RHB BANK LAO SOLE CO., LTD

FINANCIAL STATEMENTS

(in accordance with International Financial Reporting Standards)

31 DECEMBER 2022

www.pwc.com/la

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RHB Bank Lao Sole Co., Ltd

Statement by the Board of Directors
31 December 2022

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 2022 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 2022.

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 2022 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

Date: 31 March 2023

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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 2022, 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 2022;
- 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.

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

By Sinsiri Thangsombat
Partner

Vientiane Capital, Lao P.D.R.
Date: 31 March 2023

RHB Bank Lao Sole Co., Ltd

Statement of Financial Position
As at 31 December 2022

	Note	2022 LAK	2021 LAK
ASSETS			
Cash and short-term funds with central bank	5	115.252.113.692	96.577.338.652
Placement with central bank	6	583.845.454.343	426.530.291.649
Deposits and placements with other banks	7	170.001.063.755	64.299.758.687
Loans and advances to customers	9	198.820.693.226	182.843.044.372
Intangible assets	10	6.433.776.918	6.333.794.951
Property and equipment	11	19.833.271.342	22.707.279.748
Right-of-use assets	12	5.918.976.167	7.251.167.662
Other assets	13	2.366.369.086	3.130.940.034
Deferred tax asset	14	17.085.451.402	27.239.853.146
TOTAL ASSETS		**1.119.557.169.931**	**836.913.468.901**
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from customers	15	77.491.663.853	65.074.400.116
Amount due to parent company	16	630.885.266.119	456.888.766.628
Other liabilities	17	8.344.529.114	6.857.392.848
Lease liabilities	18	13.043.824.889	8.771.320.278
TOTAL LIABILITIES		**729.765.283.975**	**537.591.879.870**
EQUITY			
Paid-up capital	19	460.300.050.000	420.600.037.500
Legal reserve	20	2.130.187.655	2.130.187.655
Deficits		(72.638.351.699)	(123.408.636.124)
TOTAL EQUITY		**389.791.885.956**	**299.321.589.031**
TOTAL EQUITY AND LIABILITIES		**1.119.557.169.931**	**836.913.468.901**

Choong Seang Heng
Chief Executive Officer

Date: 31 March 2023

The accompanying notes on pages 8 to 51 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 2022

	Note	2022 LAK	2021 LAK
Interest income		58.103.370.317	52.483.119.696
Interest expense		(23.555.088.198)	(19.146.336.524)
NET INTEREST INCOME	21	**34.548.282.119**	**33.336.783.172**
Allowance for credit losses on loans	25	57.945.695.936	(146.119.374.711)
Allowance for credit losses on other financial assets	25	(473.246.902)	(101.572.476)
NET INTEREST INCOME AFTER ALLOWANCE FOR CREDIT LOSSES ON FINANCIAL ASSETS		**92.020.731.153**	**(112.884.164.015)**
Fee and commission income		688.545.522	762.281.596
Fee and commission expense		(335.567.370)	(262.824.250)
NET FEE AND COMMISSION INCOME	22	**352.978.152**	**499.457.346**
Gain on disposal of property and equipment		24.535.640	-
Foreign exchange (loss)/gain, net		(187.730.954)	1.468.588.018
Payroll and other staff costs	23	(17.835.614.325)	(12.143.166.883)
General and administrative expenses	24	(8.027.413.634)	(6.876.785.516)
Depreciation and amortisation charges	10,11,12	(5.422.799.863)	(4.152.817.759)
TOTAL EXPENSES		**(31.449.023.136)**	**(21.704.182.140)**
PROFIT/(LOSS) BEFORE TAX		**60.924.686.169**	**(134.088.888.809)**
Income tax expense	26	(10.154.401.744)	29.585.860.935
NET PROFIT/(LOSS) FOR THE YEAR		**50.770.284.425**	**(104.503.027.874)**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**50.770.284.425**	**(104.503.027.874)**

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RHB Bank Lao Sole Co.,Ltd

Choong Seang Heng
Chief Executive Officer

Date: 31 March 2023

The accompanying notes on pages 8 to 51 form an integral part of these financial statements.
Independent auditor's report – pages 2 to 3.

Statement of Changes in Equity
For the year ended 31 December 2022

	Note	Paid-up capital LAK	Legal reserve LAK	Deficits LAK	Total LAK
At 1 January 2021		380.900.025.000	2.130.187.655	(18.905.608.250)	364.124.604.405
Additional paid-up capital	19	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**
At 1 January 2022		420.600.037.500	2.130.187.655	(123.408.636.124)	299.321.589.031
Additional paid-up capital	19	39.700.012.500	-	-	39.700.012.500
Net profit for the year		-	-	50.770.284.425	50.770.284.425
As at 31 December 2022		**460.300.050.000**	**2.130.187.655**	**(72.638.351.699)**	**389.791.885.956**

Choong Seang Heng
Chief Executive Officer
Date: 31 March 2023

The accompanying notes on pages 8 to 51 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 2022

	Note	2022 LAK	2021 LAK
OPERATING ACTIVITIES			
Profit/(loss) before tax		60.924.686.169	(134.088.888.809)
Adjustments for:			
Depreciation of property and equipment	11	3.366.617.312	2.644.426.735
Amortisation of intangible assets	10	723.991.056	311.901.339
Depreciation of right-of-use assets	12	1.332.191.495	1.196.489.685
Gain on disposal of property and equipment		(24.535.640)	-
Allowance for credit losses on loans	25	(46.943.814.828)	148.039.352.709
Allowance for credit losses on other financial assets	25	473.246.902	101.572.476
Foreign exchange loss/(gain), net		7.166.187.170	(1.468.588.018)
Interest income	21	(58.103.370.317)	(52.483.119.696)
Interest expense	21	23.555.088.198	19.146.336.524
Operating loss before changes in operating assets and liabilities		**(7.529.712.483)**	**(16.600.517.055)**
(Increase)/decrease in statutory deposits with BOL		(79.881.565)	1.158.596.732
Increase in placement with central bank		(157.334.102.734)	(35.276.355.800)
Increase in placements with banks		(101.522.000.000)	(50.000.000.000)
Decrease in loans and advances to customers		30.806.021.230	23.484.384.238
Decrease in other assets		707.276.101	3.357.142.363
Increase in deposits from customers		11.442.006.883	17.370.975.398
Decrease in deposits from other banks		-	(30.000.659.125)
Increase in amount due to parent company		157.334.102.734	34.365.889.935
Increase in other liabilities		1.487.136.266	3.310.035.130
Cash used in operations		**(64.689.153.568)**	**(48.830.508.184)**
Interest received		57.243.053.675	50.476.761.201
Interest paid		(22.202.467.169)	(18.955.975.271)
Net cash used in operating activities		**(29.648.567.062)**	**(17.309.722.254)**
INVESTING ACTIVITIES			
Purchases of property and equipment		(503.975.574)	(13.561.356.994)
Purchases of intangible assets		(823.973.023)	(5.949.735.182)
Proceeds from disposal of property and equipment		35.902.308	-
Net cash used in investing activities		**(1.292.046.289)**	**(19.511.092.176)**
FINANCING ACTIVITIES			
Payment of lease liabilities		(2.705.951.605)	(963.699.152)
Capital injection	19	39.700.012.500	39.700.012.500
Net cash generated from financing activities		**36.994.060.895**	**38.736.313.348**
Net increase in cash and cash equivalents		6.053.447.544	1.915.498.918
Cash and cash equivalents, beginning	8	106.047.808.175	95.588.472.945
Effect of foreign exchange difference		16.257.446.372	8.543.836.312
Cash and cash equivalents, ending	**8**	**128.358.702.091**	**106.047.808.175**

Choong Seang Heng
Chief Executive Officer

Date: 31 March 2023

The accompanying notes on pages 8 to 51 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 (replaced Banking License No. 10/BOL dated 30 April 2014) and Enterprise Registration Certificate No.0628/ERA dated 19 April 2021 (replaced 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. In July 2022, RHB Bank Berhad had injected additional paid up capital of LAK 39.700.012.500, increasing the registered capital of the Bank from LAK 420.600.037.500 to LAK 460.300.050.000. The number of shares issued is at 45.801.000 (2021: 41.850.750) 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 2023.

According to BOL's notice number 1066/AD, dated 24 November 2022, 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 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 2022 are as follows:

- *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.

- *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 by the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(a) New standards and amendments that are effective for the first time for periods on or after 1 January 2022 are as follows:

- *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.

(b) Standards and interpretations that had been issued but were not mandatory for annual reporting periods ended 31 December 2022:

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 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 waiver 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 (deferred from 1 January 2022).

- *Disclosure of Accounting Policies Amendments to IAS 1 and IFRS Practice Statement 2* - The IASB amended IAS 1 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.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction Amendments to IAS 12* - The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities. 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, loans and advances and other assets.

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 at fair value through profit or loss ('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 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 4.1.2. 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.

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.

Significant increase in credit risk ('SICR')

- The Bank considers the probability of default upon initial recognition of asset and whether there has been a SICR on an ongoing basis throughout each reporting period. To assess whether there is a SICR, the Bank compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

- Among the indicators incorporated in ascertaining SICR are:
    - internal credit rating;
    - external credit rating (as far as available);
    - actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
    - actual or expected significant changes in the operating results of the borrower;
    - significant increase in credit risk on other financial instruments of the same borrower;
    - significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
    - significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrower in the group and changes in the operating results of the borrower

  Macroeconomic information is incorporated as part of the internal rating model.

Note 4.1.2 provides more detail of how the expected credit loss allowance is measured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3 Financial assets

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, lease liabilities and other 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).

2.5 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Legal reserve

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.

2.10 Leases for lessee

Leases are recognised as a right-of-use asset ('ROU') 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 ROU in a similar economic environment with similar terms, security, and conditions.

ROU are measured at cost comprising the amount of the initial measurement of lease liability. ROU 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
Buildings and improvements	5% or over the period of the lease
Office equipment	20%
Computer equipment	20% - 25%
Furniture and fixtures	20%
Motor vehicles	20%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.11 Property and equipment

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.

2.13 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 5.5% of employee's basic salary and employer will help to paying 6% on a monthly basis or of ceiling LAK4,500,000 in case employee's basic salary higher than ceiling 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.

2.15 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 2022.

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.

(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 and 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.

4.1.1 Credit risk measurement

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. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

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:

- *Stage 1: 12 months ECL – not credit impaired* - For credit exposures where there has not been a significant increase in credit risk since initial recognition or which has low credit risk at reporting date and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12 months will be recognised.
- *Stage 2: Lifetime ECL – not credit impaired* - For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised. Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due.
- *Stage 3: Lifetime ECL – credit impaired* - Financial assets are assessed as credit impaired when one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will be recognised.

  Generally, all financial assets that are 90 days past due or more are classified under Stage 3. The Bank considers the following as constituting an event of default:

  - Quantitative criteria
    - the borrower is past due more than 90 days on any material credit obligation to the Bank.
  - Qualitative criteria
    - legal action has been initiated by Bank for recovery purposes;
    - borrower is a bankrupt;
    - borrower has been assigned to external collection agency

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

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD, and 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.

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 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.

Forward-looking information incorporated in the ECL models

IFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, gross domestic saving growth and export growth, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL.

The Bank conducts sensitivity analysis on the main macro-economic factors used in forward-looking information. When the predicted value of the main macro-economic factors changes by 4% and 3%, the difference between the hypothetical expected credit loss and the current expected credit loss measurement does not exceed 8% (2021: 5%).

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.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

4.1.3 Risk limit control and mitigation policies

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 2022 for loans and advances to customers is LAK 1.797.972.911.415 (2021: LAK 1.505.022.346.191)

(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.

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

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

	2022 LAK	2021 LAK
Short-term funds with central bank (exclude cash on hand)	89.454.560.328	75.784.834.680
Placement with central bank	584.718.848.039	427.124.527.787
Deposits and placement with other banks	170.216.223.950	64.376.249.601
Loans and advances to customers	288.302.176.219	322.370.140.030
	1.132.691.808.536	**889.655.752.098**

The above table represents a worse-case scenario of credit risk exposure to the Bank at 31 December 2022 and 2021 without taking account of any collateral held or other credit enhancements attached.

Short-term funds with central bank comprise demand deposit with central bank.

For on financial positions assets, the exposures set out in the table are based on gross carrying amounts. As shown above, 25% of the total maximum exposure is derived from loans and advances to customers (2021: 36%) and 52% from placement with central bank (2021: 48%). Management is confident in its ability to continue to control and sustain minimal exposure credit risk to the Bank resulting from its loan and advances as 100% of the loans and advances are backed up by collateral.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

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

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 2022				
Gross carrying amount	228.510.346.395	45.036.243.594	14.755.586.230	288.302.176.219
Allowance for credit losses	(38.077.724.202)	(36.648.172.561)	(14.755.586.230)	(89.481.482.993)
Carrying amount (Note 9)	**190.432.622.193**	**8.388.071.033**	**-**	**198.820.693.226**
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**

	Short-term funds with central bank			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 31 December 2022				
Gross carrying amount	89.454.560.328	-	-	89.454.560.328
Allowance for credit losses	(108.688.132)	-	-	(108.688.132)
Carrying amount (Note 5.2)	**89.345.872.196**	**-**	**-**	**89.345.872.196**
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**

	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 2022				
Gross carrying amount	584.718.848.039	-	-	584.718.848.039
Allowance for credit losses	(873.393.696)	-	-	(873.393.696)
Carrying amount (Note 6)	**583.845.454.343**	**-**	**-**	**583.845.454.343**
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**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

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

	Deposits and placements with other banks			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 31 December 2022				
Gross carrying amount	170.216.223.950	-	-	170.216.223.950
Allowance for credit losses	(215.160.195)	-	-	(215.160.195)
Carrying amount (Note 7)	**170.001.063.755**	**-**	**-**	**170.001.063.755**
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**

4.1.4.1 Loss allowance

	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 2022	79.748.269.698	51.598.398.811	8.180.427.149	139.527.095.658
Transfers:				
Transfer to 12-month ECL (Stage 1)	1.349.584.701	(1.349.584.701)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(850.205.628)	850.205.628	-	-
Transfer to lifetime ECL credit impaired (Stage 3)	(138.445.705)	(1.733.162.150)	1.871.607.855	-
	360.933.368	(2.232.541.223)	1.871.607.855	-
Net allowance writeback during the year	(42.278.748.594)	(13.468.318.919)	8.803.252.685	(46.943.814.828)
Bad debts written off	-	-	(3.968.293.471)	(3.968.293.471)
Other movement	-	-	311.378.119	311.378.119
Foreign exchange	247.269.730	750.633.892	(442.786.107)	555.117.515
At 31 December 2022 (Note 9)	**38.077.724.202**	**36.648.172.561**	**14.755.586.230**	**89.481.482.993**
At 1 January 2021	6.555.971.118	3.173.859.446	6.431.959.828	16.161.790.392
Transfers:				
Transfer to 12-month ECL (Stage 1)	114.618.384	(114.618.384)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(336.870.788)	336.870.788	-	-
Transfer to lifetime ECL credit impaired (Stage 3)	(121.964.276)	-	121.964.276	-
	(344.216.680)	222.252.404	121.964.276	-
Net allowance made during the year	73.511.702.956	48.185.870.966	26.341.778.787	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**

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

	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 2022	53.268.069	-	-	53.268.069
Net allowance made during the year	55.420.063	-	-	55.420.063
At 31 December 2022 (Note 5.2)	**108.688.132**	**-**	**-**	**108.688.132**
At 1 January 2021	35.912.586	-	-	35.912.586
Net allowance made during the year	17.355.483	-	-	17.355.483
At 31 December 2021 (Note 5.2)	**53.268.069**	**-**	**-**	**53.268.069**

	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 2022	594.236.138	-	-	594.236.138
Net allowance made during the year	279.157.558	-	-	279.157.558
At 31 December 2022 (Note 6)	**873.393.696**	**-**	**-**	**873.393.696**
At 1 January 2021	579.302.003	-	-	579.302.003
Net allowance made during the year	14.934.135	-	-	14.934.135
At 31 December 2021 (Note 6)	**594.236.138**	**-**	**-**	**594.236.138**

	Deposit and placements with other banks			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 1 January 2022	76.490.914	-	-	76.490.914
Net allowance made during the year	138.669.281	-	-	138.669.281
At 31 December 2022 (Note 7)	**215.160.195**	**-**	**-**	**215.160.195**
At 1 January 2021	7.208.056	-	-	7.208.056
Net allowance made during the year	69.282.858	-	-	69.282.858
At 31 December 2021 (Note 7)	**76.490.914**	**-**	**-**	**76.490.914**

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 2022 and 2021. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.

	Thailand	Vietnam	Lao PDR	Total
Short-term funds with central bank (exclude cash on hand)	-	-	89.454.560.328	89.454.560.328
Placement with central bank	-	-	584.718.848.039	584.718.848.039
Deposits and placement with other banks	14.465.480.299	2.481.827.777	153.268.915.874	170.216.223.950
Loans and advances to customers	-	-	288.302.176.219	288.302.176.219
31 December 2022	14.465.480.299	2.481.827.777	1.115.744.500.460	1.132.691.808.536
Short-term funds with central bank (exclude cash on hand)	-	-	75.784.834.680	75.784.834.680
Placement with central bank	-	-	427.124.527.787	427.124.527.787
Deposits and placement with other banks	5.258.538.455	625.621.409	58.492.089.737	64.376.249.601
Loans and advances to customers	-	-	322.370.140.030	322.370.140.030
31 December 2021	**5.258.538.455**	**625.621.409**	**883.771.592.234**	**889.655.752.098**

Short-term funds with central bank comprise 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 2022 and 2021. Credit risks relating to on-balance sheet items are as follows:

	Short-term funds with central bank	Placement with central bank	Deposits and placement with other banks	Loans and advances to customers	Total
Financial	89.454.560.328	584.718.848.039	170.216.223.950	-	844.389.632.317
Manufacturing	-	-	-	25.098.126.452	25.098.126.452
Construction	-	-	-	12.417.041.439	12.417.041.439
Commercial	-	-	-	63.467.028.594	63.467.028.594
Transportation	-	-	-	18.386.749.928	18.386.749.928
Service	-	-	-	120.433.159.220	120.433.159.220
Others	-	-	-	48.500.070.586	48.500.070.586
31 December 2022	**89.454.560.328**	**584.718.848.039**	**170.216.223.950**	**288.302.176.219**	**1.132.691.808.536**
Financial	75.784.834.680	427.124.527.787	64.376.249.601	-	567.285.612.068
Manufacturing	-	-	-	25.399.276.597	25.399.276.597
Construction	-	-	-	15.417.975.821	15.417.975.821
Commercial	-	-	-	84.386.875.591	84.386.875.591
Transportation	-	-	-	14.744.964.395	14.744.964.395
Service	-	-	-	130.628.635.772	130.628.635.772
Others	-	-	-	51.792.411.856	51.792.411.856
31 December 2021	**75.784.834.680**	**427.124.527.787**	**64.376.249.601**	**322.370.140.030**	**889.655.752.098**

Short-term funds with central bank comprise 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 2022 and 2021.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.2 Market risk

4.2.1 Foreign currency exchange risk

	As at 31 December 2022			
	LAK	USD	THB	Total
Assets				
Cash and short-term funds with central bank	33.709.877.787	64.245.402.663	17.296.833.242	115.252.113.692
Placement with central bank	-	583.845.454.343	-	583.845.454.343
Deposits and placement with other banks	136.391.986.534	19.019.044.653	14.590.032.568	170.001.063.755
Loans and advances to customers	155.312.602.222	41.732.509.228	1.775.581.776	198.820.693.226
Total financial assets	**325.414.466.543**	**708.842.410.887**	**33.662.447.586**	**1.067.919.325.016**
Liabilities				
Deposits from customers	20.225.311.491	40.718.374.825	16.547.977.537	77.491.663.853
Amount due to parent company	-	630.885.266.119	-	630.885.266.119
Lease liabilities	13.043.824.889	-	-	13.043.824.889
Total financial liabilities	**33.269.136.380**	**671.603.640.944**	**16.547.977.537**	**721.420.754.861**
Net on-balance sheet financial position	**292.145.330.163**	**37.238.769.943**	**17.114.470.049**	**346.498.570.155**

Cash and short-term funds with central bank comprise 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 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
Lease liabilities	8.771.320.278	-	-	8.771.320.278
Total financial liabilities	**26.834.755.758**	**489.068.477.350**	**14.831.253.914**	**530.734.487.022**
Net on-balance sheet financial position	**229.819.484.261**	**(1.698.708.508)**	**11.395.170.585**	**239.515.946.338**

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 2022						
	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	-	-	-	-	-	115.252.113.692	115.252.113.692
Placement with central bank	-	-	67.512.060.603	516.333.393.740	-	-	583.845.454.343
Deposits and placement with other banks	-	105.143.599.773	46.945.975.145	-	-	17.911.488.837	170.001.063.755
Loans and advances to customers	6.393.522.807	11.562.516.415	7.469.336.980	18.489.462.001	154.905.855.023	-	198.820.693.226
Total financial assets	**6.393.522.807**	**116.706.116.188**	**121.927.372.728**	**534.822.855.741**	**154.905.855.023**	**133.163.602.529**	**1.067.919.325.016**
Liabilities							
Deposits from customers	18.010.708.115	12.482.892.777	16.239.143.081	21.072.320.475	-	9.686.599.405	77.491.663.853
Amount due to parent company	-	-	67.082.035.945	513.912.388.654	-	49.890.841.520	630.885.266.119
Lease liabilities	170.902.245	341.421.843	1.573.666.474	8.753.567.082	2.204.267.245	-	13.043.824.889
Total financial liabilities	**18.181.610.360**	**12.824.314.620**	**84.894.845.500**	**543.738.276.211**	**2.204.267.245**	**59.577.440.925**	**721.420.754.861**
Total interest re-pricing gap	**(11.788.087.553)**	**103.881.801.568**	**37.032.527.228**	**(8.915.420.470)**	**152.701.587.778**	**73.586.161.604**	**346.498.570.155**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.2 Market risk

4.2.2 Interest rate risk

	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

4.2.3 Sensitivity analysis

(a) *Interest rate risk*

Sensitivity of loss before tax and equity to changes in interest rates by the following from 31 December 2022 and 2021 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, deposit and placement with central bank and other banks

	2022 LAK	2021 LAK
Increase 10%	12.110.940.973	9.856.297.470
Decrease 10%	(12.110.940.973)	(9.856.297.470)

ii. Gains/(losses) – net increase/decrease in interest rates for deposits from customers and amount due to parent company

	2022 LAK	2021 LAK
Increase 10%	12.952.921.950	15.141.224.076
Decrease 10%	(12.952.921.950)	(15.141.224.076)

(b) *Foreign exchange risk*

Sensitivity of loss before tax and equity to changes in foreign exchange rates by the following from 31 December 2022 and 2021 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:

USD	2022 LAK	2021 LAK
Increase 10%	3.723.876.994	(169.870.851)
Decrease 10%	(3.723.876.994)	169.870.851

THB	2022 LAK	2021 LAK
Increase 10%	1.711.447.005	1.139.517.059
Decrease 10%	(1.711.447.005)	(1.139.517.059)

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 funds 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	33.991.933.150	9.943.671.789	28.702.972.224	6.404.702.070	-	79.043.279.233
Amount due to parent company	60.687.749.973	4.163.513.717	84.162.489.539	544.311.022.738	-	693.324.775.967
Other liabilities	6.255.651.981	2.088.877.133	-	-	-	8.344.529.114
Lease liabilities	280.036.871	559.422.942	2.581.759.153	14.777.599.640	3.829.005.883	22.027.824.489
As at 31 December 2022	**101.215.371.975**	**16.755.485.581**	**115.447.220.916**	**565.493.324.448**	**3.829.005.883**	**802.740.408.803**
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**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.3 Liquidity risk

4.3.4 Off-balance sheet items

Credit facilities

	2022 LAK	2021 LAK
Unutilised overdraft	9.241.879.322	11.575.563.293
Undisbursed loans	90.065.000.000	3.210.000.000
	99.306.879.322	**14.785.563.293**

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	198.820.693.226	204.624.214.263
As at 31 December 2022	**198.820.693.226**	**204.624.214.263**

	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**

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) Cash and short term fund with central bank, 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

The fair values of deposits from customers 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.

(v) Other assets and liabilities

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

(vi) Lease liabilities

The estimated fair value of lease liabilities with maturities of less than six months approximates the carrying values. For other lease liabilities with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates of incremental borrowings.

4. FINANCIAL RISK MANAGEMENT POLICIES

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.

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:

	2022 LAK	2021 LAK
Tier 1 capital	447.981.020.000	394.440.590.000
Tier 2 capital	18.163.850.000	15.382.960.000
Total capital	**466.144.870.000**	**409.823.550.000**
Less: deductions from capital	-	-
Capital for CAR calculation	**466.144.870.000**	**409.823.550.000**
Risk weighted statement of financial position items	244.274.290.000	235.117.090.000
Risk weighted off balance sheet items	-	-
Total risk weighted assets	**244.274.290.000**	**235.117.090.000**
Tier 1 Capital Adequacy Ratio	183%	168%
Tier 2 Capital Adequacy Ratio	7%	7%

5. CASH AND SHORT-TERM FUNDS WITH CENTRAL BANK

	2022 LAK	2021 LAK
Cash on hand (Note 5.1)	21.101.341.058	16.120.753.168
Demand deposit with central bank (Note 5.2)	89.345.872.196	75.731.566.611
Included in cash and cash equivalents (Note 8)	**110.447.213.254**	**91.852.319.779**
Mandatory reserve deposits with central bank (Note 5.3)	4.804.900.438	4.725.018.873
	115.252.113.692	**96.577.338.652**

5.1 CASH ON HAND

	2022 LAK	2021 LAK
Cash on hand – LAK	8.358.776.500	6.493.751.500
Cash on hand – foreign currency	12.742.564.558	9.627.001.668
	21.101.341.058	**16.120.753.168**

5.2 DEMAND DEPOSIT WITH CENTRAL BANK

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

	2022 LAK	2021 LAK
Demand deposit	89.454.560.328	75.784.834.680
Less: expected credit losses	(108.688.132)	(53.268.069)
	89.345.872.196	**75.731.566.611**

5.3 MANDATORY RESERVE DEPOSITS WITH CENTRAL BANK

	2022 LAK	2021 LAK
Compulsory reserve (i)	4.716.539.571	4.636.658.006
Special deposit (ii)	88.360.867	88.360.867
	4.804.900.438	**4.725.018.873**

(i) These are deposits maintained in BOL as per BOL regulations. The balance is adjusted and calculated at 5% (2021: 3%) of LAK and 5% (2021: 5%) of other foreign currencies, such as Thailand Baht (THB) and United States Dollar (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

	2022 LAK	2021 LAK
Long term fixed deposit with central bank (i)	584.718.848.039	427.124.527.787
Less: expected credit losses	(873.393.696)	(594.236.138)
	583.845.454.343	**426.530.291.649**

(i) Long term fixed deposits maintained with BOL earn interest at 6.50% (2021: nil) per annum with a term of 1 (2021: nil) year and at 6.50% (2021: 5.50%) per annum with a term of 3 (2021: 3) years.

7. DEPOSITS AND PLACEMENTS WITH OTHER BANKS

	2022 LAK	2021 LAK
Deposits with other banks (Note 7.1)	17.918.163.545	14.200.288.319
Placements with other banks (Note 7.2)	152.298.060.405	50.175.961.282
	170.216.223.950	**64.376.249.601**
Less: expected credit losses	(215.160.195)	(76.490.914)
	170.001.063.755	**64.299.758.687**

7.1 DEPOSITS WITH OTHER BANKS

	2022 LAK	2021 LAK
Deposit with other banks	17.918.163.545	14.200.288.319
Less: expected credit losses	(6.674.708)	(4.799.923)
Included in cash and cash equivalents (Note 8)	**17.911.488.837**	**14.195.488.396**

Analysis by institution

	2022 LAK	2021 LAK
Balances with domestic banks		
Banque Pour Le Commerce Exterieur Lao – Vientiane Branch	970.855.469	8.316.128.455
	970.855.469	**8.316.128.455**
Balances with overseas banks		
RHB Bank Berhad – Thailand	14.465.480.299	5.258.538.455
JP Morgan	2.481.827.777	625.621.409
	16.947.308.076	**5.884.159.864**
	17.918.163.545	**14.200.288.319**
Less: expected credit losses	(6.674.708)	(4.799.923)
Included in cash and cash equivalents (Note 8)	**17.911.488.837**	**14.195.488.396**

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

7. DEPOSITS AND PLACEMENTS WITH OTHER BANKS

7.2 PLACEMENTS WITH OTHER BANKS

	2022 LAK	2021 LAK
Placement with other banks	152.298.060.405	50.175.961.282
Less: expected credit losses	(208.485.487)	(71.690.991)
	152.089.574.918	**50.104.270.291**

Analysis by institution

	2022 LAK	2021 LAK
Placements with domestic banks		
Acleda Bank Lao Ltd.	60.431.506.849	-
KasikornThai Bank Limited	30.057.123.288	45.168.287.671
Military Commercial Joint Stock Bank – Lao Branch	10.110.000.000	-
Saigon Thuong Tin Bank Lao Sole Co., Ltd.	41.639.874.712	-
VietinBank Lao Limited	10.059.555.556	5.007.673.611
	152.298.060.405	**50.175.961.282**
Less: expected credit losses	(208.485.487)	(71.690.991)
	152.089.574.918	**50.104.270.291**

Placements with domestic banks carry interest rates from 3.20% to 4.50% (2021: 3.25% to 5.25%) per annum with terms ranging from 3 months to 6 months (2021: 3 months to 12 months).

8. CASH AND CASH EQUIVALENTS

	2022 LAK	2021 LAK
Cash and balances with central bank (Note 5)	110.447.213.254	91.852.319.779
Deposits with other banks (Note 7.1)	17.911.488.837	14.195.488.396
	128.358.702.091	**106.047.808.175**

9. LOANS AND ADVANCES TO CUSTOMERS

	2022 LAK	2021 LAK
Loans and advances to customers	288.302.176.219	322.370.140.030
Less: allowance for credit losses (i)	(89.481.482.993)	(139.527.095.658)
	198.820.693.226	**182.843.044.372**

The Bank offers its customers interest rates ranging from 4.00% to 9.50% (2021: 4.00% to 14.00%) per annum with maturity ranging from 1 to 25 years (2021: 1 to 25 years) depending on each loan agreement.

9. LOANS AND ADVANCES TO CUSTOMERS

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

	2022 LAK	2021 LAK
As at 1 January	139.527.095.658	16.161.790.392
Allowance (write back)/made during the year	(46.943.814.828)	148.039.352.709
Utilisation for bad debt written off	(3.968.293.471)	(26.482.403.852)
Other movement	311.378.119	394.972.771
Foreign exchange difference	555.117.515	1.413.383.638
As at 31 December	**89.481.482.993**	**139.527.095.658**

10. INTANGIBLE ASSETS

Movement of intangible assets for the year ended 31 December 2022 is as follows:

	Computer software LAK	In progress* LAK	Total LAK
Cost			
At 1 January 2022	9.053.247.727	4.928.552.574	13.981.800.301
Additions	169.800.000	651.173.023	823.973.023
Reclassification	5.303.000.782	(5.303.000.782)	-
As at 31 December 2022	14.526.048.509	279.724.815	14.805.773.324
Accumulated amortisation			
At 1 January 2022	(7.648.005.350)	-	(7.648.005.350)
Charge for the year	(723.991.056)	-	(723.991.056)
As at 31 December 2022	**(8.371.996.406)**	**-**	**(8.371.996.406)**
Net book value at 31 December 2022	**6.154.052.103**	**279.724.815**	**6.433.776.918**

* Intangible assets in progress during 2022 are related to Information Technology projects to enhance the system.

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**

11. PROPERTY AND EQUIPMENT

Movement of property and equipment for the year ended 31 December 2022 is as follows:

	Building & improvements LAK	Office equipment LAK	Computer equipment LAK	Furniture & fixtures LAK	Motor vehicles LAK	Fixed assets in progress* LAK	Total LAK
Cost:							
At 1 January 2022	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
Additions	-	35.203.000	191.124.593	13.867.200	-	263.780.781	503.975.574
Disposal	-	(27.344.790)	(12.400.000)	-	-	-	(39.744.790)
Reclassification	27.803.950	44.291.648	12.370.795.712	-	-	(12.442.891.310)	-
At 31 December 2022	**13.547.576.323**	**752.143.027**	**25.012.563.691**	**1.329.638.905**	**2.040.651.792**	**192.353.900**	**42.874.927.638**
Accumulated depreciation							
At 1 January 2022	(6.104.496.815)	(599.711.885)	(9.942.593.393)	(1.123.910.190)	(1.932.704.823)	-	(19.703.417.106)
Charge for the year	(1.329.522.250)	(65.836.409)	(1.778.771.136)	(91.508.365)	(100.979.152)	-	(3.366.617.312)
Disposal	-	27.344.789	1.033.333	-	-	-	28.378.122
At 31 December 2022	**(7.434.019.065)**	**(638.203.505)**	**(11.720.331.196)**	**(1.215.418.555)**	**(2.033.683.975)**	**-**	**(23.041.656.296)**
Net book value at 31 December 2022	**6.113.557.258**	**113.939.522**	**13.292.232.495**	**114.220.350**	**6.967.817**	**192.353.900**	**19.833.271.342**

* Fixed assets in progress during 2022 are related to Information Technology hardware upgrade.

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.

12. RIGHT-OF-USE ASSETS

	2022 LAK	2021 LAK
Cost		
At 1 January	14.907.232.837	14.827.940.522
Adjustments	-	79.292.315
At 31 December	**14.907.232.837**	**14.907.232.837**
Accumulated depreciation		
At 1 January	(7.656.065.175)	(6.459.575.490)
Charge for the year	(1.332.191.495)	(1.196.489.685)
At 31 December	**(8.988.256.670)**	**(7.656.065.175)**
Net book value at 31 December	**5.918.976.167**	**7.251.167.662**

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

	2022 LAK	2021 LAK
Prepaid expenses (i)	869.559.086	2.245.377.002
Others (ii)	1.496.810.000	885.563.032
	2.366.369.086	**3.130.940.034**

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

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

14. DEFERRED TAX ASSET

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 (2021: 20%). The deferred taxation related to the temporary differences between the carrying amounts and the tax bases of assets, relating to loans and advances, cash and short-term funds with central bank, placement with central bank, and deposits and placements with other banks:

	2022 LAK	2021 LAK
As at 1 January	27.239.853.146	(2.346.007.789)
Deferred income tax charged to/(from) the statement of profit or loss (Note 26)	(10.154.401.744)	29.585.860.935
As at 31 December	**17.085.451.402**	**27.239.853.146**

14. DEFERRED TAX ASSET

For the financial year 2022, the Bank had taxable profit where loss carried forward from 2021 has been applied. The remaining loss carried forward from 2022 amounts to LAK 14.419.778.757 (2021: LAK 25.117.816.586) which can be carried forward to offset against taxable profit to be realised for the remaining years from 2023 to 2025 (2021: 2022 to 2025), subject to certification by the National Audit Authority with the acknowledgement from the tax authorities.

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 2022. 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.

Deferred tax charged to the statement of profit or loss comprised with the following:

	Net deferred tax (liability)/asset as at 1 January 2022	Deferred tax income/ (expense) recognised during 2022	Net deferred tax (liability)/asset as at 31 December 2022
	LAK	LAK	LAK
Loans and advances	27.095.054.122	(10.249.051.125)	16.846.002.997
Cash and short-term funds with central bank	10.653.614	11.084.012	21.737.626
Placement with central bank	118.847.228	55.831.511	174.678.739
Deposits and placements with other banks	15.298.182	27.733.858	43.032.040
Total	**27.239.853.146**	**(10.154.401.744)**	**17.085.451.402**

	Net deferred tax (liability)/asset as at 1 January 2021	Deferred tax income/ (expense) recognised during 2021	Net deferred tax (liability)/asset as at 31 December 2021
	LAK	LAK	LAK
Loans and advances	(2.470.492.318)	29.565.546.440	27.095.054.122
Cash and short-term funds with central bank	7.182.517	3.471.097	10.653.614
Placement with central bank	115.860.401	2.986.827	118.847.228
Deposits and placements with other banks	1.441.611	13.856.571	15.298.182
Total	**(2.346.007.789)**	**29.585.860.935**	**27.239.853.146**

15. DEPOSITS FROM CUSTOMERS

The amounts due to customers are analysed as follows:

a) Analysis by types of deposit account

	2022 LAK	2021 LAK
Current deposits	10.498.901.165	11.628.423.065
Saving deposits	10.896.956.668	16.680.280.782
Term deposits	56.095.806.020	36.765.696.269
	77.491.663.853	**65.074.400.116**

b) Analysis by interest rates

	2022 LAK	2021 LAK
Current deposits	0%	0%
Saving deposits	1.60% to 2.00%	1.60% to 2.00%
Term deposits	2.50% to 6.75%	2.25% to 6.75%

16. AMOUNT DUE TO PARENT COMPANY

	2022 LAK	2021 LAK
Fixed deposits and accrued interest payable (i)	580.994.424.599	423.282.957.690
Intercompany payable (ii)	49.890.841.520	33.605.808.938
	630.885.266.119	**456.888.766.628**

(i) Fixed deposits denominated in USD carry interest rates from 4.00% to 4.50% (2021: 1.00% to 3.75%) per annum with terms ranging from 1 to 3 years (2021: 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.

17. OTHER LIABILITIES

	2022 LAK	2021 LAK
Accruals, provisions, and other liabilities (i)	**8.344.529.114**	**6.857.392.848**

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

18. LEASE LIABILITIES

	2022 LAK	2021 LAK
Lease liabilities from property	**13.043.824.889**	**8.771.320.278**
Scheduled repayments of lease liabilities:		
- Within one year	2.085.990.562	2.718.895.956
- Beyond one year	10.957.834.327	6.052.424.322
	13.043.824.889	**8.771.320.278**

The total cash outflow for leases in 2022 was LAK 3.183.637.594 (2021: LAK 1.328.507.940) which includes the principal and interest payments.

19. PAID-UP CAPITAL

	RHB Bank Berhad (100% shareholding)	
	Number of shares	Amount (LAK)
At 1 January 2021	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**
Issuance of shares during the year	3.950.250	39.700.012.500
At 31 December 2022	**45.801.000**	**460.300.050.000**

RHB Bank Berhad - Malaysia owns 100% of the Bank's shares represented by 45.801.000 (2021: 41.850.750) shares with issue price of LAK 10.050 (2021: LAK 10.050) per share. All issued shares were fully paid.

20. LEGAL RESERVE

There was no movement in legal reserve fund during the year.

	2022 LAK	2021 LAK
At 1 January/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.

21. NET INTEREST INCOME

	2022 LAK	2021 LAK
Interest income		
Interest income from customers	24.015.204.159	27.428.798.972
Interest income from banks	34.088.166.158	25.054.320.724
	58.103.370.317	**52.483.119.696**
Interest expense		
Interest expense from customers	(2.823.945.023)	(1.564.255.544)
Interest expense from banks	-	(257.524.890)
Interest expense from parent company	(20.253.457.186)	(16.959.747.302)
Interest expense from lease liability	(477.685.989)	(364.808.788)
	(23.555.088.198)	**(19.146.336.524)**
Net interest income	**34.548.282.119**	**33.336.783.172**

22. NET FEE AND COMMISSION INCOME

	2022 LAK	2021 LAK
Fee and commission income		
Credit related fees	309.938.818	340.292.709
Other fees	378.606.704	421.988.887
	688.545.522	**762.281.596**
Fee and commission expense		
Commission expenses	(71.462.704)	(68.701.882)
Wire transfer fees	(264.104.666)	(194.122.368)
	(335.567.370)	**(262.824.250)**
Net fee and commission income	**352.978.152**	**499.457.346**

23. PAYROLL AND OTHER STAFF COSTS

	2022 LAK	2021 LAK
Salaries and wages	15.900.721.328	10.714.324.054
Bonus	652.107.095	801.469.080
Other staff costs	1.282.785.902	627.373.749
	17.835.614.325	**12.143.166.883**

24. GENERAL AND ADMINISTRATIVE EXPENSES

	2022 LAK	2021 LAK
Repair and maintenance	3.154.189.860	2.929.076.973
Insurance	1.115.135.020	863.432.224
Professional fees	1.032.724.279	1.067.685.898
Communication expense	505.378.455	500.115.742
Utilities	275.413.115	239.481.925
Security fee	298.900.000	299.000.000
Office stationery expense	417.829.955	306.197.641
Meal and travelling	383.913.939	88.221.100
Marketing and public relations	195.412.200	138.193.512
Board of directors' fees and allowances	277.244.330	332.931.370
Other administrative expenses	371.272.481	112.449.131
	8.027.413.634	**6.876.785.516**

25. ALLOWANCE FOR CREDIT LOSSES ON LOANS AND OTHER FINANCIAL ASSETS

	2022 LAK	2021 LAK
(WRITE BACK)/CHARGE		
Loans and Advances		
- Net (write back)/charge	(46.943.814.828)	148.039.352.709
- Bad debts recovered	(11.001.881.108)	(1.919.977.998)
	(57.945.695.936)	**146.119.374.711**
Other financial assets	473.246.902	101.572.476
NET (WRITE BACK)/CHARGE	**(57.472.449.034)**	**146.220.947.187**

26. INCOME TAX EXPENSE

	2022 LAK	2021 LAK
Current income tax	-	-
Deferred income tax expense/(benefit) (Note 14)	10.154.401.744	(29.585.860.935)
Income tax expense/(benefit)	**10.154.401.744**	**(29.585.860.935)**

26. INCOME TAX EXPENSE

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

	2022 LAK	2021 LAK
Profit/(loss) before tax	60.924.686.169	(134.088.888.809)
Tax rate 20% (2021: 20%)	12.184.937.234	(26.817.777.762)
Tax effects on losses carry forward where no deferred tax assets is recognised	(2.139.607.566)	(1.835.535.427)
Tax effects of expenses not deductible for tax purposes	60.266.678.836	10.530.792.027
Tax effects of income not taxable for tax purposes	(60.157.606.760)	(11.463.339.773)
Income tax expense	**10.154.401.744**	**(29.585.860.935)**

27. RELATED PARTY TRANSACTIONS

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

A few 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 from key management personnel comprise savings and fixed deposits. Savings deposits are repayable on demand and carry interest rates ranging from 1.60% to 2.00% (2021: 1.60% to 2.00%) per annum, depending on the currency. Fixed deposits carry interest rates ranging from 2.50% to 6.10% (2021: 2.50% to 6.10%) per annum, depending on the term and currency. Fixed deposits from key management personnel have terms ranging from 1 to 36 months (2021: 1 to 36 months). Loans and advances carry interest rates of 4.00% (2021: 4.00%) per annum with terms ranging from 72 to 300 months (2021: 72 to 300 months).

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

	2022 LAK	2021 LAK
RHB Bank Berhad - Malaysia (Holding Bank)		
(a) ***Fixed deposits***		
At 1 January	423.282.957.690	387.669.116.207
Deposits withdrawn and interest expense during the year	(47.407.141.305)	(42.933.769.593)
Foreign exchange loss	205.118.608.214	78.547.611.076
As at 31 December (Note 16)	**580.994.424.599**	**423.282.957.690**
Interest expense (Note 21)	20.253.457.186	16.959.747.302
(b) ***Intercompany payable***		
At 1 January	33.605.808.938	27.943.944.282
Foreign exchange loss	16.285.032.582	5.661.864.656
As at 31 December (Note 16)	**49.890.841.520**	**33.605.808.938**
Monthly swift payment	264.104.666	194.122.368

27. RELATED PARTY TRANSACTIONS

	2022 LAK	2021 LAK
RHB Bank Thailand		
*(a) **Term deposit***		
At 1 January	5.258.538.455	4.076.429.219
Deposits placed during the year	7.026.693.337	778.841.329
Foreign exchange gain	2.180.248.507	403.267.907
At 31 December (Note 7)	**14.465.480.299**	**5.258.538.455**
Director and key management personnel		
*(a) **Deposits***		
At 1 January	3.898.475.911	3.406.571.821
Deposits and interest received during the year	277.530.396	52.657.252
Foreign exchange loss	1.391.236.583	439.246.838
As at 31 December	**5.567.242.890**	**3.898.475.911**
Interest expense	163.095.181	147.929.789
*(b) **Loans and advances***		
At 1 January	10.271.493.146	14.857.779.477
Loans disbursed during the year	657.589.811	1.145.780.912
Loans repaid during the year	(1.071.137.679)	(5.732.067.243)
As at 31 December	**9.857.945.278**	**10.271.493.146**
Interest income	492.310.445	491.383.998
Salaries and other short-term employee benefits	10.606.541.503	7.974.414.476
Social security contribution (i)	40.770.000	47.250.000

(i) Social security contributions by the Bank include the post-employment benefit.

28. 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 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% (2021: LAK 39.700.000.000 representing 20%) has been injected in July 2022 and November 2021 respectively. The acknowledgement is supported by the memo BOL No. 510/CBSD and No. 667/CBSD, dated 08 July 2022 and 29 November 2021 respectively. As at 31 December 2022, the approved schedule of the remaining capital injection is as follows:

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

28. COMMITMENTS AND CONTINGENCIES

(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 2022 and 2021.

	2022 LAK	2021 LAK
Unutilised overdraft	9.241.879.322	11.575.563.293
Undisbursed loans	90.065.000.000	3.210.000.000
	99.306.879.322	**14.785.563.293**

(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.