

Maybank Lao Branch

Special Purpose Financial Statements

For the year ended 31 December 2023



Maybank Lao Branch

CONTENTS

	<i>Pages</i>
General information	1
Independent auditors' report	2 - 4
Income statement	5
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10 - 66

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 initial registered capital of the Branch is LAK 100,661,400,000. The actual paid-up capital as at 31 December 2023 is LAK 200,783,129,000 (31 December 2022: LAK 200,783,129,000).

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

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 2023 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. Amphaivanh 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 ended 31 December 2023 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: 11914068/67958323-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 of Maybank Lao Branch ("the Branch"), which comprise the statement of financial position as at 31 December 2023, 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 special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements of the Branch are prepared, in all material respects, in accordance with accounting policies as described in Note 5 to the special purpose 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 (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Special Purpose Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) 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 with these requirements. 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 special purpose 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 special purpose 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 special purpose 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 Special Purpose Financial Statements

The Branch's management is responsible for the preparation of the special purpose financial statements in accordance with the accounting policies as described in Note 5 to the special purpose financial statements and for such internal control as management determines is necessary to enable the preparation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose 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.

Those charged with governance are responsible for overseeing the Branch's financial reporting process.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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 special purpose 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 special purpose 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 special purpose 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.



Anh Hoang Trinh
Partner

Audit Practising Registration
Certificate No. 011/LCPAA-APT-2018

Vientiane, Lao PDR

3 May 2024

Maybank Lao Branch

INCOME STATEMENT
for the year ended 31 December 2023

	Notes	2023 LAK'000	2022 LAK'000
Interest income calculated using the effective interest method	7	72,332,977	13,670,086
Interest expense calculated using the effective interest method	8	(1,361,346)	(1,736,889)
Net interest income		70,971,631	11,933,197
Fees and commission income	9	190,302	224,089
Fees and commission expense	9	(258,720)	(331,867)
Net fees and commission (expense)/income	9	(68,418)	(107,778)
Net gain from dealing in foreign currencies		3,689,969	3,999,454
Other operating income	10	39,696,074	514,598
Total operating income		114,289,256	16,339,471
Reversal of impairment losses for loans to customers	17	4,348,053	539,564
NET OPERATING INCOME		118,637,309	16,879,035
Personnel expenses	11	(13,399,633)	(10,567,481)
Depreciation and amortization		(1,412,762)	(1,926,694)
Other operating expenses	12	(5,599,950)	(4,023,263)
TOTAL OPERATING EXPENSES		(20,412,345)	(16,517,438)
PROFIT BEFORE TAX		98,224,964	361,597
Profit tax expense	24	(17,409,975)	-
Deferred tax expense	24	(666,103)	(309,421)
PROFIT FOR THE YEAR		80,148,886	52,176

Prepared by:

Mr. Sithipon Sisudajan
Head of Finance Department

Reviewed by:

Mr. Tan Tee Huat
General Manager



Vientiane, Lao PDR

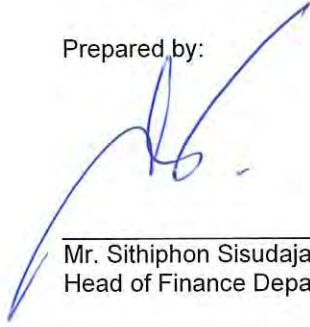
3 May 2024

Maybank Lao Branch

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2023

	2023 LAK'000	2022 LAK'000
NET PROFIT FOR THE YEAR	80,148,886	52,176
OTHER COMPREHENSIVE INCOME, NET OF TAX	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	80,148,886	52,176

Prepared by:



Mr. Sithipon Sisudajan
Head of Finance Department

Reviewed by:



Mr. Tan Tee Huat
General Manager

Vientiane, Lao PDR

3 May 2024

Maybank Lao Branch

STATEMENT OF FINANCIAL POSITION as at 31 December 2023

	Notes	31/12/2023 LAK'000	31/12/2022 LAK'000
ASSETS			
Cash and balances with Bank of the Lao PDR	13	181,476,261	141,611,695
Due from banks	14	72,314,383	35,253,569
Held to maturity securities	15	37,409,860	11,978,821
Loans and advances to customers	16	85,571,020	140,228,882
Construction in progress and fixed assets in transit		413,570	495,588
Property and equipment	18	686,382	726,072
Right-of-use Assets	19	5,401,925	6,509,708
Intangible assets	20	32,030	66,733
Deferred tax asset	24.2	-	557,727
Other assets	21	5,030,658	4,733,082
TOTAL ASSETS		388,336,089	342,161,877
LIABILITIES			
Due to banks	22	18,928,429	16,505,228
Due to customers	23	95,203,819	150,453,166
Current tax liabilities	24.1	17,409,975	-
Deferred tax liabilities	24.2	204,845	96,469
Other liabilities	25	14,889,450	13,556,329
TOTAL LIABILITIES		146,636,518	180,611,192
EQUITY			
Paid up capital	26	200,783,129	200,783,129
Statutory reserves		13,382,413	5,633,965
Retained earning/(accumulated losses)		27,534,029	(44,866,409)
TOTAL EQUITY		241,699,571	161,550,685
TOTAL LIABILITIES AND EQUITY		388,336,089	342,161,877

Prepared by:

Mr. Sithipon Sisudajan
Head of Finance Department



Reviewed by:
Mr. Tan Tee Huat
General Manager

Vientiane, Lao PDR

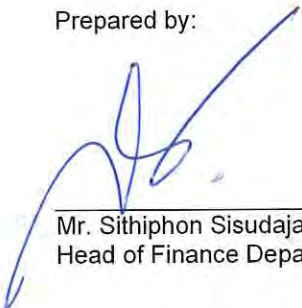
3 May 2024

Maybank Lao Branch

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2023

	<i>Paid-up capital</i> LAK'000	<i>Regulatory reserve fund</i> LAK'000	<i>(Accumulated losses)/ retained earning</i> LAK'000	<i>Total</i> LAK'000
Balance as at 1 January 2023	200,783,129	5,633,965	(44,866,409)	161,550,685
Net profit for the year	-	-	80,148,886	80,148,886
Appropriation to regulatory reserve fund for the year	-	7,748,448	(7,748,448)	-
Balance as at 31 December 2023	200,783,129	13,382,413	27,534,029	241,699,571

Prepared by:



Mr. Sithiphon Sisudajan
Head of Finance Department

Reviewed by:



Mr. Tan Tee Huat
General Manager



Vientiane, Lao PDR

3 May 2024

Maybank Lao Branch

STATEMENT OF CASH FLOWS
for the year ended 31 December 2023

	Notes	2023 LAK'000	2022 LAK'000
OPERATING ACTIVITIES			
Net Profit before tax		98,224,965	361,597
<i>Adjustments for:</i>			
Depreciation and amortization charges		1,412,763	1,926,694
Credit loss reversal	17	(4,348,053)	(539,564)
Interest income		(72,322,977)	(13,670,086)
Interest expense		1,361,346	1,736,889
Foreign exchange differences from revaluation of monetary accounts denominated in foreign currency		(3,689,969)	(3,999,454)
Change in operating assets		-	-
Due from banks		19,948,976	(208,092)
Loans to customers		59,266,173	3,434,746
Other assets		(297,577)	(286,020)
Change in operating liabilities		-	-
Due to banks		2,331,499	(5,270,072)
Due to customers		(55,249,348)	23,724,543
Other liabilities		5,023,088	7,089,522
Interest received		72,072,721	11,560,113
Interest paid		(1,269,644)	(2,363,569)
Profit tax paid during the year	24.2	-	-
Net cash flows from operating activities		122,453,963	23,497,247
INVESTING ACTIVITIES			
Purchases of property and equipment and other intangible assets		(148,568)	(485,659)
Net cash flows used in investing activities		(148,568)	(485,659)
FINANCING ACTIVITIES			
Investment in securities		(25,431,037)	(11,978,821)
Net cash flows used in financing activities		(25,431,037)	(11,978,821)
Net change in cash and cash equivalents		96,874,358	11,032,767
Cash and cash equivalents at the beginning of the year		148,036,772	137,004,005
Cash and cash equivalents at the end of the year	27	244,911,130	148,036,772

Prepared by:

Mr. Sithipon Sisudajan
Head of Finance Department

Reviewed by:

Mr. Tan Tee Huat
General Manager

Vientiane, Lao PDR

3 May 2024

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023 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 2023 is LAK 200,783,129,000 (31 December 2022: 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 2023 is 26 people (2022: 27 people).

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

2. BASIS OF PREPARATION

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 special purpose 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 special purpose financial statements are not intended to be prepared in accordance with IFRS.

The special purpose 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 special purpose 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 THE SPECIAL PURPOSE 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

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

4.1 New and amended standards

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- ▶ A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- ▶ Disclosure requirements for affected entities to help users of the special purpose financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

In periods in which Pillar Two legislation is (substantively) enacted but not yet effective, the amendment requires disclosure of known or reasonably estimable information that helps users of special purpose financial statements understand the entity's exposure arising from Pillar Two income taxes including both qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. For example:

- a) Qualitative information such as how an entity is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist, and
- b) Quantitative information such as:
 - ▶ An indication of the proportion of an entity's profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or
 - ▶ An indication of how the entity's overall effective tax rate would have changed if Pillar Two legislation had been effective.

Once the legislation is effective, additional disclosures are required for the current tax expense related to Pillar Two income taxes. The requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The Branch has reviewed its corporate structure in light of the introduction of Pillar Two Model Rules in the various jurisdictions in which it operates. The Branch has determined that it will not be subject to Pillar Two taxes once the legislation becomes effective since its effective tax rate is above 15% in all the jurisdictions in which it operates. Therefore, as the related Pillar Two disclosures are not required, the amendments will have no impact on the Group's consolidated financial statements at 31 December 2023.

Several other amendments and interpretations apply for the first time in 2023, but do not have an impact on the Branch's special purpose financial statements. The Branch has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

4. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

4.1 New and amended standards (continued)

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide 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 have had an impact on the Branch's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Branch's special purpose financial statements.

4.2 Standards issued but not yet effective

New and amended standards and interpretations that are issued but not yet effective will not have a material impact on the Bank's special purpose financial statements.

5. SUMMARY OF 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 2023 and 31 December 2022 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 2023 and for the year then ended

5. SUMMARY OF 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*

Under IAS 39, interest income is recorded using the EIR method for all financial assets measured at amortised cost. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Branch recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in *Interest revenue/expense calculated using the effective interest method*.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

5. SUMMARY OF ACCOUNTING POLICIES (continued)

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

The accounting policies for the EIR method vary by instruments and 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 2023 and for the year then ended

5. SUMMARY OF 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 2023 and for the year then ended

5. SUMMARY OF 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 2023, 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 2023 and for the year then ended

5. SUMMARY OF 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 reclassify 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 2023 and for the year then ended

5. SUMMARY OF 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 2023 and for the year then ended

5. SUMMARY OF 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 special purpose 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 2023 and for the year then ended

5. SUMMARY OF 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 fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Branch expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Branch's revenue contracts do not typically include multiple performance obligations, as explained further in Note 5.6.2.1 and Note 5.6.2.2 below.

When the Branch provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time (unless otherwise specified in Note 5.6.2.1 and Note 5.6.2.2 below).

The Branch has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 5.6.2.3.

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

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

The Branch's fee and commission income from services where performance obligations are satisfied over time include loan commitment fees: These are fixed annual fees paid by customers for loan and other credit facilities with the Branch, but where it is unlikely that a specific lending arrangement will be entered into with the customer and the loan commitment is not measured at fair value. The Branch promises to provide a loan facility for a specified period. As the benefit of the services is transferred to the customer evenly over the period of entitlement, the fees are recognised as revenue on a straight-line basis. Payment of the fees is due and received monthly in arrears.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

5. SUMMARY OF POLICIES (continued)

5.6 *Recognition of income and expense* (continued)

5.6.2 *Fees and commission income* (continued)

5.6.2.2 *Fee and commission income from 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.

5.6.2.3 *Contract balances*

The following are recognised in the statement of financial position arising from revenue from contracts with customers:

- ▶ 'Fees and commissions receivables' included under 'Other assets', which represent the Branch's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortised cost and subject to the impairment provisions of IFRS 9.
- ▶ 'Unearned fees and commissions' included under 'Other liabilities', which represent the Branch's obligation to transfer services to a customer for which the Bank has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognised when the payment is made or the payment is due (whichever is earlier). Unearned fees and commissions are recognised as revenue when (or as) the Branch performs.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

5. SUMMARY OF 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 2023 and for the year then ended

5. SUMMARY OF 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 2023 and for the year then ended

5. SUMMARY OF 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 special purpose 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 2023 and for the year then ended

5. SUMMARY OF 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 2023, 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 special purpose 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 2023 and for the year then ended

5. SUMMARY OF 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 special purpose 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 2023 and for the year then ended

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Branch's special purpose 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 special purpose financial statements continue to be prepared on the going concern basis.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 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 as 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 2023 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 special purpose 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 2023 and for the year then ended

7. INTEREST AND SIMILAR INCOME

	2023 <u>LAK'000</u>	2022 <u>LAK'000</u>
Interest income calculated using the effective interest method from:		
Interbank transactions	2,029,452	383,760
Loans to customers (*)	69,273,988	12,707,503
Held to maturity securities	1,029,537	578,823
	<u>72,332,977</u>	<u>13,670,086</u>

(*) In which, interest income from the bad debt recovery was LAK'000 58,516,467 (2022: LAK'000 1,746,690).

8. INTEREST AND SIMILAR EXPENSE

	2023 <u>LAK'000</u>	2022 <u>LAK'000</u>
Interest expense calculated using the effective interest method for:		
Customer deposits	(1,361,346)	(1,736,889)
	<u>(1,361,346)</u>	<u>(1,736,889)</u>

9. NET FEES AND COMMISSION (EXPENSE)/INCOME

	2023 <u>LAK'000</u>	2022 <u>LAK'000</u>
Fees and commission income from:		
Trade finance	-	14,742
Settlement services	190,302	209,347
	<u>190,302</u>	<u>224,089</u>
Fees and commission expense for:		
Transactions with customers	(258,720)	(331,867)
	<u>(258,720)</u>	<u>(331,867)</u>
Net fee and commission (expense)/income	<u>(68,418)</u>	<u>(107,778)</u>

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

10. OTHER OPERATING INCOME

	2023 <i>LAK'000</i>	2022 <i>LAK'000</i>
Other income from transactions with clients	200,102	371,766
Collection from loans previously written-off	39,495,752	141,703
Others	220	1,129
	39,696,074	514,598

11. PERSONNEL EXPENSES

	2023 <i>LAK'000</i>	2022 <i>LAK'000</i>
Wages and allowances	13,094,916	10,288,862
Other staff costs	304,717	278,619
	13,399,633	10,567,481

12. OTHER OPERATING EXPENSES

	2023 <i>LAK'000</i>	2022 <i>LAK'000</i>
Office rental	164,443	190,469
Fuel	54,866	42,365
Office stationery	115,857	112,813
Publication, marketing and promotion	6,958	3,532
Telecommunication	146,298	141,401
Repair and maintenance	3,209,981	2,117,675
Electricity and water	178,284	136,971
Audit fees	529,032	409,699
Guest welcoming fee	1,189	-
Insurance fee	192,365	177,195
Office expenses	138,820	133,200
Consultant fees	788,702	465,057
Deposit insurance paid to Depositor Protection Fund	71,155	74,777
Others	2,000	18,109
	5,599,950	4,023,263

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

13. CASH AND BALANCES WITH BANK OF THE LAO PDR

	31/12/2023 LAK'000	31/12/2022 LAK'000
Cash on hand in LAK	2,007,736	1,075,657
Cash on hand in foreign currencies ("FC")	4,301,810	2,824,154
Balances with BOL	175,166,715	137,711,884
- Demand deposit	166,287,198	108,883,392
- Compulsory deposits (*)	8,847,788	3,796,763
- Registered capital deposit (**)	31,729	25,031,729
	181,476,261	141,611,695

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 8.00% for LAK and 10.00% for foreign currencies, on a bi-monthly basis, (2022: 5.00% for LAK and other currencies) 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.

(**) According to Decision No. 721/BOL issued by BOL dated 22 September 2022, which was effective from 22 September 2022, commercial banks are required to maintain a positive balance at the BOL in the form of Registered capital reserve.

14. DUE FROM BANKS

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

	31/12/2023 LAK'000	31/12/2022 LAK'000
Demand deposits	5,013,326	3,628,234
At domestic banks		
- Banque pour le Commerce Exterieur Lao Public	-	-
At foreign banks		
- Bangkok Bank Public Company Limited	1,299,256	1,018,140
- Maybank - New York Branch	3,714,070	2,610,094
Term deposits	67,301,057	31,625,335
At foreign banks		
- Maybank - Head Office	67,301,057	31,625,335
	72,314,383	35,253,569

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 2023 and for the year then ended

15. HELD-TO-MATURITY SECURITIES

	31/12/2023 LAKm	31/12/2022 LAKm
Bonds issued by the MOF (at amortised cost)	37,409,860	11,978,821
	37,409,860	11,978,821

Details of bonds issued by the MOF as at 31 December 2023 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	08-May-23	08-May-24	11,400,000	5.50%
12 months	24-Jul-23	24-Jul-24	25,000,000	5.50%
			36,400,000	

16. LOANS TO CUSTOMERS

	31/12/2023 LAK'000	31/12/2022 LAK'000
Gross loans to customers at amortised cost	85,950,732	144,799,975
Less: Allowance for impairment losses (Note 17)	(379,712)	(4,571,093)
	85,571,020	140,228,882

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

	2023 <i>Interest rate % per annum</i>	2022 <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 - 11.00	4.65 - 10.00
Loans and advances denominated in THB	6.25 - 9.25	7.75 - 9.25

Analysis of loans to customers

Analysis by currency

	31/12/2023 LAK'000	31/12/2022 LAK'000
Loans and advances in LAK	37,777,747	82,551,385
Loans and advances in USD	48,172,985	48,036,846
Loans and advances in THB	-	14,211,744
	85,950,732	144,799,975

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

16. LOANS TO CUSTOMERS (continued)

Analysis by original terms

	31/12/2023 LAK'000	31/12/2022 LAK'000
Short-term loans	40,588,541	88,120,249
Medium-term loans	2,514,403	3,849,923
Long-term loans	42,847,788	52,829,803
	85,950,732	144,799,975

Analysis by economic sectors

	31/12/2023 LAK'000	31/12/2022 LAK'000
Trading companies	48,182,073	80,351,578
Services companies	23,220,616	40,910,540
Others	14,548,043	23,537,857
	85,950,732	144,799,975

17. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in the allowance for impairment losses are as follows:

	2023 LAK'000	2022 LAK'000
Opening balance	4,571,093	4,874,715
Reversal of impairment losses for loans to customers	(4,348,053)	(539,564)
Foreign exchange difference	156,672	235,942
Closing balance	379,712	4,571,093

Breakdown of allowance for impairment losses of loans to customers as at 31 December 2023 and 31 December 2022 are as follows:

	31/12/2023		31/12/2022	
	Outstanding balance LAK'000	Impairment LAK'000	Outstanding balance LAK'000	Impairment LAK'000
Individually impaired	14,810,336	379,712	44,696,752	4,543,823
Collectively impaired	71,140,396	-	100,103,223	27,270
	85,950,732	379,712	144,799,975	4,571,093

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

18. PROPERTY AND EQUIPMENT

Movements of property and equipment during 2023 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 2022	11,572,564	829,256	849,940	3,509,828	855,971	17,617,559
Additions	-	183,078	-	47,508	-	230,586
As at 31 December 2023	11,572,564	1,012,334	849,940	3,557,336	855,971	17,848,145
Accumulated depreciation:						
As at 31 December 2022	11,531,880	820,118	833,916	2,849,602	855,971	16,891,487
Charge for the year	8,138	35,634	14,662	211,842	-	270,276
As at 31 December 2023	11,540,018	855,752	848,578	3,061,444	855,971	17,161,763
Net book value:						
As at 31 December 2022	40,684	9,138	16,024	660,226	-	726,072
As at 31 December 2023	32,546	156,582	1,362	495,892	-	686,382

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

19. RIGHT OF USED ASSETS

Movements of the balance of right of used assets during 2023 are as follows:

	<i>Right-of-use assets LAK'000</i>
Cost:	
As at 1 January 2022	9,833,056
As at 31 December 2023	9,833,056
Accumulated depreciation:	
As at 1 January 2022	3,323,348
Charge during the year	1,107,783
As at 31 December 2023	4,431,131
Net book value:	
As at 1 January 2022	6,509,708
As at 31 December 2023	5,401,925

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

	2023 <i>LAK'000</i>	2022 <i>LAK'000</i>
As at 1 January	10,351,745	8,629,451
Accretion of interest	164,443	190,469
Payment	(1,963,884)	(2,704,733)
Exchange differences	1,960,119	4,236,558
As at 31 December	10,512,423	10,351,745

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

20. INTANGIBLE ASSETS

Movements of intangible assets during 2023 are as follows:

	<i>Computer software</i> <i>LAK'000</i>
Cost:	
As at 31 December 2022	1,807,047
As at 31 December 2023	1,807,047
Accumulated depreciation:	
As at 31 December 2022	1,740,314
Charge for the year	34,703
As at 31 December 2023	1,775,017
Net book value:	
As at 31 December 2022	66,733
As at 31 December 2023	32,030

21. OTHER ASSETS

	<i>31/12/2023</i> <i>LAK'000</i>	<i>31/12/2022</i> <i>LAK'000</i>
Prepaid expenses awaiting allocation	385,748	327,090
Profit tax prepayment (<i>Note 24</i>)	4,065,324	4,065,324
Office equipment in stock	250,622	-
Others	328,964	340,668
	5,030,658	4,733,082

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

22. DUE TO BANKS

	31/12/2023 LAK'000	31/12/2022 LAK'000
Demand deposits	18,928,429	16,505,228
<i>Malayan Banking Berhad, Head Office</i>	18,928,429	16,505,228
	18,928,429	16,505,228

23. DUE TO CUSTOMERS

	31/12/2023 LAK'000	31/12/2022 LAK'000
Demand deposits	30,136,350	20,616,446
Demand deposits in LAK	5,649,007	3,867,550
Demand deposits in other currencies	24,487,343	16,748,896
Saving deposits	41,587,760	30,746,672
Saving deposits in LAK	1,594,859	3,544,890
Saving deposits in other currencies	39,992,901	27,201,782
Term deposits	21,109,057	25,873,413
Term deposits in LAK	372,234	406,900
Term deposits in other currencies	20,736,823	25,466,513
Other payables to customers	2,370,652	73,216,635
	95,203,819	150,453,166

The interest rates for these deposits are as follows:

	2023 Interest rate % p.a.	2022 Interest rate % 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 – 2.64	1.89
Saving deposits in USD	1.75 – 2.50	1.75
Saving deposits in THB	0.55 - 1.30	1.75
Term deposits in LAK	3.16 - 6.71	3.16 - 6.77
Term deposits in foreign currencies	3.20 - 5.25	3.00 - 5.00

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

24. TAXATION

24.1 Taxes prepayment and taxes payable

	31/12/2023 LAK'000	31/12/2022 LAK'000
Profit tax prepayment	(4,065,324)	(4,065,324)
Profit tax payable	17,409,975	-
	13,344,651	(4,065,324)

24.2 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.

	2023 LAK'000	2022 LAK'000
Profit/(Loss) before tax under IFRS	98,224,964	361,597
IFRS adjustments	(3,330,511)	(1,547,103)
Loss before tax under LAS	94,894,453	(1,185,506)
Less: Non-taxable income	(705,487,443)	-
Add: Non-deductible expense	706,233,291	(637,792)
Loss carried forward	(8,590,427)	-
Taxable loss under LAS	87,049,874	(1,823,298)
PT expense at the statutory rate of 20%	17,409,975	-
Current PT expense		
PT recoverable at the beginning of the year	(4,065,324)	(4,065,324)
PT paid during the year	-	-
PT payable/(recoverable) at the end of the year	13,344,651	(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 special purpose 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 2023, the Branch has no aggregated accumulated tax losses (31 December 2022: LAK'000 12,020,408) available for offset against future taxable profits. Details are as follows:

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

24. CURRENT TAX LIABILITIES (continued)

24.2 Profit tax (continued)

Year	Can be utilized up to	Additional losses incurred for the year LAK'000	Utilized in the year LAK'000	Forfeited in the year but is not eligible for next year's use LAK'000	Amount unused for next year's use LAK'000	Eligible unused tax loss at the end of the year LAK'000
2020 (*)	2025	(4,667,869)	-	-	-	(4,667,869)
2021 (*)	2026	(5,529,241)	-	-	-	(5,529,241)
2022 (*)	2027	(1,823,293)	-	-	-	(1,823,293)
2023 (*)	2028	-	8,590,427	3,429,976	-	12,020,403
		(12,020,403)	8,590,427	3,429,976	-	-

(*) At the date of these special purpose financial statements, the tax assessment for the years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 has not been finalised by the Tax Authority.

Deferred tax asset/(liabilities)

	Statement of financial position		Income statement		Statement of comprehensive income	
	31/12/2023	31/12/2022	2023	2022	2023	2022
	LAK'000					
Deferred tax assets	-	557,727	(557,727)	(259,822)	-	-
Deferred tax liabilities	(204,845)	(96,469)	(108,375)	(49,599)	-	-
Net deferred tax credited to the income statement			(666,102)	(309,421)		
Net deferred tax credited to the statement of comprehensive income					-	-

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

	31/12/2023 LAK'000	31/12/2022 LAK'000
Deductible temporary differences	-	2,788,635
<i>In which:</i>		
<i>Difference in allowance for impairment losses between LAS and IFRS of Loan to customers</i>	-	2,788,635
Deferred tax assets 20%	-	557,727
Taxable temporary differences	(1,024,223)	(482,347)
<i>In which:</i>		
<i>Difference in amortized cost between LAS and IFRS of Due to customer</i>	(127,011)	(169,583)
<i>Difference in amortized cost between LAS and IFRS of loan to customer</i>	(628,743)	(312,764)
<i>Difference in allowance for impairment losses between LAS and IFRS of Loan to customers</i>	(268,469)	-
Deferred tax liabilities 20%	(204,845)	(96,469)

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

25. OTHER LIABILITIES

	31/12/2023 LAK'000	31/12/2022 LAK'000
Lease liabilities	10,512,423	10,351,745
Payables to external parties	1,638,697	1,294,977
Payables to employees	2,506,426	1,783,153
Others	231,904	126,454
	14,889,450	13,556,329

26. PAID-UP CAPITAL

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

	2023 LAK'000	2022 LAK'000
Opening balance	200,783,129	200,783,129
Closing balance	200,783,129	200,783,129

In accordance with Law on Commercial Banks No. 89/NA issued by the National Assembly on 17 July 2023 with the effective date on 15 September 2023, all foreign branches in Lao PDR are required to increase their charter capital to meet the minimum charter capital of LAK 600,000,000,000.

According to letter from BOL No. 1036/BSO dated 27 December 2023, BOL responded on its acknowledgement on the Branch's postponed plan to inject capital as in accordance with conditions stipulated in borrowing agreement dated 18 September 2023 between Maybank International Labuan Branch and Ministry of Finance of Lao PDR.

27. ADDITIONAL CASH FLOW INFORMATION

Cash and cash equivalents

	31/12/2023 LAK'000	31/12/2022 LAK'000
Cash on hand	6,309,546	3,899,811
Current accounts with the BOL	166,287,198	108,883,392
Current accounts with other banks	5,013,326	3,628,234
Term deposits due within three months	67,301,060	31,625,335
	244,911,130	148,036,772

28. CONTINGENT LIABILITIES AND COMMITMENTS

	31/12/2023 LAK'000	31/12/2022 LAK'000
Credit limits granted to customers	4,093,000	3,443,800
Lease commitments	-	-
	4,093,000	3,443,800

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 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 2023 and 31 December 2022 are as follows:

	<i>31/12/2023</i> <i>Receivables/</i> <i>(payables)</i> <i>LAK'000</i>	<i>31/12/2022</i> <i>Receivables/</i> <i>(payables)</i> <i>LAK'000</i>
Interbank with Maybank - Head Office		
Vostro account	(18,928,429)	(16,505,228)
Term deposits	67,110,684	31,625,335
Interbank with Maybank - New York Branch		
Nostro account	3,714,070	15,120,107

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

29. RELATED PARTY TRANSACTIONS (continued)

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

	2023 LAK'000	2022 LAK'000
Interest income for term deposit to Maybank HQ	(2,029,452)	(383,760)
	(2,029,452)	(383,760)

Transactions with key management personnel of the Branch

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

	2023 LAK'000	2022 LAK'000
Salaries	2,852,301	2,572,094
Bonus and other benefits	528,623	701,929
	3,380,924	3,274,023

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.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 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.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 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 2023 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 2023 and 31 December 2022 are as follows:

As at 31 December 2023

	Financial institutions	Construction	Trading companies	Services companies	Other	Total
Balances with Bank of the Lao PDR ("the BOL")	175,166,715	-	-	-	-	175,166,715
Due from banks	72,314,386	-	-	-	-	72,314,386
Held to maturity securities	37,409,860	-	-	-	-	37,409,860
Loans to customers	-	-	47,969,215	23,118,032	14,483,773	85,571,020
- Gross amount	-	-	48,182,073	23,220,616	14,548,043	85,950,732
- Allowance for impairment	-	-	(212,858)	(102,584)	(64,270)	(379,712)
Other assets	579,587	-	-	-	-	579,587
Total	285,470,548	-	47,969,215	23,118,032	14,483,773	371,041,568

Unit: LAK'000

As at 31 December 2022

	Financial institutions	Construction	Trading companies	Services companies	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

Unit: LAK'000

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 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 2023 and 31 December 2022 are as follows:

As at 31 December 2023

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	175,166,715	175,166,715	-	-	-	-
Due from banks	72,314,386	72,314,386	-	-	-	-
Held to maturity securities	37,409,860	37,409,860	-	-	-	-
Loans to customers	85,950,732	70,141,607	998,789	-	-	14,810,336
- Gross amount	85,950,732	70,141,607	998,789	-	-	14,810,336
Other assets	579,587	579,587	-	-	-	-
	371,421,280	355,612,155	998,789	-	-	14,810,336

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

31. CREDIT RISK (continued)

31.6 Credit quality by classes of financial assets (continued)

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	
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

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 2023 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.

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

32. LIQUIDITY RISK (continued)

32.1 Contractual maturity of total assets and liabilities

As at 31 December 2023

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	181,476,261	-	-	-	-	181,476,261
Due from banks	72,314,387	-	-	-	-	72,314,387
Held to maturity securities	-	-	37,409,860	-	-	37,409,860
Loans to customers (*)	8,126,668	3,004,241	26,909,391	23,802,507	24,107,925	85,950,732
Other assets	579,587	-	-	-	-	579,587
Total financial assets	262,496,903	3,004,241	64,319,251	23,802,507	24,107,925	377,730,827
Financial liabilities						
Due to banks	18,928,429	-	-	-	-	18,928,429
Due to customers	74,094,762	6,013,745	8,148,087	6,661,463	285,761	95,203,818
Lease liabilities	-	-	-	-	10,512,422	10,512,422
Other liabilities	4,377,027	-	-	-	-	4,377,027
Total financial liabilities	97,400,218	6,013,745	8,148,087	6,661,463	10,798,183	129,021,696
Net liquidity gap	165,096,685	(3,009,504)	56,171,164	17,141,044	13,309,742	248,709,131

(*) 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 2023 and for the year then ended

32. LIQUIDITY RISK (continued)

32.1 Contractual maturity of total assets and liabilities (continued)

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

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 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 2023

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	181,476,261	-	-	-	-	181,476,261
Due from banks	72,314,387	-	-	-	-	72,314,387
Held to maturity securities	-	-	37,409,860	-	-	37,409,860
Loans to customers (*)	7,972,402	3,032,391	28,350,335	27,486,284	23,588,769	90,430,181
Other assets	579,587	-	-	-	-	579,587
Total financial assets	262,342,637	3,032,391	65,760,195	27,486,284	23,588,769	382,210,276
Financial liabilities						
Due to banks	18,928,429	-	-	-	-	18,928,429
Due to customers	95,203,818	-	-	-	-	95,203,818
Lease liabilities	-	-	-	-	10,512,422	10,512,422
Other liabilities	4,377,027	-	-	-	-	4,377,027
Total financial liabilities	118,509,274	-	-	-	10,512,422	129,021,696
Liquidity exposure	143,833,363	3,032,391	65,760,195	27,486,284	13,076,347	253,188,580

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

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 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 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

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 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 2023. 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 2023 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 2023

	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	181,476,261	-	-	-	-	-	-	-	181,476,261
Due from banks	72,314,385	-	-	-	-	-	-	-	72,314,385
Held to maturity securities	-	-	-	-	37,409,860	-	-	-	37,409,860
Loans to customers (*)	-	8,126,668	3,004,241	1,477,303	25,432,087	23,802,507	24,107,926	-	85,950,732
Other assets	250,622	-	-	-	-	-	-	-	250,622
Total financial assets	254,041,268	8,126,668	3,004,241	1,477,303	62,841,947	23,802,507	24,107,926	-	377,401,860
Financial liabilities									
Due to banks	18,928,429	-	-	-	-	-	-	-	18,928,429
Due to customers	74,094,762	6,013,745	3,170,172	4,977,915	6,661,463	285,761	-	-	95,203,818
Lease liabilities	10,512,422	-	-	-	-	-	-	-	10,512,422
Other liabilities	4,377,027	-	-	-	-	-	-	-	4,377,027
Total financial liabilities	107,912,640	6,013,745	3,170,172	4,977,915	6,661,463	285,761	-	-	129,021,696
Net repricing gap	146,128,628	2,112,923	(165,931)	(3,500,612)	56,180,484	23,516,746	24,107,926	-	248,380,164

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

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

33. MARKET RISK (continued)

33.1 INTEREST RATE RISK (continued)

As at 31 December 2022

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	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	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	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	153,470,005

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

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 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 2023 and 31 December 2022 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	
	2023	2022
	<u>Sensitivity of profit before tax</u>	<u>Sensitivity of profit before tax</u>
+ 100 bps	137,438	148,594
-100 bps	(137,438)	(148,594)

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 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 2023 and 31 December 2022 is as follows:

As at 31 December 2023

	<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	150,637,135	12,913,828	17,925,299	181,476,262
Due from banks	-	71,015,131	1,299,256	72,314,387
Held to maturity securities	37,409,860	-	-	37,409,860
Loans and advances to customers (*)	37,586,276	48,364,456	-	85,950,732
Construction in progress and fixed assets in transit	413,570	-	-	413,570
Property and equipment	686,381	-	-	686,381
Intangible assets	32,030	-	-	32,030
Right-of-use Assets	5,401,925	-	-	5,401,925
Other assets	4,332,532	698,127	-	5,030,659
TOTAL ASSETS	236,499,709	132,991,542	19,224,555	388,715,806
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks	-	18,928,429	-	18,928,429
Due to customers	6,115,106	83,018,349	6,070,362	95,203,817
Current tax liabilities	17,409,975	-	-	17,409,975
Other liabilities	10,051,947	4,837,503	-	14,889,450
TOTAL LIABILITIES	33,577,028	106,784,281	6,070,362	146,431,671
NET EXPOSURE	202,922,681	26,207,261	13,154,193	242,284,135

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

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

33. MARKET RISK (continued)

33.2 Currency risk (continued)

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 2023 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

	2023		2022	
	<i>Impact on profit before tax</i>		<i>Impact on profit before tax</i>	
	<i>Exchange rate increase 10%</i>	<i>Exchange rate decrease 10%</i>	<i>Exchange rate increase 10%</i>	<i>Exchange rate decrease 10%</i>
USD	2,620,726	(2,620,726)	795,179	(795,179)
THB	1,315,419	(1,315,419)	1,774,432	(1,774,432)
Total	3,936,145	(3,936,145)	2,569,611	(2,569,611)

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 2023 and 31 December 2022. 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 special purpose 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 2023 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 special purpose financial statements:

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 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 special purpose financial statements:

As at 31 December 2023

Unit: LAK'000

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and balances with the BOL	181,476,261	181,476,261	-	-	181,476,261
Due from banks	72,314,386	5,013,326	-	67,301,060	72,314,387
- Demand deposit	5,013,326	5,013,326	-	-	5,013,326
- Term deposit	67,301,060	-	-	67,301,060	67,301,060
Held to maturity securities	37,409,860	-	-	37,409,860	37,409,860
Loans to customers	85,571,020	-	-	85,950,732	85,950,732
Other assets	250,622	-	-	250,622	250,622
Total financial assets	377,022,149	186,489,587	-	190,912,274	377,401,861
Financial liabilities					
Due to banks	18,928,429	18,928,429	-	-	18,928,429
- Demand deposit	18,928,429	18,928,429	-	-	18,928,429
- Term deposit	-	-	-	-	-
Due to customers	95,203,818	74,094,762	-	21,109,056	95,203,818
- Demand deposit	30,136,350	30,136,350	-	-	30,136,350
- Saving deposit	41,587,760	41,587,760	-	-	41,587,760
- Term deposit	21,109,056	-	-	21,109,056	21,109,056
- Other payables to customers	2,370,652	2,370,652	-	-	2,370,652
Lease liabilities	10,512,422	-	-	10,512,422	10,512,422
Other liabilities	4,377,027	-	-	4,377,027	4,377,027
Total financial liabilities	129,021,696	93,023,191	-	35,998,505	129,021,696

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 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 special purpose 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	124,579,753	-	25,867,005	150,446,758
- 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	141,084,981	-	39,423,334	180,508,315

Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 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 special purpose financial statements is as follows:

<i>Items</i>	<i>31/12/2023 under IFRS LAK'000</i>	<i>31/12/2022 under IFRS LAK'000</i>
Tier 1 capital	241,699,572	161,550,685
Tier 2 capital	-	-
Total capital	241,699,572	161,550,685
Capital for CAR calculation (A)	241,699,572	161,550,685
Risk weighted balance sheet items	111,598,462	159,810,778
Risk weighted off balance sheet items	2,046,500	1,721,900
Total risk weighted assets (B)	113,644,962	161,532,678
Capital Adequacy Ratio (A/B)	213%	100%

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

	<i>31 December 2023 LAK</i>	<i>31 December 2022 LAK</i>
USD	20,465	17,219
THB	635.00	497.00

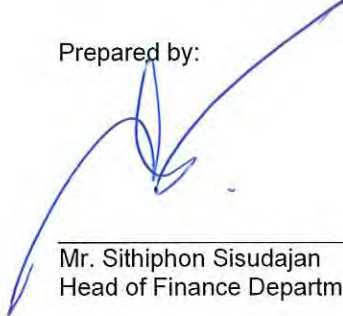
Maybank Lao Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There is no matter or circumstance that has arisen since 31 December 2023 that requires adjustment or disclosure to be made in the special purpose financial statements of the Branch.

Prepared by:



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Reviewed by:



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Vientiane, Lao PDR

3 May 2024