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**STATEMENT BY THE BOARD OF DIRECTORS
31 DECEMBER 2023**

BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors (the BOD) 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 2023 and of its financial performance, statement of changes in equity and its cash flows for the year then ended in accordance with accounting policies of the Bank and the relevant accounting regulations and notifications of Bank of the Lao People's Democratic Republic (BOL) described in Note 2 to the financial statements. In preparing these financial statements, the BOD 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 the Bank and the relevant accounting regulations and notifications of BOL described in Note 2 to the financial statements 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 BOD confirms that the Bank has complied with the above requirements in preparing the financial statements as at and for the year ended 31 December 2023.

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 2023 and its financial performance, statement of changes in equity and its cash flows for the year then ended and have been properly drawn up in accordance with accounting policies of the Bank and the relevant accounting regulations and notifications of BOL described in Note 2 to the financial statements.

For and on behalf of the Board of Directors




Choong Seang Heng
Chief Executive Officer

Date: 29 March 2024



INDEPENDENT AUDITOR'S REPORT

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

Opinion

In our opinion, the financial statements of RHB Bank Lao Sole Co., Ltd (the Bank) for the year ended 31 December 2023 are prepared, in all material respects, in accordance with the relevant accounting regulations and notifications of Bank of the Lao People's Democratic Republic and accounting policies as described in Note 2 to the financial statements.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of 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 (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We 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.

Emphasis of Matter - Basis of accounting and restriction on distribution and use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with accounting policies described in Note 2 to the financial statements. As a result, the financial statements may not be suitable for another purpose.

Our report is intended solely for the Bank and should not be distributed to or used by parties other than the Bank. Our opinion is not modified in respect of this matter.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements in accordance with the relevant accounting regulations and notifications of Bank of Lao People's Democratic Republic and accounting policies described in Note 2 to the financial statements, and for such internal control as the directors determine 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, the directors are 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.



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.

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: 29 March 2024

RHB BANK LAO SOLE CO., LTD

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 LAK	2022 LAK
ASSETS			
Cash and balances with central bank	4	794.997.751.116	687.745.926.802
Deposits and placement with other banks	5	46.816.685.987	169.440.163.545
Loans and advances to customers	7	407.750.658.663	280.982.799.655
Right-of-use assets	8	4.739.533.040	5.918.976.167
Property and equipment	9	17.140.497.574	19.833.271.342
Intangible assets	10	5.624.282.885	6.433.776.918
Other assets	11	19.944.696.586	17.851.376.894
TOTAL ASSETS		1.297.014.105.851	1.188.206.291.323
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from customers	12	102.419.969.277	75.619.024.047
Amount due to parent company	13	641.613.010.233	622.275.966.498
Other liabilities	14	19.581.103.203	19.133.784.327
Income tax payable	23	758.235.421	-
Lease liabilities	15	13.221.408.372	13.043.824.889
TOTAL LIABILITIES		777.593.726.506	730.072.599.761
EQUITY			
Paid-up capital	16	500.000.062.500	460.300.050.000
Legal reserve	17	2.130.187.655	2.130.187.655
Retained earnings/(deficits)		17.290.129.190	(4.296.546.093)
TOTAL EQUITY		519.420.379.345	458.133.691.562
TOTAL EQUITY AND LIABILITIES		1.297.014.105.851	1.188.206.291.323


Choong Seang Heng
Chief Executive Officer



Date: 29 March 2024

The accompanying notes on pages 8 to 29 form an integral part of these financial statements.
Independent auditor's report – pages 2 to 3.

RHB BANK LAO SOLE CO., LTD

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 LAK	2022 LAK
Interest income		73.858.909.366	58.046.703.843
Interest expense		(33.883.851.395)	(23.555.088.198)
NET INTEREST INCOME	18	39.975.057.971	34.491.615.645
Net provision writeback for credit losses on loans and advances	22	18.360.179.601	6.121.830.030
NET INTEREST INCOME AFTER LOANS AND ADVANCES IMPAIRMENT WRITEBACK		58.335.237.572	40.613.445.675
Fee and commission income		1.755.815.872	1.323.822.276
Fee and commission expense		(448.326.355)	(335.567.370)
NET FEE AND COMMISSION INCOME	19	1.307.489.517	988.254.906
Gain on disposal of property and equipment		-	24.535.640
Property and equipment written off		(148.959.364)	-
Foreign exchange gain/(loss), net		8.976.867.121	(187.730.954)
Payroll and other staff costs	20	(27.587.134.080)	(17.835.614.325)
General and administrative expenses	21	(10.751.802.687)	(8.027.413.634)
Depreciation and amortisation charges	8,9,10	(7.786.787.375)	(5.422.799.863)
TOTAL EXPENSES		(37.297.816.385)	(31.449.023.136)
PROFIT BEFORE TAX		22.344.910.704	10.152.677.445
Income tax expense	23	(758.235.421)	-
NET PROFIT FOR THE YEAR		21.586.675.283	10.152.677.445

Choong Seang Heng
Chief Executive Officer



Date: 29 March 2024

The accompanying notes on pages 8 to 29 form an integral part of these financial statements.
Independent auditor's report – pages 2 to 3.

RHB BANK LAO SOLE CO., LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Paid-up capital LAK	Legal reserve LAK	Retained earnings/deficits LAK	Total LAK
As at 1 January 2022		420.600.037.500	2.130.187.655	(14.449.223.538)	408.281.001.617
Additional paid-up capital	16	39.700.012.500	-	-	39.700.012.500
Net profit for the year		-	-	10.152.677.445	10.152.677.445
As at 31 December 2022		460.300.050.000	2.130.187.655	(4.296.546.093)	458.133.691.562
As at 1 January 2023		460.300.050.000	2.130.187.655	(4.296.546.093)	458.133.691.562
Additional paid-up capital	16, 24 (b)	39.700.012.500	-	-	39.700.012.500
Net profit for the year		-	-	21.586.675.283	21.586.675.283
As at 31 December 2023		500.000.062.500	2.130.187.655	17.290.129.190	519.420.379.345



Choong Seang Heng
Choong Seang Heng
Chief Executive Officer

Date: 29 March 2024

The accompanying notes on pages 8 to 29 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 2023

	Notes	2023 LAK	2022 LAK
OPERATING ACTIVITIES			
Profit before tax		22.344.910.704	10.152.677.445
<i>Adjustments for:</i>			
Provision made for credit losses on loans and advances	22	8.416.076.208	4.880.051.078
Depreciation of property and equipment	9	5.074.047.491	3.366.617.312
Amortisation of intangible assets	10	1.546.726.735	723.991.056
Amortisation of right-of-use assets	8	1.166.013.149	1.332.191.495
Gain on disposal of property and equipment		-	(24.535.640)
Property and equipment written off		148.959.364	-
Foreign exchange (gain)/loss, net		(8.451.385.046)	7.166.187.170
Interest income	18	(73.858.909.366)	(58.046.703.843)
Interest expense	18	33.883.851.395	23.555.088.198
Operating loss before changes in operating assets and liabilities		(9.729.719.366)	(6.894.435.729)
Increase in statutory deposits with BOL	4	(52.855.184.405)	(157.413.984.299)
(Decrease)/increase in deposits and placements with other banks	5	111.412.000.000	(101.522.000.000)
(Increase)/decrease in loans and advances to customers	7	(135.229.829.150)	26.277.226.548
(Increase)/decrease in other assets		(154.032.643)	764.570.949
Increase in deposits from customers	12	26.800.945.230	11.442.006.883
Increase in deposits from parent company	13	47.232.830.902	157.334.102.734
(Decrease)/increase in other liabilities		(726.400.170)	1.575.312.485
Interest received		71.919.622.325	61.048.395.384
Interest paid		(32.824.852.401)	(22.202.467.169)
Net cash generated from /(used) in operating activities		25.845.380.322	(29.591.272.214)
INVESTING ACTIVITIES			
Purchases of property and equipment		(2.415.513.042)	(503.975.574)
Proceeds from disposal of property and equipment		-	35.902.308
Purchases of intangible fixed assets		(737.232.702)	(823.973.023)
Net cash used in investing activities		(3.152.745.744)	(1.292.046.289)
FINANCING ACTIVITIES			
Payments for lease liabilities		(3.170.384.964)	(2.705.951.605)
Proceeds from capital injection		-	39.700.012.500
Net cash generated from financing activities		(3.170.384.964)	36.994.060.895
Net increase in cash and cash equivalents		19.522.249.614	6.110.742.392
Cash and cash equivalents, beginning	6	128.474.064.931	106.105.876.167
Effect of foreign exchange difference		23.662.912.737	16.257.446.372
Cash and cash equivalents, ending	6	171.659.227.282	128.474.064.931
Non-cash financing activity relating to capital injection	13, 16, 24(b)	39.700.012.500	-

Choong Seang Heng
Chief Executive Officer

Date: 29 March 2024



The accompanying notes on pages 8 to 29 form an integral part of these financial statements.
Independent auditor's report – pages 2 to 3.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

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 December 2023, RHB Bank Berhad had injected additional paid up capital of LAK 39.700.012.500, increasing the registered capital of the Bank from LAK 460.300.050.000 to LAK 500.000.062.500. The number of shares issued is at 49.751.250 (2022: 45.801.000) 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 BOD has reviewed these financial statements and approved for their issuance on 29 March 2024.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below:

2.1 Basis of preparation

The financial statements are prepared in accordance with the relevant accounting regulations and notifications of BOL and accounting policies of the Bank. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are not intended to present the financial position and financial performance in accordance with other jurisdictions. Consequently, these financial statements are addressed only to those who are informed about the Bank's accounting policies and the relevant accounting regulations and notifications of BOL.

The preparation of financial statements requires management to make estimates and assumptions affecting the amounts reported as assets and liabilities, the disclosure of any contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The financial statements have been prepared under the historical cost convention.

2.2 Measurement and presentation currency

The Bank maintains its records in Lao Kip (LAK) and presents financial statements in LAK.

2.3 Foreign currency transactions and translation

Monetary assets and liabilities denominated in currencies other than LAK at year end are translated into LAK at exchange rates ruling on the statement of the financial report date. Income and expenses arising in foreign currencies during the period are converted into LAK at rates ruling on the transaction dates. Gains and losses resulting from the settlement of such transactions and from the translation of such monetary assets and liabilities are recognised in the statement of income when earned and incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Financial instruments

The Bank's significant financial assets and liabilities include cash and balances with central bank, deposits and placement with other banks, loans and advances, deposits from customers, amount due to parent company, other assets, other liabilities and lease liabilities. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

2.5 Recognition of interest income and expense

Interest income recognition

Interest income is recognised on an accrual basis and is recognised at the nominal interest rates stipulated in the loan contracts with clients except in relation to non-performing accounts.

As per BOL guideline no. 334/AD, dated 11 March 2019, where an account becomes non-performing, the recording of interest is suspended and interest income already recognised will be reversed. Interest income will be recognised if accrued interest on non-performing loans will be subsequently collected. Customer accounts are deemed to be non-performing where repayments are in arrears for more than three months or 89 days.

Interest expense

Interest expense on deposits from customers and banks are recognised on an accrual basis and at the approved interest rates.

2.6 Recognition of fee and commission income

Fee and commission income from the various activities of the Bank is accrued using the following bases:

- Loan arrangement fees and commissions on services and facilities extended to customers are recognised on the occurrence of such transactions.
- Commitment fees and guarantees on services and facilities extended to customers are recognised as income over the period in which the services and facilities are extended.
- Service charges and processing fees are recognised when the service is provided.

2.7 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and short-term deposits maturing within thirty (30) days.

2.8 Loans and advances to customers

Loans and advances are originated by the Bank providing money to a customer for purposes other than short-term profit taking. They are stated at the outstanding principal balances less an impairment allowance for doubtful loans and advances, to reflect the estimated recoverable amount. Loans and advances except bank overdrafts are shown exclusive of accrued interest receivable.

2.9 Provision for credit losses

In accordance with the regulation 512/BOL dated 29 June 2018, the Bank is required to classify loans and create a provision for impairment losses. Accordingly, loans are classified into performing loans or non-performing loans based on their payment arrears status and other qualitative factors. Loans classified as normal or pass (group A) and watch list or special mention (group B) are considered as performing loans. Loans classified as substandard (group C), doubtful (group D) and loss (group E) are considered as non-performing loans. The method of provision calculation mentions that banks can take into consideration the collateral value with a certain prescribed percentage indicated in the regulation to be deducted from the loan outstanding before applying the provision rates.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.9 Provision for credit losses

Provisions are categorised as general and specific based on the loan classification. Below is the summary of provision rates applicable for each loan classification as at the balance sheet date:

Group	Category	Number of days past due	Provision rate
Performing (general)			
A	Normal or pass	Within 29 days	0.5%
B	Watch list or special mention	30 to 89 days	3%
Non-Performing (Specific)			
C	Substandard	90 to 179 days	20%
D	Doubtful	180 to 359 days	50%
E	Loss	From 360 days	100%

2.10 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software licences are subsequently carried at cost less accumulated amortisation and impairment losses. These costs are amortised over the estimated useful life of 5 years.

2.11 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses.

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 group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to statement of income during the reporting period in which they are incurred.

Depreciation of property and equipment is provided for on a straight-line basis to write down the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

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%

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.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in statement of income. At the end of the reporting period, the Bank assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount.

2.12 Statutory deposits

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.13 Leases for lessee

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

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

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

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

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

2.14 Employee benefit

a) *Short term employee benefits*

Wages, salaries paid, annual leave and sick leave and other leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Bank.

b) *Post-employment benefits*

Post-employment benefits are paid to retired employees of the Bank by the National Social Security Fund Office which belongs to the Ministry of Labour and Social Welfare. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 6% of employee's basic salary on a monthly basis or of 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.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.15 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

2.16 Tax

Provision is made for taxation on the current year's profits, based on the Tax Law governing taxation within Lao P.D.R. In accordance with the Law on Income Tax No.067/NA, dated 18 June 2019, the Bank is subject to 20% (2022: 20%) on total taxable profit, and profit taxes shall be paid every 20th of July of the year and every 20th January of the following year.

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 not so deducted may no longer be deducted from profits.

2.17 Related parties

Enterprises or individuals that directly or indirectly through one or more intermediaries, control, or are under controlled by or are under common control with the Bank including holding companies, subsidiaries and fellow subsidiaries are related parties of the Bank. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank key management personnel including directors and officers of the Bank and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

3. FINANCIAL RISK MANAGEMENT POLICIES

The guidelines and policies adopted by the Bank to manage the risks that arise in the conduct of its business activities are as follows:

3.1 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.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

3. FINANCIAL RISK MANAGEMENT POLICIES

3.2 Market risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

(i) 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. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and stop-loss limits.

(ii) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing and cost of funds. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set.

3.3 Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost. The management of the Bank closely monitors all inflows and outflows and maturity gaps. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

4. CASH AND BALANCES WITH CENTRAL BANK

	2023 LAK	2022 LAK
Cash on hand (Note 4.1)	21.982.714.794	21.101.341.058
Balances with central bank other than long term fixed deposit and mandatory reserve deposits (Note 4.2)	142.969.826.501	89.454.560.328
Included in cash and cash equivalents (Note 6)	164.952.541.295	110.555.901.386
Long term fixed deposit and mandatory reserve deposits with central bank (Note 4.3)	630.045.209.821	577.190.025.416
	<u>794.997.751.116</u>	<u>687.745.926.802</u>

4.1 Cash on hand

	2023 LAK	2022 LAK
Cash on hand – LAK	6.925.877.500	8.358.776.500
Cash on hand – foreign currencies	15.056.837.294	12.742.564.558
	<u>21.982.714.794</u>	<u>21.101.341.058</u>

4.2 Balances with central bank other than long term fixed deposit and mandatory reserve deposits

	2023 LAK	2022 LAK
Demand deposit	<u>142.969.826.501</u>	<u>89.454.560.328</u>

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4. CASH AND BALANCES WITH CENTRAL BANK**4.3 Long term fixed deposit and mandatory reserve deposits with central bank**

	2023 LAK	2022 LAK
Compulsory reserve (i)	10.338.893.074	4.716.539.571
Statutory deposits (ii)	88.360.867	88.360.867
Long term fixed deposit (iii)	619.617.955.880	572.385.124.978
	630.045.209.821	577.190.025.416

- (i) These are deposits maintained in BOL as per BOL regulations. The balance is adjusted and calculated at 8% (2022: 5%) of LAK and 10% (2022: 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. 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.
- (iii) Long term fixed deposits maintained with BOL earn interest at 6.50% (2022: 6.50%) per annum with a term of 1 (2022: 1) year and at 6.50% (2022: 6.50%) per annum with a term of 3 (2022: 3) years.

5. DEPOSITS AND PLACEMENT WITH OTHER BANKS

Deposits and placement with other banks are analysed as follows:

	2023 LAK	2022 LAK
Deposits included in cash and cash equivalents	6.706.685.987	17.918.163.545
Placement with other banks	40.110.000.000	151.522.000.000
	46.816.685.987	169.440.163.545

a) Analysis by institution

	2023 LAK	2022 LAK
Balances with domestic banks		
Banque Pour Le Commerce Exterieur Lao – Vientiane Branch	1.365.601.783	970.855.469
	1.365.601.783	970.855.469
Balances with overseas banks		
RHB Bank Berhad – Thailand (Note 24)	2.372.371.672	14.465.480.299
JP Morgan - Vietnam	2.968.712.532	2.481.827.777
	5.341.084.204	16.947.308.076
Included in cash and cash equivalents (Note 6)	6.706.685.987	17.918.163.545

NOTES TO THE FINANCIAL STATEMENTS
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5. DEPOSITS AND PLACEMENT WITH OTHER BANKS

a) Analysis by institution

	2023 LAK	2022 LAK
Placement with domestic banks		
Aceda Bank Lao Ltd.	10.110.000.000	60.000.000.000
KasikornThai Bank Limited	-	30.000.000.000
Military Commercial Joint Stock Bank – Lao Branch	10.000.000.000	10.000.000.000
Saigon Thuong Tin Bank Lao Sole Co., Ltd.	-	41.522.000.000
VietinBank Lao Limited	20.000.000.000	10.000.000.000
	40.110.000.000	151.522.000.000

b) Analysis by currency

	2023 LAK	2022 LAK
Domestic banks		
LAK	30.487.853.899	135.829.365.390
USD	10.444.327.590	16.537.563.724
THB	543.420.294	125.926.354
	41.475.601.783	152.492.855.468
Overseas banks		
USD	2.968.712.532	2.481.827.778
THB (Note 24)	2.372.371.672	14.465.480.299
	5.341.084.204	16.947.308.077
	46.816.685.987	169.440.163.545

6. CASH AND CASH EQUIVALENTS

	2023 LAK	2022 LAK
Cash and balances with central bank (Note 4)	164.952.541.295	110.555.901.386
Deposits with other banks (Note 5)	6.706.685.987	17.918.163.545
	171.659.227.282	128.474.064.931

7. LOANS AND ADVANCES TO CUSTOMERS

	2023 LAK	2022 LAK
Loans and advances to customers	420.012.764.628	286.022.640.204
Provision	(12.262.105.965)	(5.039.840.549)
	407.750.658.663	280.982.799.655

NOTES TO THE FINANCIAL STATEMENTS
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7. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers are analysed as follows:

a) Analysis by currency

	2023 LAK	2022 LAK
LAK	398.754.439.118	242.514.549.200
USD	21.258.325.510	41.732.509.228
THB	-	1.775.581.776
	420.012.764.628	286.022.640.204

b) Analysis by status of loan

	2023 LAK	2022 LAK
Performing loans	395.166.145.427	272.083.581.804
Non-performing loans	24.846.619.201	13.939.058.400
	420.012.764.628	286.022.640.204

c) Analysis by classification of BOL

	2023 LAK	2022 LAK
Performing loans		
Normal Loans	393.828.308.009	267.715.458.489
Specific Mention Loans	1.337.837.418	4.368.123.315
Non-performing loans		
Substandard Loans	8.274.322.772	11.331.029.667
Doubtful Loans	15.948.661.956	2.608.028.733
Loss Loans	623.634.473	-
	420.012.764.628	286.022.640.204

d) Analysis by relationship

	2023 LAK	2022 LAK
Customers	420.012.764.628	286.022.640.204

e) Analysis by economic sector

	2023 LAK	2022 LAK
Industrial	23.115.846.527	25.159.736.077
Construction	11.636.106.371	11.963.289.121
Commercial	50.795.714.869	63.345.288.978
Transport and telecommunication	17.257.219.094	17.462.782.435
Service	248.783.352.245	119.585.211.078
Agriculture	24.177.985.143	14.046.356.811
Handicraft	893.876.106	1.084.802.620
Others	43.352.664.273	33.375.173.084
	420.012.764.628	286.022.640.204

NOTES TO THE FINANCIAL STATEMENTS
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7. LOANS AND ADVANCES TO CUSTOMERS

f) Analysis by resident status

	2023 LAK	2022 LAK
Resident	418.706.102.460	277.269.554.165
Non-Resident	1.306.662.168	8.753.086.039
	420.012.764.628	286.022.640.204

g) Analysis by security

	2023 LAK	2022 LAK
Secured	420.012.764.628	286.022.640.204

The movement in the allowance for performing loans is as follows:

	2023 LAK	2022 LAK
General provision		
Beginning balance	1.469.620.246	1.872.578.453
Provision charged during the year	18.458.480.067	13.797.234.270
Reversal of provision during the year	(18.052.631.141)	(14.359.027.567)
Foreign exchange difference	133.806.862	158.835.090
At 31 December	2.009.276.034	1.469.620.246
Specific provision		
Beginning balance	3.570.220.303	2.095.359.745
Provision charged during the year	25.715.684.811	16.079.005.058
Reversal of provision during the year	(17.705.457.529)	(10.637.160.683)
Utilisation for bad debt written off	(1.504.388.859)	(3.968.293.471)
Foreign exchange difference	176.771.205	1.309.654
At 31 December	10.252.829.931	3.570.220.303

The breakdown of as at 31 December 2023 is as follows:

	2023 LAK	2022 LAK
Performing loans (general)		
Normal	1.969.140.911	1.338.576.385
Special Mention	40.135.123	131.043.861
Non- performing Loans (specific)		
Sub Standard	1.654.864.477	2.266.205.933
Doubtful	7.974.330.981	1.304.014.370
Loss	623.634.473	-
At 31 December	12.262.105.965	5.039.840.549

NOTES TO THE FINANCIAL STATEMENTS
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8. RIGHT-OF-USE ASSETS

	2023 LAK	2022 LAK
Cost		
At 1 January	14.907.232.837	14.907.232.837
Adjustment (i)	(13.429.978)	-
At 31 December	14.893.802.859	14.907.232.837
Accumulated amortisation		
At 1 January	(8.988.256.670)	(7.656.065.175)
Charge for the year	(1.166.013.149)	(1.332.191.495)
At 31 December	(10.154.269.819)	(8.988.256.670)
Net book value at 31 December	4.739.533.040	5.918.976.167

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

- (i) The adjustment is related to the change the currency of payments in the rental contract of Dongdok Branch from USD to LAK.

RHB BANK LAO SOLE CO., LTD

NOTES TO THE FINANCIAL STATEMENTS
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9. PROPERTY AND EQUIPMENT

Movement of the balance of property and equipment for the year ended 31 December 2023 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 2023	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
Additions	134,462,620	348,136,270	786,473,222	115,360,975	1,145,800,000	-	2,530,233,087
Written off	(288,608,765)	-	(5,565,493,672)	-	-	-	(5,854,102,437)
At 31 December 2023	13,393,430,178	1,100,279,297	20,233,543,241	1,444,999,880	3,186,451,792	192,353,900	39,551,058,288
Accumulated depreciation							
At 1 January 2023	(7,434,019,065)	(638,203,505)	(11,720,331,196)	(1,215,418,555)	(2,033,683,975)	-	(23,041,656,296)
Charge for the year	(1,349,831,694)	(67,290,743)	(3,400,439,056)	(58,551,531)	(197,934,467)	-	(5,074,047,491)
Written off	139,649,401	-	5,565,493,672	-	-	-	5,705,143,073
At 31 December 2023	(8,644,201,358)	(705,494,248)	(9,555,276,580)	(1,273,970,086)	(2,231,618,442)	-	(22,410,560,714)
Net book value at 31 December 2023	4,749,228,820	394,785,049	10,678,266,661	171,029,794	954,833,350	192,353,900	17,140,497,574

RHB BANK LAO SOLE CO., LTD

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9. PROPERTY AND EQUIPMENT

Movement of the balance 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 projects to replace those hardware nearing its end of useful lives in the coming year, upgrade security system and building renovation.

NOTES TO THE FINANCIAL STATEMENTS
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10. INTANGIBLE ASSETS

Movement of the balance of intangible assets for the year ended 31 December 2023 is as follows:

	Computer software LAK	In progress* LAK	Total LAK
Cost			
At 1 January 2023	14.526.048.509	279.724.815	14.805.773.324
Additions	736.230.719	1.001.983	737.232.702
As at 31 December 2023	15.262.279.228	280.726.798	15.543.006.026
Accumulated amortisation			
At 1 January 2023	(8.371.996.406)	-	(8.371.996.406)
Charge for the year	(1.546.726.735)	-	(1.546.726.735)
As at 31 December 2023	(9.918.723.141)	-	(9.918.723.141)
Net book value at 31 December 2023	5.343.556.087	280.726.798	5.624.282.885

*Intangible assets in progress during 2023 are related to Information Technology projects to enhance the system.

Movement of the balance 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	654.173.023	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.

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

11. OTHER ASSETS

	2023 LAK	2022 LAK
Prepaid expenses (i)	889.965.382	869.559.086
Accrued interest receivable (ii)	17.424.294.849	15.485.007.808
Others (iii)	1.630.436.355	1.496.810.000
	<u>19.944.696.586</u>	<u>17.851.376.894</u>

- (i) Prepaid expenses include advance payments for lease line, software maintenance, and insurance.
- (ii) Accrued interest receivable includes interest receivable from loans to customers and deposits with other banks. This also includes penalty receivable for the overdue loans.
- (iii) These include advance payment and bank supplies such as cheque books, passbooks and signature verification slips.

12. DEPOSITS FROM CUSTOMERS

Deposits from customers are analysed as follows:

a) Analysis by types of deposit account

	2023 LAK	2022 LAK
Current deposits	10.160.581.056	10.498.901.165
Saving Deposit	17.754.263.122	10.896.956.668
Term deposits	74.505.125.099	54.223.166.214
	<u>102.419.969.277</u>	<u>75.619.024.047</u>

b) Analysis by currency

	2023 LAK	2022 LAK
LAK	36.821.501.565	19.301.667.709
USD	52.366.677.223	39.967.850.583
THB	13.231.790.489	16.349.505.755
	<u>102.419.969.277</u>	<u>75.619.024.047</u>

c) Analysis by maturity

	2023 LAK	2022 LAK
Within 3 months	38.682.514.288	27.697.307.520
4 to 6 months	27.497.762.194	14.815.515.024
7 to 12 months	14.934.461.220	13.890.337.792
Over 12 months	21.305.231.575	19.215.863.711
	<u>102.419.969.277</u>	<u>75.619.024.047</u>

NOTES TO THE FINANCIAL STATEMENTS
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12. DEPOSITS FROM CUSTOMERS

d) Analysis by type of customer

	2023 LAK	2022 LAK
Individual	32.585.554.643	45.445.965.985
Non-individual	69.834.414.634	30.173.058.062
	<u>102.419.969.277</u>	<u>75.619.024.047</u>

e) Analysis by type of relationship

	2023 LAK	2022 LAK
Staff	4.033.695.137	5.855.343.046
Customers	98.386.274.140	69.763.681.001
	<u>102.419.969.277</u>	<u>75.619.024.047</u>

13. AMOUNT DUE TO PARENT COMPANY

	2023 LAK	2022 LAK
Fixed deposits (i)	619.617.955.880	572.385.124.978
Intercompany payables (ii)	21.995.054.353	49.890.841.520
	<u>641.613.010.233</u>	<u>622.275.966.498</u>

- (i) Fixed deposits denominated in USD carry interest rates from 2.00% to 5.80% (2022: 4.00% to 4.50%) per annum with terms ranging from 1 month to 3 years (2022: 1 week to 3 years).
- (ii) Intercompany payables include 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. In 2023, intercompany payables of USD 1.931.874, which is equivalent to LAK 39.700.012.500, has been converted to share capital as approved by the BOL under letter with reference 1035/BSD dated 21 December 2023.

14. OTHER LIABILITIES

	2023 LAK	2022 LAK
Accrued interest payable	11.540.938.421	10.481.939.427
Accruals, provisions and other liabilities (i)	8.040.164.782	8.651.844.900
	<u>19.581.103.203</u>	<u>19.133.784.327</u>

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

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

15. LEASE LIABILITIES

	2023 LAK	2022 LAK
Lease liabilities from property	<u>13.221.408.372</u>	<u>13.043.824.889</u>

(a) Scheduled repayments of lease liabilities are as follows:

	2023 LAK	2022 LAK
Within one year	1.925.932.500	2.085.990.562
Beyond one year	<u>11.295.475.872</u>	<u>10.957.834.327</u>
	<u>13.221.408.372</u>	<u>13.043.824.889</u>

The total cash outflow for leases in 2023 was LAK 3.682.699.194 (2022: LAK 3.183.637.594) which includes the principal and interest payments.

16. PAID-UP CAPITAL

	2023 LAK	2022 LAK
At 1 January	460.300.050.000	420.600.037.500
Additional paid-up capital (Notes 13, 24(b))	<u>39.700.012.500</u>	<u>39.700.012.500</u>
At 31 December	<u>500.000.062.500</u>	<u>460.300.050.000</u>

17. LEGAL RESERVE

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

	2023 LAK	2022 LAK
At 1 January/At 31 December	<u>2.130.187.655</u>	<u>2.130.187.655</u>

18. NET INTEREST INCOME

	2023 LAK	2022 LAK
Interest income		
Interest income from customers	25.970.186.258	23.958.537.685
Interest income from banks	<u>47.888.723.108</u>	<u>34.088.166.158</u>
	<u>73.858.909.366</u>	<u>58.046.703.843</u>
Interest expense		
Interest expense from customers	(3.470.052.346)	(2.823.945.023)
Interest expense from parent company	(29.901.484.819)	(20.253.457.186)
Interest expense from lease liability	<u>(512.314.230)</u>	<u>(477.685.989)</u>
	<u>(33.883.851.395)</u>	<u>(23.555.088.198)</u>
Net interest income	<u>39.975.057.971</u>	<u>34.491.615.645</u>

NOTES TO THE FINANCIAL STATEMENTS
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19. NET FEE AND COMMISSION INCOME

	2023 LAK	2022 LAK
Fee and commission income		
Loan processing fees	1.230.042.137	635.276.754
Penalty fees	106.636.347	165.278.561
Commitment fees	53.310.474	144.660.257
Other fees	365.826.914	378.606.704
	1.755.815.872	1.323.822.276
Fee and commission expense		
Commission fees	(58.318.376)	(71.462.704)
Wire transfer fees	(390.007.979)	(264.104.666)
	(448.326.355)	(335.567.370)
Net fee and commission income	1.307.489.517	988.254.906

20. PAYROLL AND OTHER STAFF COSTS

	2023 LAK	2022 LAK
Salaries and wages	20.270.334.980	15.900.721.328
Bonus	5.569.876.071	652.107.095
Other staff costs	1.746.923.029	1.282.785.902
	27.587.134.080	17.835.614.325

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2023 LAK	2022 LAK
Repair and maintenance	3.860.762.819	3.154.189.860
Insurance expense	1.346.487.585	1.115.135.020
Professional fees (i)	1.106.978.098	1.032.724.279
Communication expense	488.944.204	505.378.455
Utilities	349.408.990	275.413.115
Security fees	315.580.000	298.900.000
Office stationery expense	722.782.585	417.829.955
Meal and travelling	512.594.806	383.913.939
Marketing and public relations	276.052.821	195.412.200
Board of directors' fees and allowances	627.218.509	277.244.330
Other administrative expenses	1.144.992.270	371.272.481
	10.751.802.687	8.027.413.634

(i) Professional fee includes audit fee of LAK 724.000.000 (2022: LAK 677.260.000).

NOTES TO THE FINANCIAL STATEMENTS
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22. NET PROVISION WRITEBACK FOR CREDIT LOSSES ON LOANS AND ADVANCES

	2023 LAK	2022 LAK
Charge/(Writeback)		
General provision (net)	405.848.926	(561.793.297)
Specific provision (net)	8.010.227.282	5.441.844.375
Net charge	8.416.076.208	4.880.051.078
Bad debt recovered	(26.776.255.809)	(11.001.881.108)
	(18.360.179.601)	(6.121.830.030)

23. INCOME TAX EXPENSE

In accordance with the Income Tax Law No. 67/NA, dated 18 June 2019 stipulated by the President of the National Assembly, applicable profit tax that should be applied to both domestic and foreign enterprises that hold legal entities is 20% (2022: 20%) of total taxable profit income.

	2023 LAK	2022 LAK
Profit before tax for the year	22.344.910.706	10.152.677.445
Non-deductible expenses	722.206.472.194	301.333.394.184
Non-taxable income	(726.340.427.038)	(300.788.033.800)
Taxable profit for the year	18.210.955.862	10.698.037.829
Loss carried forward from previous year	(14.419.778.757)	(25.117.816.586)
Taxable profit for the year	18.210.955.862	10.698.037.829
Profit/Loss for the year	3.791.177.105	(14.419.778.757)
Income tax expense at applicable tax rate	758.235.421	-

In 2023, the Bank had taxable profit where loss carried forward from 2022 has been applied. The loss carried forward has already been fully utilised as of 31 December 2023. As of 31 December 2022, the Bank has outstanding loss carried forward amounting to LAK 14.419.778.757 which can be carried forward to offset against taxable profit to be realised for the remaining years from 2023 to 2025 subject to certification by the National Audit Authority with the acknowledgement from the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

24. RELATED PARTY BALANCES AND TRANSACTIONS

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

A few numbers of banking transactions were entered into with related parties in the normal course of business, which were mostly deposits.

Deposits from key management personnel comprise savings and fixed deposits, all of which are unsecured. Savings deposits are repayable on demand and carry interest rates ranging from 1.60% to 2.00% (2022: 1.60% to 2.00%) per annum, depending on the currency. Fixed deposits carry interest rates ranging from 2.50% to 6.75% (2022: 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 (2022: 1 to 36 months). Loans and advances carry interest rates of 4.00% (2022: 4.00%) per annum with terms ranging from 72 to 300 months (2022: 72 to 300 months).

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

	2023 LAK	2022 LAK
RHB Bank Berhad - Malaysia (Holding Bank)		
(a) <i>Fixed deposits</i>		
At 1 January	572,385,124,978	415,051,022,244
Deposits withdrawn during the year	(109,883,393,443)	(43,795,393,443)
Foreign exchange loss	157,116,224,345	201,129,496,177
As at 31 December (Note 13)	619,617,955,880	572,385,124,978
Interest payable	9,243,342,492	8,609,299,621
Interest expense (Note 18)	29,901,484,819	20,253,457,186
(b) <i>Intercompany payable</i>		
At 1 January	49,890,841,520	33,605,808,938
Transfer to paid-up capital	(39,700,012,500)	-
Foreign exchange loss	11,804,225,333	16,285,032,582
As at 31 December (Note 13)	21,995,054,353	49,890,841,520
Monthly swift payment	390,007,979	264,104,666
RHB Bank Thailand		
(a) <i>Current deposit</i>		
At 1 January	14,465,480,299	5,258,538,455
Deposits (withdrawn)/placed during the year	(16,638,764,521)	7,026,693,337
Foreign exchange gain	4,545,655,894	2,180,248,507
At 31 December (Note 5)	2,372,371,672	14,465,480,299

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

24. RELATED PARTY BALANCES AND TRANSACTIONS

	2023 LAK	2022 LAK
<i>Director and key management personnel</i>		
(a) <i>Deposits from customers</i>		
At 1 January	5.089.853.299	3.853.814.755
Deposits withdrawn during the year	(3.281.068.412)	(155.198.039)
Foreign exchange loss	1.031.830.036	1.391.236.583
As at 31 December	2.840.614.923	5.089.853.299
Interest payable	1.735.857.338	97.372.457
Interest expense	3.470.052.346	163.095.181
(b) <i>Loans and advances to customers</i>		
At 1 January	9.849.249.528	10.265.387.207
Loans disbursed during the year	1.096.000.000	1.255.000.000
Loan repaid during the year	(302.526.632)	(1.671.137.679)
As at 31 December	10.642.722.896	9.849.249.528
Interest receivable	9.929.866	8.695.750
Interest income	424.636.120	492.310.445
Salaries and other short-term employee benefits	15.207.843.835	10.606.541.503
Management fees	652.130.804	-
Social security contribution (i)	31.590.000	40.770.000
(i) Social security contributions by the Bank include the post-employment benefit.		

25. COMMITMENTS AND CONTINGENCIES

(a) *Capital commitment*

In order to meet the minimum capital requirement of LAK 1.000.000.000.000, as per revised Law on Commercial Bank No. 39/NA, dated 17 July 2023, RHB Bank Berhad needs to inject additional capital of LAK 499.999.937.500. The timing of the capital injection is yet to be announced by BOL.

(b) *Credit facilities*

As at 31 December 2023, the Bank had the contractual amounts of the Bank's off-financial position, financial instruments that commits 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 2023.

	2023 LAK	2022 LAK
Unutilised overdraft	8.681.597.267	9.241.879.322
Undisbursed loans	5.335.000.000	90.065.000.000
	14.016.597.267	99.306.879.322

25. COMMITMENTS AND CONTINGENCIES

(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.