

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

Financial statements for the year ended
31 December 2023
and
Independent Auditor's Report

ເອກະສານລາຍງານການເງິນ ແລະ ບົດລາຍງານຂອງຜູ້ກວດສອບບັນຊີສະບັບນີ້ແມ່ນຖືກລາຍງານເປັນພາສາອັງກິດ. ສ່ວນສະບັບພາສາລາວ ແມ່ນ
ເປັນພຽງສະບັບສົມທຽບເທົ່ານັ້ນ, ໃນກໍລະນີທີ່ບໍ່ສອດຄ່ອງ ແມ່ນຈະຍົດຖືສະບັບພາສາອັງກິດເປັນຕົວຫຼັກ.

The Financial Statements and Independent Auditor's Report have been prepared in English. The Lao version is
reference only; in case of discrepancies, the English version shall prevail.

Australia and New Zealand Banking Group Limited, Lao Branch

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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. Aekanh Keosouvath	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 (the “Bank”) 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 Bank as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and of cash flows for the year then ended 31 December 2023 in accordance with the International Financial Reporting Standards (“IFRSs”). 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 Bank and for preventing and detecting fraud, error and other irregularities;
- v) Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- vi) Effectively control and direct the Bank and be involved in all material decisions affecting the Bank’s operations and performance and ascertain that such have been properly reflected in the financial statements.

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

APPROVAL OF THE FINANCIAL STATEMENTS

I, Mr. Sheng Lee, on behalf of the Board of Management, do hereby state that the financial statements set out on pages 5 to 66 present fairly, in all material respects, the financial position of the Branch as at 31 December 2023 and its financial performance and cash flows for the year ended 31 December 2023 have been properly drawn up in accordance with IFRS.

Signed on behalf of the Board of Management.



 Sheng Lee
 Country Head
 26 March 2024



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 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting standards as issued by the International Accounting Standards Board (IFRS Accounting 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 Branch 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 the IFRS Standards, 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 skepticism 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.

For and on behalf of KPMG Lao Co., Ltd.

Jedsada Leelawatanasuk
Statutory Auditor
ID No. SA0061/2024

Vientiane Capital, Lao PDR
Date: 26 March 2024

Australia and New Zealand Banking Group Limited, Lao Branch
Statement of financial position
For the year ended 31 December 2023

		As at 31 December 2023	As at 31 December 2022
	<i>Note</i>	LAK <i>(in million)</i>	LAK <i>(in million)</i>
Assets			
Cash	4, 22	14.029	10.256
Interbank and money market items	5	579.833	883.717
Amounts due from head office and other			
Branches	22	29.023	523.191
Amounts due from other banks	22	550.810	360.526
Statutory deposits with central bank	6	102.769	76.363
Loans and advances, net	7	1.067.532	914.856
Property and equipment	8	2.587	3.260
Right-of-use assets	9	4.162	2.295
Other assets	11	10.082	3.244
Total assets		1.780.994	1.893.991

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 2023

		As at 31 December 2023	As at 31 December 2022
	<i>Note</i>	LAK <i>(in million)</i>	LAK <i>(in million)</i>
Liabilities, Capital and other reserves			
<i>Liabilities</i>			
Deposits from customers	<i>12</i>	741.117	961.190
Interbank and money market items			
Amounts due to head office and other branches		207.234	173.925
Amounts due to other banks	<i>13</i>	210.000	245.000
Tax liabilities	<i>14</i>	21.401	10.921
Lease liabilities		3.707	2.351
Deferred tax liabilities	<i>10</i>	1.632	3.240
Other liabilities	<i>15</i>	22.985	12.096
Total liabilities		1.208.076	1.408.723
Head Office's equity			
Branch capital	<i>16</i>	300.000	300.000
Legal reserve	<i>17</i>	29.725	20.317
Retained earnings		243.193	164.951
Total Head Office's equity		572.918	485.268
Total liabilities and Head Office's equity		1.780.994	1.893.991

The accompanying notes form an integral part of these financial statement

Australia and New Zealand Banking Group Limited, Lao Branch
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2023

	<i>Note</i>	For year ended 31 December 2023 LAK (in million)	For year ended 31 December 2022 LAK (in million)
Interest income			
Interest from loans and advances	18	73.640	40.837
Interest from interbank and money market items		20.271	3.935
Total interest income		93.911	44.772
Interest expense			
Interest on deposits	19	(10.323)	(2.787)
Interest on interbank and money market items		(19.571)	(8.741)
Total interest expense		(29.894)	(11.528)
Net interest income		64.017	33.244
Fee and service income		7.943	7.249
Fee and service expense		(602)	(532)
Net fee and service income	20	7.341	6.717
Other income			
Gain on foreign exchange		83.168	58.468
Other income		759	1.669
Net gain from fixed assets disposed		-	12
Total other income		83.927	60.149
Total income		155.285	100.110
Operating Expenses			
Personnel expenses		(21.315)	(15.318)
Premises, depreciation and amortization expenses		(3.893)	(2.155)
Other expenses		(18.832)	(19.354)
Expected credit loss		(1.682)	(731)
Total operating expenses		(45.722)	(37.558)
Profit before income tax expense		109.563	62.552
Income tax	21	(21.913)	(13.298)
Profit for the year		87.650	49.254
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		87.650	49.254

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 2023

	Branch Capital LAK <i>(in millions)</i>	Retained earnings LAK <i>(in millions)</i>	Legal reserve LAK <i>(in millions)</i>	Total LAK <i>(in millions)</i>
Balance as at 31 December 2021	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 and 1 January 2023	300.000	164.951	20.317	485.268
Profit for the year	-	87.650	-	87.650
Transfer to legal reserve	-	(9.408)	9.408	-
Balance as at 31 December 2023	300.000	243.193	29.725	572.918

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 2023

	<i>Note</i>	For year ended 31 December 2023 <i>(in million)</i>	For year ended 31 December 2022 <i>(in million)</i>
Profit before income tax expense		109.563	62.552
<i>Adjustments for</i>			
Interest income		(93.911)	(44.772)
Interest expense		29.894	11.528
Interest expense on lease liability		185	95
Expected credit loss		1.667	1.121
Depreciation and amortisation		3.893	2.155
(Gain)/loss from fixed assets disposal		-	(12)
Profit from operations before change in operating assets and liabilities		51.291	32.667
<i>Change in operating assets / liabilities</i>			
Change in statutory deposits		(4.501)	2.665
Change in loans and advances		(154.343)	(256.979)
Change in other assets		(6.071)	34.051
Change in deposits from customers		(220.071)	378.505
Change in deposits to banks		(35.000)	245.000
Change in deposits to overseas branches and subsidiaries of Head Office		33.308	172.753
Change in other liabilities		8.122	(33.476)
Interest received		93.143	44.520
Interest paid		(27.130)	(9.710)
Income tax paid		(13.041)	(11.727)
Net cash (used in)/generated from operating activities		(274.293)	598.271
<i>Cash flows from investing activities</i>			
Acquisition of property and equipment		(166)	(1.918)
Proceeds from disposal of assets		-	20
Net cash used in investing activities		(166)	(1.898)
<i>Cash flows from financing activities</i>			
Payment of lease liabilities		(3.747)	(1.445)
Net cash used in financing activities		(3.747)	(1.445)
Net increase/(decrease) in cash and cash equivalents		(278.206)	594.928
Cash and cash equivalent at 1 January		929.335	334.407
Cash and cash equivalents at 31 December	22	651.129	929.335

The accompanying notes form an integral part of these financial statements

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2023

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Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2023

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 2023, the Branch had 30 employees. (2022:31 employees)

During 2023, there has been a change in members of the management as follows:

Management members resigned and appointed:

Name	Title	Date of Appointment/resignation
Mr. Aekananh Keosouvath	Head of Coverage	Appointed on 01 January 2023

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2023

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 26 March 2024.

(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.

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2023

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

	31 December 2023	31 December 2022
	LAK	LAK
United State Dollar (“USD”)	20.529	17.268
Thai Baht (“THB”)	595	497
Euro (“EUR”)	22.660	18.382

(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.

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2023

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 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.

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2023

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.

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2023

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.

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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.

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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.

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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.

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(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.

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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.

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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 2023, 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.

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(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.

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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

	2023 LAK (in millions)	2022 LAK (in millions)
Lao Kip ("LAK")	3.623	2.277
United States Dollar ("USD")	9.070	6.340
Thai Baht ("THB")	608	1.045
Others	728	594
	14.029	10.256

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

	2023 LAK (in millions)	2022 LAK (in millions)
Lao Kip ("LAK")	150.004	60.004
Other foreign items	429.829	824.186
	579.833	884.190
Less: Expected credit losses	-	(473)
	579.833	883.717

Amount due from other banks is classified under stage 1 as per IFRS 9 and the expected credit loss as at 31 December 2023 is nil (2022: 473 mn).

a) Domestic items

	2023 LAK (in millions)	2022 LAK (in millions)
At call	418.214	102.533
Term deposits	50.000	-
	468.214	102.533

b) Foreign items

	2023 LAK (in millions)	2022 LAK (in millions)
At call		
USD	39.099	72.727
THB	35.536	31.855
Others	36.984	8.153
	111.619	112.735

Australia and New Zealand Banking Group Limited, Lao Branch

Notes to the financial statements

For the year ended 31 December 2023

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

c) Term deposits

	2023 LAK (in millions)	2022 LAK (in millions)
At call		
LAK	-	30.000
USD	-	638.922
	<u>-</u>	<u>668.922</u>

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

6 Statutory deposits with Central Bank

	2023 LAK (in millions)	2022 LAK (in millions)
Statutory deposits on:		
Compulsory	46.744	41.508
Demand deposits	57.267	35.362
	<u>104.011</u>	<u>76.870</u>
Less: Expected credit losses	(1.242)	(507)
	<u>102.769</u>	<u>76.363</u>

Statutory balance with Central bank is classified under stage 2 and the expected credit loss as at 31 December 2023 is 1.242 mn (2022: 507 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 8% for LAK, and 10% for USD and THB (2022: 5% for LAK, 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 2464/BOL dated 25 August 2023.

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7 Loans and advances, net

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Loans and receivables:		
Overdrafts	23.683	19.535
Loans	1.090.932	929.463
	1.114.615	948.998
Expected credit losses	(47.083)	(34.142)
	1.067.532	914.856

a) Classified by residual maturity

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Within 1 year	664.328	560.175
Over 1 year	399.307	336.975
Non-performing loans	50.980	51.848
	1.114.615	948.998

b) Classified by currency

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
LAK	707.658	810.524
USD	406.957	138.474
	1.114.615	948.998

c) Classified by type of business

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Agriculture - Forestry	251.515	13.013
Industry	57.038	44.634
Service	767.752	841.600
Transportation - Postal	38.310	49.751
	1.114.615	948.998

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7 Loans and advances, net (continued)

d) Classified by performance

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Performing loans	1.063.635	897.150
Non-performing loans	50.980	51.848
	1.114.615	948.998

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

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Balance at beginning of the year	34.142	25.530
Foreign exchange translation	4.681	8.809
(Reversal)/provision made during the year	8.260	(197)
Balance at end of the year	47.083	34.142

8 Property and equipment

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Tangible fixed assets	2.587	3.260
	2.587	3.260

Note

8.1

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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 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
Additions during the year	-	166	2	-	-	168
Disposal during the year	-	-	-	-	-	-
Balance at 31 December 2023	1,673	5,190	415	1,947	322	9,547
Accumulated depreciation						
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
Depreciation for the year	128	688	24	1	-	841
Disposal during the year	-	-	-	-	-	-
Balance at 31 December 2023	1,295	3,035	362	1,946	322	6,960
Net book value						
Balance at 31 December 2022	506	2,677	75	2	-	3,260
Balance at 31 December 2023	378	2,155	53	1	-	2,587

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9 (a) Right-of-use assets

	Leased Building LAK <i>(in millions)</i>	Leased Motor Vehicle LAK <i>(in millions)</i>	Total LAK <i>(in millions)</i>
Balance at 31 December 2021	5.539	1.445	6.984
Additions during the year	-	-	-
Retirement during the year	-	-	-
Balance at 31 December 2022	5.539	1.445	6.984
Additions during the year	-	2.836	2.836
Retirement during the year	-	(1.445)	(1.445)
Adjustments	2.083	-	2.083
Balance at 31 December 2023	7.622	2.836	10.458
Accumulated depreciation			
Balance at 31 December 2021	2.216	914	3.130
Depreciation for the year	1.108	451	1.559
Retirement during the year	-	-	-
Balance at 31 December 2022	3.324	1.365	4.689
Depreciation for the year	2.149	903	3.052
Retirement during the year	-	(1.445)	(1.445)
Balance at 31 December 2023	5.473	823	6.296
Net book value			
Balance at 31 December 2022	2.215	80	2.295
Balance at 31 December 2023	2.149	2.013	4.162

(b) Amount recognized in statement of comprehensive income

	2023 LAK <i>(in million)</i>	2022 LAK <i>(in million)</i>
Interest on Lease Liability	185	95
Depreciation expense	3.052	1.559
Total	3.237	1.654

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10 Deferred tax

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Deferred tax asset	-	-
Deferred tax liabilities	(1.632)	(3.240)
Net Deferred tax	(1.632)	(3.240)

	At 1 January 2022 LAK <i>(in millions)</i>	(Charged)/Cr edited to: Statement of comprehensi ve income LAK <i>(in millions)</i>	At 31 December 2022 LAK <i>(in millions)</i>	(Charged)/Cr edited to: Statement of comprehensi ve income LAK <i>(in millions)</i>	At 31 December 2023 LAK <i>(in millions)</i>
<i>Deferred tax asset</i>					
Provisions	-	-	-	-	-
<i>Deferred tax liabilities</i>					
Provisions	(3.167)	(73)	(3.240)	1.608	(1.632)
Net deferred tax liabilities	(3.167)	(73)	(3.240)	1.608	(1.632)

11 Other assets

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Accrued interest receivable	1.729	962
Prepayments	1.794	1.211
Other receivables	944	1.071
Other assets	5.615	-
	10.082	3.244

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12 Deposits from customers

a) Classified by type of deposits

	2023	2022
	LAK	LAK
	<i>(in millions)</i>	<i>(in millions)</i>
Current deposits	637.112	878.313
Saving deposits	307	281
Term deposits	103.698	82.596
	741.117	961.190

b) Classified by currency

	2023	2022
	LAK	LAK
	<i>(in millions)</i>	<i>(in millions)</i>
LAK	118.909	189.401
USD	536.878	718.635
THB	51.561	48.097
Others	33.769	5.057
	741.117	961.190

13 Amounts due to other banks

a) Classified by type of deposits

	2023	2022
	LAK	LAK
	<i>(in millions)</i>	<i>(in millions)</i>
Term deposits	210.000	245.000
	210.000	245.000

b) Classified by residence

	2023	2022
	LAK	LAK
	<i>(in millions)</i>	<i>(in millions)</i>
Domestic	210.000	190.000
Foreign	-	55.000
	210.000	245.000

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c) **Classified by currencies**

	2023	2022
	LAK	LAK
	(in millions)	(in millions)
LAK	210.000	245.000
	210.000	245.000

14 Tax liabilities

	2023	2022
	LAK	LAK
	(in millions)	(in millions)
Corporate tax	20.521	10.225
Value added tax	63	79
Withholding tax	27	32
Payroll tax	790	585
	21.401	10.921

15 Other liabilities

	2023	2022
	LAK	LAK
	(in millions)	(in millions)
Payable to employees	679	595
Accrued interest payables	4.602	1.838
Other payables*	17.692	4.875
Expected credit loss - off balance sheet**	12	4.787
	22.985	12.096

*The balance includes 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 2023 is LAK 12 million (2022: LAK 4.787 million).

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16 Branch capital

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

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
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 94,083 million so a legal reserve of 9,408 million was booked for the year ended 31 December 2023.

18 Interest income

	For year ended 31 December 2023 LAK <i>(in millions)</i>	For year ended 31 December 2022 LAK <i>(in millions)</i>
Interest from loans and advances		
Overdraft	1.860	1.532
Term loans	71.780	39.305
	73.640	40.837

19 Interest expense

	For year ended 31 December 2023 LAK <i>(in millions)</i>	For year ended 31 December 2022 LAK <i>(in millions)</i>
Savings deposits	5.090	1.991
Term deposits	5.233	796
	10.323	2.787

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20 Fees and service income, net

	For year ended 31 December 2023 LAK <i>(in millions)</i>	For year ended 31 December 2022 LAK <i>(in millions)</i>
Fee and service income		
International service fees	7.661	6.921
Fee income - other services	282	328
Total fees and service income	7.943	7.249
Fee and service expense		
Bank charges	(504)	(469)
Fee - Current Account	(98)	(63)
Total fee and service expense	(602)	(532)
Fees and service income, net	7.341	6.717

21 Income tax

Income tax recognised in profit or loss

	Note	For year ended 31 December 2023 <i>(in millions)</i>	For year ended 31 December 2022 <i>(in millions)</i>
Current tax expense			
Current year		(23.521)	(12.438)
Permanent differences		-	(787)
Deferred tax expense			
Movements in temporary differences	10	1.608	(73)
Total income tax expenses		(21.913)	(13.298)

(i) Reconciliation of effective tax rate

	For period 31 December 2023		For period 31 December 2022	
	Rate (%)	LAK <i>(in millions)</i>	Rate (%)	LAK <i>(in millions)</i>
Accounting profit		109.563		62.552
Income tax using the Lao PDR				
Corporation tax rate	20%	(21.913)	20%	(12.511)
Income not subject to tax		-		(787)
Effective tax rate	20.00%	(21.913)	21.26%	(13.298)

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.

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22 Cash and cash equivalents

	<i>Note</i>	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Cash	4	14.029	10.256
Amounts due from BoL	6	57.267	35.362
Amounts due from head office and other branches		29.023	523.191
Amounts due from other banks		550.810	360.526
		651.129	929.335

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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 2023 LAK <i>(in millions)</i>	For period December 2022 LAK <i>(in millions)</i>
Australian and New Zealand Bank - Singapore	Group entity	Interest received	20.080	3.876
Australian and New Zealand Bank – Singapore	Group entity	Interest payable	10.622	2.873
Australian and New Zealand Bank - Melbourne	Head Office	Inter group expenses	8.518	6.720
Australian and New Zealand Bank - Manila Hub	Group entity	Intergroup expense	977	423
Australian and New Zealand Bank - Bangalore Hub	Group entity	Intergroup expense	1.622	593

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

Related party	Relationship	Transactions	December 2023 LAK (in millions)	December 2022 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	237	93
Australian and New Zealand Bank - Singapore	Group entity	Liabilities - Payable	206.990	173.833
Australian and New Zealand Bank – Manila and Bangalore Hub	Group entity	Liabilities - Payable	7	-

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

	For year ended 31 December 2023 LAK (in millions)	For year ended 31 December 2022 LAK (in millions)
Salaries	7.856	6.044
Bonus	1.482	849
Other allowance	3.390	1.926
	12.728	8.819

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:

	2023 LAK (in millions)	2022 LAK (in millions)
Letter of guarantee outstanding	19.184	127.096
Letters of credit outstanding	142.042	18.354
Undrawn loans	713.338	1.131.264
Other contingent	264.431	47.269
	1.138.995	1.323.983

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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
<p>Credit risk</p> <p>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.</p>	<ul style="list-style-type: none">• Credit risk overview, management and control responsibilities• Maximum exposure to credit risk• Credit quality• Concentrations of credit risk• Collateral management
<p>Market risk</p> <p>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.</p>	<ul style="list-style-type: none">• Market risk overview, management and control responsibilities• Measurement of market risk• Traded and non-traded market risk• Foreign currency risk - structural exposure
<p>Liquidity and funding risk</p> <p>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.</p>	<ul style="list-style-type: none">• 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.

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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.

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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.

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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 2023

Loans and advances to customers at amortised cost	Stage 1 <i>LAK</i> <i>(in millions)</i>	Stage 2 <i>LAK</i> <i>(in millions)</i>	Stage 3 <i>LAK</i> <i>(in millions)</i>	Total <i>LAK</i> <i>(in millions)</i>
Strong	812.121	-	-	812.121
Satisfactory	251.514	-	-	251.514
Defaulted	-	-	50.980	50.980
Total	1.063.635	-	50.980	1.114.615
Expected credit loss	(9.947)	-	(37.136)	(47.083)
Carrying amount	1.053.688	-	13.844	1.067.532

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As at 31 December 2023

Loans and advances to bank at amortised cost	Stage 1	Stage 2	Stage 3	Total
	LAK (in millions)	LAK (in millions)	LAK (in millions)	LAK (in millions)
Strong	550.810	-	-	550.810
Total	550.810	-	-	550.810
Expected credit loss	-	-	-	-
Carrying amount	550.810	-	-	550.810

As at 31 December 2023

Statutory Deposits with Central Bank	Stage 1	Stage 2	Stage 3	Total
	LAK (in millions)	LAK (in millions)	LAK (in millions)	LAK (in millions)
Weak	-	104.011	-	104.011
Total	-	104.011	-	104.011
Expected credit loss	-	(1.242)	-	(1.242)
Carrying amount	-	102.769	-	102.769

As at 31 December 2023

Amounts due from head office and other branches	Stage 1	Stage 2	Stage 3	Total
	LAK (in millions)	LAK (in millions)	LAK (in millions)	LAK (in millions)
Strong	29.023	-	-	29.023
Total	29.023	-	-	29.023
Expected credit loss	-	-	-	-
Carrying amount	29.023	-	-	29.023

As at 31 December 2023

Loans commitments and financial guarantee contracts	Stage 1	Stage 2	Stage 3	Total
	LAK (in millions)	LAK (in millions)	LAK (in millions)	LAK (in millions)
Strong	1.088.465	-	-	1.088.465
Satisfactory	30.000	-	-	30.000
Weak	20.530	-	-	20.530
Total	1.138.995	-	-	1.138.995
Expected credit loss	(12)	-	-	(12)
Carrying amount	1.138.983	-	-	1.138.983

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As at 31 December 2022

Loans and advances to customers at amortised cost	Stage 1 <i>LAK</i> <i>(in millions)</i>	Stage 2 <i>LAK</i> <i>(in millions)</i>	Stage 3 <i>LAK</i> <i>(in millions)</i>	Total <i>LAK</i> <i>(in millions)</i>
Strong	884.137	-	-	884.137
Weak	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 banks at amortised cost	Stage 1 <i>LAK</i> <i>(in millions)</i>	Stage 2 <i>LAK</i> <i>(in millions)</i>	Stage 3 <i>LAK</i> <i>(in millions)</i>	Total <i>LAK</i> <i>(in millions)</i>
Strong	360.994	-	-	360.994
Total	360.994	-	-	360.994
Expected credit loss	(468)	-	-	(468)
Carrying amount	360.526	-	-	360.526

As at 31 December 2022

Statutory Deposits with Central Bank	Stage 1 <i>LAK</i> <i>(in millions)</i>	Stage 2 <i>LAK</i> <i>(in millions)</i>	Stage 3 <i>LAK</i> <i>(in millions)</i>	Total <i>LAK</i> <i>(in millions)</i>
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 <i>LAK</i> <i>(in millions)</i>	Stage 2 <i>LAK</i> <i>(in millions)</i>	Stage 3 <i>LAK</i> <i>(in millions)</i>	Total <i>LAK</i> <i>(in millions)</i>
Strong	523.196	-	-	523.196
Total	523.196	-	-	523.196
Expected credit loss	(6)	-	-	(6)
Carrying amount	523.191	-	-	523.191

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As at 31 December 2022

Loans commitments and financial guarantee contracts	Stage 1 <i>LAK</i> <i>(in millions)</i>	Stage 2 <i>LAK</i> <i>(in millions)</i>	Stage 3 <i>LAK</i> <i>(in millions)</i>	Total <i>LAK</i> <i>(in millions)</i>
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

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 2023

<i>LAK(in millions)</i>	Stage 1	Stage 2	Stage 3	Total
As at 1 January	1.686	-	32.456	34.142
New and increased provisions (net of releases)	8.261	-	-	8.261
Foreign currency and other movements	-	-	4.680	4.680
As at 31 December	9.947	-	37.136	47.083

Loans and advances to banks at amortised cost

As at 31 December 2023

<i>LAK(in millions)</i>	Stage 1	Stage 2	Stage 3	Total
As at 1 January	468	-	-	468
New and increased provisions (net of releases)	(468)	-	-	(468)
Foreign currency and other movements	-	-	-	-
As at 31 December	-	-	-	-

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Statutory Deposits with Central Bank

As at 31 December 2023

<i>LAK(in millions)</i>	Stage 1	Stage 2	Stage 3	Total
As at 1 January	-	507	-	507
New and increased provisions (net of releases)	-	735	-	735
As at 31 December	-	1.242	-	1.242

Amounts due from head office and other branches

As at 31 December 2023

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

Loans commitments and financial guarantee contracts

As at 31 December 2023

<i>LAK(in millions)</i>	Stage 1	Stage 2	Stage 3	Total
As at 1 January	4.787	-	-	4.787
New and increased provisions (net of releases)	(4.695)	-	-	(4.695)
Foreign currency and other movements	(80)	-	-	(80)
As at 31 December	12	-	-	12

Loans and advances to customers at amortised cost

As at 31 December 2022

<i>LAK(in millions)</i>	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

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Loans and advances to banks at amortised cost

As at 31 December 2022

<i>LAK(in millions)</i>	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

<i>LAK(in millions)</i>	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

<i>LAK(in millions)</i>	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

<i>LAK(in millions)</i>	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

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Credit-impaired financial assets

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

	<u>2023</u>	<u>2022</u>
	<i>LAK (in millions)</i>	<i>LAK (in millions)</i>
Credit-impaired loans and advances to customers at 1 January	19.392	15.504
Classified as credit-impaired during the year		
Other movements	<u>(5.548)</u>	<u>3.888</u>
Credit-impaired loans and advances to customers at 31 December	<u>13.844</u>	<u>19.392</u>

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 <i>LAK(in millions)</i>	Principal type of collateral held for secured lending	Percentage of exposure that is subject to an arrangement that requires collateralization	
		2023	2022
Derivative assets	None	-	-
Loans and advances to customers			
Corporate loans	Land & building & LCs issued by other banks	132.16%	83,06%
Participant loans	Financial Guarantee	-	-
Credit cards	None	-	-

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Type of credit exposure <i>LAK(in millions)</i>	Principal type of collateral held for secured lending	Percentage of exposure that is subject to an arrangement that requires collateralization	
		2023	2022
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.

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

<i>LAK(in millions)</i>	Loan and advances 2023	Due from other banks 2023	Statutory deposits 2023	Loan and advances Commitments * 2023
Carrying amount	1.114.615	550.810	104.011	1.138.995
Concentration by Sector				
Government	-	-	104.011	-
Financial Institutions	652.472	550.810	-	227.604
Agriculture	251.515	-	-	20.530
Manufacturing	57.038	-	-	237.046
Trading and services	115.280	-	-	653.677
Transportation and warehousing	38.310	-	-	138
	1.114.615	550.810	104.011	1.138.995

* Includes lending commitments, financial guarantees and letter of credits

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<i>LAK(in millions)</i>	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	1.323.983
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

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.

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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.

<i>LAK(in millions)</i>	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 2023									
Liabilities									
Deposits from customers	741,117	-	637,419	25,132	47,330	31,236	-	-	-
Interbank and money market items									
- Amounts due to other banks	210,000	-	-	60,000	-	150,000	-	-	-
Other liabilities	4,844	-	-	4,844	-	-	-	-	-
	955,961	-	637,419	89,976	47,330	181,236	-	-	-

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Maturity analysis for financial assets and liabilities (continued)

<i>In millions of LAK</i>	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 2023									
Assets									
Cash	14,029	-	14,029	-	-	-	-	-	-
Interbank and money market items									
- Amounts due from head office and other branches	29,023	-	29,023	-	-	-	-	-	-
- Amounts due from other banks	550,810	-	550,810	-	-	-	-	-	-
Statutory deposits with Central Bank	104,011	-	57,267	-	-	-	-	-	46,744
Loans and advances	1,114,615	50,980	-	101,939	488,749	73,421	399,526	-	-
Other assets	4,457	-	-	2,661	49	1,747	-	-	-
	1,816,945	50,980	651,129	104,600	488,798	75,168	399,526	-	46,744
Difference of on financial reporting items	860,984	50,980	13,710	14,624	441,468	(106,068)	399,526	-	46,744
Loans and advances Commitments *	855,380	-	-	142,042	51,000	659,338	3,000	-	-
Liquidity exposure	5,604	50,980	13,710	(127,418)	390,468	(765,406)	396,526	-	46,744

* Includes lending commitments, financial guarantees and letter of credits

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Maturity analysis for financial assets and liabilities (continued)

<i>LAK(in millions)</i>	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	-	-	-

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<i>In millions of LAK</i>	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

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Liquidity reserves

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Balances with central banks	57.267	57.267	35.361	35.361
Cash and balances with other banks	593.862	593.862	893.973	893.973
Total liquidity reserves	651.129	651.129	929.334	929.334

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.

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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 2023 and 2022 are as following:

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Exposure to interest rate risk

<i>In millions of LAK</i>	Carrying amount	Non-repricing	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
31 December 2023							
Assets							
Cash	14,029	14,029	-	-	-	-	-
Interbank and money market items							
- Amounts due from head office and other branches	29,023	29,023	-	-	-	-	-
- Amounts due from other banks	550,810	550,810	-	-	-	-	-
Statutory deposits with Central Bank	104,011	104,011	-	-	-	-	-
Loans and advances	1,114,615	-	641,668	73,421	-	399,526	-
Other assets	4,457	-	2,712	1,745	-	-	-
	1,816,945	697,873	644,380	75,166	-	399,526	-

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<i>In millions of LAK</i>	Carrying amount	Non-repricing	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
31 December 2023							
Liabilities							
Deposits from customers	741.117	637.416	72.464	31.237	-	-	-
Interbank and money market items							
- Amounts due to other banks	210.000	-	60.000	150.000	-	-	-
Other liabilities	4.844	-	4.844	-	-	-	-
	955.961	637.416	137.308	181.237	-	-	-
Difference of on-financial reporting items	860.983	60.457	507.071	(106.071)	-	399.526	-
Loans and advances							
Commitments *	855.380	-	193.042	659.338	-	3.000	-
Total interest sensitivity gap	5.604	60.457	314.030	(765.409)	-	396.526	-

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Exposure to interest rate risk

<i>In millions of LAK</i>	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	-

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Exposure to interest rate risk (continued)

<i>In millions of LAK</i>	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	-

* Includes lending commitments, financial guarantees and letter of credits

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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:

	2023			Total <i>LAK(in millions)</i>
	Currency USD <i>LAK(in millions)</i>	THB <i>LAK(in millions)</i>	Others <i>LAK(in millions)</i>	
Financial assets				
Cash	9.070	608	728	10.406
Deposits with head offices	-	-	29.023	29.023
Deposits with other banks	357.309	35.536	7.961	400.806
Balances with Central bank	56.082	22.391	-	78.473
Loans and advances	406.958	-	-	406.958
Other assets	1.255	-	212	1.467
Total financial assets	830.674	58.535	37.924	927.133
Financial liabilities				
Deposits from customers	536.878	51.561	33.769	622.208
Other Liabilities	797	-	237	1.034
Total financial liabilities	537.675	51.561	34.006	623.242
Foreign currency position of items recognised on the statement of financial position - net	292.999	6.974	3.918	303.891

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	2022			
	Currency USD <i>LAK(in millions)</i>	THB <i>LAK(in millions)</i>	Others <i>LAK(in millions)</i>	Total <i>LAK(in millions)</i>
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	975.225	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

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;

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- 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.

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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 entirety 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 2023.

Financial assets and liabilities measured at fair value

The Branch has financial asset measured at fair value as at 31 December 2023. Financial asset has been recorded following Level 2 using the court valuation for accounting perspective. Financial asset measured at fair value is included in the Other Assets (see Note 11).

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.

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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:

	2023	2022
	LAK	LAK
	(in millions)	(in millions)
Tier 1 capital	472.306	423.345
Tier 2 capital	99.115	53.224
Total capital	571.421	476.569
Less: Deductions from capital (Investments in other credit and financial institutions)	-	-
Capital for CAR calculation (A)	571.421	476.569
Risk weighted balance sheet items	1.266.457	1.583.290
Risk weighted off balance sheet items	430.082	630.914
Total risk weighted assets (B)	1.696.539	2.214.205
Capital Adequacy Ratio (A/B)	33.68%	21.52%

29 Subsequent Events

As other than as disclosed elsewhere in these financial statements, there is one event which occurred subsequent to 31 December 2023.

Over the past 12 months, ANZ Laos has seen a significant decrease in the use of its Cash Counter in Laos, with the majority of customers choosing to use digital channels. As a result, ANZ Laos is planning to close its cash counter, subject to regulatory approval. ANZ Laos continues to offer a full range of banking products for our corporate and institutional customers. ANZ Laos has been conducting a number of tasks in preparation for the Cash Counter closure, including engaging with regulators and contacting affected customers to ensure alternative banking solutions. ANZ Laos received approval from the Bank of Laos on 14 February 2024.

The above event has no material impact on the financial position of the Branch as at 31 December 2023.

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 2024; however, the Branch has not applied the following new or amended standards in preparing these financial statements.

IFRS	Topic	Year effective
Amended Standards		
IAS 1	Non-current Liabilities with Covenants	2024
IAS 1	Classification of Liabilities as Current or Non-Current	2024
IAS7 & IFRS 7	Supplier Finance Arrangements	2024

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

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31 Interest rate benchmark reform

Financial Impacts of Interbank Offered Rates (IBORs) reform

The following sets out the Branch's impact assessment in relation to IBOR reforms as at 31 December 2023:

i) Impact for the year ended 31 December 2023

For the year ended 31 December 2023, 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 2023.