

**The Siam Commercial Bank Public
Company Limited, Vientiane Branch**

Financial Statements for the year ended
31 December 2023
And
Independent Auditor's Report

The Siam Commercial Bank Public Company Limited, Vientiane Branch

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The Siam Commercial Bank Public Company Limited, Vientiane Branch

Branch information

Bank	The Siam Commercial Bank Public Company Limited, Vientiane Branch
Banking licence no.	269/I, dated 26 November 1992
Branch manager	Ms. Weeranuch Tharmasakti
Registered office	117 Lanexang-Samsenthai Road Ban Sisaket, Muang Chanthabouri P.O. Box 4809 Vientiane Capital, Lao P.D.R
Auditors	KPMG Lao Co., Ltd 10 th Floor, Royal Square Office Building, Samsenthai Road, Nongduong Nua Village, Sikhotabong District, P.O.Box 6978, Vientiane, Lao PDR Tel: +856 (21) 454240-7

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Management of The Siam Commercial Bank Public Company Limited, Vientiane Branch (the "Branch") is responsible for the preparation of the financial statements and for ensuring that the financial statements present fairly in all material respects financial position of the Branch as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and of cash flows for the year then ended 31 December 2023 in accordance with the International Financial Reporting Standards ("IFRSs"). In preparing the financial statements. Management is required to:

- i) Adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) Comply with IFRS or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) Maintain adequate accounting records and an effective system of internal controls;
- iv) Take reasonable steps for safeguarding the assets of the Branch and for preventing and detecting fraud, error and other irregularities;
- v) Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Branch will continue operations in the foreseeable future; and
- vi) Effectively control and direct the Branch and be involved in all material decisions affecting the Branch's operations and performance and ascertain that such have been properly reflected in the financial statements.

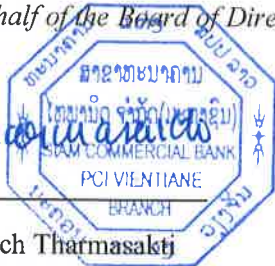
Management confirms that they have complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

I, Ms. Weeranuch Tharmasakti, on behalf of the Board of Management do hereby state that the financial statements set out on pages 5 to 44 present fairly, in all material respects, the financial position of the Branch as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and of cash flows for the year then ended and have been properly drawn up in accordance with IFRSs.

Signed on behalf of the Board of Director.

W. Tharmasakti



Ms. Weeranuch Tharmasakti
General Manager
Date: 29 March 2024



KPMG Lao Co.,Ltd.
10th Floor, Royal Square Office Building,
Samsenthai Road, Nongduong Nua Village,
Sikhotabong District, P.O.Box 6978,
Vientiane, Lao PDR
Tel +856 (21) 454240-7

ບໍລິສັດ ເຄມີເອັມຈີລາວ ຈຳກັດ
ຊັ້ນ 10, ອາຄານ ໂຣໂຢລສະແຄລ
ຖະໜົນ ສາມແສນໄທ, ບ້ານ ຫນອງດ້ວງເໜືອ,
ເມືອງ ສີໂຄດຕະບອງ, ຖ້ ປ.ນ. 6978,
ນະຄອນຫຼວງວຽງຈັນ, ສປປ ລາວ
ໂທ : +856 (21) 454240-7

INDEPENDENT AUDITORS' REPORT

**To: The Branch Manager of The Siam Commercial Bank Public Company Limited,
Vientiane Branch**

Opinion

We have audited the financial statements of Siam Commercial Bank Public Company Limited, Vientiane Branch (the "Branch"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence standard) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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




Jedsada Leelawatanasuk

Statutory Auditor

License No. SA0061/2024

Vientiane Capital Lao PDR

29 March 2024

The Siam Commercial Bank Public Company Limited Vientiane Branch
Statement of financial position
For the year ended 31 December 2023

	<i>Note</i>	2023	2022
		<i>(in thousand LAK)</i>	
Assets			
Cash	8	8,465,175	6,928,652
Interbank and money market items	9	535,726,739	336,755,109
Loans and advances to customers, net	10	42,531,052	34,510,565
Statutory deposits with Central Bank	11	95,200,641	61,912,924
Investment's securities	12	-	49,834,979
Property and equipment, net	13	1,205,382	1,064,749
Right of use asset	14	2,342,635	1,721,286
Deferred tax assets	15	177,294	3,246,437
Other assets	16	1,527,347	1,181,917
Total Assets		<u>687,176,265</u>	<u>497,156,618</u>
Liabilities and Head Office account			
<i>Liabilities</i>			
Deposits from banks	17	781,185	627,545
Deposit from customers	18	616,587,363	372,335,401
Employee benefit obligations		283,030	270,196
Tax liabilities		1,588,751	-
Other liabilities	19	8,670,687	4,722,853
Total Liabilities		<u>627,911,016</u>	<u>377,955,995</u>
<i>Head Office account</i>			
Branch capital	20	308,725,600	265,243,000
Balance of inter-office accounts with Head Office	29	(309,741,447)	(180,867,895)
Legal reserve	21	12,399,496	11,084,745
Retained Earnings		47,881,600	23,740,773
Total Head Office account		<u>59,265,249</u>	<u>119,200,623</u>
Total Liabilities and Head Office account		<u>687,176,265</u>	<u>497,156,618</u>

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

The Siam Commercial Bank Public Company Limited Vientiane Branch
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2023

	Note	2023 <i>(in thousand LAK)</i>	2022
Interest income	22	21,331,160	13,106,232
Interest expense	22	<u>(1,646,146)</u>	<u>(1,334,885)</u>
Net interest income		19,685,014	11,771,347
Fee and commission income	23	3,334,005	2,380,671
Fee and commission expense	23	<u>(371,579)</u>	<u>(331,177)</u>
Net fee and commission income		2,962,426	2,049,494
Gain on foreign exchange transactions		<u>6,573,836</u>	<u>10,030,609</u>
Net operating income		29,221,276	23,851,450
Reversal/(Charge) of Expected credit loss		<u>15,358,548</u>	<u>(4,433,064)</u>
Net operating income		44,579,824	19,418,386
Personnel expenses	24	(4,959,314)	(2,379,866)
General and administrative expenses	25	(7,454,553)	(2,084,057)
Depreciation and amortization expenses	26	<u>(305,214)</u>	<u>(228,330)</u>
Total operating expenses		(12,719,081)	(4,692,253)
Profit before tax		31,860,743	14,726,133
Income tax	27	(6,422,037)	(2,965,132)
Profit for the year		25,438,706	11,761,001
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit liability	27	21,090	(76,879)
Related tax	27	<u>(4,218)</u>	<u>15,376</u>
Other comprehensive income /(loss) , net of tax		16,872	(61,503)
Total comprehensive income for the year		25,455,578	11,699,498

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

The Siam Commercial Bank Public Company Limited Vientiane Branch
Statement of change in equity of Head Office
For the year ended 31 December 2023

	<i>Note</i>	Branch capital	Balance of inter-office accounts with Head Office and other branches of the same juristic person, net	Legal reserves <i>(in thousand LAK)</i>	Retained earnings	Total
Year ended 31 December 2023						
Balance as at 1 January 2023		265,243,000	(180,867,895)	11,084,745	23,740,773	119,200,623
Profit for the year		-	-	-	25,438,706	25,438,706
Other comprehensive loss		-	-	-	16,872	16,872
Total comprehensive income for the year		-	-	-	25,455,578	25,455,578
Balance of inter-office accounts with Head Office and other branches of the same juristic person, net		43,482,600	(128,873,552)	-	-	(85,390,952)
Transfer to Statutory reserve	21	-	-	1,314,751	(1,314,751)	-
Balance as at 31 December 2023		308,725,600	(309,741,447)	12,399,496	47,881,600	59,265,249

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

The Siam Commercial Bank Public Company Limited Vientiane Branch
Statement of change in equity of Head Office
For the year ended 31 December 2023

	<i>Note</i>	Branch capital	Balance of inter-office accounts with Head Office and other branches of the same juristic person, net	Legal reserves <i>(in thousand LAK)</i>	Retained earnings	Total
Year ended 31 December 2022						
Balance as at 1 January 2022		223,653,400	(122,483,707)	9,550,922	13,575,098	124,295,713
Loss for the year		-	-	-	11,761,001	11,761,001
Other comprehensive income		-	-	-	(61,503)	(61,503)
Total comprehensive income for the year		-	-	-	11,699,498	11,699,498
Balance of inter-office accounts with Head Office and other branches of the same juristic person, net		-	(58,384,188)	-	-	(58,384,188)
Increase in Branch capital	20	41,589,600	-	-	-	41,589,600
Transfer to Statutory reserve	21	-	-	1,533,823	(1,533,823)	-
Balance as at 31 December 2022		265,243,000	(180,867,895)	11,084,745	23,740,773	119,200,623

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

The Siam Commercial Bank Public Company Limited Vientiane Branch
Statement of Cash flow
For the year ended 31 December 2023

	<i>Note</i>	2023	2022
		<i>(in thousand LAK)</i>	
<i>Cash flows from operating activities</i>			
Profit before tax		31,860,743	14,726,133
<i>Adjustments for:</i>			
Depreciation expense		305,214	228,330
(Reversal)/ Expected credit loss on financial assets		(15,358,548)	4,433,064
Employee benefit obligations		33,924	26,201
Interest income		(21,331,160)	(13,106,232)
Interest expense		1,646,146	1,334,885
Interest received		21,244,608	11,136,353
Interest paid		(1,568,307)	(1,208,311)
Income tax paid		(1,768,362)	(5,019,383)
Income from operations before changes in operating assets and liabilities		15,064,258	12,551,040
<i>(Increase) decrease in operating assets</i>			
Interbank and money market items		(7,873,013)	2,447,830
Loan and advances to customers		(70,564,000)	(63,275,000)
Statutory deposits with Central Bank		(33,287,717)	(8,244,352)
Other assets		(345,429)	(1,034,332)
<i>Increase (decrease) in operating liabilities</i>			
Deposits from banks		153,641	195,704
Deposits from customers		244,174,123	72,697,969
Other liabilities		3,829,555	2,419,993
Net cash generated from operating activities		151,151,418	17,758,852
<i>Cash flows from investing activities</i>			
Purchases of investment in securities		-	(63,000,000)
Disposal of investments in securities		63,000,000	63,000,000
Purchases of property and equipment		(323,623)	(403,887)
Net cash generated/(used) in investing activities		62,676,377	(403,887)
<i>Cash flows from financing activities</i>			
Payment of lease liability		(743,573)	-
Increase in Branch capital		43,482,600	41,589,600
Net cash from financing activities		42,739,027	41,589,600
Net change in cash and cash equivalents		256,566,822	58,944,565
Cash and cash equivalents at 1 January		340,670,100	281,725,535
Cash and cash equivalents at 31 December	28	597,236,922	340,670,100

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

The Siam Commercial Bank Public Company Limited Vientiane Branch
Notes to the financial statements
For the year ended 31 December 2023

1 Reporting entity

The Vientiane Branch (the “Branch”) is a branch of The Siam Commercial Bank Public Company Limited (the “Bank”), which is incorporated in Thailand. The Branch operates in the Lao People's Democratic Republic (“Lao P.D.R”) under a banking license (License No. 269/I) granted by the Bank of Lao P.D.R (“BoL”) on 26 November 1992. The principal activity of the Branch is the provision of comprehensive banking and related financial services in Lao P.D.R.

According to BOL’s number 338/Tor.Aor.Tor dated 13 September 2012, the banks in Lao P.D.R are requested to prepare a separate set of financial statements in accordance with International Financial Reporting Standards.

The audit report on financial statements based on International Financial Report Standards (“IFRS”) was issued and dated on 29 March 2024.

As at 31 December 2023, the Branch had 10 employees (2022: 11).

2 Basis of preparation of the financial statements

(a) Statement of compliance

The Branch’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Branch’s financial statements were authorized for issue by the Branch Manager on 29 March 2024.

In preparing these financial statements, the significant judgments made by management in applying the Branch’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as of and for the year ended 31 December 2022.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items.

<i>Item</i>	<i>Measurement base</i>
Employee benefit obligations	Present value of the defined benefit obligations

(c) Functional and presentation currency

These accompanying financial statements are presented in Lao Kip “LAK”, which is the Branch’s functional currency. All financial information presented in LAK has been rounded in the financial statements and the accompanying notes to the nearest thousands, unless otherwise stated.

The Siam Commercial Bank Public Company Limited Vientiane Branch
Notes to the financial statements
For the year ended 31 December 2023

(d) Use of judgments and estimates

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

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

In preparing these financial statements, the significant judgments made by management in applying the Branch's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited financial statements as at and for the year ended 31 December 2022.

(e) Fiscal year

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

3 Significant accounting policies

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

(a) Foreign currency transactions

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

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

Foreign exchange differences arising from the translation are recognised in the profit or loss.

Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated into the functional currency at the exchange rate at the date of the transaction.

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

	31 December 2023	31 December 2022
	LAK	LAK
United States Dollar ("USD")	20,461	17,218
Thai Baht ("THB")	635	498
Euro ("EUR")	22,185	17,526

(b) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Branch initially recognises loans and advances, deposits on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

The Siam Commercial Bank Public Company Limited Vientiane Branch
Notes to the financial statements
For the year ended 31 December 2023

(ii) *Classification*

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or losses (“FVTPL”).

A financial asset is measured at amortised cost if it meets both of the following conditions and it is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Branch may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Branch considers the contractual terms of the instruments. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Branch considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Branch’s claim to cash flows from specified assets; and
- features that modify consideration of the time value of money

Reclassification

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

The Siam Commercial Bank Public Company Limited Vientiane Branch
Notes to the financial statements
For the year ended 31 December 2023

(iii) *Derecognition*

Financial assets

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

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

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

Financial liabilities

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

(iv) *Offsetting*

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

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

(v) *Amortised cost measurement*

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

(vi) *Fair value measurement*

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

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

The Siam Commercial Bank Public Company Limited Vientiane Branch
Notes to the financial statements
For the year ended 31 December 2023

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

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

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

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

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

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

(vii) Impairment

The Branch recognises loss allowances for expected credit losses (“ECL”) on the following financial instruments that are not measured at FVTPL:

- Interbank and money market items
- Statutory deposits with Central Bank
- Loans and advances to customers
- Investment securities
- Financial guarantee contracts issued
- Loan commitments issued.

As at 31 December 2023, the Branch measures loss allowances at an amount equal to 12-month ECL for all financial assets except for Investment securities where the credit risk has increased significantly since its initial recognition.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (“PD”);
- Loss given default (“LGD”);
- Exposure at default (“EAD”).

The Siam Commercial Bank Public Company Limited Vientiane Branch
Notes to the financial statements
For the year ended 31 December 2023

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed below under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. It could be estimated from the history of recovery rates of claims against defaulted counterparties. However, given the limitation of data, the external data has been utilized to estimate the LGD value with consideration of secured and unsecured loan portfolio.

EAD represents the expected exposure in the event of a default. The EAD is derived from the current exposure and the potential changes to the current amount allowed under the contract. Currently, the EAD parameters have been adopted from standardized approach, where the internal model is under development process.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Branch measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Branch considers a longer period. The maximum contractual period extends to the date at which the Branch has the right to require repayment of an advance or terminate a loan commitment or guarantee.

When modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- Instrument type;
- Credit risk gradings;
- Collateral type;
- Date of initial recognition
- Remaining term to maturity
- Industry; and
- Geographic location of the borrower

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogenous.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Branch considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Branch's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining probability of default ("PD") as at the reporting date; with
- The remaining PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

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The Branch uses three criteria for determining whether there has been a significant increase in credit risk:

- Quantitative test based on movement in PD;
- Qualitative indicators; and
- A backstop of 30 days past due

Generating the term structure of PD

Credit risk grades are primary input into the determination of the term structure of PD for exposures. The Branch uses information from external credit reference agencies.

Determining whether credit risk has increased significantly

The Branch assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition, if, based on the Branch's quantitative modelling the remaining lifetime PD is determined to have increased by 5% or more of the corresponding amount estimated on initial recognition.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Branch's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. Such qualitative factors are based on its expert judgment and relevant historical experiences.

As a backstop, the Branch considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowances on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Branch determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Branch monitors the effectiveness of criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due;
- There is no unwarranted volatility in loss allowances from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

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Definition of default

The Branch considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Branch in full, without recourse by the Branch to action such as realising security (if any is held) or;
- The borrower is more than 90 days past due on any material credit obligation to the Branch; or
- It is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Branch considers indicators that are:

- Qualitative: e.g. breaches of covenant;
- Quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Branch; and
- Based on the data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Branch for regulatory capital purposes.

Incorporation of forward-looking information

The Branch incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- loan commitments and financial guarantee contracts: generally, as a provision.

Write off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Branch determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Branch's procedures for recovery of amounts due.

(c) *Cash and cash equivalents*

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of 30 days or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Branch in the management of its short-term commitments.

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

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(d) *Interbank and money market items*

Interbank and money market items include deposits with other banks. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(e) *Loans and advances*

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Branch does not intend to sell immediately or in the near term.

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

(f) *Investment securities*

The “investment securities” caption in the statement of financial position includes debt investment securities measured at amortised cost. These are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Investment securities are bonds issued by the Ministry of Finance.

(g) *Property and equipment*

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Branch. Ongoing repairs and maintenance are expensed as incurred.

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Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of significant items of property and equipment are as follows:

Buildings	20 years
Leasehold improvement	10 and 20 years
Furniture, fittings and office equipment	5 and 10 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Leases

The information for lease for which the Branch is lessee is provided below:

The Branch leases its branch office building premises. The lease runs for a period of 50 years starting from 1993, with an option to renew the lease after that date. Payments are made after every ten years and rental is increased by pre-determined rates to reflect market rates.

At inception of a contract, the Branch assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Branch assesses whether:

- The contract involves the use of an identified asset;
- The Branch has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Branch has the right to direct the use of the asset. The Branch has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Branch allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. Right-of-use asset is measured at cost, less any accumulated depreciation and impairment loss, and adjusted for any remeasurements of lease liability. The cost of right-of-use asset includes the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Depreciation is charged to statement of comprehensive income on a straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the expected lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of leasehold and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Branch's incremental borrowing rate and subsequently at amortised cost using the incremental borrowing rate. The lease payments included fixed payments less any lease incentive receivable, and amount expected to be payable under a residual value guarantee. The lease payments also include amount under purchase, extension or termination option if the Bank is reasonably certain to exercise option.

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The lease liability is remeasured when there is a modification, change in lease term, change in lease payments, change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of purchase, extension or termination options. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

(i) Impairment of non-financial assets

At each reporting date, the Branch reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Deposits

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

(k) Employee benefit obligations

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

The Branch's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually using the projected unit credit method. When the calculation results in a potential asset for the Branch, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Branch determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Branch recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Branch has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(l) Provisions

A provision is recognised if, as a result of a past event, the Branch has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(m) Interest income and expense

Effective interest rate

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

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

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

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

(n) Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

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Other fees and commission income are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(o) Income tax

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

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions of amounts payable to the tax authorities.

In accordance with the Law on the Promotion and Management of Foreign investment in the Lao P.D.R No. 01/94 dated 14 March 1994, the tax rate applied for foreign invested entities is 20% on the taxable profit of the Branch reported under the Lao accounting rules ("LAR").

Deferred tax

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

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

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Tax exposures

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

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

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

(p) Related party

Parties are considered to be related to the Branch if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or where the Bank and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

4 Financial risk management

The Branch's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Branch's risk management are to identify all key risks for the Branch, measure these risks, manage the risk positions and determine capital allocations. The Branch regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Branch's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Branch's financial performance. The Branch defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The risks arising from financial instruments to which the Branch is exposed are financial risks, which includes credit risk, liquidity risk, market risk and operational risk.

(a) Credit risk

Credit risk is the risk of financial loss to the Branch if a customer or counterparty to a financial instrument fails to its contractual obligations to the Branch, as and when these obligations fall due.

The Branch's credit risk arises from direct lending, purchase of investments and trading activities.

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(i) Credit risk management

The Branch adopts procedures and guidelines laid down by the Head Office. This set of procedures and guidelines includes thorough knowledge of the borrower's purposes of credit, identification and assessment of repayment sources, and appropriate credit structure and credit rating are assigned based on the assessment of all relevant components including the borrower's financial condition and outlook, industry and economic conditions, market position, access to capital, and management strength.

All credit approvals are approved by designated approval officers and/or Head Office Credit Committee according to Head Office's credit approval grid.

Country limits, which consider external sovereign ratings, internal analysis of debt-servicing capacity and macroeconomic policy, as well as other qualitative judgments concerning a country's economic structure and political environment, are established and monitored at Head Office level.

Annual reviews are conducted for each loan to determine if there is any deterioration in credit quality. Credit reviews are performed by Head Office and reviewed by Branch for independent appraisal of the credit quality and to ensure that reporting standards are observed.

All credit ratings are reviewed at least annually. The evaluation criteria used for the reviews include financial status, management and business forecast.

The following table presents the Branch's maximum exposure to credit risk for statement of financial position and off-financial reporting financial instruments, before taking into account any collateral held or other credit enhancements.

For on-financial reporting assets, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Branch would have to pay if the guarantees are called upon.

For loan commitments and other credit-related commitments, the maximum exposure to credit risk is the full amount of the facilities granted to customers.

	2023	2022
	<i>(in thousand LAK)</i>	
Credit risk exposures relating to on-financial reporting assets:		
Interbank and money market items	535,726,739	336,755,109
Loans and advances to customers	42,872,453	34,986,222
Investment securities	-	65,177,548
	<u>578,599,192</u>	<u>436,918,879</u>
Credit risk exposures relating to off-financial reporting:		
Letter of credit outstanding	5,278,938	1,040,509
Letter of guarantee outstanding	11,574,195	9,023,836
Other contingencies- undrawn committed line	18,321,211	-
	<u>35,174,344</u>	<u>10,064,345</u>
Total credit risk exposure	<u>613,773,536</u>	<u>446,983,224</u>

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Credit quality

(ii) Credit quality analysis

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

Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3 (b) (vii).

	31 December 2023			Total
	12- month ECL	Life time ECL not credit - impaired	Life time ECL credit - impaired	
		<i>in thousand LAK</i>		
Interbank and money market items at amortised cost				
Low-fair risk	535,726,739	-	-	535,726,739
Allowance for expected credit loss	-	-	-	-
Net carrying amount	535,726,739	-	-	535,726,739
Loans and advances to customers at amortised cost				
Low-fair risk	42,872,453	-	-	42,872,453
Allowance for expected credit loss	(341,401)	-	-	(341,401)
Net carrying amount	42,531,052	-	-	42,531,052
Investment securities at amortised cost				
Low-fair risk	-	-	-	-
Allowance for expected credit loss	-	-	-	-
Net carrying amount	-	-	-	-
Letter of guarantee outstanding				
Low-fair risk	11,574,195	-	-	11,574,195
Allowance for expected credit loss	(87,086)	-	-	(87,086)
Net carrying amount	11,487,109	-	-	11,487,109
Letter of credit outstanding and Import Other contingencies- undrawn committed line				
Low-fair risk	23,600,149	-	-	23,600,149
Allowance for expected credit loss	(169,984)	-	-	(169,984)
Net carrying amount	23,430,165	-	-	23,430,165

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	12-month ECL	31 December 2022		Total
		Life time ECL not credit- impaired	Life time ECL credit - impaired	
<i>in thousand LAK</i>				
Interbank and money market items at amortised cost				
Low-fair risk	336,755,109	-	-	336,755,109
Allowance for expected credit loss	-	-	-	-
Net carrying amount	336,755,109	-	-	336,755,109
Loans and advances to customers at amortised cost				
Low-fair risk	34,986,222	-	-	34,986,222
Allowance for expected credit loss	(475,657)	-	-	(475,657)
Net carrying amount	34,510,565	-	-	34,510,565
Investment securities at amortised cost				
Low-fair risk	65,177,548	-	-	65,177,548
Allowance for expected credit loss	(15,342,569)	-	-	(15,342,569)
Net carrying amount	49,834,979	-	-	49,834,979
Letter of guarantee outstanding				
Low-fair risk	9,023,836	-	-	9,023,836
Allowance for expected credit loss	(33,009)	-	-	(33,009)
Net carrying amount	8,990,827	-	-	8,990,827
Letter of credit outstanding and Import / Other contingencies-undrawn committed line				
Low-fair risk	1,040,509	-	-	1,040,509
Allowance for expected credit loss	(15,077)	-	-	(15,077)
Net carrying amount	1,025,432	-	-	1,025,432

(iii) Collateral held and other credit enhancements

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

Type of credit exposure	Note	Percentage of exposure that is subject to collateral requirements		Principal type of collateral held
		31 December 2023	31 December 2022	
Loans and advances to corporate customers	10	100%	100%	Guarantee contracts & Land and building
Investment securities	12	-	-	None

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The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Branch generally requests that corporate borrowers provide it. The Branch may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Because of the Branch's focus on corporate customers' creditworthiness, the Branch does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely.

Assets obtained by taking possession of collateral

During the year, the Branch did not obtain any possession of collateral held as security against loans and advances.

The Branch's policy is to pursue timely realisation of the collateral in an orderly manner. The Branch does not generally use the non-cash collateral for its own operations. During the period, there was no change in the Branch's collateral policies.

(iv) Amounts arising from ECL

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

(v) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 4 (b) (vii).

	12-month ECL	2023		Total
		Lifetime ECL not credit- impaired	Lifetime ECL credit - impaired	
		<i>(in thousand LAK)</i>		
Loans and advances to customers at amortised cost				
Balance at 1 January	475,657	-	-	475,657
Changes from stage reclassification	-	-	-	-
Changes from remeasurement of expected credit loss	(114,530)			(114,530)
New loans disbursements	108,340	-	-	108,340
Derecognition	(128,066)	-	-	(128,066)
Balance at 31 December	341,401	-	-	341,401

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	2022			Total
	12-month ECL	Lifetime ECL not credit- impaired (in thousand LAK)	Lifetime ECL credit - impaired	
Loans and advances to customers at amortised cost				
Balance at 1 January	937,183	1,034,393	-	1,971,576
Changes from stage reclassification	1,034,393	(1,034,393)	-	-
Changes from remeasurement of expected credit loss	(1,514,001)	-	-	(1,514,001)
New loans disbursements	53,438	-	-	53,438
Derecognition	(35,356)	-	-	(35,356)
Balance at 31 December	475,657	-	-	475,657

	2023	2022
	12-month ECL (in thousand LAK)	Total
Investment securities at amortised cost		
Balance at 1 January	15,342,569	9,384,727
Investments matured during the year	(15,342,569)	(9,384,727)
New investments purchased	-	15,342,569
Balance at 31 December	-	15,342,569
Loan commitments and financial guarantee contracts		
Balance at 1 January	143,762	172,621
Loan commitments and financial guarantees derecognized during the year	(7,407)	(154,544)
New loan commitments and financial guarantees issued	125,685	125,685
Balance at 31 December	262,040	143,762

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(vii) Concentrations of credit risk

The Branch monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from financial assets measured at amortized cost is shown below.

	Interbank and money market items		Loans and advances to customers		Investment debt securities		Loan commitments and financial guarantees issued	
	2023	2022	2023	2022	2023	2022	2023	2022
Carrying amount	535,726,739	336,755,109	42,872,453	34,986,222	-	65,177,548	-	-
Amount committed/guaranteed	-	-	-	-	-	-	35,174,344	10,064,345
Concentration by sector								
Government	-	-	-	-	-	65,177,548	-	-
Financial institutions	535,726,739	336,755,109	-	-	-	-	-	-
Trading and services	-	-	42,872,453	34,986,222	-	-	-	-
Others	-	-	-	-	-	-	35,174,344	10,064,345
Concentration by location								
Lao PDR	535,726,739	336,755,109	42,872,453	34,986,222	-	65,177,548	35,174,344	10,064,345

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(b) Market risk

The Branch takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Branch reviews its portfolio on a regular basis using both quantitative and qualitative risk measurement guidelines.

(i) Foreign exchange risk

The Branch takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarises the Branch's exposure to foreign currency exchange rate risk at 31 December 2023 and 2022. Included in the table are the Branch's financial instruments at gross carrying amounts, categorised by currency.

	2023			Total
	LAK	(in thousand LAK)		
		USD	THB	
Financial assets				
Cash	895,052	5,212,521	2,357,602	8,465,175
Interbank and money market items	264,750,886	11,965,501	259,010,352	535,726,739
Loans and advances to customers	42,872,453	-	-	42,872,453
Statutory deposits with Central Bank	45,960,385	16,793,161	32,447,095	95,200,641
Total financial assets	354,478,776	33,971,183	293,815,049	682,265,008
Financial liabilities				
Deposits from banks	-	186,815	594,370	781,185
Deposits from customers	28,486,998	183,869,531	404,230,834	616,587,363
Total financial liabilities	28,486,998	184,056,346	404,825,204	617,368,548

	2022			Total
	LAK	(in thousand LAK)		
		USD	THB	
Financial assets				
Cash	495,070	3,036,911	3,396,671	6,928,652
Interbank and money market items	171,884,305	48,556,395	116,314,409	336,755,109
Loans and advances to customers	34,986,222	-	-	34,986,222
Statutory deposits with Central Bank	41,729,395	7,962,981	12,220,548	61,912,924
Investment securities	65,177,548	-	-	65,177,548
Total financial assets	314,272,540	59,556,287	131,931,628	505,760,455
Financial liabilities				
Deposits from banks	-	159,616	467,929	627,545
Deposits from customers	17,087,198	153,120,612	202,127,591	372,335,401
Total financial liabilities	17,087,198	153,280,228	202,595,520	372,962,946

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(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Branch takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.

As at 31 December 2023 and 2022, significant financial assets and liabilities can be repriced as follows:

	2023					Total
	At Call	1-3 months	3-12 months (in thousand LAK)	1-5 years	Non-interest bearing	
Financial assets						
Cash	-	-	-	-	8,465,175	8,465,175
Interbank and money market items (*)	868,906	250,000,000	-	-	278,161,395	529,030,301
Loans and advances to customers (*)	-	2,084,896	7,691,862	33,073,813	-	42,850,571
Statutory deposits with Central Bank	-	-	-	-	61,912,924	61,912,924
Total financial assets	868,906	252,084,896	7,691,862	33,073,813	348,539,494	642,258,971
Financial liabilities						
Deposits from banks	-	-	-	-	781,185	781,185
Deposits from customers	436,231,543	24,132,838	22,519,082	-	133,361,611	616,245,074
Total financial liabilities	436,231,543	24,132,838	22,519,082	-	134,142,796	617,026,259
Total interest repricing GAP	(435,362,637)	227,952,058	(14,827,220)	33,073,813	214,396,698	25,232,712

(*) excluding expected credit loss and accrued interest

	2022					Total
	At Call	1-3 months	3-12 months (in thousand LAK)	1-5 Years	Non-interest bearing	
Financial assets						
Cash	-	-	-	-	6,928,652	6,928,652
Interbank and money market items (*)	715,161	179,436,000	-	-	152,158,392	332,309,553
Loans and advances to customers (*)	-	3,042,521	9,699,530	22,235,506	-	34,977,557
Statutory deposits with Central Bank	-	-	-	-	61,912,924	61,912,924
Investment securities (*)	-	-	63,000,000	-	-	63,000,000
Total financial assets	715,161	182,478,521	72,699,530	22,235,506	220,999,968	499,128,686
Financial liabilities						
Deposits from banks	-	-	-	-	627,545	627,545
Deposits from customers	277,365,759	19,837,275	19,586,171	-	55,281,746	372,070,951
Total financial liabilities	277,365,759	19,837,275	19,586,171	-	55,909,291	372,698,496
Total interest repricing GAP	(276,650,598)	162,641,246	53,113,359	22,235,506	165,090,677	126,430,190

(*) excluding expected credit loss include accrued interest

Interest rate risk is the current and prospective impact to the financial condition due to adverse changes in interest rates to which the Branch statement of financial position is exposed. Maturity transformation activities of the Branch result in mismatched assets and liabilities positions which direct that the propensity, timing and quantum of interest movements have undesired outcomes over both the short term and long term. The Branch's objective is to manage interest rate risk to achieve stable and sustainable net interest income in the long term.

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As of 31 December 2023, for the banking book, 1% increase of interest rates for a period of one year will increase income by LAK 1,135,506 thousand and will decrease economic value by LAK 1,184,637 thousand.

As of 31 December 2022, for the banking book, 1% increase of interest rates for a period of one year will increase income by LAK 586,078 thousand and will decrease economic value by LAK 1,031,877 thousand.

(c) Liquidity risk

Liquidity risks arise from withdrawals of deposits by customers. Liquidity targets are maintained to ensure that funds are available to cover customer needs, pre-maturing of liabilities and other *funding* requirements.

The Branch pursues sound and prudent liquidity policies that include the broadening and diversification of the sources of deposits through interbank borrowing and tapping on Head Office resources. The Branch's lending is funded mainly by the Head Office. This is to ensure that liquidity is adequate at all times for efficient operations.

The primary tool used for monitoring liquidity is the maturity mismatch analysis, which is monitored by Head Office over successive time bands. Liquidity risk management focuses on a number of components, including tapping available sources of liquidity as well as preserving necessary funding capacity.

As at 31 December 2023 and 2022, financial assets and liabilities were classified according to their contractual maturity as follows:

	At Call	1-3 months	3-12 months	1-5 years (in thousand LAK)	Over 5 years	No Maturity	Total
Financial assets							
Cash	-	-	-	-	-	8,465,175	8,465,175
Interbank and money market items (*)	279,030,301	250,000,000	-	-	-	-	529,030,301
Loans and advances	-	2,084,896	7,691,862	33,073,813	-	-	42,850,571
Statutory deposits with	61,912,924	-	-	-	-	-	61,912,924
Total financial assets	340,943,225	252,084,896	7,691,862	33,073,813	-	8,465,175	642,258,971
Financial liabilities							
Deposits from banks	-	781,185	-	-	-	-	781,185
Deposits from customers	570,374,340	23,351,652	22,519,082	-	-	-	616,245,074
Total financial liabilities	570,374,340	24,132,837	22,519,082	-	-	-	617,026,259
Net liquidity GAP	(229,431,115)	227,952,059	(14,827,220)	33,073,813	-	8,465,175	25,232,712

(*) excluding expected credit loss include accrued interest

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	2022						Total
	At Call	1-3 months	3-12 months	1-5 Years (in thousand LAK)	Over 5 years	No Maturity	
Financial assets							
Cash	-	-	-	-	-	6,928,652	6,928,652
Interbank and money market items	152,873,553	179,436,000	-	-	-	-	332,309,553
Loans and advances to customers (*)	-	3,042,521	9,699,530	22,235,506	-	-	34,977,557
Statutory deposits with Central Bank	61,912,924	-	-	-	-	-	61,912,924
Investment securities	-	-	63,000,000	-	-	-	63,000,000
Total financial assets	214,786,477	182,478,521	72,699,530	22,235,506	-	6,928,652	499,128,686
Financial liabilities							
Deposits from banks	-	627,545	-	-	-	-	627,545
Deposits from customers	333,275,050	19,209,731	19,586,171	-	-	-	372,070,951
Total financial liabilities	333,275,050	19,837,276	19,586,171	-	-	-	372,698,496
Net liquidity GAP	(118,488,573)	162,641,245	53,113,359	22,235,506	-	6,928,652	126,430,190

(*) excluding expected credit loss and accrued interest

5 Fair value of financial assets and liabilities

The Branch has an established control framework with respect to the measurement of fair values.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Branch recognised transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the year ended 31 December 2023.

Financial assets and liabilities measured at fair value

The Branch does not have financial instruments carried at fair value as at 31 December 2023.

The carrying amounts of financial assets and financial liabilities approximate to their fair values.

The following methods and assumptions are used in estimating fair value of financial assets and liabilities:

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(i) Loans and advances to customers

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received.

(ii) Investment securities

The fair values of bonds issued by the Ministry of Finance are approximate to the carrying value because the interest rates do not fluctuate.

(iii) Deposits from banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(iv) Off-financial reporting financial instruments

The estimated fair values of the off-financial reporting financial instruments are based on markets prices for similar facilities.

(v) Balance of inter-office accounts with Head Office and other branches of the same juristic person, net.

Loans and advances to banks include inter-bank placements and items in the course of collection.

The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value.

6 Capital management

The Branch's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Branch operates;
- To safeguard the Branch's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

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7 Financial assets and financial liabilities

(a) Classification of financial assets and financial liabilities

See accounting policy in Note 3 (b) (ii).

(b) Classification of financial assets and financial liabilities

The following table shows the original measurement categories in accordance with IFRS 9 for the Branch's financial assets and financial liabilities:

<i>(in thousand LAK)</i>	<i>Note</i>	Classification under IFRS 9	Carrying value 2023	Carrying value 2022
Financial assets				
Cash	8	Amortised cost	8,465,175	6,928,652
Interbank and money market items	9	Amortised cost	535,726,739	336,755,109
Loans and advances to customers, net	10	Amortised cost	42,531,052	34,510,565
Statutory deposits with Central Bank	11	Fair value through profit and loss	95,200,641	61,912,924
Investment securities	12	Amortised cost	-	49,834,979
Total financial assets			681,923,607	489,942,229
Financial liabilities				
Deposits from banks	17	Amortised cost	781,185	627,545
Deposits from customers	18	Amortised cost	616,587,363	372,335,401
Total financial liabilities			617,368,548	372,962,946

8 Cash

	2023	2022
	<i>(in thousand LAK)</i>	
Lao Kip ("LAK")	895,052	495,070
Thai Baht ("THB")	2,357,602	3,396,671
United States Dollar ("USD")	5,212,521	3,036,911
Total	8,465,175	6,928,652

9 Interbank and money market items

	2023	2022
	<i>(in thousand LAK)</i>	
Amount due from other banks	535,726,739	336,755,109
Gross interbank and money market items	535,726,739	336,755,109
Less allowance for expected credit loss	-	-
Interbank and money market items, net	535,726,739	336,755,109

Amounts due from other banks are classified under Stage 1 as per IFRS 9. Allowance for expected credit loss are nil for 2023 and 2022.

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10 Loans and advances to customers

	2023	2022
	<i>(in thousand LAK)</i>	
Term loans	42,872,453	34,986,222
Gross loans and advances to customers	42,872,453	34,986,222
<i>Less</i> allowance for expected credit loss	<i>(341,401)</i>	<i>(475,657)</i>
Loans and advances to customers, net	42,531,052	34,510,565
Current	1,145,023	3,746,144
Non-current	41,727,430	31,240,078
	42,872,453	34,986,222

Reconciliation of allowance for expected credit loss on loans and advances is as follows:

	2023	2022
	<i>(in thousand LAK)</i>	
ECL allowance / Impairment allowance		
Balance at 1 January	475,657	1,971,576
Net change in allowance for expected credit loss	<i>(134,256)</i>	<i>(1,495,919)</i>
Balance at 31 December	341,401	475,657

11 Statutory deposits with Central Bank

	2023	2022
	<i>(in thousand LAK)</i>	
Type of statutory deposits		
Registered capital deposits	51,676,846	20,271,729
Compulsory deposits	43,523,795	41,641,195
	95,200,641	61,912,924

Statutory deposits with Central Bank is classified under fair value through profit and loss.

12 Investment securities

Investment securities are bonds issued by the Ministry of Finance of the Lao P.D.R with an interest rate of 5.5%, the movement of investment were as follows:

	Balance as at 1 January 2023	Investment securities bought	Investment Securities Sold	Balance as at 31 December 2023
	<i>(in thousand LAK)</i>			
Investment securities				
Amount invested	63,000,000	-	(63,000,000)	-
Interest receivable	2,177,548	-	(2,177,548)	-
Gross investment securities	65,177,548	-	(65,177,548)	-
<i>Less</i> allowance for expected credit loss	<i>(15,342,569)</i>	<i>-</i>	<i>15,342,569</i>	<i>-</i>
Investment securities, net	49,834,979	-	(49,834,979)	-

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	Balance as at 1 January 2022	Investment securities bought <i>(in thousand LAK)</i>	Investment Securities Sold	Balance as at 31 December 2022
Investment securities				
Amount invested	63,000,000	63,000,000	(63,000,000)	63,000,000
Interest receivable	2,071,233	2,177,548	(2,071,233)	2,177,548
Gross investment securities	65,071,233	65,177,548	(65,071,233)	65,177,548
Less allowance for expected credit loss	(9,384,727)	(15,342,569)	9,384,727	(15,342,569)
Investment securities, net	55,686,506	49,834,979	(55,686,506)	49,834,979

Investment securities are classified under Stage 2 as per IFRS 9 and the allowance for expected credit loss as at 31 December 2022 is LAK 15,342,569 thousand.

13 Property and equipment, net

The movements of property and equipment were as follows:

	Buildings	Leasehold improvement	Furniture, fittings and office equipment <i>(in thousand LAK)</i>	Vehicles	Total
Cost					
Balance at 1 January 2022	5,676,197	2,472,584	1,796,954	576,774	10,522,509
Additions	-	241,018	162,869	-	403,887
Balance at 31 December 2022 and 1 January 2023	5,676,197	2,713,602	1,959,823	576,774	10,926,396
Additions	-	-	323,623	-	323,623
Balance at 31 December 2023	5,676,197	2,713,602	2,283,446	576,774	11,250,019
Accumulated depreciation and impairment losses					
Balance at 1 January 2022	(5,676,196)	(1,899,179)	(1,568,239)	(575,057)	(9,718,671)
Depreciation for the year	-	(72,014)	(69,245)	(1,717)	(142,976)
Balance at 31 December 2022 and 1 January 2023	(5,676,196)	(1,971,193)	(1,637,484)	(576,774)	(9,861,647)
Depreciation for the year	-	(83,581)	(99,409)	-	(182,990)
Balance at 31 December 2023	(5,676,196)	(2,054,774)	(1,736,893)	(576,774)	(10,044,637)
Carrying amounts					
Balance at 1 January 2022	1	573,405	228,715	1,717	803,838
Balance at 31 December 2022 and 1 January 2023	1	742,409	322,339	-	1,064,749
Balance at 31 December 2023	1	658,828	546,553	-	1,205,382

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14 Right of use asset

The Branch leases its branch office building premises. The lease runs for a period of 50 years starting from 1993, with an option to renew the lease after that date. Payments are made after every ten years and rental is increased by pre-determined rates to reflect market rates.

The information for lease for which the Branch is lessee is presented below:

i. Right-of-use asset

Right-of-use assets relate to leased branch office premises that are presented below:

	2023	2022
	<i>(in thousand LAK)</i>	
Balance at 1 January	1,721,286	1,806,640
Addition	743,573	-
Depreciation charge for the year	<u>(122,224)</u>	<u>(85,354)</u>
Balance at 31 December	<u>2,342,635</u>	<u>1,721,286</u>

ii. Amount recognized in profit or loss

	2023	2022
	<i>(in thousand LAK)</i>	
Interest on lease liability	335,183	72,186
Depreciation expense	<u>122,224</u>	<u>85,354</u>
	<u>457,407</u>	<u>157,540</u>

15 Deferred tax assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 20%.

Deferred tax assets as at 31 December 2023 and 2022 were as follows:

	2023	2022
	<i>(in thousand LAK)</i>	
Deferred tax assets	<u>177,294</u>	<u>3,246,437</u>

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Movements in deferred tax assets during the years were as follows:

	Balance as at 1 January 2023	Recognised in profit or loss <i>(in thousand LAK)</i>	Recognised in other comprehensive Income	Balance as at 31 December 2023
Deferred tax assets				
Allowance for expected credit loss on financial assets	3,192,398	(3,071,710)	-	120,688
Employee benefit obligations	54,039	6,785	(4,218)	56,606
	<u>3,246,437</u>	<u>(3,064,925)</u>	<u>(4,218)</u>	<u>177,294</u>

16 Other assets

	2023 <i>(in thousand LAK)</i>	2022
Prepaid premises expense	902,173	803,930
Others	625,174	377,987
	<u>1,527,347</u>	<u>1,181,917</u>

17 Deposits from banks

	2023 <i>(in thousand LAK)</i>	2022
Deposits by banks	781,185	627,545
	<u>781,185</u>	<u>627,545</u>
Current	781,185	627,545
	<u>781,185</u>	<u>627,545</u>

Deposits from banks only include financial instruments classified as liabilities at amortised cost.

18 Deposits from customers

Deposits due to customers are primarily composed of savings accounts, current accounts and fixed accounts.

	2023 <i>(in thousand LAK)</i>	2022
- Current accounts	133,361,611	55,281,746
- Saving accounts	436,231,543	277,365,759
- Fixed accounts	46,994,209	39,687,896
	<u>616,587,363</u>	<u>372,335,401</u>

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19 Other liabilities

	2023	2022
	<i>(in thousand LAK)</i>	
Demand liabilities	-	89,539
Payable to suppliers	4,337,259	592,888
Impairment allowance - off BS*	262,040	143,762
Lease liabilities	4,070,915	3,896,189
Others	473	475
	<u>8,670,687</u>	<u>4,722,853</u>

(*) Letter of credit and financial guarantees are classified under Stage 1 as per IFRS 9 and the expected credit loss as at 31 December 2023 is LAK 262,040 thousand (2022: LAK 143,762 thousand).

20 Branch capital

The Branch has registered branch capital of LAK 309 billion (2022: LAK 265 billion), in accordance with the BOL announcement: Agreement on Increasing in Minimum Registered Capital and Investment Capital of Commercial Bank No.141/PM dated 24 September 2009.

According to Article 12 of amended Law on Commercial Bank No. 56/NA dated 07 December 2018, a Branch of foreign commercial bank is required to raise its capital to minimum of LAK 300 billion within 5 years. The Branch must inject the additional capital not less than 20% each year commencing from September 2019.

During the year, the Branch complied with above requirement and raised its capital by LAK 43,483 billion. The capital contribution was made from USD current account of BOL to the registered capital account.

21 Legal reserve

In accordance with the Law on Enterprise (Revision) No.46/NA dated 26 December 2013, the Branch is required to provide compulsory legal reserve at the rate 10% of statutory profit after deducting retained loss. The Branch can stop reserving when the legal reserve has reached up to 50 percentage of registered capital. The legal reserve is subject to approval by Board of Management.

22 Net interest income

	2023	2022
	<i>(in thousand LAK)</i>	
Interest income		
Loans and advances to customers	1,860,439	1,739,192
Investment securities	1,287,452	3,256,315
Deposits with Head Office and other branches	4,952,012	836,673
Deposits with other banks	13,231,257	7,274,052
	<u>21,331,160</u>	<u>13,106,232</u>
Interest expense		
Deposits from customers	(1,646,146)	(1,334,885)
	<u>(1,646,146)</u>	<u>(1,334,885)</u>
Net interest income	<u>19,685,014</u>	<u>11,771,347</u>

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23 Net fee and commission income

	2023	2022
	<i>(in thousand LAK)</i>	
Fee and commission income		
Foreign remittances and facilities	1,541,238	984,681
Portfolio and other fees	<u>1,792,767</u>	<u>1,395,990</u>
	<u>3,334,005</u>	<u>2,380,671</u>
Fee and commission expense		
Other fees paid	<u>(371,579)</u>	<u>(331,177)</u>
	<u>(371,579)</u>	<u>(331,177)</u>
Net fee and commission income	<u>2,962,426</u>	<u>2,049,494</u>

24 Personnel expenses

	2023	2022
	<i>(in thousand LAK)</i>	
Wages and salaries	4,725,310	2,272,839
Employee benefits	33,924	26,201
Other benefits	<u>200,080</u>	<u>80,826</u>
	<u>4,959,314</u>	<u>2,379,866</u>

25 General and administrative expenses

	2023	2022
	<i>(in thousand LAK)</i>	
Insurance and security services	877,496	647,418
Professional fees	587,958	574,958
Telecommunication and postage	278,525	224,804
Facilities expenses	137,534	101,667
Travel and entertainment	52,179	4,560
Repair and maintenance	109,694	67,663
Interest expenses - lease liabilities	335,183	72,186
Others	<u>5,075,984</u>	<u>390,801</u>
	<u>7,454,553</u>	<u>2,084,057</u>

26 Depreciation and amortisation expenses

	2023	2022
	<i>(in thousand LAK)</i>	
Depreciation of property and equipment	182,990	142,976
Amortisation of right-of-use asset (Note 14)	<u>122,224</u>	<u>85,354</u>
	<u>305,214</u>	<u>228,330</u>

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27 Income tax expense

Amount recognised in profit or loss

	Note	2023 (in thousand LAK)	2022
Current tax expense for the reporting period		3,357,112	3,856,985
Deferred tax (income)/ expense	15	<u>3,064,925</u>	<u>(891,853)</u>
Total income tax (income)/ expense		<u>6,422,037</u>	<u>2,965,132</u>

Amount recognised in other comprehensive income

*For the year ended
31 December*

	Before tax	2023 Tax Expense	Net of tax (in thousand LAK)	Before Tax	2022 Tax expense	Net of Tax
Remeasurements of defined benefit liability	21,090	<u>(4,218)</u>	<u>16,872</u>	<u>(76,879)</u>	<u>15,376</u>	<u>(61,503)</u>
Total	<u>21,090</u>	<u>(4,218)</u>	<u>16,872</u>	<u>(76,879)</u>	<u>15,376</u>	<u>(61,503)</u>

Reconciliation of effective tax rate

	2023 (in thousand LAK)	2022
Profit before tax	<u>31,860,743</u>	<u>14,726,133</u>
Income tax expense at the domestic tax rate	6,372,149	2,945,227
Tax effect of income and expenses that are not subject to tax and different treatment	49,888	19,905
Income tax expense	<u>6,422,037</u>	<u>2,965,132</u>

The calculation of taxable income is subject to review and approval of the tax authorities.

28 Cash and cash equivalents

	2023 (in thousand LAK)	2022
Cash	8,465,175	6,928,652
Amounts due from Head Office and other branches	309,741,447	180,867,895
Amounts due from Bank of the Lao P.D.R	278,161,394	152,158,392
Amount due from other banks	868,906	715,161
Total	<u>597,236,922</u>	<u>340,670,100</u>

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Notes to the financial statements
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29 Related parties

In the normal course of banking business, the Branch carries out transactions with related parties, principally with its Head Office. The financial statements reflect the effects of these transactions on the basis determined by its Head Office and the branches of the same juristic person concerned.

Name of entities	Country of incorporation/ nationality	Nature of relationships
The Siam Commercial Bank Public Company Limited	Thailand	Head Office

The pricing policies for transactions with related parties are explained further below:

Transactions	Pricing policies
Interest income	Market rate

Significant transactions for the years ended 31 December 2023 and 2022 with the Branch were as follows:

	2023	2022
	<i>(in thousand LAK)</i>	
Interest income		
Head Office	4,952,012	836,673

Balances of inter-office accounts with Head Office and other branches of the same juristic person as at 31 December were as follows:

	2023	2022
	<i>(in thousand LAK)</i>	
Due from Head Office and other branches		
Deposits		
Head Office	309,533,768	180,743,696
Accrued interest receivables		
Head Office	207,679	124,199
Total	<u>309,741,447</u>	<u>180,867,895</u>

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30 Contingent liabilities and commitments

Loan commitment, guarantee and other financial facilities

At 31 December 2023, the Branch had the contractual amounts of the Branch's off-financial reporting financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:

	2023	2022
	<i>(in thousand LAK)</i>	
Letter of credit outstanding	5,278,938	1,040,509
Letter of guarantee outstanding	11,574,195	9,023,836
Other contingencies- undrawn committed line	18,321,211	-
Total	<u>35,174,344</u>	<u>10,064,345</u>

31 Events after the reporting period

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2023 that significantly impacted the financial position of the Branch as at 31 December 2023.

32 International Financial Reporting Standards (IFRS) not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024; however, the Branch has not applied the following new or amended standards in preparing these financial statements.

IFRS	Topic	Year effective
Amended Standards		
IAS 1	Non-current Liabilities with Covenants	2024
IAS 1	Classification of Liabilities as Current or Non-Current	2024
IFRS 16	Lease Liability in a Sale and Leaseback	2024
IAS7 & IFRS 7	Supplier Finance Arrangements	2024

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