**	**314.110**	**-**	**336.975**	**-**

In millions of LAK	Carrying amount	Non-repricing	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
31 December 2022							
Liabilities							
Deposits from customers	961.190	878.592	34.086	48.512	-	-	-
Interbank and money market items							
- Amounts due to other banks	245.000	-	215.000	30.000	-	-	-
Other liabilities	1.930	-	1.930	-	-	-	-
	1.208.120	**878.592**	**251.016**	**78.512**	**-**	**-**	**-**
Difference of on-financial reporting items	**715.389**	**(425.321)**	**568.137**	**235.598**	**-**	**336.975**	**-**
Loans and advances Commitments *	**1.323.983**	**-**	**127.311**	**1.196.672**	**-**	**-**	**-**
Total interest sensitivity gap	**(608.594)**	**(425.321)**	**440.826**	**(961.074)**	**-**	**336.975**	**-**

Exposure to interest rate risk

In millions of LAK	Carrying amount	Non-repricing	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
31 December 2021							
Assets							
Cash	10.065	10.065	-	-	-	-	-
Interbank and money market items							
- Amounts due from head office and other branches	1.956	1.956	-	-	-	-	-
- Amounts due from other banks	279.266	279.266	-	-	-	-	-
Statutory deposits with Central Bank	87.379	87.379	-	-	-	-	-
Loans and advances	684.528	-	352.624	160.834	-	171.070	-
Other assets	1,.980	-	1.258	722	-	-	-
	1.065.174	**378.666**	**353.882**	**161.556**	**-**	**171.070**	**-**

Exposure to interest rate risk (continued)

In millions of LAK	Carrying amount	Non-repricing	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
31 December 2021							
Liabilities							
Deposits from customers	586.445	584.417	1.449	-	-	589	-
Interbank and money market items							
Other liabilities	1.193	-	1.193	-	-	-	-
	587.648	**584.417**	**2.642**	**-**	**-**	**589**	**-**
Difference of on-financial reporting items	**477.526**	**(205.751)**	**351.240**	**161.556**	**-**	**170.481**	**-**
Loans and advances Commitments *	**756.957**	**-**	**96.103**	**660.854**	**-**	**-**	**-**
Total interest sensitivity gap	**(279.431)**	**(205.571)**	**255.137**	**(499.298)**	**-**	**170.481**	**-**

* Includes lending commitments, financial guarantees and letter of credits

Foreign exchange rate risk

Currency risk is the risk exposed to the Branch due to changes in foreign exchange rates which adversely impact the Branch's foreign currency positions. The Branch has set limits on positions by currency, based on its internal risk assessment system and the BOL's regulations. Positions are monitored on a daily basis to ensure positions are maintained within the established limits.

The Branch monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the functional currency of the Branch. As at the reporting date net currency exposures are as follows:

	2022			
	Currency USD *LAK(in millions)*	THB *LAK(in millions)*	Others *LAK(in millions)*	Total *LAK(in millions)*
Financial assets				
Cash	6.340	1.045	594	7.979
Deposits with head offices	518.045	-	5.151	523.196
Deposits with other banks	266.131	31.855	3.003	300.989
Balances with Central bank	45.380	17.674	-	63.054
Loans and advances	138.474	-	-	138.474
Other assets	855	-	-	855
Total financial assets	**975.223**	**50.574**	**8.748**	**1.034.547**
Financial liabilities				
Deposits from customers	718.635	48.097	5.057	771.789
Other Liabilities	33	-	93	126
Total financial liabilities	**718.668**	**48.097**	**5.150**	**771.915**
Foreign currency position of items recognised on the statement of financial position - net	**265.557**	**2.477**	**3.598**	**262.632**

	2021			
	Currency USD	THB	Others	Total
	LAK(in millions)	*LAK(in millions)*	*LAK(in millions)*	*LAK(in millions)*
Financial assets				
Cash	4.964	845	434	6.243
Deposits with head offices	-	-	1.956	1.956
Deposits with other banks	190.806	24.398	1.058	216.262
Balances with Central bank	48.480	32.486	-	80.966
Loans and advances	233.318	-	-	233.318
Other assets	491	-	-	491
Total financial assets	**478.059**	**57.729**	**3.448**	**539.236**
Financial liabilities				
Deposits from customers	461.950	58.324	1.375	521.649
Other Liabilities	20	-	1.173	1.193
Total financial liabilities	**461.970**	**58.324**	**2.548**	**522.842**
Foreign currency position of items recognised on the statement of financial position - net	**16.089**	**(595)**	**900**	**16.394**

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Branch's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Branch's operations.

The Branch's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the reputation with overall cost effectiveness and innovation. In all cases, the Branch's policy requires compliance with all applicable legal and regulatory requirements.

The head office has delegated responsibility for operational risk to its management which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties. including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced. and the adequacy of controls and procedures to address the risks identified;

- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management, with summaries submitted to the Group Internal Audit Department and senior management of the Branch.

The Branch maintains minimum regulatory capital in accordance with Regulation No 01/BOL dated 28 August 2001 by the Governor of Lao P.D.R and other detailed guidance. The primary objectives of the Branch's capital management are to ensure that the Branch complies with externally imposed capital requirements by BOL. The Branch recognises the need to maintain effectiveness of assets and liabilities management to balance profit and capital adequacy.

In accordance with Regulation No 01/BOL, the Branch's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes chartered capital, regulatory reserve fund, business expansion fund and other funds and retained earnings;
- Tier 2 capital, which includes qualifying subordinated liabilities, general provisions and the element of fair value reserve relating to unrealized gains/losses on equity instruments classified as available for sale.

Various limits are applied to elements of the capital base: qualifying tier 2 cannot exceed tier 1 capital, and qualifying subordinated liabilities may not exceed 50 percent of tier 1 capital.

26 Fair value of financial assets and liabilities

Methods and assumptions used by the Branch in estimating the fair values of financial assets and liabilities are as follows:

The fair value of cash, interbank and money market items (assets), statutory deposits with Central Bank and other financial assets. Deposits, interbank and money market items (liabilities), liabilities payables on demand and other financial liabilities are approximately based on their carrying values at the reporting date due to their short-term duration.

The fair value short term loans or floating-rate loans and advances to customers that reprice within 1 year since the reporting date approximates carrying value at the reporting date. The fair value of other fixed-rate loans and advances to customers is estimated using discounted cash flow analysis and interest rates currently being offered for loans and advances to customers with similar credit quality.

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Branch uses market observable data as far as possible. Fair value measurements for assets and liabilities are categorised into different levels in the fair value hierarchy based on the used in valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on unobservable market data (unobservable input).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Branch recognises transfers between levels of the fair value hierarchy as hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the year ended 31 December 2022.

Financial assets and liabilities measured at fair value

The Branch has no financial assets and liabilities measured at fair value as at 31 December 2022. Therefore, there is no analysis of financial assets and liabilities recorded at fair value by level of the fair value hierarchy.

Financial assets and liabilities not measured at fair value

The carrying amounts of financial assets and liabilities not measured at fair value at the reporting date are a reasonable approximation of their fair value.

27 Operating segment

The business of the Branch is providing financial services to the corporate customers. The management consider the business conducted in Lao PDR as one whole segment. The information reviewed by the Country Head is similar as presented in the statement of profit or loss. When taking into consideration the business location of the Branch, there is only one geographical segment as the business operates only in Lao PDR.

28 Capital adequacy ratio

The capital adequacy ratios of Australia and New Zealand Banking Group Limited based on the Bank of Lao P.D.R(BOL) guidelines are as follows:

	2022 LAK (in millions)	2021 LAK (in millions)
Tier 1 capital	423.345	362.749
Tier 2 capital	53.224	63.760
Total capital	476.569	426.509
Less: Deductions from capital (Investments in other credit and financial institutions)	-	-
Capital for CAR calculation (A)	476.569	426.509
Risk weighted balance sheet items	1.583.290	821,126
Risk weighted off balance sheet items	630.914	357.107
Total risk weighted assets (B)	2.214.205	1,178.233
Capital Adequacy Ratio (A/B)	21.52%	36.20%

29 Subsequent Events

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 2022 that significantly impacted the financial position of the Branch as at 31 December 2022.

30 International Financial Reporting Standards (IFRS) not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021; however, the Branch has not applied the following new or amended standards in preparing these financial statements.

IFRS	Topic	Year effective
IFRS 17	Insurance contract	2023
Amended Standards		
IAS 8	Definition of Accounting Estimate	2023
IAS 1	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	2023
IAS 1	Classification of Liabilities as Current or Non-Current	2023

The Branch is assessing the potential impact on its financial statements resulting from the application of these new standards.

31 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 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 2022:

i) Impact for the year ended 31 December 2022

For the year ended 31 December 2022, there is no impact to the Branch's net profit after tax arising from IBOR reforms.

ii) There are nil exposures subject to benchmark reform as at 31 December 2022.

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.