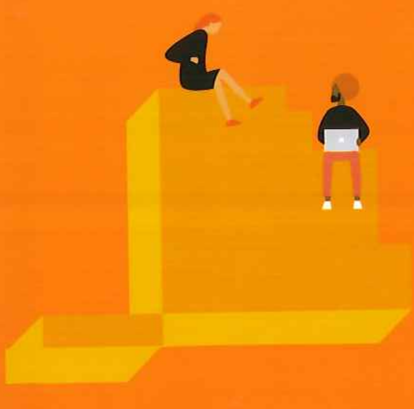
RHB BANK LAO SOLE CO., LTD

FINANCIAL STATEMENTS

(in accordance with International Financial Reporting Standards)

31 DECEMBER 2021



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RHB Bank Lao Sole Co., Ltd

Statement by the Board of Directors
31 December 2021

BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors of RHB Bank Lao Sole Co., Ltd (the Bank) are responsible for ensuring that the financial statements, present fairly, in all material respects, the financial position of the Bank as at 31 December 2021 and its financial performance, statement of changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS). In preparing these financial statements, the Board of Directors is required to:

i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;

ii) comply in accordance with accounting policies of IFRS and 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) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operations for the foreseeable future; and

v) effectively control and direct the Bank and be involved in all material decisions affecting the operations and performance of the Bank, and ascertain that such decisions have been properly reflected in the financial statements.

The Board of Directors confirms that the Bank has complied with the above requirements in preparing the financial statements as at and for the year ended 31 December 2021.

STATEMENT BY THE BOARD OF DIRECTORS ON THE FINANCIAL STATEMENTS

We do hereby state that the accompanying financial statements, present fairly, in all material respects, the financial position of the Bank as at 31 December 2021 and its financial performance, statements of changes in equity and its cash flows for the year then ended and are properly drawn up in accordance with IFRS.

For and on behalf of the Board of Directors

Choong Seang Heng
Chief Executive Officer

31 March 2022

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF RHB BANK LAO SOLE CO., LTD

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of RHB Bank Lao Sole Co., Ltd. (the Bank) as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. 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 believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of these financial statements in accordance with IFRS 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 Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

PricewaterhouseCoopers (Lao) Sole Company Limited. 4th Floor, Allianz Building, 33 Lane Xang Avenue, PO Box 7003, Vientiane Lao PDR, Telephone : + 856 21 222718-9, Facsimile: + 856 21 222723, www.pwc.com/la

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INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank'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 Bank 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 the directors 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 PricewaterhouseCoopers (Lao) Sole Company Limited

PricewaterhouseCoopers (Lao) Sole Company Limited

Apisit Thiengtrongpinyo
Partner

Vientiane, Lao P.D.R.
31 March 2022

RHB Bank Lao Sole Co., Ltd

Statement of Financial Position
As at 31 December 2021

	Note	2021 LAK	2020 LAK
ASSETS			
Cash and short-term fund with central bank	5	96.577.338.652	91.359.330.773
Placement with central bank	6	426.530.291.649	389.423.538.636
Deposits and placement with other banks	7	64.299.758.687	10.112.757.777
Loans and advances to customers	9	182.843.044.372	355.780.164.957
Intangible assets	10	6.333.794.951	695.961.108
Property and equipment	11	22.707.279.748	11.790.349.489
Right of use assets	12	7.251.167.662	8.368.365.032
Other assets	13	3.130.940.034	6.597.256.197
Deferred tax asset	14	27.239.853.146	-
TOTAL ASSETS		**836.913.468.901**	**874.127.723.969**
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from customers	15	65.074.400.116	47.518.528.675
Deposits from other banks	16	-	31.243.145.463
Amount due to parent company	17	456.888.766.628	415.613.060.489
Other liabilities	18	6.857.392.848	3.626.650.033
Lease liabilities	19	8.771.320.278	9.655.727.115
Deferred tax liability	14	-	2.346.007.789
TOTAL LIABILITIES		**537.591.879.870**	**510.003.119.564**
EQUITY			
Paid-up capital	20	420.600.037.500	380.900.025.000
Legal reserve	21	2.130.187.655	2.130.187.655
Deficits		(123.408.636.124)	(18.905.608.250)
TOTAL EQUITY		**299.321.589.031**	**364.124.604.405**
TOTAL EQUITY AND LIABILITIES		**836.913.468.901**	**874.127.723.969**

Choong Seang Heng
Chief Executive Officer

31 March 2022

The accompanying notes on pages 8 to 50 form an integral part of these financial statements.
Independent auditor's report – pages 2 to 3.

RHB Bank Lao Sole Co., Ltd

Statement of Comprehensive Income
For the year ended 31 December 2021

	Note	2021 LAK	2020 LAK
Interest income		52.483.119.696	54.968.988.369
Interest expense		(19.146.336.524)	(20.820.110.634)
NET INTEREST INCOME	22	**33.336.783.172**	**34.148.877.735**
Allowance for credit losses on loans	26	(146.119.374.711)	(30.744.180.931)
Allowance for credit losses on other financial assets	26	(101.572.476)	(622.422.645)
NET INTEREST INCOME AFTER ALLOWANCE FOR CREDIT LOSSES ON FINANCIAL ASSETS		**(112.884.164.015)**	**2.782.274.159**
Fee and commission income		762.281.596	895.460.394
Fee and commission expense		(262.824.250)	(240.753.272)
NET FEE AND COMMISSION INCOME		**499.457.346**	**654.707.122**
Other income		-	1.372.419
NET FEE, COMMISSION AND OTHER INCOME	**23**	**499.457.346**	**656.079.541**
Foreign exchange gain, net		1.468.588.018	1.400.174.004
Payroll and other staff costs	24	(12.143.166.883)	(12.425.128.201)
General and administrative expenses	25	(6.876.785.516)	(5.428.655.695)
Depreciation and amortisation charges	10,11,12	(4.152.817.759)	(3.751.385.894)
TOTAL EXPENSES		**(21.704.182.140)**	**(20.204.995.786)**
LOSS BEFORE TAX		**(134.088.888.809)**	**(16.766.642.086)**
Income tax expense	27	29.585.860.935	(2.444.771.928)
NET LOSS FOR THE YEAR		**(104.503.027.874)**	**(19.211.414.014)**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(104.503.027.874)**	**(19.211.414.014)**

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RHB Bank Lao Sole

Choong Seang Heng
Chief Executive Officer

31 March 2022

The accompanying notes on pages 8 to 50 form an integral part of these financial statements.
Independent auditor's report – pages 2 to 3.

RHB Bank Lao Sole Co., Ltd

Statement of Changes in Equity
For the year ended 31 December 2021

	Note	Paid-up capital LAK	Legal reserve LAK	Deficits LAK	Total LAK
At 1 January 2020		301.500.000.000	1.714.014.602	721.978.817	303.935.993.419
Additional paid-up capital	20	79.400.025.000	-	-	79.400.025.000
Net loss for the year		-	-	(19.211.414.014)	(19.211.414.014)
Legal reserve		-	416.173.053	(416.173.053)	-
As at 31 December 2020		**380.900.025.000**	**2.130.187.655**	**(18.905.608.250)**	**364.124.604.405**
At 1 January 2021		380.900.025.000	2.130.187.655	(18.905.608.250)	364.124.604.405
Additional paid-up capital	20	39.700.012.500	-	-	39.700.012.500
Net loss for the year		-	-	(104.503.027.874)	(104.503.027.874)
As at 31 December 2021		**420.600.037.500**	**2.130.187.655**	**(123.408.636.124)**	**299.321.589.031**

Choong Seang Heng
Chief Executive Officer

31 March 2022

The accompanying notes on pages 8 to 50 form an integral part of these financial statements.
Independent auditor's report – pages 2 to 3.

RHB Bank Lao Sole Co., Ltd

Statement of Cash Flows
For the year ended 31 December 2021

	Note	2021 LAK	2020 LAK
OPERATING ACTIVITIES			
Loss before tax		(134.088.888.809)	(16.766.642.086)
Adjustments for:			
Depreciation of property and equipment	11	2.644.426.735	2.368.326.607
Amortisation of intangible assets	10	311.901.339	209.059.940
Depreciation of right of use assets	12	1.196.489.685	1.173.999.347
Gain on disposal of property and equipment	23	-	(1.372.419)
Allowance for credit losses on loans	26	148.039.352.709	32.216.308.498
Allowance for credit losses on other financial assets	26	101.572.476	622.422.645
Foreign exchange gain, net		(1.468.588.018)	(1.400.174.004)
Interest income	22	(52.483.119.696)	(54.968.988.369)
Interest expense	22	19.146.336.524	20.820.110.634
Cash flows used in operating profit before changes in operating assets and liabilities		**(16.600.517.055)**	**(15.726.949.207)**
Decrease/(increase) in statutory deposits with BOL		1.158.596.732	(1.823.960.914)
(Increase)/decrease in placement with central bank		(35.276.355.800)	63.390.267.691
Increase in placement with banks		(50.000.000.000)	-
Decrease in loans and advances to customers		23.484.384.238	27.864.342.542
Decrease/(increase) in other assets		3.357.142.363	(4.102.649.096)
Increase in deposits from customers		17.370.975.398	7.660.808.776
Decrease in deposits from other banks		(30.000.659.125)	(86.000.080.000)
Increase/(decrease) in deposits from parent company		34.365.889.935	(62.464.867.691)
Increase in other liabilities		3.310.035.130	1.507.759.985
Interest received		50.476.761.201	56.678.788.881
Interest paid		(18.955.975.271)	(23.487.407.515)
Income tax paid		-	(1.134.392.567)
Net cash used in operating activities		**(17.309.722.254)**	**(37.638.339.115)**
INVESTING ACTIVITIES			
Purchases of property and equipment		(13.561.356.994)	(1.224.321.961)
Proceed from disposal of property and equipment		-	1.372.419
Purchases of intangible assets		(5.949.735.182)	(250.107.000)
Net cash used in investing activities		**(19.511.092.176)**	**(1.473.056.542)**
FINANCING ACTIVITIES			
Payment of lease liabilities		(963.699.152)	(869.224.344)
Capital injection		39.700.012.500	79.400.025.000
Net cash generated from financing activities		**38.736.313.348**	**78.530.800.656**
Net increase in cash and cash equivalents		1.915.498.918	39.419.404.999
Cash and cash equivalents, beginning	8	95.588.472.945	52.667.181.827
Effect of foreign exchange difference		8.543.836.312	3.501.886.119
Cash and cash equivalents, ending	**8**	**106.047.808.175**	**95.588.472.945**

Choong Seang Heng
Chief Executive Officer

31 March 2022

The accompanying notes on pages 8 to 50 form an integral part of these financial statements.
Independent auditor's report – pages 2 to 3.

1. GENERAL INFORMATION

RHB Bank Lao Sole Co., Ltd (the Bank) is a commercial bank incorporated and registered in Lao People's Democratic Republic (Lao P.D.R.).

The Bank is a limited company by 100% foreign investment under the laws of Lao P.D.R. The Bank operates its banking business under the Law on Commercial Bank No. 56/NA, dated 7 December 2018 and under the regulations of Bank of Lao P.D.R (BOL). The Bank had received its revised Banking License No.04/BOL dated 24 March 2021 (Replace Banking License No.10/BOL dated 30 April 2014) and Enterprise Registration Certificate No.0628/ERA dated 19 April 2021 (Replace Enterprise Registration Certificate No.213/ERA dated 30 May 2014).

The principal activities of the Bank are to provide comprehensive banking and related financial services in Lao P.D.R.

The Bank is 100% fully owned by RHB Bank Berhad - Malaysia. In November 2021, RHB Bank Berhad - Malaysia additionally paid up a capital of LAK 39.700.012.500, therefore the registered capital of the Bank increased from LAK 380.900.025.000 to LAK 420.600.037.500 with 41.850.750 (2020: 37.900.500) shares at issue price of LAK 10.050 per share.

The registered office of the Bank is at Unit No.1, House No. 008, Kaysone Phomvihane Road, Phonxay Village, Lao P.D.R.

The Bank's Board of Directors has reviewed these financial statements and approved for their issuance on 31 March 2022.

According to BOL's number 35/Tor.Aor.Tor dated 21 January 2011, banks in Lao PDR are required to prepare a separate set of financial statements in accordance with International Financial Reporting Standards (IFRS). Apart from this set, the Bank has prepared the financial statements in accordance with the accounting policies of the Bank and the relevant accounting regulations and notifications of BOL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with IFRS as issued by International Accounting Standards Board (IASB) and with International Financial Reporting Interpretations Committee (IFRIC). Additional information by national regulations is included where appropriate.

The financial statements comprise of the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and the notes. The financial statements have been prepared under the historical cost convention.

(a) New standards and amendments that are effective for the first time for periods on or after 1 January 2021 are as follows:

- *Covid-19-related Rent Concessions Amendments to IFRS 16* - As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. This provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022. The revisions are effective on 1 April 2021.

- *Interest Rate Benchmark Reform Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16* - In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The revisions are effective on 1 January 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Phase 2 amendments provide the following reliefs:

- When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.

- The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

(b) Standards and interpretations that had been issued but were not mandatory for annual reporting periods ending 31 December 2021:

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Bank. The following are applicable new standards, amendments and interpretations to the Bank:

- *Classification of Liabilities as Current or Non-current Amendments to IAS 1* - The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

- *Property, Plant and Equipment: Proceeds before intended use Amendments to IAS 16* - The amendment to IAS 16 Property, Plant and Equipment (PPE) prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. This amendment will be effective on 1 January 2022.

- *Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37* - The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

- *Annual Improvements to IFRS Standards 2018–2020* – includes improvements on IFRS 9 Financial Instruments and IFRS 16 Leases which were finalised in May 2020. IFRS 9 Financial Instruments clarifies which fees should be included in the 10% test for derecognition of financial liabilities. IFRS 16 leases amends the illustrative example 13 to remove the illustration of payments the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. The revisions are effective on 1 January 2022.

- *Disclosure of Accounting Policies Amendments to IAS 1 and IFRS Practice Statement 2* - The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. The revisions are effective on 1 January 2023.

- *Definition of Accounting Estimates Amendments to IAS 8* - The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The revisions are effective on 1 January 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2 Measurement and presentation currency

(a) *Functional and presentation currency*

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the functional currency). The Bank's financial statements are presented in Laotian KIP 'LAK' (the presentation currency), which is also the Bank's functional currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

2.3 Financial assets

The Bank's significant financial assets include cash and balances with central bank, deposits and placement with other banks and loans and advances.

At initial recognition, the Bank measures a financial asset at fair value plus transaction costs that are directly attributable to acquisition of the financial asset in the case of a financial asset not FVTPL. Transaction costs of financial assets carried at FVTPL are expensed in the income statement. Financial assets are recognised when the entity becomes a party to the contractual provisions of the instrument.

Classification

The Bank classify its financial assets measured at amortised cost.

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at fair value through profit or loss ('FVTPL'), are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 4.1.1 Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

<u>Business model and SPPI requirement for debt instruments</u>

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on the Bank's business model for managing the asset and the cash flow characteristics of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3 Financial assets

Classification

Business model

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss ('FVTPL').

Impairment

Expected credit loss model ('ECL')

The Bank assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instruments carried at amortised cost. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 4.1.1 provides more detail of how the expected credit loss allowance is measured.

De-recognition

The financial assets are de-recognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests the control to ensure that continuing involvement on the basis of any retained powers of control does not prevent de-recognition).

2.4 Financial liabilities

The Bank's significant financial liabilities include amount due to parent company, deposits from customers, deposits from other banks and lease liabilities.

Financial liabilities are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using effective interest rate. Financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

De-recognition

Financial liabilities are de-recognised when they have been redeemed or otherwise extinguished (i.e. when the obligation specified in the contract is discharged, cancelled, or expires).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Bank's statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.6 Recognition of income and expenses

2.6.1 Interest income and expenses

Interest income and expense for all interest-bearing financial instruments are recognised within 'Interest income' and 'Interest expense' in the Bank's statement of comprehensive income using the effective interest rate method.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets except for financial assets that are not purchased or originated credit-impaired financial assets but have been subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e., net of the expected credit loss provision).

2.6.2 Fee and commission income and expenses

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

2.7 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprise balances with one month or less maturity from the date of acquisition, which includes cash on hand, deposits held at call with other banks and other short-term highly liquid investments with original maturities of one month or less.

2.9 Statutory deposits

Under the requirement of the Law on Commercial Bank No. 56/NA, dated 07 December 2018, commercial banks are required to appropriate net profit to regulatory reserve fund, business expansion fund, and other funds.

In accordance with (Revised) Enterprise law No. 46/NA, dated 26 December 2013 Capital Adequacy, the regulatory reserve fund shall be provided annually at 10% from profit after tax. When this regulatory reserve fund accumulates half of registered capital, the company may suspend the deduction, unless otherwise provided by Law of Limited Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.10 Leases for lessee

Leases are recognised as a right of use asset and a corresponding liability at the date which the leased asset is available for use by the Bank. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

Lease payments to be made under reasonably certain extension options are also included in the measurement of liability.

The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be really determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security, and conditions.

Right of use assets are measured at cost comprising the amount of the initial measurement of lease liability. Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.11 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to statement of comprehensive income during the financial period in which they are incurred.

Depreciation is provided on the straight-line basis at prescribed rates over their estimated useful lives as shown below:

Category	Depreciation rate
Motor vehicles	20%
Office equipment	20%
Furniture and fixtures	20%
Building and improvements	5% - over the period of the lease
Computer equipment	20% - 25%

Leasehold improvements are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. There are no material adjustments arising from the review that would require disclosure in the financial statements.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Bank's statement of comprehensive income.

2.12 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The cost of an asset comprises its purchase price plus any directly attributable costs of bringing the asset into working condition for its intended use. Computer software licences are subsequently carried at cost less accumulated amortisation and impairment losses. These costs are amortised over the estimated useful lives of 3 to 10 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.13 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the county where the Bank operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.14 Employee benefits

(a) *Short term obligations*

Liabilities for wages and salaries are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(b) *Post-employment benefits*

Post-employment benefits are paid to retired employees of the Bank by the National Social Security Fund Office which belongs to the Ministry of Labour and Social Welfare. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 6% of employee's basic salary on a monthly basis or of celling LAK4,500,000 in case employee's basic salary higher than celling rate. The Bank has no further significant obligation concerning post-employment benefits for the employees other than this.

(c) *Termination benefits*

In accordance with Article 90 of the Amended Labour Law No. 43/NA, dated 24 December 2013, the Bank has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

- Compensation for the cancellation of employment contracts shall be 10% of the last salary or wage multiplied by the total number of months worked;
- For unjustified termination of employment contracts in accordance with the Article 88 of the Amended Labour law, compensation will be 15% of the last salary or wage multiplied by the total number of months worked; and
- Cancellation of employment contracts for reasons not specified in the Amended Labour Law, the Bank must implement compensation in accordance with the agreement between the Bank and the employee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.15 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood of an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal to the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standards. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 4.1.2 which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

In determining the ECL, management will evaluate a range of possible outcomes, taking into account past events, current conditions/trends and economic outlooks. Additional consideration through structured management overlays have been considered and reflected to ensure adequacy of ECL. The structured management overlays are subject to robust review and governance process.

As the current IFRS 9 models are not expected to generate levels of ECL to cater for the unprecedented and on-going COVID-19 pandemic due to lack of actual historical loss experiences, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 December 2021.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults. The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 4.1.2.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

(b) Taxes

Management exercises judgement in determining the provision for income taxes and whether deferred taxes should be recognised or temporary differences arising from credit loss allowances since the taxation system in the Lao PDR can be subject to interpretations by different relevant authorities. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Management has then concluded that deferred taxes on the credit loss allowances should not be recognised. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Management also exercises judgement with regards to deferred tax assets. Where the possibility exists that no future taxable income may flow against which these assets can be offset, the deferred tax assets are not recognised.

4. FINANCIAL RISK MANAGEMENT POLICIES

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

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk management is carried out by the Compliance and Risk Management Department under policies approved by the Board of Directors and Board Risk Committee. The Compliance and Risk Management Department identifies, evaluates and minimises financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The risks arising from financial instruments to which the Bank is exposed are financial risks, which include credit risk, liquidity risk, market risk (which are discussed below).

4.1 Credit risk

Credit risk is the potential loss of revenue and principal in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending and investing activities. The primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the statement of financial position. The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved i.e., that the loans portfolio is strong and healthy and credit risks are well diversified. The credit policy documents are the credit control and recovery manual, credit operations manual, and credit policy manual.

Credit risk is the single largest risk for the Bank's business, management therefore carefully manages its exposure to credit risk.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

4.1.1 Credit risk measurement

(a) *Loans and advances to customers*

The estimation of credit risk exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

<u>Credit risk grading</u>

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Bank uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application is fed into this rating model. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

4.1.2 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchases or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

4.1.2 Expected credit loss measurement

4.1.2.1 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per 'Definition of default and credit-impaired' above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss given default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual collective segment. These three components are multiplied together and adjusted for the likelihood of survival. This effectively calculated an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective rates or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

4.1.2.2 Sensitivity analysis

The Bank has performed ECL sensitivity assessment on loans and advances to customers based on the changes of the following key variables based on the following scenarios for 2021:

Macro-economic factors	Sensitivity Threshold	Increase/(decrease) in ECL LAK
Gross Domestic Saving year-on-year growth	+400bs	(1,454,102,903)
Export year-on-year growth	+300bs	(1,262,259,666)
Gross Domestic Saving year-on-year growth	-400bs	1,554,937,126
Export year-on-year growth	-300bs	1,338,119,546

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

4.1.2 Expected credit loss measurement

4.1.2.2 Sensitivity analysis

In 2020, the Bank has performed ECL sensitivity assessment on loans and advances to customers based on the changes of the following key variables based on the following scenarios for 2020:

- Unemployment +0.01%
- Unemployment - 0.01%
- Export +5%
- Export - 5%
- Inflation + 0.6%
- Inflation - 0.6%

The Bank's assessment shows based on the scenarios above will not materially impact the ECL.

4.1.3 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified, in particular, to related parties, to individual counterparties and groups, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry, sector and country are approved annually by the Board of Directors.

Some other specific control and mitigation measures are outlined below:

(a) *Collateral*

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for loans and advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. All loans and advances to customers are secured by collateral. Generally, the Bank shall accept all types of security and collateral which can be liquidated and enforced easily in the event of loan default.

The principal collateral types for loans and advances are mortgages over residential properties primarily land and building, and fixed deposits.

The carrying amount of collateral as at 31 December 2021 for loans and advances to customers is LAK 1.505.022.346.191 (2020: LAK 1.500.061.758.468)

(b) *Lending limits*

The Bank maintains strict control limits on loans to be disbursed to its customers by both amount and term depending on the type of loan. Lending limits are in accordance with the Regulation on limit of loan lending for Commercial Bank 330/BOL dated 2 July 2010.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

4.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to on-balance sheet assets are as follows:

	2021 LAK	2020 LAK
Cash and short-term funds with central bank	91.940.680.646	85.564.076.035
Placement with central bank	426.530.291.649	389.423.538.636
Deposits and placement with other banks	64.299.758.687	10.112.757.777
Loans and advances to customers	182.843.044.372	355.780.164.957
	765.613.775.354	**840.880.537.405**

The above table represents a worse-case scenario of credit risk exposure to the Bank at 31 December 2021 and 2020 without taking account of any collateral held or other credit enhancements attached.

Cash and short-term funds with central bank comprise of cash on hand and deposits with the BOL other than compulsory reserve deposits.

For on financial positions assets, the exposures set out in the table are based on net carrying amounts as reported in the statement of financial position. As shown above, 24% of the total maximum exposure is derived from loans and advances to customers (2020: 42%) and 56% from placement with central bank (2020: 46%). Management is confident in its ability to continue to control and sustain minimal exposure credit risk to the Bank resulting from both its loan and advances as 100% of the loans and advances are backed up by collateral.

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

	Loans and advances to customers			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 31 December 2021				
Gross carrying amount	255.604.307.273	58.585.405.608	8.180.427.149	322.370.140.030
Allowance for credit losses	(79.748.269.698)	(51.598.398.811)	(8.180.427.149)	(139.527.095.658)
Carrying amount (Note 9)	**175.856.037.575**	**6.987.006.797**	**-**	**182.843.044.372**
At 31 December 2020				
Gross carrying amount	302.732.790.070	37.715.679.379	31.493.485.900	371.941.955.349
Allowance for credit losses	(6.555.971.118)	(3.173.859.446)	(6.431.959.828)	(16.161.790.392)
Carrying amount (Note 9)	**296.176.818.952**	**34.541.819.933**	**25.061.526.072**	**355.780.164.957**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

4.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

	Demand deposit with central bank			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 31 December 2021				
Gross carrying amount	75.784.834.680	-	-	75.784.834.680
Allowance for credit losses	(53.268.069)	-	-	(53.268.069)
Carrying amount (Note 5.2)	**75.731.566.611**	**-**	**-**	**75.731.566.611**
At 31 December 2020				
Gross carrying amount	68.598.969.381	-	-	68.598.969.381
Allowance for credit losses	(35.912.586)	-	-	(35.912.586)
Carrying amount (Note 5.2)	**68.563.056.795**	**-**	**-**	**68.563.056.795**

	Placement with central bank			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 31 December 2021				
Gross carrying amount	427.124.527.787	-	-	427.124.527.787
Allowance for credit losses	(594.236.138)	-	-	(594.236.138)
Carrying amount (Note 6)	**426.530.291.649**	**-**	**-**	**426.530.291.649**
At 31 December 2020				
Gross carrying amount	390.002.840.639	-	-	390.002.840.639
Allowance for credit losses	(579.302.003)	-	-	(579.302.003)
Carrying amount (Note 6)	**389.423.538.636**	**-**	**-**	**389.423.538.636**

	Deposits and placement with other banks			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 31 December 2021				
Gross carrying amount	64.376.249.601	-	-	64.376.249.601
Allowance for credit losses	(76.490.914)	-	-	(76.490.914)
Carrying amount (Note 7)	**64.299.758.687**	**-**	**-**	**64.299.758.687**
At 31 December 2020				
Gross carrying amount	10.119.965.833	-	-	10.119.965.833
Allowance for credit losses	(7.208.056)	-	-	(7.208.056)
Carrying amount (Note 7)	**10.112.757.777**	**-**	**-**	**10.112.757.777**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

4.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

4.1.4.1 Loss allowance

The loss allowance recognised in the year is impacted by a variety of factors.

	Loans and advances to customers			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 1 January 2021	6.555.971.118	3.173.859.446	6.431.959.828	16.161.790.392
Net allowance made during the financial year	73.167.486.276	48.408.123.370	26.463.743.063	148.039.352.709
Bad debts written off	-	-	(26.482.403.852)	(26.482.403.852)
Other movement	-	-	394.972.771	394.972.771
Foreign exchange	24.812.304	16.415.995	1.372.155.339	1.413.383.638
At 31 December 2021 (Note 9)	**79.748.269.698**	**51.598.398.811**	**8.180.427.149**	**139.527.095.658**
At 1 January 2020	3.491.004.529	1.173.896.604	8.171.676.638	12.836.577.771
Net allowance made during the financial year	2.922.868.712	1.907.240.633	27.386.199.153	32.216.308.498
Bad debts written off	-	-	(27.971.071.273)	(27.971.071.273)
Foreign exchange	142.097.877	92.722.209	(1.154.844.690)	(920.024.604)
At 31 December 2020 (Note 9)	**6.555.971.118**	**3.173.859.446**	**6.431.959.828**	**16.161.790.392**

	Demand deposit with central bank			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 1 January 2021	35.912.586	-	-	35.912.586
Net allowance made during the financial year	17.355.483	-	-	17.355.483
Foreign exchange	-	-		-
At 31 December 2021 (Note 5.2)	**53.268.069**	**-**	**-**	**53.268.069**
At 1 January 2020	-	-	-	-
Net allowance made during the financial year	35.912.586	-	-	35.912.586
Foreign exchange	-	-	-	-
At 31 December 2020 (Note 5.2)	**35.912.586**	**-**	**-**	**35.912.586**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

4.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

4.1.4.1 Loss allowance

	Placement with central bank			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 1 January 2021	579.302.003	-	-	579.302.003
Net allowance made during the financial year	14.934.135	-	-	14.934.135
Foreign exchange	-	-	-	-
At 31 December 2021 (Note 6)	**594.236.138**	**-**	**-**	**594.236.138**
At 1 January 2020	-	-	-	-
Net allowance made during the financial year	579.302.003	-	-	579.302.003
Foreign exchange	-	-	-	-
At 31 December 2020 (Note 6)	**579.302.003**	**-**	**-**	**579.302.003**

	Deposit and placement with other banks			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 1 January 2021	7.208.056	-	-	7.208.056
Net allowance made during the financial year	69.282.858	-	-	69.282.858
Foreign exchange	-	-		-
At 31 December 2021 (Note 7)	**76.490.914**	**-**	**-**	**76.490.914**
At 1 January 2020	-	-	-	-
Net allowance made during the financial year	7.208.056	-	-	7.208.056
Foreign exchange	-	-	-	-
At 31 December 2020 (Note 7)	**7.208.056**	**-**	**-**	**7.208.056**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

4.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

4.1.4.2 Concentration of risks of financial assets with credit risk exposure

(a) *Geographical sectors*

The following table breaks down the Bank's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as at 31 December 2021 and 2020. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.

	Thailand	Vietnam	Lao PDR	Total
Cash and short-term funds with central bank	-	-	91.940.680.646	91.940.680.646
Placement with central bank	-	-	426.530.291.649	426.530.291.649
Deposits and placement with other banks	5.258.538.455	625.537.181	58.415.683.051	64.299.758.687
Loans and advances to customers	-	-	182.843.044.372	182.843.044.372
31 December 2021	**5.258.538.455**	**625.537.181**	**759.729.699.718**	**765.613.775.354**
Cash and short-term funds with central bank	-	-	85.564.076.035	85.564.076.035
Placement with central bank	-	-	389.423.538.636	389.423.538.636
Deposits with other banks	4.076.429.219	3.193.601.781	2.842.726.777	10.112.757.777
Loans and advances to customers	-	-	355.780.164.957	355.780.164.957
31 December 2020	**4.076.429.219**	**3.193.601.781**	**833.610.506.405**	**840.880.537.405**

Cash and short-term funds with central bank comprise of cash on hand and deposits with the BOL other than compulsory reserve deposits.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

4.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

4.1.4.2 Concentration of risks of financial assets with credit risk exposure

(b) *Industry sectors*

The following table breaks down the Bank's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by industry sectors as at 31 December 2021 and 2020. Credit risks relating to on-balance sheet items are as follows:

	Cash and short-term funds with central bank	Placement with central bank	Deposits and placement with other banks	Loans and advances to customers	Total
Financial	91.940.680.646	426.530.291.649	64.299.758.687	-	582.770.730.982
Manufacturing	-	-	-	18.521.447.864	18.521.447.864
Construction	-	-	-	6.893.647.574	6.893.647.574
Commercial	-	-	-	49.966.472.746	49.966.472.746
Transportation	-	-	-	1.111.341.363	1.111.341.363
Service	-	-	-	71.977.557.572	71.977.557.572
Others	-	-	-	34.372.577.253	34.372.577.253
31 December 2021	**91.940.680.646**	**426.530.291.649**	**64.299.758.687**	**182.843.044.372**	**765.613.775.354**
Financial	85.564.076.035	389.423.538.636	10.112.757.777	-	485.100.372.448
Manufacturing	-	-	-	24.219.325.513	24.219.325.513
Construction	-	-	-	25.820.884.618	25.820.884.618
Commercial	-	-	-	98.640.980.811	98.640.980.811
Transportation	-	-	-	13.787.058.588	13.787.058.588
Service	-	-	-	138.283.812.783	138.283.812.783
Others	-	-	-	55.028.102.644	55.028.102.644
31 December 2020	**85.564.076.035**	**389.423.538.636**	**10.112.757.777**	**355.780.164.957**	**840.880.537.405**

Cash and short-term funds with central bank comprise of cash on hand and deposits with the BOL other than compulsory reserve deposits.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

4.1.5 Write-off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

4.2 Market risk

The Bank 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 and currency, 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 and foreign exchange rates.

4.2.1 Foreign currency exchange risk

Foreign currency exchange risk refers to the risk of adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Bank maintains a policy of not exposing itself to large foreign exchange positions. Net opening position is being monitored on a daily basis to check how much of foreign currency position there is to reduce risk and comply with the Bank's and BOL's regulations. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and stop-loss limits. Included in the table below are the Bank's financial instruments at carrying amounts, categorised by LAK, United States Dollar (USD) and Thailand Baht (THB) as at 31 December 2021 and 2020.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.2 Market risk

4.2.1 Foreign currency exchange risk

	As at 31 December 2021			
	LAK	USD	THB	Total
Assets				
Cash and short-term funds with central bank	51.995.418.405	26.381.004.210	18.200.916.037	96.577.338.652
Placement with central bank	-	426.530.291.649	-	426.530.291.649
Deposits and placement with other banks	56.717.091.719	1.284.340.594	6.298.326.374	64.299.758.687
Loans and advances to customers	147.941.729.895	33.174.132.389	1.727.182.088	182.843.044.372
Total financial assets	**256.654.240.019**	**487.369.768.842**	**26.226.424.499**	**770.250.433.360**
Liabilities				
Deposits from customers	18.063.435.480	32.179.710.722	14.831.253.914	65.074.400.116
Amount due to parent company	-	456.888.766.628	-	456.888.766.628
Total financial liabilities	**18.063.435.480**	**489.068.477.350**	**14.831.253.914**	**521.963.166.744**
Net on-balance sheet financial position	**238.590.804.539**	**(1.698.708.508)**	**11.395.170.585**	**248.287.266.616**

Cash and short-term funds with central bank comprise of cash on hand and deposits with the BOL including compulsory reserve deposits.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.2 Market risk

4.2.1 Foreign currency exchange risk

	As at 31 December 2020			
	LAK	USD	THB	Total
Assets				
Cash and short-term funds with central bank	59.561.457.076	17.589.881.386	14.207.992.311	91.359.330.773
Placement with central bank	-	389.423.538.636	-	389.423.538.636
Deposits with other banks	2.180.668.058	3.483.648.649	4.448.441.070	10.112.757.777
Loans and advances to customers	302.545.750.740	44.729.480.975	8.504.933.242	355.780.164.957
Total financial assets	**364.287.875.874**	**455.226.549.646**	**27.161.366.623**	**846.675.792.143**
Liabilities				
Deposits from customers	12.774.146.600	29.752.025.319	4.992.356.756	47.518.528.675
Deposits from other banks	31.243.145.463	-	-	31.243.145.463
Amount due to parent company	-	415.613.060.489	-	415.613.060.489
Total financial liabilities	**44.017.292.063**	**445.365.085.808**	**4.992.356.756**	**494.374.734.627**
Net on-balance sheet financial position	**320.270.583.811**	**9.861.463.838**	**22.169.009.867**	**352.301.057.516**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.2 Market risk

4.2.2 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 Bank 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. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set. The Bank regularly monitors its interest rate risk to ensure that there are no undue exposures to significant interest rate movement. The table below summarises the Bank's non-trading book fair value exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts (non-derivatives), categorised by the earlier of contractual re-pricing.

	As at 31 December 2021						
	Up to 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and short-term funds with central bank	-	-	-	-	-	96.577.338.652	96.577.338.652
Placement with central bank	-	-	426.530.291.649	-	-	-	426.530.291.649
Deposits and placement with other banks	-	5.000.504.509	45.103.765.782	-	-	14.195.488.396	64.299.758.687
Loans and advances to customers	-	-	2.032.643.050	37.456.658.226	143.353.743.096	-	182.843.044.372
Total financial assets	**-**	**5.000.504.509**	**473.666.700.481**	**37.456.658.226**	**143.353.743.096**	**110.772.827.048**	**770.250.433.360**
Liabilities							
Deposits from customers	23.649.401.737	11.226.287.237	8.321.033.257	10.891.633.994	-	10.986.043.891	65.074.400.116
Amount due to parent company	-	-	423.282.957.690	-	-	33.605.808.938	456.888.766.628
Lease liabilities	27.410.376	55.077.992	2.636.407.588	3.726.234.148	2.326.190.174	-	8.771.320.278
Total financial liabilities	**23.676.812.113**	**11.281.365.229**	**434.240.398.535**	**14.617.868.142**	**2.326.190.174**	**44.591.852.829**	**530.734.487.022**
Total interest re-pricing gap	**(23.676.812.113)**	**(6.280.860.720)**	**39.426.301.946**	**22.838.790.084**	**141.027.552.922**	**66.180.974.219**	**239.515.946.338**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.2 Market risk

4.2.2 Interest rate risk

	As at 31 December 2020						
	Up to 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and short-term funds with central bank	-	-	-	-	-	91.359.330.773	91.359.330.773
Placement with central bank	-	-	-	389.423.538.636	-	-	389.423.538.636
Deposits with other banks	-	-	-	-	-	10.112.757.777	10.112.757.777
Loans and advances to customers	-	-	10.608.018.706	65.155.959.615	280.016.186.636	-	355.780.164.957
Total financial assets	**-**	**-**	**10.608.018.706**	**454.579.498.251**	**280.016.186.636**	**101.472.088.550**	**846.675.792.143**
Liabilities							
Deposits from customers	11.609.560.896	10.658.079.795	11.104.015.511	8.395.879.267	-	5.750.993.206	47.518.528.675
Deposits from other banks	-	-	31.242.486.338	-	-	659.125	31.243.145.463
Amount due to parent company	7.909.383.898	-	-	379.759.732.309	-	27.943.944.282	415.613.060.489
Lease liabilities	30.174.147	60.631.471	818.636.556	6.505.580.537	2.240.704.404	-	9.655.727.115
Total financial liabilities	**19.549.118.941**	**10.718.711.266**	**43.165.138.405**	**394.661.192.113**	**2.240.704.404**	**33.695.596.613**	**504.030.461.742**
Total interest re-pricing gap	**(19.549.118.941)**	**(10.718.711.266)**	**(32.557.119.699)**	**59.918.306.138**	**277.775.482.232**	**67.776.491.937**	**342.645.330.401**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.2 Market risk

4.2.3 Sensitivity analysis

(a) *Interest rate risk*

Sensitivity of loss before tax and equity to changes in interest rates by the following from 31 December 2021 and 2020 rates agreed on the loan agreements and deposits with customers with all other variables held constant are:

i. Gains/(losses) – net increase/decrease in interest rates for loans and advances to customers

	2021 LAK	2020 LAK
Increase 10%	9.856.297.470	10.285.293.278
Decrease 10%	(9.856.297.470)	(10.285.293.278)

ii. Gains/(losses) – net increase/decrease in interest rates for deposits

	2021 LAK	2020 LAK
Increase 10%	15.141.224.076	20.648.327.543
Decrease 10%	(15.141.224.076)	(20.648.327.543)

(b) *Foreign exchange risk*

Sensitivity of loss before tax and equity to changes in foreign exchange rates by the following from 31 December 2021 and 2020 rates in LAK, which is the functional currency, primarily against USD and THB by increasing and decreasing of 10% with all other variables held constant are:

	2021 LAK	2020 LAK
Increase 10%	969.646.208	2.998.816.023
Decrease 10%	(969.646.208)	(2.998.816.023)

4.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives.

Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.3 Liquidity risk

4.3.1 Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by the Operations Department includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in global money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring of the liquidity ratios of the statement of financial position against internal and regulatory requirements of BOL; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week, and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

4.3.2 Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Cash and short-term fund with central bank;
- Placement with central bank; and
- Deposits and placement with other banks

4. FINANCIAL RISK MANAGEMENT POLICIES

4.3 Liquidity risk

4.3.3 Non-derivative financial liabilities held for managing liquidity risk

The table below represents the cash flows payable by the financial liabilities held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows whereas the Bank manages the liquidity risk based on a different basis, not resulting in a significantly different analysis.

	Up to 1 month and repayable on demand	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Deposits from customers	38.637.711.238	9.855.926.476	9.379.995.091	9.463.168.456	-	67.336.801.261
Amount due to parent company	43.159.653.587	2.515.891.470	419.102.033.933	-	-	464.777.578.990
Other liabilities	260.254.555	441.428.745	6.155.709.548	-	-	6.857.392.848
Lease liabilities	45.554.863	91.537.247	4.259.529.539	6.140.139.656	4.040.794.809	14.577.556.114
As at 31 December 2021	**82.103.174.243**	**12.904.783.938**	**438.897.268.111**	**15.603.308.112**	**4.040.794.809**	**553.549.329.213**
Liabilities						
Deposits from customers	24.816.295.819	6.003.144.321	15.439.795.733	3.132.549.493	-	49.391.785.366
Deposits from other banks	5.250.659.125	26.250.000.000	-	-	-	31.500.659.125
Amount due to parent company	28.869.699.230	-	-	422.521.718.604	-	451.391.417.834
Other liabilities	46.527.426	2.207.079.149	1.373.043.458	-	-	3.626.650.033
Lease liabilities	50.587.593	101.649.939	1.458.236.207	10.685.257.527	3.892.298.587	16.188.029.853
As at 31 December 2020	**59.033.769.193**	**34.561.873.409**	**18.271.075.398**	**436.339.525.624**	**3.892.298.587**	**552.098.542.211**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.3 Liquidity risk

4.3.4 Off-balance sheet items

(a) *Credit facilities*

	2021 LAK	2020 LAK
Unutilised overdraft	11.575.563.293	8.475.434.281
Undisbursed loans	3.210.000.000	11.990.000.000
	14.785.563.293	**20.465.434.281**

Unutilised overdraft pertains to amount not yet withdrawn by the customers.

4.3.5 Fair value of financial assets and liabilities

Fair value hierarchy:

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible. The management applies judgement in categorising financial instruments using fair value hierarchy. Fair value disclosed is in level two valuation techniques.

The table below summarises the carrying amounts and fair values of those financial assets not presented on the Bank's statement of financial position at their fair value.

	Carrying value LAK	Fair value LAK
Financial assets		
Loans and advances to customers	182.843.044.372	189.986.008.874
As at 31 December 2021	**182.843.044.372**	**189.986.008.874**

	Carrying value LAK	Fair value LAK
Financial assets		
Loans and advances to customers	355.780.164.957	387.959.884.498
As at 31 December 2020	**355.780.164.957**	**387.959.884.498**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.3 Liquidity risk

4.3.5 Fair value of financial assets and liabilities

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

(i) Placement with central bank and deposits and placement with other banks

For placement with central bank and deposits and placement with other banks with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rate at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

(ii) Loans and advances to customers

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Deposits from customers and from other banks

The fair values of deposits from customers and from other banks with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of deposits from customers and from other banks with remaining maturities of more than one year are expected to approximate their carrying values due to the bank offered similar interest rate for similar maturities and terms.

The estimated fair value of deposits with no stated maturities, which includes non-interest-bearing deposits, deposits payable on demand is the amount payable at the reporting date.

(iv) Amount due to parent company

The fair values of amount due to parent company with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of amounts due to parent company with remaining maturities of more than one year are expected to approximate their carrying values due to the similar interest rate for similar maturities and terms.

Carrying value of other financial assets and liabilities approximate its fair value.

4.4 Capital management

The Bank'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 Bank operate;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for Head Office and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

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

4. FINANCIAL RISK MANAGEMENT POLICIES

4.4 Capital management

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

(i) Tier 1 capital, which includes chartered capital, regulatory reserve fund, business expansion fund and other funds and retained earnings; and

(ii) Tier 2 capital, which includes qualifying subordinated liabilities, general provisions and the element of fair value reserve relating to unrealised gains/losses on equity instruments classified as available for sale.

Various limits are applied to elements of the capital base: qualifying tier 2 cannot exceed tier 1 capital, and qualifying subordinated liabilities may not exceed 50 percent of tier 1 capital. An analysis of the Bank's capital based on financial information is as follows:

	2021 LAK	2020 LAK
Tier 1 capital	394.440.590.000	354.425.898.255
Tier 2 capital	15.382.960.000	1.680.054.358
Total capital	**409.823.550.000**	**356.105.952.613**
Less: deductions from capital	-	-
Capital for CAR calculation	**409.823.550.000**	**356.105.952.613**
Risk weighted statement of financial position items	235.117.090.000	225.535.950.000
Risk weighted off balance sheet items	-	-
Total risk weighted assets	**235.117.090.000**	**225.535.950.000**
Tier 1 Capital Adequacy Ratio	**168%**	**157%**
Tier 2 Capital Adequacy Ratio	**7%**	**1%**

5. CASH AND SHORT-TERM FUNDS WITH CENTRAL BANK

	2021 LAK	2020 LAK
Cash on hand (Note 5.1)	16.120.753.168	16.912.658.373
Demand deposit with central bank (Note 5.2)	75.731.566.611	68.563.056.795
Included in cash and cash equivalents (Note 8)	**91.852.319.779**	**85.475.715.168**
Mandatory reserve deposits with central bank (Note 5.3)	4.725.018.873	5.883.615.605
	96.577.338.652	**91.359.330.773**

5.1 CASH ON HAND

	2021 LAK	2020 LAK
Cash on hand – LAK	6.493.751.500	7.515.212.500
Cash on hand – foreign currency	9.627.001.668	9.397.445.873
	16.120.753.168	**16.912.658.373**

5. CASH AND SHORT-TERM FUNDS WITH CENTRAL BANK

5.2 DEMAND DEPOSIT WITH CENTRAL BANK

These are deposits made with BOL to cover any settlement which bear no interest.

	2021 LAK	2020 LAK
Demand deposit	75.784.834.680	68.598.969.381
Less: expected credit losses	(53.268.069)	(35.912.586)
	75.731.566.611	**68.563.056.795**

5.3 MANDATORY RESERVE DEPOSITS WITH CENTRAL BANK

	2021 LAK	2020 LAK
Compulsory reserve (i)	4.636.658.006	5.795.254.738
Special deposit (ii)	88.360.867	88.360.867
	4.725.018.873	**5.883.615.605**

(i) These are minimum deposits maintained in BOL as per BOL regulations, and such should not be withdrawn. The balance is adjusted and calculated at 3% (2020: 4%) of LAK and 5% (2020: 8%) of other foreign currencies, such as Thailand Bath (THB) and United State Dollars (USD), on the average balance of bank and customer deposits, such as savings accounts, current accounts and term deposits as of the year. These deposits do not earn interest.

(ii) The Bank maintains an additional statutory capital deposit with BOL. This deposit amount is considered as a guarantee for the operations and such should not be withdrawn. Per regulation No.01/BOL dated 28 January 2010, commercial banks and foreign branch which have permanent office, no longer needs to appropriate a reserve of 25% of the registered capital and the investment capital. This deposit does not earn interest.

6. PLACEMENT WITH CENTRAL BANK

	2021 LAK	2020 LAK
Long term fixed deposit with central bank	427.124.527.787	390.002.840.639
Less: expected credit losses	(594.236.138)	(579.302.003)
	426.530.291.649	**389.423.538.636**

Long term fixed deposits maintained with BOL earn interest rate of 5.50% (2020: 5.50%) per annum with a term of 3 years.

7. DEPOSITS AND PLACEMENT WITH OTHER BANKS

	2021 LAK	2020 LAK
Deposits with other banks (Note 7.1)	14.200.288.319	10.119.965.833
Placement with other banks (Note 7.2)	50.175.961.282	-
	64.376.249.601	**10.119.965.833**
Less: expected credit losses	(76.490.914)	(7.208.056)
	64.299.758.687	**10.112.757.777**

7. DEPOSITS AND PLACEMENT WITH OTHER BANKS

7.1 DEPOSITS WITH OTHER BANKS

	2021 LAK	2020 LAK
Deposit with other banks	14.200.288.319	10.119.965.833
Less: expected credit losses	(4.799.923)	(7.208.056)
Included in cash and cash equivalents (Note 8)	**14.195.488.396**	**10.112.757.777**

Analysis by institution

	2021 LAK	2020 LAK
Balances with domestic banks		
Banque Pour Le Commerce Exterieur Lao – Vientiane Branch	8.316.128.455	2.846.144.413
	8.316.128.455	**2.846.144.413**
Balances with overseas banks		
RHB Bank Berhad – Thailand	5.258.538.455	4.076.429.219
JP Morgan	625.621.409	3.197.392.201
	5.884.159.864	**7.273.821.420**
	14.200.288.319	**10.119.965.833**
Less: expected credit losses	(4.799.923)	(7.208.056)
Included in cash and cash equivalents (Note 8)	**14.195.488.396**	**10.112.757.777**

Deposits with other banks are current accounts and do not earn any interest.

7.2 PLACEMENT WITH OTHER BANKS

	2021 LAK	2020 LAK
Placement with other banks	50.175.961.282	-
Less: expected credit losses	(71.690.991)	-
	50.104.270.291	**-**

Analysis by institution

	2021 LAK	2020 LAK
Placement with domestic banks		
KasikornThai Bank Limited	45.168.287.671	-
VietinBank Lao Limited	5.007.673.611	-
	50.175.961.282	**-**
Less: expected credit losses	(71.690.991)	-
	50.104.270.291	**-**

Placement with domestic banks carry interest rates from 3.25% to 5.25% (2020: nil) per annum with terms ranging from 3 months to 12 months (2020: nil).

8. CASH AND CASH EQUIVALENTS

	2021 LAK	2020 LAK
Cash and balances with central bank (Note 5)	91.852.319.779	85.475.715.168
Deposits with other banks (Note 7.1)	14.195.488.396	10.112.757.777
	106.047.808.175	**95.588.472.945**

9. LOANS AND ADVANCES TO CUSTOMERS

	2021 LAK	2020 LAK
Loans and advances to customers	322.370.140.030	371.941.955.349
Less: allowance for credit losses (i)	(139.527.095.658)	(16.161.790.392)
	182.843.044.372	**355.780.164.957**

The Bank offers its customers interest rates ranging from 4.00% to 14.00% (2020: 4.00% to 15.00%) per annum with maturity ranging from 1 to 25 years (2020: 1 to 25 years) depending on each loan agreements.

(i) The movement in allowance for credit losses is as follows:

	2021 LAK	2020 LAK
As at 1 January	16.161.790.392	12.836.577.771
Allowance made during the year	148.039.352.709	32.216.308.498
Utilisation for bad debt written off	(26.482.403.852)	(27.971.071.273)
Other movement	394.972.771	-
Foreign exchange difference	1.413.383.638	(920.024.604)
As at 31 December	**139.527.095.658**	**16.161.790.392**

10. INTANGIBLE ASSETS

Movement of intangible assets for the year ended 31 December 2021 is as follows:

	Computer software LAK	In progress* LAK	Total LAK
Cost			
At 1 January 2021	8.032.065.119	-	8.032.065.119
Additions	1.021.182.608	4.928.552.574	5.949.735.182
At 31 December 2021	**9.053.247.727**	**4.928.552.574**	**13.981.800.301**
Accumulated amortisation			
At 1 January 2021	(7.336.104.011)	-	(7.336.104.011)
Charge for the year	(311.901.339)	-	(311.901.339)
At 31 December 2021	**(7.648.005.350)**	**-**	**(7.648.005.350)**
Net book value at 31 December 2021	**1.405.242.377**	**4.928.552.574**	**6.333.794.951**

* Intangible assets in progress during 2021 are related to Information Technology projects to enhance the system.

Movement of intangible assets for the year ended 31 December 2020 is as follows:

	Computer software LAK	In progress LAK	Total LAK
Cost			
At 1 January 2020	7.781.958.119	-	7.781.958.119
Additions	250.107.000	-	250.107.000
At 31 December 2020	**8.032.065.119**	-	**8.032.065.119**
Accumulated amortisation			
At 1 January 2020	(7.127.044.071)	-	(7.127.044.071)
Charge for the year	(209.059.940)	-	(209.059.940)
At 31 December 2020	**(7.336.104.011)**	-	**(7.336.104.011)**
Net book value at 31 December 2020	**695.961.108**	-	**695.961.108**

11. PROPERTY AND EQUIPMENT

Movement of property and equipment for the year ended 31 December 2021 is as follows:

	Building and improvements LAK	Office equipment LAK	Computer equipment LAK	Furniture and fixtures LAK	Motor vehicles LAK	Fixed assets in progress* LAK	Total LAK
Cost							
At 1 January 2021	13.519.772.373	661.743.887	11.319.650.103	1.307.521.705	2.040.651.792	-	28.849.339.860
Additions	-	38.249.282	1.143.393.283	8.250.000	-	12.371.464.429	13.561.356.994
At 31 December 2021	**13.519.772.373**	**699.993.169**	**12.463.043.386**	**1.315.771.705**	**2.040.651.792**	**12.371.464.429**	**42.410.696.854**
Accumulated depreciation							
At 1 January 2021	(4.725.293.084)	(532.144.140)	(9.003.277.290)	(1.005.138.471)	(1.793.137.386)	-	(17.058.990.371)
Charge for the year	(1.379.203.731)	(67.567.745)	(939.316.103)	(118.771.719)	(139.567.437)	-	(2.644.426.735)
At 31 December 2021	**(6.104.496.815)**	**(599.711.885)**	**(9.942.593.393)**	**(1.123.910.190)**	**(1.932.704.823)**	**-**	**(19.703.417.106)**
Net book value at 31 December 2021	**7.415.275.558**	**100.281.284**	**2.520.449.993**	**191.861.515**	**107.946.969**	**12.371.464.429**	**22.707.279.748**

*Fixed assets in progress during 2021 are related to Information Technology projects to replace those hardware nearing its end of useful lives in the coming year, upgrade security system and building renovation.

11. PROPERTY AND EQUIPMENT

Movement of property and equipment for the year ended 31 December 2020 is as follows:

	Building and improvements LAK	Office equipment LAK	Computer equipment LAK	Furniture and fixtures LAK	Motor vehicles LAK	Total LAK
Cost						
At 1 January 2020	13.426.454.248	661.743.887	10.462.674.048	1.165.186.987	2.040.651.792	27.756.710.962
Additions	93.318.125	-	987.495.755	143.508.081	-	1.224.321.961
Disposal	-	-	(130.519.700)	(1.173.363)	-	(131.693.063)
At 31 December 2020	**13.519.772.373**	**661.743.887**	**11.319.650.103**	**1.307.521.705**	**2.040.651.792**	**28.849.339.860**
Accumulated depreciation						
At 1 January 2020	(3.431.876.539)	(457.259.652)	(8.425.834.930)	(886.661.392)	(1.620.724.314)	(14.822.356.827)
Charge for the year	(1.293.416.545)	(74.884.488)	(707.962.060)	(119.650.442)	(172.413.072)	(2.368.326.607)
Disposal	-	-	130.519.700	1.173.363	-	131.693.063
At 31 December 2020	**(4.725.293.084)**	**(532.144.140)**	**(9.003.277.290)**	**(1.005.138.471)**	**(1.793.137.386)**	**(17.058.990.371)**
Net book value at 31 December 2020	**8.794.479.289**	**129.599.747**	**2.316.372.813**	**302.383.234**	**247.514.406**	**11.790.349.489**

12. RIGHT OF USE ASSETS

	2021 LAK	2020 LAK
Cost		
At 1 January	14.827.940.522	14.768.349.908
Adjustments	79.292.315	59.590.614
At 31 December	**14.907.232.837**	**14.827.940.522**
Accumulated depreciation		
At 1 January	(6.459.575.490)	(5.285.576.143)
Charge for the year	(1.196.489.685)	(1.173.999.347)
At 31 December	**(7.656.065.175)**	**(6.459.575.490)**
Net book value at 31 December	**7.251.167.662**	**8.368.365.032**

The right of use assets recognised pertains to the lease of head office in Phonxay and branch offices in Sithan Neau and Dongdok.

13. OTHER ASSETS

	2021 LAK	2020 LAK
Prepaid expenses (i)	2.245.377.002	3.335.318.379
Others (ii)	885.563.032	3.261.937.818
	3.130.940.034	**6.597.256.197**

(i) Prepaid expenses include advance payments for lease line, hardware and software maintenance, and insurance.

(ii) These include bank supplies such as cheque books, passbooks and signature verification slips.

14. DEFERRED TAX ASSET AND (LIABILITY)

Deferred income taxes are calculated in full of temporary differences, using the liability method and using a principal tax rate of 20%, which is the enacted tax rate at the balance sheet date (2020: 20%). The deferred taxation related to the temporary differences between the carrying amounts and the tax bases of assets, relating to loans and advances and leasehold improvements of the Bank are shown below:

	2021 LAK	2020 LAK
As at 1 January	(2.346.007.789)	98.764.139
Deferred income tax credited/(charged) to the statement of profit or loss (Note 27)	29.585.860.935	(2.444.771.928)
As at 31 December	**27.239.853.146**	**(2.346.007.789)**

No deferred tax asset has been recognised on tax losses as the Bank did not receive any certification from the Tax Authorities as of 31 December 2021. Tax losses incurred in any tax year can be carried forward to offset against profit realised in the following five tax years from the year loss was incurred subject to certification by the National Audit Authority or an independent audit company and with the acknowledgement of the tax authorities. Upon expiration of such period, any remaining loss may no longer be deducted from profits.

Deferred income tax assets are recognised to the extent that realisation of the related tax benefit through the future taxable profits are probable.

15. DEPOSITS FROM CUSTOMERS

The amounts due to customers are analysed as follows:

a) *Analysis by types of deposit account*

	2021 LAK	2020 LAK
Current deposits	11.628.423.065	5.755.555.428
Saving deposits	16.680.280.782	11.604.998.674
Term deposits	36.765.696.269	30.157.974.573
	65.074.400.116	**47.518.528.675**

b) *Analysis by interest rates*

	2021 LAK	2020 LAK
Current deposits	0%	0%
Saving deposits	1.6% to 2.0%	1.6% to 2.0%
Term deposits	2.25% to 6.75%	2.0% to 6.75%

16. DEPOSITS FROM OTHER BANKS

	2021 LAK	2020 LAK
Current deposits	-	659.125
Term deposits (i)	-	31.242.486.338
	-	**31.243.145.463**

(i) There are no deposits from other banks as at 31 December 2021. Term deposits as at 31 December 2020 carry an interest rate of 2.00% to 5.50% per annum.

17. AMOUNT DUE TO PARENT COMPANY

	2021 LAK	2020 LAK
Fixed deposits and accrued interest payable (i)	423.282.957.690	387.669.116.207
Intercompany payable (ii)	33.605.808.938	27.943.944.282
	456.888.766.628	**415.613.060.489**

(i) Fixed deposits, denominated in USD, carry interest rates from 1.00% to 3.75% (2020: 1.00% to 3.75%) per annum with terms ranging from 1 week to 3 years.

(ii) Intercompany payable includes purchases of property and equipment initially made by RHB Bank Berhad - Malaysia during the start-up phase of the Bank. The intercompany payable is repayable on demand.

18. OTHER LIABILITIES

	2021 LAK	2020 LAK
Accruals, provisions, and other liabilities (i)	6.857.392.848	3.626.650.033
	6.857.392.848	**3.626.650.033**

(i) Accruals, provisions, and other liabilities include banker's cheques, accruals for utilities, bonus, and other liabilities to suppliers.

19. LEASE LIABILITIES

	2021 LAK	2020 LAK
Lease liabilities from property	**8.771.320.278**	**9.655.727.115**
Scheduled repayments of lease liabilities:		
- Within one year	2.718.895.956	909.442.174
- Beyond one year	6.052.424.322	8.746.284.941
	8.771.320.278	**9.655.727.115**

20. PAID-UP CAPITAL

	RHB Bank Berhad (100% shareholding)	
	Number of shares	**Amount (LAK)**
At 1 January 2020	30.000.000	301.500.000.000
Issuance of shares during the year	7.900.500	79.400.025.000
At 31 December 2020	**37.900.500**	**380.900.025.000**
Issuance of shares during the year	3.950.250	39.700.012.500
At 31 December 2021	**41.850.750**	**420.600.037.500**

RHB Bank Berhad - Malaysia owns 100% of the Bank's shares represented by 41.850.750 (2020: 37.900.500) shares with issue price of LAK 10.050 (2020: LAK 10.050) per share. All issued shares were fully paid.

21. LEGAL RESERVE

The movement in legal reserve fund during the year is presented below:

	2021 LAK	2020 LAK
At 1 January	2.130.187.655	1.714.014.602
Additions during the year	-	416.173.053
At 31 December	**2.130.187.655**	**2.130.187.655**

A legal reserve shall be maintained in accordance with the Law on Enterprise No. 46/NA, dated 26 December 2013 where the Bank shall annually convert ten percent of its net profit into the reserve funds after deducting its accumulated losses. The Bank has set up its legal reserve based on its net profit derived under a separate set of financial statements prepared in accordance with the Bank's accounting policies and the BOL's relevant accounting regulations and notifications as required by BOL.

22. NET INTEREST INCOME

	2021 LAK	2020 LAK
Interest income		
Interest income from customers	27.428.798.972	32.771.074.267
Interest income from banks	25.054.320.724	22.197.914.102
	52.483.119.696	**54.968.988.369**
Interest expense		
Interest expense from customers	(1.564.255.544)	(1.322.078.965)
Interest expense from banks	(257.524.890)	(3.978.939.084)
Interest expense from parent company	(16.959.747.302)	(15.132.178.649)
Interest expense from lease liability	(364.808.788)	(386.913.936)
	(19.146.336.524)	**(20.820.110.634)**
Net interest income	**33.336.783.172**	**34.148.877.735**

23. NET FEE, COMMISSION AND OTHER INCOME

	2021 LAK	2020 LAK
Fee and commission income		
Credit related fees	340.292.709	539.647.813
Other fees	421.988.887	355.812.581
	762.281.596	**895.460.394**
Fee and commission expense		
Commission expenses	(68.701.882)	(58.408.199)
Wire transfer fees	(194.122.368)	(182.345.073)
	(262.824.250)	**(240.753.272)**
Net fee and commission income	**499.457.346**	**654.707.122**
Gain on disposal of property and equipment	-	1.372.419
Net fee, commission and other income	**499.457.346**	**656.079.541**

24. PAYROLL AND OTHER STAFF COSTS

	2021 LAK	2020 LAK
Salaries and wages	10.714.324.054	9.754.714.077
Bonus	801.469.080	1.882.755.913
Other staff costs	627.373.749	787.658.211
	12.143.166.883	**12.425.128.201**

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2021 LAK	2020 LAK
Repair and maintenance	2.929.076.973	2.165.094.026
Insurance	863.432.224	591.243.177
Professional fees	1.067.685.898	368.979.859
Communication expense	500.115.742	385.266.993
Rental	-	332.091.992
Utilities	239.481.925	219.071.106
Security fee	299.000.000	287.853.000
Office stationery expense	306.197.641	270.649.289
Meal and travelling	88.221.100	100.624.867
Marketing and public relations	138.193.512	173.107.997
Board of directors' fees and allowances	332.931.370	418.311.061
Other administrative expenses	112.449.131	116.362.328
	6.876.785.516	**5.428.655.695**

26. ALLOWANCE FOR CREDIT LOSSES ON FINANCIAL ASSETS

	2021 LAK	2020 LAK
CHARGE/(WRITE BACK)		
Loans and Advances		
- Net charge	148.039.352.709	32.216.308.498
- Bad debts recovered	(1.919.977.998)	(1.472.127.567)
- Bad debt written-off	-	-
	146.119.374.711	**30.744.180.931**
Other financial assets	**101.572.476**	**622.422.645**
NET CHARGE	**146.220.947.187**	**31.366.603.576**

27. INCOME TAX EXPENSE

	2021 LAK	2020 LAK
Current income tax	-	-
Deferred income tax (asset)/liability (Note 14)	(29.585.860.935)	2.444.771.928
Income tax expense	**(29.585.860.935)**	**2.444.771.928**

Presented below is the numerical reconciliation between current tax expense and income benefit:

	2021 LAK	2020 LAK
Loss before tax	(134.088.888.809)	(16.766.642.086)
Tax rate 20% (2020: 20%)	(26.817.777.762)	(3.353.328.417)
Tax effects on losses carry forward where no deferred tax assets is recognised	(1.835.535.427)	6.859.098.744
Tax effects of expenses not deductible for tax purposes	10.530.792.027	4.533.469.497
Tax effects of income not taxable for tax purposes	(11.463.339.773)	(5.594.467.896)
Income tax expense	**(29.585.860.935)**	**2.444.771.928**

Analysis of the income tax payable is as follows:

	2021 LAK	2020 LAK
At 1 January	-	1.134.392.567
Current income tax	-	-
Tax paid during the year	-	(1.134.392.567)
At 31 December	-	-

28. RELATED PARTY TRANSACTIONS

The Bank is 100% owned by RHB Bank Berhad – Malaysia, which is the Bank's ultimate controlling party.

A few numbers of banking transactions were entered into with related parties in the normal course of business, which were mostly deposits. There were no loans issued to related parties.

Deposits to key management personnel comprised savings and fixed deposits, all of which are unsecured. Savings deposits are repayable on demand and carry interest rates ranging from 1.60% to 2.00% (2020: 1.60% to 2.00%) per annum, depending on the currency. Fixed deposits carry interest rates ranging from 2.50% to 6.10% per annum (2020: 2.50% to 6.50%) depending on the term and currency. Fixed deposits to key management personnel have terms ranging from 1 to 36 months (2020: 1 to 36 months). Loans and advances carry interest rates of 4.00% (2020: 4.00%) per annum with terms ranging from 72 to 300 months (2020: 72 to 300 months).

28. RELATED PARTY TRANSACTIONS

The volume of related-party transactions, gross outstanding balances at the year-end, and related expense and income for the year are as follows:

	2021 LAK	2020 LAK
RHB Bank Berhad - Malaysia (Holding Bank)		
(a) Fixed deposits		
At 1 January	387.669.116.207	451.299.710.724
Deposits withdrawn and interest expense during the year	(42.933.769.593)	(80.010.389.679)
Foreign exchange loss	78.547.611.076	16.379.795.162
As at 31 December (Note 17)	**423.282.957.690**	**387.669.116.207**
Interest expense (Note 22)	16.959.747.302	15.132.178.649
(b) Intercompany payable		
At 1 January	27.943.944.282	26.763.256.772
Foreign exchange loss	5.661.864.656	1.180.687.510
As at 31 December (Note 17)	**33.605.808.938**	**27.943.944.282**
Monthly swift payment	194.122.368	182.345.073
RHB Bank Thailand		
(a) Term deposit		
At 1 January	4.076.429.219	670.052.101
Deposits placed during the year	778.841.329	3.378.119.590
Foreign exchange gain	403.267.907	28.257.528
At 31 December (Note 7)	**5.258.538.455**	**4.076.429.219**
Director and key management personnel		
(a) Deposits from customers		
At 1 January	**3.406.571.821**	2.032.953.532
Deposits and interest received during the year	52.657.252	1.284.577.834
Foreign exchange loss	439.246.838	89.040.455
As at 31 December	**3.898.475.911**	**3.406.571.821**
Interest expense	147.929.789	66.474.558
(b) Loans and advances to customers		
At 1 January	**14.857.779.477**	15.874.415.530
Loans disbursed during the year	1.145.780.912	366.138.725
Loans repaid during the year	(5.732.067.243)	(1.382.774.778)
As at 31 December	**10.271.493.146**	**14.857.779.477**
Interest income	491.383.998	578.079.515
Salaries and other short-term employee benefits	7.974.414.476	7.665.006.646

29. COMMITMENTS AND CONTINGENCIES

(a) *Capital commitment*

In order to meet the minimum capital requirement of LAK 500.000.000.000, as per revised Law on Commercial Bank No. 56/NA. dated 7 December 2018, RHB Bank Berhad - Malaysia needs to inject additional capital. BOL has already acknowledged the capital injection schedule of the remaining LAK 198.500.000.000 of which LAK 39.700.000.000 representing 20% (2020: LAK 79.400.000.000 representing 40%) has been injected in November 2021 and March 2020 respectively. The acknowledgement are supported by the memo BOL No. 667/CBSD and No. 83/CBSD, dated 29 November 2021 and 24 February 2020 respectively. As at 31 December 2021, the approved schedule of the remaining capital injection is as follows:

Schedule	Amount in LAK	Percentage	Period
31 December 2022	39.700.000.000	20%	4th
31 December 2023	39.700.000.000	20%	5th
	79.400.000.000		

(b) *Credit facilities*

The Bank had the contractual amounts of the Bank's off-financial position, financial instruments that commit it to extend credit to customers. Unutilised overdrafts are those credit limit provided to customers but have not yet been withdrawn as at 31 December 2021 and 2020.

	2021 LAK	2020 LAK
Unutilised overdraft	11.575.563.293	8.475.434.281
Undisbursed loans	3.210.000.000	11.990.000.000
	14.785.563.293	**20.465.434.281**

(c) *Taxation contingencies*

The taxation system in the Lao PDR is relatively new and is characterised 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 Lao PDR substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.