

Maybank Lao Branch

Special Purpose Financial Statements

For the year ended 31 December 2022



Maybank Lao Branch

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Maybank Lao Branch

GENERAL INFORMATION

THE BRANCH

Maybank Lao Branch ("the Branch") is a branch established in Lao People's Democratic Republic ("Lao PDR") of Malayan Banking Berhad, a bank incorporated in Malaysia. The Branch operates under Banking License No. 35/BOL granted by Bank of the Lao PDR ("the BOL") on 26 October 2012 and the second amended Banking License No. 18/BOL dated 19 November 2018.

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

Paid-up capital

The initial registered capital of the Branch is LAK 100,661,400,000. The actual paid-up capital as at 31 December 2022 is LAK 200,783,129,000 (31 December 2021: LAK 200,783,129,000).

Locations and Network

The Branch is located at No. 43, 45, 47 Lane Xang Avenue, Hatsady Village, Chantabouly District, Vientiane Lao PDR.

MANAGEMENT

Members of the Management during the year ended 31 December 2022 and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Tan Tee Huat	General Manager	Appointed on 12 March 2019
Ms. Phengsomchith Phonphosy	Deputy General Manager	Appointed on 1 January 2020
Mrs. Amphavanh Muonghane	Head of Operation Department	Appointed on 1 April 2018
Mr. Sithiphon Sisudajan	Head of Finance Department	Appointed on 28 May 2018
Mr. Phethanousone Xayarath	Head of Business Development Department	Appointed on 1 November 2018
Mr. Keochai Mayyavongsink	Head of Credit Administration Department	Appointed on 1 January 2017

LEGAL REPRESENTATIVE

The legal representative of the Branch during the year end 31 December 2022 and at the date of this is Mr. Tan Tee Huat – General Director.

AUDITOR

The auditor of the Branch is Ernst & Young Lao Co., Ltd.

Reference: 11914068/66856020-IFRS

INDEPENDENT AUDITORS' REPORT

**To: The Management of Maybank Lao Branch; and
Bank of the Lao PDR**

Opinion

We have audited the accompanying special purpose financial statements ("the financial statements") of Maybank Lao Branch ("the Branch"), which comprise the statement of financial position as at 31 December 2022, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Branch are prepared, in all material respects, in accordance with accounting policies as described in Note 5 to the financial statements to meet the reporting requirements of Bank of the Lao PDR.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which describes the basis of preparation, under which the accounting policies used and disclosures made are not intended to, and do not, comply with all the requirements of International Financial Reporting Standards as the accounting policies for recognition and measurement of financial instruments are based on IAS 39 - *Financial Instruments: Recognition and Measurement* instead of IFRS 9 - *Financial Instruments*. The financial statements are prepared solely for the use of the Branch to meet the reporting requirements of Bank of the Lao PDR. As a result, the financial statements may not be suitable for another purpose. Our auditor's report is intended solely for the information and use of the Branch and this regulator, and should not be used by other parties.

Our opinion is not modified in respect of this matter.

Responsibilities of the Branch's Management for the Financial Statements

The Branch's management is responsible for the preparation of the financial statements in accordance with the accounting policies as described in Note 5 to the financial statements and for such internal control as management determines is necessary to enable the preparation of the 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.

Auditor's 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 auditor's 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 ISA 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 ISA, 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.
- ▶ 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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.

Ernst & Young Lao Co., Ltd.



Vientiane, Lao PDR

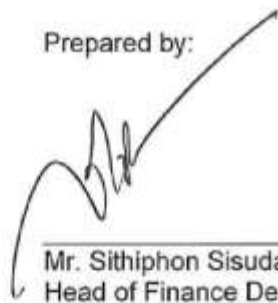
07 April 2023

Maybank Lao Branch

INCOME STATEMENT
for the year ended 31 December 2022

	Notes	2022 LAK'000	2021 LAK'000
Interest income calculated using the effective interest method	7	13,670,086	12,381,539
Interest expense calculated using the effective interest method	8	(1,736,889)	(3,558,156)
Net interest income		11,933,197	8,823,383
Fees and commission income	9	224,089	241,381
Fees and commission expense	9	(331,867)	(188,368)
Net fees and commission (expense)/income	9	(107,778)	53,013
Net gain from dealing in foreign currencies		3,999,454	54,574
Other operating income	10	514,598	134,407
Total operating income		16,339,471	9,065,377
Reversal/(allowance) for impairment losses of loans to customers	17	539,564	(2,146,035)
NET OPERATING INCOME		16,879,035	6,919,342
Personnel expenses	11	(10,567,481)	(6,973,595)
Depreciation and amortization		(1,926,694)	(2,004,744)
Other operating expenses	12	(4,023,263)	(3,396,259)
TOTAL OPERATING EXPENSES		(16,517,438)	(12,374,598)
PROFIT/(LOSS) BEFORE TAX		361,597	(5,455,256)
Profit tax expense	24	-	-
Deferred tax (expense)/income	24	(309,421)	273,990
PROFIT/(LOSS) FOR THE YEAR		52,176	(5,181,266)

Prepared by:



Mr. Sithipon Sisudajan
Head of Finance Department

Reviewed by:



Mr. Tan Tee Huat
General Manager

Vientiane, Lao PDR

07 April 2023

Maybank Lao Branch

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	2022 LAK'000	2021 LAK'000
NET PROFIT/(LOSS) FOR THE YEAR	52,176	(5,181,266)
OTHER COMPREHENSIVE INCOME, NET OF TAX	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	52,176	(5,181,266)

Prepared by:



Mr. Sithipon Sisudajan
Head of Finance Department

Reviewed by:



Mr. Tan Tee Huat
General Manager

Vientiane, Lao PDR

07 April 2023

Maybank Lao Branch

STATEMENT OF FINANCIAL POSITION as at 31 December 2022

	Notes	31/12/2022 LAK'000	31/12/2021 LAK'000
ASSETS			
Cash and balances with Bank of the Lao PDR	13	141,611,695	127,505,437
Due from banks	14	35,253,569	38,118,968
Held to maturity securities	15	11,978,821	-
Loans and advances to customers	16	140,228,882	141,014,091
Construction in progress and fixed assets in transit		495,588	225,124
Property and equipment	18	726,072	1,295,084
Right-of-use Assets	19	6,509,708	7,617,491
Intangible assets	20	66,733	101,437
Deferred tax asset	24	557,727	817,549
Other assets	21	4,733,082	4,447,063
TOTAL ASSETS		342,161,877	321,142,244
LIABILITIES			
Due to banks	22	16,505,228	22,401,980
Due to customers	23	150,453,166	126,728,623
Deferred tax liabilities	24	96,469	46,870
Other liabilities	25	13,556,329	10,466,262
TOTAL LIABILITIES		180,611,192	159,643,735
EQUITY			
Paid up capital	26	200,783,129	200,783,129
Statutory reserves		5,633,965	5,633,965
Accumulated losses		(44,866,409)	(44,918,585)
TOTAL EQUITY		161,550,685	161,498,509
TOTAL LIABILITIES AND EQUITY		342,161,877	321,142,244

Prepared by:



Mr. Sithipon Sisudajan
Head of Finance Department

Reviewed by:




Mr. Tan Tee Huat
General Manager

Vientiane, Lao PDR

07 April 2023

Maybank Lao Branch

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2022

	<i>Paid-up capital</i> LAK'000	<i>Regulatory reserve fund</i> LAK'000	<i>Accumulated losses</i> LAK'000	<i>Total</i> LAK'000
Balance as at 1 January 2022	200,783,129	5,633,965	(44,918,585)	161,498,509
Net Profit for the year	-	-	52,176	52,176
Balance as at 31 December 2022	200,783,129	5,633,965	(44,866,409)	161,550,685

Prepared by:

Mr. Sithiphon Sisudajan
Head of Finance Department

Reviewed by:

Mr. Tan Tee Huat
General Manager



Vientiane, Lao PDR

07 April 2023

Maybank Lao Branch

STATEMENT OF CASH FLOWS for the year ended 31 December 2022

	Notes	2022 LAK'000	2021 LAK'000
OPERATING ACTIVITIES			
Net Profit/(loss) before tax		361,597	(5,181,266)
<i>Adjustments for:</i>			
Depreciation and amortization charges		1,926,694	2,004,744
Credit loss (reversed from)/charged to expense	17	(539,564)	2,146,035
Interest income		(13,670,086)	(12,381,539)
Interest expense		1,736,889	3,558,156
Foreign exchange differences from revaluation of monetary accounts denominated in foreign currency		(3,999,454)	(54,574)
Change in operating assets		-	-
Due from banks		(208,092)	16,574,860
Loans to customers		3,434,746	13,865,755
Other assets		(286,020)	(319,459)
Change in operating liabilities		-	-
Due to banks		(5,270,072)	(109,661,482)
Due to customers		23,724,543	(77,744,647)
Other liabilities		7,089,522	2,302,821
Interest received		11,560,113	10,297,784
Interest paid		(2,363,569)	(8,189,549)
Profit tax paid during the year	24	-	-
Net cash flows from/(used in) operating activities		23,497,247	(162,782,361)
INVESTING ACTIVITIES			
Purchases of property and equipment and other intangible assets		(485,659)	(140,744)
Net cash flows used in investing activities		(485,659)	(140,744)
FINANCING ACTIVITIES			
Investment in securities	15	(11,978,821)	-
Net cash flows used in financing activities		(11,978,821)	-
Net change in cash and cash equivalents		11,032,767	(162,923,105)
Cash and cash equivalents at the beginning of the year		137,004,005	299,927,110
Cash and cash equivalents at the end of the year	27	148,036,772	137,004,005

Prepared by:

Mr. Sithiphon Sisudajan
Head of Finance Department



Reviewed by:

Mr. Tan Tee Huat
General Manager

Vientiane, Lao PDR

07 April 2023

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2021 and for the year then ended

1. CORPORATE INFORMATION

Maybank Lao Branch (the "Branch") is a foreign bank branch which is incorporated and registered in Lao PDR.

Establishment and operations

The Branch is a branch of Malayan Banking Berhad, a bank incorporated in Malaysia. The Branch operates under Banking License No. 35/BOL granted by Bank of the Lao PDR ("the BOL") on 26 October 2012 and the second amended Banking License No. 18/BOL dated 19 November 2018.

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

Paid-up capital

The initial registered capital of the Branch is LAK 100,661,400,000. The actual paid-up capital as at 31 December 2022 is LAK 200,783,129,000 (31 December 2021: LAK 200,783,129,000).

Locations and Network

The Branch is located at No. 43, 45, 47 Lane Xang Avenue, Hatsady Village, Chantabouly District, Vientiane Lao PDR.

Employees

Total number of employees of the Branch as at 31 December 2022 is 27 people (2021: 28 people).

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

2. BASIS OF PREPARATION

The financial statements (alternatively referred to as "the special purpose financial statements") are prepared solely for the use of the Branch to meet the requirements of the Bank of the Lao PDR. The financial statements are prepared in accordance with the accounting policies as described in Note 5. These accounting policies are primarily based on the International Financial Reporting Standard ("IFRS") as issued by International Accounting Standard Board. However, this is not a complete set of general purpose financial statements prepared in accordance with IFRS as the Branch follows the guidance stipulated in Official Letter No. 1659/BOL dated 14 December 2018 by Bank of the Lao PDR following which the accounting policies for recognition and measurement of financial instruments are based on IAS 39: "Financial instruments: Recognition and Measurement" instead of IFRS 9: "Financial instruments".

Accordingly, the accompanying financial statements are not intended to be prepared in accordance with IFRS.

The financial statements have been prepared on a historical cost basis, except as disclosed in other notes.

The Branch maintains its accounting records in Lao Kip ("LAK") which is the Branch's functional currency and presents its financial statements in thousands of Lao Kip ("LAK'000"). Except otherwise stated, financial information presented in LAK has been rounded to the nearest thousand.

The Branch's fiscal year starts on 1 January and ends on 31 December.

3. PRESENTATION OF FINANCIAL STATEMENTS

The Branch presents its statement of financial position in order of liquidity. Financial assets and financial liabilities are generally reported gross in the statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognized amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- ▶ The normal course of business
- ▶ The event of default
- ▶ The event of insolvency or bankruptcy of the Branch and/or its counterparties

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the Branch's financial statements. The Branch has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 *Foreign currency translation*

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK as at 31 December 2022 and 31 December 2021 as presented in Note 36). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance date are recognized in the income statement.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 *Financial instruments - initial recognition and subsequent measurement*

5.2.1 *Date of recognition*

All financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Branch becomes a party to the contractual provisions of the instrument. This includes "regular way trades" - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' account. The Branch recognises due to customer balances when funds reach the Branch.

5.2.2 *Initial measurement of financial instruments*

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

5.2.3 *The effective interest rate method*

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period, to the net carrying amount of the financial asset or financial liability. The amortised cost of the financial asset or financial liability is adjusted if the Branch revises its estimates of payments or receipts. The adjusted amortised cost is calculated based on the original or latest re-estimated EIR and the change is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities. The accounting policies for the EIR method are further explained in Notes:

- ▶ 5.2.5 for 'Due from banks and loans and advances to customers' and 'Held to maturity securities'
- ▶ 5.2.6 for 'Due to other banks and customers'
- ▶ 5.5 for 'Impairment of financial assets'
- ▶ 5.6 for 'Recognition of income and expenses'

5.2.4 *'Day 1' profit or loss*

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Branch immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

5.2.5 *Due from Banks and loans and advances to customers and held to maturity securities*

'Due from Banks' and 'Loans and advances to customers' and 'Held to maturity securities' include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- ▶ Those that the Branch intends to sell immediately or in the near term and those that the Branch, upon initial recognition, designates as at fair value through profit or loss;
- ▶ Those that the Branch, upon initial recognition, designates as available-for-sale;
- ▶ Those for which the Branch may not recover substantially all of its initial investment, other than because of credit deterioration.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 *Financial instruments - initial recognition and subsequent measurement* (continued)

5.2.5 *Due from Banks and loans and advances to customers and held to maturity securities* (continued)

After initial measurement, amounts 'Due from Banks' and 'Loans and advances to customers' and 'Held to maturity securities' are subsequently measured at amortized cost using the EIR methodology, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Therefore, the Branch recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of the loan, hence, recognising the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (prepayments, penalty interest and charges).

If expectations are revised the adjustment is booked a positive or negative adjustment to the carrying amount in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the income statement.

The Branch may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Branch, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss (for example, due to a counterparty credit event).

5.2.6 *Due to other Banks and customers*

"Due to other Banks and customers" include arrangements where the substance of the contractual arrangements result in the Branch having an obligation either to deliver cash or another financial asset to the holder.

After initial measurement, "Due to other Banks and customers" are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

5.2.7 *Reclassification of financial assets*

The Branch was permitted to reclassify, in certain circumstances, non-derivative financial assets out of the 'Held-for-trading' category and into the 'Available-for-sale', 'Loans and receivables', or 'Held-to-maturity' categories. From this date it was also permitted to reclassify, in certain circumstances, financial instruments out of the 'Available-for-sale' category and into the 'Loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost.

For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to the income statement.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 *Financial instruments - initial recognition and subsequent measurement* (continued)

5.2.7 *Reclassification of financial assets* (continued)

In rare circumstances, the Branch may reclassify a non-derivative trading asset out of the 'Held-for-trading' category and into the 'Loans and receivables' category if it meets the definition of loans and receivables and the Branch has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Branch subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis.

5.3 *De-recognition of financial assets and financial liabilities*

5.3.1 *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired. The Branch also derecognises the assets if it has both transferred the asset, and the transfer qualifies for derecognition.

The Branch has transferred the asset if, and only if, either:

- ▶ The Branch has transferred its contractual rights to receive cash flows from the asset; or
- ▶ It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions when the Branch retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when certain conditions are met. At 31 December 2022, the Branch does not have financial assets which are subject to such arrangements.

A transfer only qualifies for derecognition if either:

- ▶ The Branch has transferred substantially all the risks and rewards of the asset; or
- ▶ The Branch has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

In relation to the above, the Branch considers the control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

When the Branch has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Branch's continuing involvement in the asset. In that case, the Branch also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Branch has retained.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3.1 *Financial assets (continued)*

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Branch could be required to repay.

The Branch also derecognises a financial asset, in particular, a loan to customer when the terms and conditions have been renegotiated to the extent that it substantially became a new loan, with the difference recognised as an impairment in the income statement.

5.3.2 *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

5.4 *Determination of fair value*

The Branch uses the valuation techniques commonly used by market participants to price financial instruments and techniques which have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- ▶ Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Branch accesses to at the measurement date. The Branch considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available at the reporting date.
- ▶ Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Branch will classify the instruments as Level 3.
- ▶ Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

The Branch evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary based on the facts at the end of the reporting period.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.5 *Impairment of financial assets*

The Branch assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganization; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

5.5.1 *Financial assets carried at amortized cost*

Specific impairment losses

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers), the Branch first assesses whether objective evidence of impairment exists for financial assets that are individually significant or are already under specific work out by management.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in credit loss expense in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and similar income.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Branch. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Branch has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.5 *Impairment of financial assets* (continued)

5.5.1 *Financial assets carried at amortized cost* (continued)

Collective impairment model

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

5.5.2 *Collateral valuation*

The Branch seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements.

To the extent possible, the Branch uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

5.5.3 *Collateral repossessed*

The Branch's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold, are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Branch's policy.

5.6 *Recognition of income and expense*

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Branch and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.6 *Recognition of income and expense* (continued)

5.6.1 *Interest and similar income and expense*

For all financial instruments measured at amortized cost, interest-bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

When the recorded value of a financial asset or a group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

5.6.2 *Fees and commission income*

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 and commission income from services where performance obligations are satisfied over time

Performance obligations satisfied over time include loan commitment, custody and other services, where the customer simultaneously receives and consumes the benefits provided by the Branch's performance as the Branch performs.

Fee and commission income from providing services where performance obligations are satisfied at a point in time

Services provided where the Branch's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, or the purchase or sale of businesses, brokerage and underwriting fees.

The Branch typically has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.7 *Cash and cash equivalents*

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, non-restricted current accounts with the BOL and amounts due from banks on demand or with an original maturity of three months or less.

5.8 *Property and equipment*

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives, as follows:

Buildings & improvements	10%
Office equipment	20%
Furniture and fixtures	20%
Computer equipment	20%
Motor vehicles	20%

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' in the income statement in the year the asset is derecognized.

5.9 *Intangible assets*

The Branch's intangible assets include the value of computer software.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Branch.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the income statement.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

Computer software	20%
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Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.10 *Impairment of non-financial assets*

The Branch assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Branch estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit (CGU)'s fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Branch estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

5.11 *Leases*

5.11.1 *Right-of-use assets*

At inception of a contract, the Branch assesses whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Branch combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

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 re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Branch is reasonably certain to exercise that option. Unless the Branch is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.11 Leases (continued)

5.11.2 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 a lease, if the lease term reflects the Branch exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Branch uses the incremental borrowing rate at the lease commencement date if 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

5.11.3 Short-term leases and leases of low-value assets

The Branch applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

5.11.4 Significant judgement in determining the lease term of contracts with renewal options

The Branch determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Branch applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Branch reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Branch included the renewal period as part of the lease term for leases of premises and IT equipment due to the significance of these assets to its operations.

5.12 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 recognized 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 amount initially recognized less cumulative amortization recognized in the income statement, 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 recognized in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.13 *Employee benefits*

Post-employment benefits

Post-employment benefits are paid to retired employees of the Branch by the Social Security Fund Department which belongs to the Ministry of Labor and Social Welfare. The Branch is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 6% of employee's basic salary on a monthly basis. The Branch has no further obligation concerning post-employment benefits for its employees other than this.

Termination benefits

In accordance with Article 82 of the Amended Labour Law No. 43/NA approved by the President of the Lao People's Democratic Republic on 28 January 2014, the Branch has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

- ▶ The worker lacks specialised skills or is not in good health and thus cannot continue to work;
- ▶ The employer considers it necessary to reduce the number of workers in order to improve the work within the labour unit.

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 31 December 2022, there is no employee of the Branch who was dismissed under the above-mentioned grounds; therefore the Branch has not made a provision for termination allowance in the financial statements.

5.14 *Provisions*

Provisions are recognized 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. When the effect of the time value of money is material, the Branch determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

5.15 *Profit tax*

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Branch operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.15 Profit tax (continued)

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of available-for-sale assets, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI. These exceptions are subsequently reclassified from OCI to the income statement together with the respective deferred loss or gain. The Branch also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Branch only off-sets its deferred tax assets against liabilities when there is both a legal right to offset and it is the Branch's intention to settle on a net basis.

5.16 Standards which have been effective but not yet applied

Standards that are effective, but not yet to be applied, up to the date of issuance of the Branch's financial statements are disclosed below:

IFRS 9 – Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial instruments* which reflects all phases of the financial instruments project and replaces IAS 39 - *Financial instruments: Recognition and Measurement* and all previous versions of IFRS 9. The Standard introduces new requirements of classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is necessary but comparative data is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Branch's financial assets, but no impact on the classification and measurement of the Branch's financial liabilities.

In 2021, The Branch follows the guidance stipulated in Official Letter No. 1659/BOL dated 14 December 2018 by Bank of the Lao PDR following which the accounting policies for recognition and measurement of financial instruments are based on IAS 39: "Financial instruments: Recognition and Measurement" instead of IFRS 9: "Financial instruments".

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.17 *Standards issued but not yet effective*

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Branch's financial statements are disclosed below. The Branch intends to adopt these standards, if applicable, when they become effective.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.17 *Standards issued but not yet effective* (continued)

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Branch.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Branch's financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Branch's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Branch's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

6.1 *Going concern*

The Branch's management has made an assessment of the Branch's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Branch's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

6.2 *Fair value of financial instruments*

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value, please see Note 5.4 and Note 34.

6.3 *Effective Interest Rate (EIR) method*

The Branch's EIR methodology, as explained in Note 5.2.3, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to other fee income/expense that are integral parts of the instrument.

6.4 *Impairment losses on loans and advances*

The Branch reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement.

The Branch's impairment methodology for assets carried at amortised cost results in the recording of provisions for:

- ▶ Specific impairment losses;
- ▶ Collective impairment.

The detailed approach for each category is further explained in Note 5.5.1. All categories include an element of management's judgement, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the changing of which can result in different levels of allowances.

6.5 *Provisions and other contingent liabilities*

The Branch operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings in Lao PDR, arising in the ordinary course of the Branch's business.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

6.5 *Provisions and other contingent liabilities* (continued)

When the Branch can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Branch records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Branch is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Branch does not include detailed, case-specific disclosures in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Branch takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

6.6 *Determination of the lease term for lease contracts with renewal and termination options (Branch as a lessee)*

The Branch determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Branch has several lease contracts that include extension and termination options. The Branch applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Branch reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

6.7 *Estimating the incremental borrowing rate*

The Branch cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Branch would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Branch 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Branch estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

7. INTEREST AND SIMILAR INCOME

	2022 <i>LAK'000</i>	2021 <i>LAK'000</i>
Interest income calculated using the effective interest method from:		
Interbank transactions	383,760	162,908
Loans to customers	13,286,326	12,218,631
	13,670,086	12,381,539

8. INTEREST AND SIMILAR EXPENSE

	2022 <i>LAK'000</i>	2021 <i>LAK'000</i>
Interest expense calculated using the effective interest method for:		
Interbank transactions	-	(4,430)
Customer deposits	(1,736,889)	(3,553,726)
	(1,736,889)	(3,558,156)

9. NET FEES AND COMMISSION (EXPENSE)/INCOME

	2022 <i>LAK'000</i>	2021 <i>LAK'000</i>
Fees and commission income from:		
Trade finance	14,742	86,832
Settlement services	209,347	154,549
	224,089	241,381
Fees and commission expense for:		
Transactions with customers	(331,867)	(188,368)
	(331,867)	(188,368)
Net fee and commission (expense)/income	(107,778)	53,013

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

10. OTHER OPERATING INCOME

	2022 <i>LAK'000</i>	2021 <i>LAK'000</i>
Other income from transactions with clients	371,766	69,778
Bad debt recovery	141,703	57,000
Others	1,129	7,629
	514,598	134,407

11. PERSONNEL EXPENSES

	2022 <i>LAK'000</i>	2021 <i>LAK'000</i>
Wages and allowances	10,288,862	6,851,247
Other staff costs	278,619	122,348
	10,567,481	6,973,595

12. OTHER OPERATING EXPENSES

	2022 <i>LAK'000</i>	2021 <i>LAK'000</i>
Office rental	190,469	263,466
Fuel	42,365	15,315
Office stationery	112,813	105,236
Publication, marketing and promotion	3,532	444
Telecommunication	141,401	146,627
Repair and maintenance	2,117,675	1,720,225
Electricity and water	136,971	166,253
Audit and lawyer fee	558,164	450,081
Insurance fee	177,195	118,134
Office expense	133,200	140,841
Deposit insurance paid to Depositor Protection Fund	316,592	55,320
Credit processing expenses	74,777	120,913
Others	18,109	93,404
	4,023,263	3,396,259

Maybank Lao Branch

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as at 31 December 2022 and for the year then ended

13. CASH AND BALANCES WITH BANK OF THE LAO PDR

	31/12/2022 LAK'000	31/12/2021 LAK'000
Cash on hand in LAK	1,075,657	1,862,987
Cash on hand in foreign currencies ("FC")	2,824,154	4,329,993
Balances with BOL	137,711,884	121,312,457
- Demand deposit	108,883,392	92,692,057
- Compulsory deposits (*)	3,796,763	3,588,671
- Registered capital deposit (**)	25,031,729	25,031,729
	141,611,695	127,505,437

Balances with the BOL include demand deposits, compulsory reserve and registered capital reserve. These balances earn no interest.

(*) Under regulations of the BOL, the Branch is required to maintain certain reserves with the BOL in the form of compulsory deposits, which are computed at 5.00% for LAK and other currencies, on a bi-monthly basis, (2021: 3.00% and 5.00%) of customer deposits having original maturities of less than 12 months. During the year, the Branch maintained its compulsory deposits in compliance with the requirements by the BOL.

(**) Under regulation of Decree No. 02/PR of the BOL, foreign bank branches are required to maintain a minimum balance of special deposit at the BOL which is equivalent to 25% of their paid-up capital to secure for their operational continuance. As at 31 December 2022, the balance of special deposit of the Branch is LAK'000 25,031,279, which is equivalent to USD 1,453,727.

14. DUE FROM BANKS

Due from banks comprises demand and term deposits in domestic and foreign currencies. Details are as follows:

	31/12/2022 LAK'000	31/12/2021 LAK'000
Demand deposits	3,628,234	21,408,502
At domestic banks		
- Banque pour le Commerce Extérieur Lao Public	-	1,143,464
At foreign banks		
- Bangkok Bank Public Company Limited	1,018,140	1,564,287
- Maybank - New York Branch	2,610,094	18,700,751
Term deposits	31,625,335	16,710,466
At foreign banks		
- Maybank - Head Office	31,625,335	16,710,466
	35,253,569	38,118,968

The term deposit at Maybank - Head Office has a term of 3 months and earns interest at rates ranging from 0.11% to 0.18% per annum.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

15. HELD-TO-MATURITY SECURITIES

	31/12/2022 LAKm	31/12/2021 LAKm
Bonds issued by the MOF	11,978,821	-
	11,978,821	-

Details of bonds issued by the MOF as at 31 December 2022 are as follows:

<i>Term</i>	<i>Purchase date</i>	<i>Maturity date</i>	<i>Face value LAKm</i>	<i>Interest rate % per annum</i>
12 months	13-Jan-22	13-Jan-23	11,978,821	5.25%
			11,978,821	

16. LOANS TO CUSTOMERS

	31/12/2022 LAK'000	31/12/2021 LAK'000
Gross loans to customers at amortised cost	144,799,975	145,888,806
Less: Allowance for impairment losses (Note 17)	(4,571,093)	(4,874,715)
	140,228,882	141,014,091

Interest rates for loans to customers during the year are as follows:

	2022 <i>Interest rate % per annum</i>	2021 <i>Interest rate % per annum</i>
Loans and advances denominated in LAK	3.50 - 12.00	3.50 - 12.00
Loans and advances denominated in USD	4.65 - 10.00	4.65 - 11.00
Loans and advances denominated in THB	7.75 - 9.25	6.25 - 9.25

Analysis of loans to customers

Analysis by currency

	31/12/2022 LAK'000	31/12/2021 LAK'000
Loans and advances in LAK	82,551,385	89,180,297
Loans and advances in USD	48,036,846	34,050,003
Loans and advances in THB	14,211,744	22,658,506
	144,799,975	145,888,806

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as at 31 December 2022 and for the year then ended

16. LOANS TO CUSTOMERS (continued)

Analysis by original terms

	31/12/2022 LAK'000	31/12/2021 LAK'000
Short-term loans	88,120,249	85,008,531
Medium-term loans	3,849,923	5,168,578
Long-term loans	52,829,803	55,711,697
	144,799,975	145,888,806

Analysis by economic sectors

	31/12/2022 LAK'000	31/12/2021 LAK'000
Construction companies	-	106,439
Trading companies	80,351,578	71,239,925
Services companies	40,910,540	46,702,118
Others	23,537,857	27,840,324
	144,799,975	145,888,806

17. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in the allowance for impairment losses are as follows:

	2022 LAK'000	2021 LAK'000
Opening balance	4,874,715	4,226,713
Credit loss (reversed from)/charged to expense	(539,564)	2,146,035
Bad debts written-off	-	(1,532,797)
Foreign exchange difference	235,942	34,764
Closing balance	4,571,093	4,874,715

Breakdown of allowance for impairment losses of loans to customers as at 31 December 2022 and 31 December 2021 are as follows:

	31/12/2022		31/12/2021	
	<i>Outstanding balance LAK'000</i>	<i>Impairment LAK'000</i>	<i>Outstanding balance LAK'000</i>	<i>Impairment LAK'000</i>
Individually impaired	44,696,752	4,543,823	66,796,004	4,796,350
Collectively impaired	100,103,223	27,270	79,092,802	78,365
	144,799,975	4,571,093	145,888,806	4,874,715

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

18. PROPERTY AND EQUIPMENT

Movements of property and equipment during 2022 are as follows:

	Building and improvement LAK'000	Office equipment LAK'000	Furniture and fixtures LAK'000	Computer equipment LAK'000	Motor vehicles LAK'000	Total LAK'000
Cost:						
As at 31 December 2021	11,572,564	829,256	849,940	3,294,633	855,971	17,402,364
Additions	-	-	-	215,195	-	215,195
As at 31 December 2022	11,572,564	829,256	849,940	3,509,828	855,971	17,617,559
Accumulated depreciation:						
As at 31 December 2021	10,953,158	814,776	819,254	2,664,121	855,971	16,107,280
Charge for the year	578,722	5,342	14,662	185,481	-	784,207
As at 31 December 2022	11,531,880	820,118	833,916	2,849,602	855,971	16,891,487
Net book value:						
As at 31 December 2021	619,406	14,480	30,686	630,512	-	1,295,084
As at 31 December 2022	40,684	9,138	16,024	660,226	-	726,072

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

19. RIGHT OF USED ASSETS

Movements of the balance of right of used assets during 2022 are as follows:

	<i>Right-of-use assets LAK'000</i>
Cost:	
As at 1 January 2021	11,485,816
Addition	-
Reassessment	<u>(1,652,760)</u>
As at 31 December 2022	<u>9,833,056</u>
Accumulated depreciation:	
As at 1 January 2021	3,868,325
Charge during the year	1,107,783
Reassessment	<u>(1,652,760)</u>
As at 31 December 2022	<u>3,323,348</u>
Net book value:	
As at 1 January 2021	<u>7,617,491</u>
As at 31 December 2022	<u>6,509,708</u>

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 25) and the movements during the period:

	<i>2022 LAK'000</i>	<i>2021 LAK'000</i>
As at 1 January	8,629,451	6,943,325
Accretion of interest	190,469	263,466
Payment	(2,704,733)	-
Exchange differences	4,236,558	1,422,660
As at 31 December	<u>10,351,745</u>	<u>8,629,451</u>

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

20. INTANGIBLE ASSETS

Movements of intangible assets during 2022 are as follows:

	<i>Computer software</i> <i>LAK'000</i>
Cost:	
As at 31 December 2021	1,807,047
As at 31 December 2022	1,807,047
Accumulated depreciation:	
As at 31 December 2021	1,705,610
Charge for the year	34,704
As at 31 December 2022	1,740,314
Net book value:	
As at 31 December 2021	101,437
As at 31 December 2022	66,733

21. OTHER ASSETS

	<i>31/12/2022</i> <i>LAK'000</i>	<i>31/12/2021</i> <i>LAK'000</i>
Prepaid expenses awaiting allocation	327,090	134,214
Profit tax prepayment (<i>Note 24</i>)	4,065,324	4,065,324
Others	340,668	247,525
	4,733,082	4,447,063

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

22. DUE TO BANKS

	31/12/2022 LAK'000	31/12/2021 LAK'000
Demand deposits	16,505,228	22,401,980
From domestic banks		
<i>Malayan Banking Berhad, Head Office</i>	<i>16,505,228</i>	<i>22,401,980</i>
	16,505,228	22,401,980

23. DUE TO CUSTOMERS

	31/12/2022 LAK'000	31/12/2021 LAK'000
Demand deposits	20,616,446	19,039,656
Demand deposits in LAK	3,867,550	3,563,978
Demand deposits in other currencies	16,748,896	15,475,678
Saving deposits	30,746,672	25,525,717
Saving deposits in LAK	3,544,890	1,835,275
Saving deposits in other currencies	27,201,782	23,690,442
Term deposits	25,873,413	37,858,772
Term deposits in LAK	406,900	1,293,635
Term deposits in other currencies	25,466,513	36,565,137
Other payables to customers	73,216,635	44,304,478
	150,453,166	126,728,623

The interest rates for these deposits are as follows:

	2022 <i>Interest rate</i> % p.a.	2021 <i>Interest rate</i> % p.a.
Demand deposits in LAK	No interest	No interest
Demand deposits in foreign currencies	No interest	No interest
Saving deposits in LAK	1.89	1.89
Saving deposits in USD	1.75	1.75
Saving deposits in THB	1.75	1.75
Term deposits in LAK	3.16 - 6.77	3.16 - 6.77
Term deposits in foreign currencies	3.00 - 5.00	3.00 - 5.00

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

24. CURRENT TAX LIABILITIES

Profit Tax

Provision is made for profit tax on the current year's profits, based on the Tax Law governing taxation within Lao PDR. The Branch is obliged to pay tax at 20% at total profit before tax in accordance with the Tax Law No.67/NA dated 18 June 2019 which is effective on or after 1 January 2020.

	2022 LAK'000	2021 LAK'000
Profit/(Loss) before tax under IFRS	361,597	(5,455,256)
IFRS adjustments	(1,547,103)	1,369,948
Loss before tax under LAS	(1,185,506)	(4,085,308)
Less: Non-taxable income	-	(1,484,409)
Add: Non-deductible expense	637,792	40,476
Taxable loss under LAS	(1,823,298)	(5,529,241)
PT expense at the statutory rate of 20%	-	-
Current PT expense		
PT recoverable at the beginning of the year	(4,065,324)	(4,065,324)
PT paid during the year	-	-
PT recoverable at the end of the year	(4,065,324)	(4,065,324)

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

Tax losses carried forward

For tax losses incurred in 2021 and 2022, in accordance with the amended Tax Law No. 67/NA dated 18 June 2019, article 23, annual losses which are certified by the audit authority or an independent audit firm and acknowledged by the tax authorities, are eligible to be carried forward to offset with future taxable profits for a period of five years after the losses incurred.

Tax losses incurred in 2019 and before are eligible to be carried forward to offset with future taxable profits for a period of three years after the losses incurred, in accordance with the previous Tax Law.

As at 31 December 2022, the Branch has aggregated accumulated tax losses of LAK'000 12,020,408 (31 December 2021: LAK'000 12,350,677) available for offset against future taxable profits. Details are as follows:

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

24. CURRENT TAX LIABILITIES (continued)

Year	Can be utilized up to	Additional losses incurred for the year LAK'000	Utilized in the year LAK'000	Amount unused but is not eligible for next year's use LAK'000	Eligible unused tax loss at the end of the year LAK'000
2018 (*)	2021	(42,368,565)	-	42,368,565	-
2019 (*)	2022	(2,153,567)	-	2,153,567	-
2020 (*)	2025	(4,667,869)	-	-	(4,667,869)
2021 (*)	2026	(5,529,241)	-	-	(5,529,241)
2022 (*)	2027	(1,823,298)	-	-	(1,823,298)
		(56,542,540)	-	44,522,132	(12,020,408)

(*) At the date of these financial statements, the tax assessment for the years ended 31 December 2018, 31 December 2019, 31 December 2021 and 31 December 2022 has not been finalised by the Tax Authority.

Deferred tax asset/(liabilities)

	Statement of financial position		Income statement		LAK'000 Statement of comprehensive income	
	31/12/2022	31/12/2021	2022	2021	2022	2021
	Deferred tax assets	557,727	817,549	(259,822)	302,180	-
Deferred tax liabilities	(96,469)	(46,870)	(49,599)	(28,190)	-	-
Net deferred tax credited to the income statement			(309,421)	273,990		
Net deferred tax credited to the statement of comprehensive income					-	-

Details of the deferred tax assets and deferred tax liabilities are as follows:

	31/12/2022 LAK'000	31/12/2021 LAK'000
Deductible temporary differences	2,788,635	4,087,744
<i>In which:</i>		
<i>Difference in allowance for impairment losses between LAS and IFRS of Loan to customers</i>	<i>2,788,635</i>	<i>4,087,744</i>
Deferred tax assets 20%	557,727	817,549
Taxable temporary differences	(482,347)	(234,350)
<i>In which:</i>		
<i>Difference in amortized cost between LAS and IFRS of Due to customer</i>	<i>(169,583)</i>	<i>(31,756)</i>
<i>Difference in amortized cost between LAS and IFRS of loan to customer</i>	<i>(312,764)</i>	<i>(202,594)</i>
Deferred tax liabilities 20%	(96,469)	(46,870)

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

25. OTHER LIABILITIES

	31/12/2022 LAK'000	31/12/2021 LAK'000
Payables to external parties	1,294,977	509,560
Payables to employees	1,783,153	1,275,091
Others	126,454	52,160
Lease liabilities	10,351,745	8,629,451
	13,556,329	10,466,262

26. PAID-UP CAPITAL

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

	2022 LAK'000	2021 LAK'000
Opening balance	200,783,129	200,783,129
Closing balance	200,783,129	200,783,129

27. ADDITIONAL CASH FLOW INFORMATION

Cash and cash equivalents

	31/12/2022 LAK'000	31/12/2021 LAK'000
Cash on hand	3,899,811	6,192,980
Current accounts with the BOL	108,883,392	92,692,057
Current accounts with other banks	3,628,234	21,408,502
Term deposits due within three months	31,625,335	16,710,466
	148,036,772	137,004,005

28. CONTINGENT LIABILITIES AND COMMITMENTS

	31/12/2022 LAK'000	31/12/2021 LAK'000
Credit limits granted to customers	3,443,800	4,456,000
Lease commitments	-	-
	3,443,800	4,456,000

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

29. RELATED PARTY TRANSACTIONS

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

(a) directly, or indirectly through one or more intermediaries, the party:

- ▶ controls, is controlled by, or is under common control with, the Branch (this includes parents, subsidiaries and fellow subsidiaries);
- ▶ has an interest in the Branch that gives it significant influence over the Branch; or
- ▶ has joint control over the Branch.

(b) the party is a joint venture in which the Branch is a venture;

(c) the party is a member of the key management personnel of the Branch or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Branch 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 entity that is a related party of the Branch.

Significant balances with related parties as at 31 December 2022 and 31 December 2021 are as follows:

	<i>31/12/2022</i> <i>Receivables/ (payables)</i> <i>LAK'000</i>	<i>31/12/2021</i> <i>Receivables/ (payables)</i> <i>LAK'000</i>
Interbank with Maybank - Head Office		
Vostro account	(16,505,228)	(22,401,980)
Term deposits	31,625,335	16,710,466
Interbank with Maybank - New York Branch		
Nostro account	15,120,107	18,700,751

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

29. RELATED PARTY TRANSACTIONS (continued)

Significant transactions with related parties during the year were as follows:

	2022 LAK'000	2021 LAK'000
Interest income for term deposit to Maybank HQ	(383,760)	(162,908)
	(383,760)	(162,908)

Transactions with key management personnel of the Branch

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

	2022 LAK'000	2021 LAK'000
Salaries	2,572,094	1,995,344
Bonus and other benefits	701,929	-
	3,274,023	1,995,344

30. RISK MANAGEMENT POLICIES

Introduction

Risk is inherent in the Branch's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Branch's continuing profitability and each individual within the Branch is accountable for the risk exposures relating to his or her responsibilities.

The Branch is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Branch's policy is to monitor those business risks through the Branch's strategic planning process.

Risk management structure

The Management is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Management has appointed the Risk - Compliance Officer which has the responsibility to monitor the overall risk process within the Branch.

The Risk - Compliance Officer has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk - Compliance Officer is responsible for managing risk decisions and monitoring risk levels and reports to Management.

The Branch's policy is that risk management processes throughout the Branch are audited annually by the Head Office's Internal Audit function, which examines both the adequacy of the procedures and the Branch's compliance with the procedures. Head Office's Internal Audit discusses the results of all assessments and reports its findings and recommendations to the Management.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

31. CREDIT RISK

Credit risk is the risk that the Branch will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Branch manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Branch has maintained a policy of credit risk management to ensure the following basic principles:

- ▶ set up an appropriate credit risk management environment;
- ▶ operate in a healthy process for granting credit facilities;
- ▶ maintain an appropriate management, measurement and monitoring credit process; and
- ▶ ensure adequate controls for credit risk.

The approval process for granting credit must go through several management levels to ensure a credit facility is reviewed independently together with the limit applied to each competent level. In addition, the participation of Credit Council in the credit approval model also helps to ensure a highest quality and concentrated approval process.

31.1 *Impairment assessment*

For accounting purposes, the Branch uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include the following:

- ▶ A breach of contract such as a default of payment;
- ▶ Where the Branch grants the customer a concession due to the customer experiencing financial difficulty;
- ▶ It becomes probable that the customer will enter bankruptcy or other financial reorganisation;
- ▶ Other observable data that suggests that there is a decrease in the estimated future cashflows from the loans.

31.2 *Individually assessed allowances*

The Branch determines the allowances appropriate for each individually significant loan or advance on an individual basis, taking into account any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected pay-out should bankruptcy ensue, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

31.3 *Collectively assessed allowances*

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

31. CREDIT RISK (continued)

31.3 *Collectively assessed allowances* (continued)

Allowances are evaluated separately at each reporting date with each portfolio.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilisation, loan to collateral ratios and expected receipts and recoveries once impaired). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Local management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Branch's overall policy.

31.4 *Collateral management*

Collateral is used to mitigate credit risk, as the secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations.

The Branch's credit principles specify to only lend when the counterparty has the capacity and ability to repay, and the Branch sets limits on the acceptable level of credit risk. Acceptance of credit risk is firstly based on the counterparty's assessed capacity to meet contractual obligations (such as the scheduled repayment of principal and interest).

In certain cases, such as where the customer risk profile is considered very sound or by the nature of the product, a transaction may not be supported by collateral.

The most common types of collateral typically taken by the Branch include:

► Security over real estate including residential, commercial, industrial or rural property.

Credit policy and requirements set out the acceptable types of collateral, as well as a process by which additional instruments and/or asset types can be considered for approval.

In the event of customer default, any loan security is usually held as mortgagee in possession while the Branch is actively seeking to realise it. Therefore, the Branch does not usually hold any real estate or other assets acquired through the enforcement of security.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

31. CREDIT RISK (continued)

31.5 Credit risk concentrations by industry

Exposure to credit risk for the components of the statement of financial position by industry without taking into account of any collateral, margin deposit as at 31 December 2022 and 31 December 2021 are as follows:

As at 31 December 2022

Unit: LAK'000

	Financial institutions	Construction	Commercial	Industrial	Other	Total
Balances with Bank of the Lao PDR ("the BOL")	137,711,884	-	-	-	-	137,711,884
Due from banks	35,253,569	-	-	-	-	35,253,569
Held to maturity securities	11,978,821	-	-	-	-	11,978,821
Loans to customers	-	-	77,815,013	39,619,063	22,794,806	140,228,882
- Gross amount	-	-	80,351,578	40,910,540	23,537,857	144,799,975
- Allowance for impairment	-	-	(2,536,565)	(1,291,477)	(743,051)	(4,571,093)
Other assets	340,668	-	-	-	-	340,668
Total	185,284,942	-	77,815,013	39,619,063	22,794,806	325,513,824

As at 31 December 2021

Unit: LAK'000

	Financial institutions	Construction	Commercial	Industrial	Other	Total
Balances with Bank of the Lao PDR ("the BOL")	121,312,457	-	-	-	-	121,312,457
Due from banks	38,118,968	-	-	-	-	38,118,968
Loans to customers	-	102,882	68,859,521	45,141,618	26,910,070	141,014,091
- Gross amount	-	106,439	71,239,925	46,702,118	27,840,324	145,888,806
- Allowance for impairment	-	(3,557)	(2,380,404)	(1,560,500)	(930,254)	(4,874,715)
Other assets	247,525	-	-	-	-	247,525
Total	159,678,950	102,882	68,859,521	45,141,618	26,910,070	300,693,041

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

31. CREDIT RISK (continued)

31.6 Credit quality by classes of financial assets

Details on credit quality by class of asset for all financial assets exposed to credit risk as at 31 December 2022 and 31 December 2021 are as follows:

As at 31 December 2022

Unit: LAK'000

	Book value	Neither past due nor impaired	Past due but not impaired				Individually impaired
			Overdue less than 90 days	Overdue from 91 days to 180 days	Overdue from 181 days to 365 days	Overdue more than 365 days	
Financial assets							
Balances with the BOL	137,711,884	137,711,884	-	-	-	-	-
Due from banks	35,253,569	35,253,569	-	-	-	-	-
Held to maturity securities	11,978,821	11,978,821	-	-	-	-	-
Loans to customers	144,799,975	-	100,103,223	-	-	-	44,696,752
- Gross amount	144,799,975	-	100,103,223	-	-	-	44,696,752
Other assets	340,668	340,668	-	-	-	-	-
	330,084,917	185,284,942	100,103,223	-	-	-	44,696,752

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

31. CREDIT RISK (continued)

31.6 Credit quality by classes of financial assets (continued)

As at 31 December 2021

Unit: LAK'000

	Book value	Neither past due nor impaired	Past due but not impaired			Individually impaired
			Overdue less than 90 days	Overdue from 91 days to 180 days	Overdue from 181 days to 365 days	
Financial assets						
Balances with the BOL	121,312,457	121,312,457	-	-	-	-
Due from banks	38,118,968	38,118,968	-	-	-	-
Loans to customers	145,888,806	-	79,092,801	-	-	66,796,005
- Gross amount	145,888,806	-	79,092,801	-	-	66,796,005
Other assets	247,525	247,525	-	-	-	-
	305,567,756	159,678,950	79,092,801	-	-	66,796,005

Neither past due nor impaired: financial assets or the loans with interest or principal payments not yet past due and there is no evidence of impairment.

Past due but not impaired: financial assets with past due interest and principal payments but the Branch believes that these assets are not impaired as they are secured by collaterals and has confidence in the customer's credit worthiness and other credit enhancements.

Individually impaired: debt instruments and loans to customers for which the Branch considers not being able to recover interest and principal under the terms of the contracts.

Fair value of collaterals: the Branch carries out the valuation for collaterals at disbursement date and periodically revalues these assets based on market value and other factors affecting the impairment of these assets.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

32. LIQUIDITY RISK

Liquidity risk is defined as the risk that the Branch will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Branch might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Branch has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The following assumptions and conditions are applied in the liquidity risk analysis of the Branch's financial assets and liabilities:

- ▶ Deposits at the BOL are classified as demand deposits which include compulsory deposits. The balance of compulsory deposits depends on the proportion and terms of the Branch's customer deposits.
- ▶ The maturity term of placements with other banks; and loans to customers is determined on the maturity date as stipulated in contracts. The actual maturity term may be altered because loan contracts may be extended.
- ▶ The maturity term of deposits from other banks; and customer's deposits is determined based on features of these items or the maturity date as stipulated in contracts. Demand deposits are transacted as required by customers and therefore being classified as current accounts. The maturity term of deposits is determined based on the maturity date in contracts. In fact, these amounts may be rotated and therefore they last beyond the original maturity date.
- ▶ The maturity term of other liabilities is determined based on the actual maturity term of each other liability.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

32. LIQUIDITY RISK (continued)

32.1 Contractual maturity of total assets and liabilities

As at 31 December 2022

Unit: LAK'000

	Before due date					Total
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Financial assets						
Cash and balances with the BOL	141,611,695	-	-	-	-	141,611,695
Due from banks	35,253,569	-	-	-	-	35,253,569
Held to maturity securities	-	-	11,978,821	-	-	11,978,821
Loans to customers (*)	5,074,316	3,080,898	53,490,424	24,537,642	58,616,695	144,799,975
Other assets	340,668	-	-	-	-	340,668
Total financial assets	182,280,248	3,080,898	65,469,245	24,537,642	58,616,695	333,984,728
Financial liabilities						
Due to banks	16,505,228	-	-	-	-	16,505,228
Due to customers	130,364,729	7,727,980	10,148,636	2,211,821	-	150,453,166
Lease liabilities	-	-	-	-	10,351,745	10,351,745
Other liabilities	3,204,584	-	-	-	-	3,204,584
Total financial liabilities	150,074,541	7,727,980	10,148,636	2,211,821	10,351,745	180,514,723
Net liquidity gap	32,205,707	(4,647,082)	55,320,609	22,325,821	48,264,950	153,470,005

(*) Excluding allowance for impairment losses of loans to customers

The Branch assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Branch has access to a sufficient variety sources of funding and debt maturity within 12 months.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

32. LIQUIDITY RISK (continued)

32.1 Contractual maturity of total assets and liabilities (continued)

As at 31 December 2021

Unit: LAK'000

	Before due date					Total
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Financial assets						
Cash and balances with the BOL	127,505,437	-	-	-	-	127,505,437
Due from banks	38,118,968	-	-	-	-	38,118,968
Loans to customers (*)	3,275,871	2,949,510	78,331,108	36,352,222	24,980,095	145,888,806
Other assets	247,525	-	-	-	-	247,525
Total financial assets	169,147,801	2,949,510	78,331,108	36,352,222	24,980,095	311,760,736
Financial liabilities						
Due to banks	22,401,980	-	-	-	-	22,401,980
Due to customers	95,142,791	5,495,813	22,074,014	4,016,005	-	126,728,623
Lease liabilities	-	-	-	-	8,629,451	8,629,451
Other liabilities	1,836,811	-	-	-	-	1,836,811
Total financial liabilities	119,381,582	5,495,813	22,074,014	4,016,005	8,629,451	159,596,865
Liquidity exposure	49,766,219	(2,546,303)	56,257,094	32,336,217	16,350,644	152,163,871

(*) Excluding allowance for impairment losses of loans to customers

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

32. LIQUIDITY RISK (continued)

32.2 Contractual maturities of undiscounted cash flows financial assets and liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Branch's financial assets and liabilities.

As at 31 December 2022

Unit: LAK'000

	Before due date					Total
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Financial assets						
Cash and balances with the BOL	141,611,695	-	-	-	-	141,611,695
Due from banks	35,253,569	-	-	-	-	35,253,569
Held to maturity securities	-	-	11,978,821	-	-	11,978,821
Loans to customers (*)	2,771,592	3,135,123	56,095,476	30,783,922	58,231,953	151,018,066
Other assets	340,668	-	-	-	-	340,668
Total financial assets	179,977,524	3,135,123	68,074,297	30,783,922	58,231,953	340,202,819
Financial liabilities						
Due to banks	16,505,228	-	-	-	-	16,505,228
Due to customers	136,968,178	9,872,970	4,842,680	5,874,267	2,622,032	160,180,127
Lease liabilities	-	-	-	-	10,351,745	10,351,745
Other liabilities	3,204,584	-	-	-	-	3,204,584
Total financial liabilities	156,677,990	9,872,970	4,842,680	5,874,267	12,973,777	190,241,684
Liquidity exposure	23,299,534	(6,737,847)	63,231,617	24,909,655	45,258,176	149,961,135

(*) Excluding allowance for impairment losses of loans to customers

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

32. LIQUIDITY RISK (continued)

32.2 Contractual maturities of undiscounted cash flows financial assets and liabilities (continued)

As at 31 December 2021

Unit: LAK'000

	Before due date					Total
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Financial assets						
Cash and balances with the BOL	127,505,437	-	-	-	-	127,505,437
Due from banks	38,118,968	-	-	-	-	38,118,968
Loans to customers (*)	3,275,871	2,949,510	78,331,108	36,352,222	24,980,095	145,888,806
Other assets	247,525	-	-	-	-	247,525
Total financial assets	169,147,801	2,949,510	78,331,108	36,352,222	24,980,095	311,760,736
Financial liabilities						
Due to banks	22,401,980	-	-	-	-	22,401,980
Due to customers	95,142,791	5,495,813	22,074,014	4,016,005	-	126,728,623
Lease liabilities	-	-	-	-	8,629,451	8,629,451
Other liabilities	1,836,811	-	-	-	-	1,836,811
Total financial liabilities	119,381,582	5,495,813	22,074,014	4,016,005	8,629,451	159,596,865
Liquidity exposure	49,766,219	(2,546,303)	56,257,094	32,336,217	16,350,644	152,163,871

(*) Excluding allowance for impairment losses of loans to customers

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

33. MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables. Market risk arises from the open position of interest rates, currency and equity instruments which are also affected by the fluctuations in general market and in each particular market and by market variables such as interest rates, foreign exchange rates and equity prices.

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Branch classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

33.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Management has established limits on the non-trading interest rate gaps for stipulated periods. The Branch's policy is to monitor positions on a daily basis.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2022. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

The following assumptions and conditions have been adopted in the analysis of real interest rate adjustment term of the Branch's items on balance sheet:

- ▶ Cash and balances with the Bank of the Lao PDR are considered as current and classified as non-interest items;
- ▶ The real interest adjustment term of due from other banks, loans to customers, due to other banks and customer deposits are identified as follows:
 - Items with fixed interest rate during the contractual term: The real interest adjustment term is based on contractual maturity date since the balance sheet date.
 - Items with floating interest rate: The real interest adjustment term is based on the latest interest rate term since the balance sheet date.
- ▶ The real interest adjustment term of other borrowed funds is based on borrowed fund's maturities.

The real interest adjustment term of other liabilities are classified as non-interest items.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

33. MARKET RISK (continued)

33.1 INTEREST RATE RISK (continued)

The table below analyses the interest rate risk for financial assets and financial liabilities of the Branch presented at the gross carrying amount and classified by the repricing date or maturity, whichever is earlier.

As at 31 December 2022

	Non re- pricing	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Unit: LAK'000	
								Total	Total
Financial assets									
Cash and balances with the BOL	141,611,695	-	-	-	-	-	-	-	141,611,695
Due from banks	35,253,569	-	-	-	-	-	-	-	35,253,569
Held to maturity securities	-	-	-	-	11,978,821	-	-	-	11,978,821
Loans to customers (*)	-	5,074,316	3,080,898	19,953,863	33,536,560	24,537,642	58,616,696	-	144,799,975
Other assets	340,668	-	-	-	-	-	-	-	340,668
Total financial assets	177,205,932	5,074,316	3,080,898	19,953,863	45,515,381	24,537,642	58,616,696	58,616,696	333,984,728
Financial liabilities									
Due to banks	16,505,228	-	-	-	-	-	-	-	16,505,228
Due to customers	124,579,754	5,784,976	7,727,980	5,066,328	5,082,307	2,211,821	-	-	150,453,166
Lease liabilities	-	-	-	-	-	-	10,351,745	-	10,351,745
Other liabilities	3,204,584	-	-	-	-	-	-	-	3,204,584
Total financial liabilities	144,289,566	5,784,976	7,727,980	5,066,328	5,082,307	2,211,821	10,351,745	10,351,745	180,514,723
Net repricing gap	32,916,366	(710,660)	(4,647,082)	14,887,535	40,433,074	22,325,821	48,264,951	48,264,951	153,470,005

(*) Excluding allowance for impairment losses of loans to customers

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

33. MARKET RISK (continued)

33.1 INTEREST RATE RISK (continued)

As at 31 December 2021

Unit: LAK'000

	Non re- pricing	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total
Financial assets								
Cash and balances with the BOL	127,505,437	-	-	-	-	-	-	127,505,437
Due from banks	38,118,968	-	-	-	-	-	-	38,118,968
Loans to customers (*)	-	3,275,871	2,949,510	25,831,288	52,499,821	36,352,222	24,980,094	145,888,806
Other assets	247,525	-	-	-	-	-	-	247,525
Total financial assets	165,871,930	3,275,871	2,949,510	25,831,288	52,499,821	36,352,222	24,980,094	311,760,736
Financial liabilities								
Due to banks	22,401,980	-	-	-	-	-	-	22,401,980
Due to customers	88,869,848	6,272,943	5,495,813	4,412,244	17,661,770	4,016,005	-	126,728,623
Lease liabilities	-	-	-	-	-	-	8,629,451	8,629,451
Other liabilities	1,836,811	-	-	-	-	-	-	1,836,811
Total financial liabilities	113,108,639	6,272,943	5,495,813	4,412,244	17,661,770	4,016,005	8,629,451	159,596,865
Net interest rate exposure	52,763,291	(2,997,072)	(2,546,303)	21,419,044	34,838,051	32,336,217	16,350,643	152,163,871

(*) Excluding allowance for impairment losses of loans to customers

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

33. MARKET RISK (continued)

33.1 Interest rate risk (continued)

Interest rate risk sensitivity analysis

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December (including the following items: cash, balances at the BOL, due from banks, loans and advances to customers, due to banks, due to customers).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Branch's income statement for next year:

Assuming that all other variables unchanged, the fluctuation in interest rates as at 31 December 2022 and 31 December 2021 that affect the pre-tax profit over the next 12 months period of the Branch as at reporting date is as following:

Increase/(decrease) in basis points	Unit: LAK'000	
	2022 Sensitivity of profit before tax	2021 Sensitivity of profit before tax
+ 100 bps	148,594	171,023
-100 bps	(148,594)	(171,023)

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

33.2. CURRENCY 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 BOL's regulations. Positions are monitored on a daily basis to ensure positions are maintained within the established limits.

Breakdown of assets and liabilities which has been converted into LAK'000 as at 31 December 2022 and 31 December 2021 is as follows:

As at 31 December 2022

	<i>LAK</i> <i>LAK'000</i>	<i>USD</i> <i>LAK'000</i> <i>equivalent</i>	<i>THB</i> <i>LAK'000</i> <i>equivalent</i>	<i>Total</i> <i>LAK'000</i> <i>equivalent</i>
ASSETS				
Cash and balances with BOL	50,173,055	77,357,787	14,080,853	141,611,695
Due from banks	-	34,235,429	1,018,140	35,253,569
Held to maturity securities	11,978,821	-	-	11,978,821
Loans and advances to customers (*)	83,969,621	46,697,405	14,132,949	144,799,975
Construction in progress and fixed assets in transit	495,588	-	-	495,588
Property and equipment	726,072	-	-	726,072
Intangible assets	66,733	-	-	66,733
Right-of-use Assets	6,509,708	-	-	6,509,708
Other assets	4,335,449	397,633	-	4,733,082
TOTAL ASSETS	158,255,047	158,688,254	29,231,942	346,175,243
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks	-	16,505,228	-	16,505,228
Due to customers	7,901,130	131,064,413	11,487,623	150,453,166
Current tax liabilities	-	-	-	-
Other liabilities	10,389,507	3,166,822	-	13,556,329
TOTAL LIABILITIES	18,290,637	150,736,463	11,487,623	180,514,723
NET EXPOSURE	139,964,410	7,951,791	17,744,319	165,660,520

(*) These do not include allowance for impairment losses.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

33. MARKET RISK (continued)

33.2 Currency risk (continued)

As at 31 December 2021

	<i>LAK</i> <i>LAK'000</i>	<i>USD</i> <i>LAK'000</i> <i>equivalent</i>	<i>THB</i> <i>LAK'000</i> <i>equivalent</i>	<i>Total</i> <i>LAK'000</i> <i>equivalent</i>
ASSETS				
Cash and balances with BOL	59,231,408	58,876,513	9,397,516	127,505,437
Due from banks	590	36,554,091	1,564,287	38,118,968
Loans and advances to customers (*)	91,872,258	31,328,754	22,687,794	145,888,806
Construction in progress and fixed assets in transit	225,124	-	-	225,124
Property and equipment	1,295,084	-	-	1,295,084
Intangible assets	101,437	-	-	101,437
Right-of-use Assets	7,617,491	-	-	7,617,491
Other assets	4,278,416	168,647	-	4,447,063
TOTAL ASSETS	164,621,808	126,928,005	33,649,597	325,199,410
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks	-	22,401,980	-	22,401,980
Due to customers	6,768,626	99,667,889	20,292,108	126,728,623
Current tax liabilities	-	-	-	-
Other liabilities	7,103,510	3,362,752	-	10,466,262
TOTAL LIABILITIES	13,872,136	125,432,621	20,292,108	159,596,865
NET EXPOSURE	150,749,672	1,495,384	13,357,489	165,602,545

(*) These do not include allowance for impairment losses

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

33. MARKET RISK (continued)

33.2 Currency risk (continued)

Currency risk sensitivity analysis

The table below indicates the currencies to which the Branch had significant exposure at 31 December on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the exchange rate against the Lao Kip, with all other variables held constant, on the income statement (due to the fair value of currency sensitive monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in the income statement, while a positive amount reflects a net potential increase.

Unit: LAK'000

	2022		2021	
	Impact on profit before tax		Impact on profit before tax	
	Exchange rate increase 10%	Exchange rate decrease 10%	Exchange rate increase 10%	Exchange rate decrease 10%
USD	795,179	(795,179)	44,857	(44,857)
THB	1,774,432	(1,774,432)	1,259,940	(1,259,940)
Total	2,569,611	(2,569,611)	1,304,797	(1,304,797)

34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Determination of fair value and fair value hierarchy

The Branch uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair value of financial assets and liabilities carried at fair value

The Branch has no financial assets and liabilities carried at fair value as at 31 December 2022 and 31 December 2021. Therefore, there is no analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

Fair value of financial assets and liabilities not carried at fair value

The Branch uses the following methodologies and assumptions to determine fair value for financial assets and liabilities not carried at fair value on the financial statements:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than one year) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair value of financial assets and liabilities not carried at fair value (continued)

Fixed rate financial instruments

The fair value is determined using discounted cash flows using interest at year end of financial instruments in the market with similar risk and maturity. In addition, the Branch assumes that loans to customers are held to maturity. Fair values of loans to customers are determined as the carrying value less impairment losses. For Due to customers, fair value is approximated based on the carrying value of deposits, except for the fair value of fixed rate items with remaining maturity period greater than 1 year which is calculated based on the present value of future cash flows of principal and interest, discounted at interest rates currently being offered on such deposits.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Branch's financial instruments that are not carried at fair value in the financial statements:

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Set out below is a comparison, by class, of the carrying amounts and fair values of the Branch's financial instruments that are not carried at fair value in the financial statements:

As at 31 December 2022

Unit: LAK'000

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and balances with the BOL	141,611,695	141,611,695	-	-	141,611,695
Due from banks	35,253,569	3,628,234	-	31,625,335	35,253,569
- Demand deposit	3,628,234	3,628,234	-	-	3,628,234
- Term deposit	31,625,335	-	-	31,625,335	31,625,335
Held to maturity securities	11,978,823	-	-	11,978,823	11,978,823
Loans to customers	140,228,882	-	-	144,097,818	144,097,818
Other assets	340,669	-	-	340,669	340,669
Total financial assets	329,413,638	145,239,929	-	188,042,645	333,282,574
Financial liabilities					
Due to banks	16,505,228	16,505,228	-	-	16,505,228
- Demand deposit	16,505,228	16,505,228	-	-	16,505,228
- Term deposit	-	-	-	-	-
Due to customers	150,453,166	124,579,754	-	25,867,005	150,446,759
- Demand deposit	20,616,446	20,616,446	-	-	20,616,446
- Saving deposit	30,746,672	30,746,672	-	-	30,746,672
- Term deposit	25,873,413	-	-	25,867,005	25,867,005
- Other payables to customers	73,216,635	73,216,635	-	-	73,216,635
Lease liabilities	10,351,745	-	-	10,351,745	10,351,745
Other liabilities	3,204,584	-	-	3,204,584	3,204,584
Total financial liabilities	180,514,723	141,084,982	-	39,423,334	180,508,316

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as at 31 December 2022 and for the year then ended

34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Set out below is a comparison, by class, of the carrying amounts and fair values of the Branch's financial instruments that are not carried at fair value in the financial statements:

As at 31 December 2021

Unit: LAK'000

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and balances with the BOL	127,505,437	127,505,437	-	-	127,505,437
Due from banks	38,118,968	21,408,502	-	16,710,466	38,118,968
- Demand deposit	21,408,502	21,408,502	-	-	21,408,502
- Term deposit	16,710,466	-	-	16,710,466	16,710,466
Loans to customers	141,014,091	-	-	145,010,702	145,010,702
Other assets	247,525	-	-	247,525	247,525
Total financial assets	306,886,021	148,913,939	-	161,968,693	310,882,632
Financial liabilities					
Due to banks	22,401,980	22,401,980	-	-	22,401,980
- Demand deposit	22,401,980	22,401,980	-	-	22,401,980
- Term deposit	-	-	-	-	-
Due to customers	126,728,623	88,869,851	-	37,764,935	126,634,786
- Demand deposit	19,039,656	19,039,656	-	-	19,039,656
- Saving deposit	25,525,717	25,525,717	-	-	25,525,717
- Term deposit	37,858,772	-	-	37,764,935	37,764,935
- Other payables to customers	44,304,478	44,304,478	-	-	44,304,478
Lease liabilities	8,629,451	-	-	8,629,451	8,629,451
Other liabilities	1,836,811	-	-	1,836,811	1,836,811
Total financial liabilities	159,596,865	111,271,831	-	48,231,197	159,503,028

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2022 and for the year then ended

35. CAPITAL MANAGEMENT

The Branch maintains minimum regulatory capital in accordance with Regulation No 536/BFSD/BOL dated 14 October 2009 by the Governor of Lao PDR 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 recognizes the need to maintain effectiveness of assets and liabilities management to balance profit and capital adequacy.

In accordance with Regulation No 536/BFSD/BOL, the Branch's regulatory capital is analyzed 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.

An analysis of the Branch's capital based on financial information deprived from financial statements is as follows:

<i>Items</i>	<i>31/12/2022 under IFRS LAK'000</i>	<i>31/12/2021 under IFRS LAK'000</i>
Tier 1 capital	161,550,685	161,498,509
Tier 2 capital	-	-
Total capital	161,550,685	161,498,509
Capital for CAR calculation (A)	161,550,685	161,498,509
Risk weighted balance sheet items	159,810,778	162,324,084
Risk weighted off balance sheet items	1,721,900	2,228,000
Total risk weighted assets (B)	161,532,678	164,552,084
Capital Adequacy Ratio (A/B)	100%	98%

36. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST LAK AT REPORTING DATE

	<i>31 December 2022 LAK</i>	<i>31 December 2021 LAK</i>
USD	17,219	11,140
THB	497.00	345.80

