

**RHB BANK LAO LIMITED**



**FINANCIAL STATEMENTS**

*(in accordance with the accounting policies of the Bank and the relevant accounting regulations and notifications of Bank of the Lao People's Democratic Republic)*

**31 DECEMBER 2017**

**RHB Bank Lao Limited**

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**RHB BANK LAO LIMITED**

**STATEMENT BY THE BOARD OF DIRECTORS**

**31 DECEMBER 2017**

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**BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS**

The Board of Directors (the BOD) of RHB Bank Lao Limited (the Bank) are responsible for ensuring that the financial statements are prepared, in all material respects, the financial position of the Bank as at 31 December 2017 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 2017.

**STATEMENT BY THE BOARD OF DIRECTORS ON THE FINANCIAL STATEMENTS**

We do hereby state that the accompanying financial statements are prepared, in all material respects, the financial position of the Bank as at 31 December 2017 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



Danny Ling Chii Hian  
Country Head

20 March 2018



## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDER AND BOARD OF DIRECTORS OF RHB BANK LAO LIMITED

#### Opinion

In our opinion, the financial statements of RHB Bank Lao Limited (the Bank) are prepared, in all material respects, in accordance with the accounting policies of the Bank and the relevant accounting regulations and notifications of Bank of the Lao People's Democratic Republic 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 2017;
- 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 a summary of significant accounting policies.

#### 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with IESBA Code.

#### Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the accounting policies of the Bank and the relevant accounting regulations and notifications of Bank of the Lao People's Democratic Republic as described in Note 2 to the financial statements to assist the Bank to meet the requirements of the Bank of Lao People's Democratic Republic. 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 and the aforementioned parties. Our opinion is not modified in respect of this matter.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with accounting policies of the Bank and the relevant accounting regulations and notifications of Bank of Lao People's Democratic Republic as described in Note 2 to the financial statements, 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.



## INDEPENDENT AUDITOR'S REPORT

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.

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

### 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's to cease to continue as a going concern.

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

For PricewaterhouseCoopers (Lao) Sole Company Limited



By Apisit Thiengtrongpinyo  
Partner

Vientiane, Lao P.D.R.  
20 March 2018

**RHB BANK LAO LIMITED**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017**

	Note	2017 LAK	2016 LAK
<b>ASSETS</b>			
Cash and balances with central bank	4	515.899.129.791	459.488.220.174
Deposits with other banks	5	10.747.859.869	59.130.917.698
Loans and advances to customers	7	423.243.217.212	329.226.542.758
Property and equipment	8	16.667.492.895	15.111.143.900
Intangible assets	9	2.579.639.138	3.447.353.313
Other assets	10	16.422.676.163	14.946.000.087
<b>TOTAL ASSETS</b>		<b>985.560.015.068</b>	<b>881.350.177.930</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Deposits from customers	11	39.624.605.025	42.983.115.582
Deposits from other banks	12	145.200.899.125	54.000.979.125
Amount due to parent company	13	473.693.349.917	457.159.305.835
Other liabilities	14	13.913.208.174	23.317.275.985
<b>TOTAL LIABILITIES</b>		<b>672.432.062.241</b>	<b>577.460.676.527</b>
<b>EQUITY</b>			
Paid-up capital	15	301.500.000.000	301.500.000.000
Legal reserve	16	1.114.186.014	190.340.872
Retained earnings		10.513.766.813	2.199.160.531
<b>TOTAL EQUITY</b>		<b>313.127.952.827</b>	<b>303.889.501.403</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>985.560.015.068</b>	<b>881.350.177.930</b>



Danny Ling Chii Hian  
Country Head

20 March 2018

The accompanying notes on pages 8 to 26 form an integral part of these financial statements.  
Independent auditor's report – pages 2 to 3.

RHB BANK LAO LIMITED

STATEMENT OF INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note(s)	2017 LAK	2016 LAK
Interest income		51.449.871.710	33.749.547.943
Interest expense		(19.069.292.713)	(8.555.444.160)
<b>NET INTEREST INCOME</b>	17	<b>32.380.578.997</b>	<b>25.194.103.783</b>
Loan impairment charges	7	(5.681.357.456)	(3.271.319.327)
<b>NET INTEREST INCOME AFTER LOAN IMPAIRMENT CHARGES</b>		<b>26.699.221.541</b>	<b>21.922.784.456</b>
Fee and commission income		2.237.857.074	2.001.756.742
Fee and commission expense		(211.846.104)	(175.520.560)
<b>NET FEE AND COMMISSION INCOME</b>	18	<b>2.026.010.970</b>	<b>1.826.236.182</b>
Foreign exchange gain/(loss), net		2.419.528.464	(807.312.219)
Payroll and other staff costs	19	(8.700.930.107)	(8.472.366.502)
General and administrative expenses	20	(5.260.022.948)	(4.438.245.599)
Depreciation and amortisation charges	8,9	(4.174.862.267)	(3.850.973.311)
<b>TOTAL EXPENSES</b>		<b>(15.716.286.858)</b>	<b>(17.568.897.631)</b>
<b>PROFIT BEFORE TAX</b>		<b>13.008.945.653</b>	<b>6.180.123.007</b>
Income tax expense	21	(3.770.494.229)	(114.983.756)
<b>NET PROFIT FOR THE YEAR</b>		<b>9.238.451.424</b>	<b>6.065.139.251</b>



Danny Ling Chii Hian  
Country Head

20 March 2018

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RHB BANK LAO LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Paid-up capital LAK	Legal reserve LAK	Retained earnings LAK	Total LAK
At 1 January 2016	301.500.000.000	-	(3.675.637.848)	297.824.362.152
Net profit for the year	-	-	6.065.139.251	6.065.139.251
Legal reserve	-	190.340.872	(190.340.872)	-
<b>As at 31 December 2016</b>	<b>301.500.000.000</b>	<b>190.340.872</b>	<b>2.199.160.531</b>	<b>303.889.501.403</b>
At 1 January 2017	301.500.000.000	190.340.872	2.199.160.531	303.889.501.403
Net profit for the year	-	-	9.238.451.424	9.238.451.424
Legal reserve	-	923.845.142	(923.845.142)	-
<b>As at 31 December 2017</b>	<b>301.500.000.000</b>	<b>1.114.186.014</b>	<b>10.513.766.813</b>	<b>313.127.952.827</b>



Danny Ling Chii Hian  
Country Head

20 March 2018

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Independent auditor's report – pages 2 to 3.



RHB BANK LAO LIMITED

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note(s)	2017 LAK	2016 LAK
<b>OPERATING ACTIVITIES</b>			
Profit before tax		13,008,945,653	6,180,123,007
<i>Adjustments for:</i>			
Loan impairment charges	7	5,681,357,456	3,271,319,327
Depreciation and amortisation charges	8,9	4,174,862,267	3,850,973,311
Foreign exchange (gain)/loss, net		(2,419,528,464)	807,312,219
Interest and similar income	17	(51,449,871,710)	(33,749,547,943)
Interest and similar expense	17	19,069,292,713	8,555,444,160
<b>Net cash flows used in operations before changes in operating assets and liabilities</b>		<b>(11,934,942,085)</b>	<b>(11,084,375,919)</b>
Decrease in statutory deposits with BOL	4	858,590,251	57,426,184,122
Increase in loans and advances to customers	7	(99,098,301,372)	(139,155,373,795)
Increase in other assets		(367,714,148)	(523,011,072)
Increase/(decrease) in deposits from customers	11	(3,358,510,557)	6,601,214,346
Increase in deposits from banks	12	91,199,920,000	54,000,979,125
Increase in deposits from parent company	13	16,192,760,000	418,577,940,000
Increase/(decrease) in other liabilities		(12,305,526,721)	15,192,966,563
Interest received		50,340,909,782	23,088,388,459
Interest paid		(17,064,183,365)	(1,407,780,117)
Income tax paid		(2,532,860,585)	-
<b>Net cash generated from operating activities</b>		<b>11,930,141,200</b>	<b>422,717,131,712</b>
<b>INVESTING ACTIVITIES</b>			
Placement in term fixed deposit with central bank		(414,650,000,000)	-
Purchases of property and equipment		(4,288,302,634)	(3,901,007,328)
Purchases of intangible fixed assets		(575,194,453)	-
<b>Net cash used in investing activities</b>		<b>(419,513,497,087)</b>	<b>(3,901,007,328)</b>
<b>FINANCING ACTIVITIES</b>			
Repayments of intercompany payables		-	(7,726,320,861)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(7,726,320,861)</b>
Net (decrease)/increase in cash and cash equivalents		(407,583,355,887)	411,089,803,523
Cash and cash equivalents, beginning	6	514,569,080,415	104,907,605,585
Effect of foreign exchange difference		1,819,797,926	(1,428,328,693)
<b>Cash and cash equivalents, ending</b>	<b>6</b>	<b>108,805,522,454</b>	<b>514,569,080,415</b>

Danny Ling Chii Hian  
Country Head

20 March 2018

The accompanying notes on pages 8 to 26 form an integral part of these financial statements.  
Independent auditor's report – pages 2 to 3

## RHB BANK LAO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1. GENERAL INFORMATION

RHB Bank Lao Limited (the Bank) is a commercial bank incorporated and registered in of 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 operate its banking business under the Law on Commercial Bank, No. 03/NA, dated 26 December 2006 and under the regulations of Bank of Lao P.D.R (BOL). The Bank had received its Banking License No.10/BOL and 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. The initial registered capital of the Bank is LAK 301.500.000.000 with 30.000.000 shares and issue price of LAK 10.050 (2016 LAK 10.050). The actual paid up capital as at 31 December 2017 is remained at LAK 301.500.000.000 (2016: LAK 301.500.000.000)

The registered office of the Bank is at Unit No.1, House No. 008, Kaisone Road, Phonsa Ard Village, Lao P.D.R.

The Bank's BOD has reviewed these financial statements and approved for their issuance on 20 March 2018.

#### 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 accounting policies of the Bank and the relevant accounting regulations and notifications of BOL. 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 Financial instruments

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

##### 2.4 Recognition of interest income and expense

###### Interest income recognition

Interest income is recognised on an accrual basis.

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

Per BoL No.134/AD, dated 13 June 2011, 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. This is in line with the regulations of BOL.

**RHB BANK LAO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.4 Recognition of interest income and expense**

**Interest expense**

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

**2.5 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.

**2.6 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.

**2.7 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 Regulation 324/BOL dated 19 April 2011, 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/pass (group A) and watch/special mention (group B) is considered as performing loans. Loans classified as substandard (group C), doubtful (group D) and loss (group E) are considered as non-performing loans.

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.

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

**RHB BANK LAO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 2 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:

<b>Category</b>	<b>Depreciation rate</b>
Motor vehicles	20%
Office equipment	20%
Furniture and fixtures	20%
Buildings and improvements	5%
Computer equipment	20%

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 dated 16 January 2007, commercial banks are required to appropriate net profit to regulatory reserve fund, business expansion fund, and other funds.

In accordance with the regulation on capital adequacy No.1/BOL dated 28 August 2002 by the Governor of BOL and other relevant guidance, commercial banks are required to provide statutory reserve at the rate of from 5% to 10% of profit after tax depending on the decision of the Board of Directors.

**2.13 Operating lease - for lessee**

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

**2.14 Employee benefit**

*a) Short term employee benefits*

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

**RHB BANK LAO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.14 Employee benefit**

*b) Post-employment benefits*

Post-employment benefits are paid to retired employees of the Bank by the National Social Security Fund Department 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 6.00% of employee's basic salary on a monthly basis. The Bank has no further obligation concerning post-employment benefits for the employees other than this.

*c) Termination benefits*

In accordance with Article 90 of the Amended Labour Law issued by the President of Lao People's Democratic Republic on 18 January 2014, 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 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 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, 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. The Bank is subject to 24% (2016: 24%) on total taxable profit, and it shall be paid on quarterly basis. This is in accordance with Article 29: Profit Tax Rates of the amended Tax Law no.023/NA dated 28 January 2016.

Tax losses incurred in any tax year can be carried forward to offset against profit realised in the following three 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. This is in accordance with Article 39: Carrying Forward annual losses of the amended tax law.

**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.

**RHB BANK LAO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

**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 balance sheet. 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.

**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**

	<b>2017</b>	<b>2016</b>
	<b>LAK</b>	<b>LAK</b>
Cash on hand (note 4.1)	14.814.425.389	12.216.763.662
Balances with central bank other than long term fixed deposit and mandatory reserve deposits (note 4.2)	83.243.237.196	443.221.399.055
<b>Included in cash and cash equivalents (note 6)</b>	<b>98.057.662.585</b>	<b>455.438.162.717</b>
Long term fixed deposit and mandatory reserve deposits with central bank (note 4.3)	417.841.467.206	4.050.057.457
	<b>515.899.129.791</b>	<b>459.488.220.174</b>

**RHB BANK LAO LIMITED**

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**4. CASH AND BALANCES WITH CENTRAL BANK**

**4.1 CASH ON HAND**

	<b>2017 LAK</b>	<b>2016 LAK</b>
Cash on hand – LAK	7.605.735.500	4.200.222.500
Cash on hand – foreign currency	7.208.689.889	8.016.541.162
	<b>14.814.425.389</b>	<b>12.216.763.662</b>

**4.2 BALANCES WITH CENTRAL BANK OTHER THAN MANDATORY RESERVE DEPOSITS**

	<b>2017 LAK</b>	<b>2016 LAK</b>
Demand deposit	<b>83.243.237.196</b>	<b>443.221.399.055</b>

**4.3 LONG TERM AND FIXED DEPOSIT AND MANDATORY RESERVE DEPOSITS WITH CENTRAL BANK**

	<b>2017 LAK</b>	<b>2016 LAK</b>
Compulsory reserve (i)	3.186.467.206	4.045.057.457
Special deposit (ii)	5.000.000	5.000.000
Long term fixed deposit (iii)	414.650.000.000	-
	<b>417.841.467.206</b>	<b>4.050.057.457</b>

- (i) These are deposits maintained in BOL as per BOL regulations. The balance is adjusted and calculated at 5% of LAK and 10% of other foreign currencies, such as Thailand Bath (THB) and United State Dollars (USD), on the average balance of bank and customer deposits, such as savings accounts, current accounts and term deposits as of the year. These deposits do not earn interest.
- (ii) The Bank maintains an additional statutory capital deposit with BOL. This deposit amount is considered as a guarantee for the operations. 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 with annual rate of 4.50% per annum (2016: nil).

**5. DEPOSITS WITH OTHER BANKS**

Deposits with other banks are analysed as follows:

**a) Analysis by institution**

	<b>2017 LAK</b>	<b>2016 LAK</b>
<b>Balances with domestic banks</b>		
Public Bank Berhad - Vientiane Branch	9.319.700.000	56.957.100.000
Banque Franco Lao Co., Ltd. – Vientiane Branch	-	16.374.000
	<b>9.319.700.000</b>	<b>56.973.474.000</b>
<b>Balances with overseas banks</b>		
RHB Bank Berhad – Thailand	541.927.263	483.000.061
Bank of China - Malaysia	-	300.169.805
RHB Bank Berhad – Malaysia	886.232.606	1.374.273.832
	<b>1.428.159.869</b>	<b>2.157.443.698</b>
	<b>10.747.859.869</b>	<b>59.130.917.698</b>

RHB BANK LAO LIMITED

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5. DEPOSITS WITH OTHER BANKS

*b) Analysis by currency*

	2017 LAK	2016 LAK
<b>Domestic banks</b>		
LAK	-	45.000.000.000
USD	1.658.600.000	7.384.674.000
THB	7.661.100.000	4.588.800.000
	<b>9.319.700.000</b>	<b>56.973.474.000</b>
<b>Overseas banks</b>		
USD	886.232.606	1.674.443.637
THB	541.927.263	483.000.061
	<b>1.428.159.869</b>	<b>2.157.443.698</b>
	<b>10.747.859.869</b>	<b>59.130.917.698</b>

6. CASH AND CASH EQUIVALENTS

	2017 LAK	2016 LAK
Cash and balances with central bank (note 4)	98.057.662.585	455.438.162.717
Deposits with other banks	10.747.859.869	59.130.917.698
	<b>108.805.522.454</b>	<b>514.569.080.415</b>

7. LOANS AND ADVANCES TO CUSTOMERS

	2017 LAK	2016 LAK
Loans and advances to customers	432.594.256.690	333.495.955.318
Provision	(9.351.039.478)	(4.269.412.560)
	<b>423.243.217.212</b>	<b>329.226.542.758</b>

Loans and advances to customers are analysed as follows:

*a) Analysis by currency*

	2017 LAK	2016 LAK
LAK	350.462.650.574	241.232.702.596
USD	67.960.029.460	77.984.643.177
THB	14.171.576.656	14.278.609.545
	<b>432.594.256.690</b>	<b>333.495.955.318</b>



RHB BANK LAO LIMITED

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7. LOANS AND ADVANCES TO CUSTOMERS

*b) Analysis by status of loan*

	2017 LAK	2016 LAK
Performing loans	419.195.825.761	328.741.719.457
Non-performing loans	13.398.430.929	4.754.235.861
	<b>432.594.256.690</b>	<b>333.495.955.318</b>

*c) Analysis by classification of BOL*

	2017 LAK	2016 LAK
<b>Performing loans</b>		
Normal	385.168.556.656	317.586.346.356
Special mention	34.027.269.105	11.155.373.101
<b>Non-performing loans</b>		
Substandard	1.163.656.730	1.140.971.912
Doubtful	12.234.774.199	2.955.675.373
Loss	-	657.588.576
	<b>432.594.256.690</b>	<b>333.495.955.318</b>

*d) Analysis by relationship*

	2017 LAK	2016 LAK
Customers	<b>432.594.256.690</b>	<b>333.495.955.318</b>

*e) Analysis by economic sector*

	2017 LAK	2016 LAK
Industrial	25.030.778.255	23.301.553.533
Construction	52.195.301.311	47.461.357.906
Commercial	98.616.557.912	72.895.373.295
Transport and telecommunication	18.112.404.614	17.151.614.242
Service	144.979.025.775	104.629.725.241
Agriculture	1.086.721.552	-
Handicraft	2.975.384.671	567.434.669
Others	89.598.082.600	67.488.896.432
	<b>432.594.256.690</b>	<b>333.495.955.318</b>

RHB BANK LAO LIMITED

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7. LOANS AND ADVANCES TO CUSTOMERS

*f) Analysis by resident status*

	2017 LAK	2016 LAK
Resident	400.089.947.254	303.862.168.553
Non-resident	32.504.309.436	29.633.786.765
	<b>432.594.256.690</b>	<b>333.495.955.318</b>

*g) Analysis by security*

	2017 LAK	2016 LAK
Secured	432.594.256.690	333.495.955.318
	<b>432.594.256.690</b>	<b>333.495.955.318</b>

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

	2017 LAK	2016 LAK
<b>General provision</b>		
Beginning balance	1.929.298.416	995.420.074
Provision charged during the year	11.636.788.403	4.581.085.575
Reversal of provision during the year	(10.584.287.424)	(3.649.880.392)
Foreign exchange difference	14.120.556	2.673.159
<b>At 31 December</b>	<b>2.995.919.951</b>	<b>1.929.298.416</b>

	2017 LAK	2016 LAK
<b>Specific provision</b>		
Beginning balance	2.340.114.144	-
Provision charged during the year	12.161.891.962	3.569.141.621
Reversal of provision during the year	(7.533.035.485)	(1.229.027.477)
Utilisation for bad debt written off	(657.588.577)	-
Foreign exchange difference	43.737.483	-
<b>At 31 December</b>	<b>6.355.119.527</b>	<b>2.340.114.144</b>

The breakdown of as at 31 December 2017 is as follows:

	2017 LAK	2016 LAK
<b>Performing loans (general)</b>		
Normal	1.974.995.246	1.594.637.306
Special mention	1.020.924.705	334.661.110
<b>Non-performing loans (specific)</b>		
Substandard	232.731.345	228.200.386
Doubtful	6.122.388.182	1.454.325.185
Loss	-	657.588.573
	<b>9.351.039.478</b>	<b>4.269.412.560</b>

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8. PROPERTY AND EQUIPMENT

Movement of the balance of property and equipment for the year ended 31 December 2017 is as follows:

	Building & improvements LAK	Office equipment LAK	Computer equipment LAK	Furniture & fixtures LAK	Motor vehicles LAK	Total LAK
<b>Cost</b>						
At 1 January 2017	10,157,393,824	388,326,375	8,103,368,274	841,744,962	1,508,859,392	20,999,692,827
Additions	2,997,394,753	210,785,845	485,409,279	271,953,557	322,759,200	4,288,302,634
<b>At 31 December 2017</b>	<b>13,154,788,577</b>	<b>599,112,220</b>	<b>8,588,777,553</b>	<b>1,113,698,519</b>	<b>1,831,618,592</b>	<b>25,287,995,461</b>
<b>Accumulated depreciation</b>						
At 1 January 2017	982,471,655	158,286,872	3,802,382,419	323,824,168	621,583,813	5,888,548,927
Charge for the year	507,869,700	82,589,528	1,666,455,049	173,267,490	301,771,872	2,731,953,639
<b>At 31 December 2017</b>	<b>1,490,341,355</b>	<b>240,876,400</b>	<b>5,468,837,468</b>	<b>497,091,658</b>	<b>923,355,685</b>	<b>8,620,502,566</b>
<b>Net book value at 31 December 2017</b>	<b>11,664,447,222</b>	<b>358,235,820</b>	<b>3,119,940,085</b>	<b>616,606,861</b>	<b>908,262,907</b>	<b>16,667,492,895</b>

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8. PROPERTY AND EQUIPMENT

Movement of the balance of property and equipment for the year ended 31 December 2016 is as follows:

	Building & improvements LAK	Office equipment LAK	Computer equipment LAK	Furniture & fixtures LAK	Motor vehicles LAK	Total LAK
<b>Cost</b>						
At 1 January 2016	7,446,557,620	287,321,375	7,492,905,534	600,118,862	1,178,586,392	17,005,489,783
Additions	2,632,494,690	101,005,000	595,608,538	241,626,100	330,273,000	3,901,007,328
Adjustments	78,341,514	-	14,854,202	-	-	93,195,716
<b>At 31 December 2016</b>	<b>10,157,393,824</b>	<b>388,326,375</b>	<b>8,103,368,274</b>	<b>841,744,962</b>	<b>1,508,859,392</b>	<b>20,999,692,827</b>
<b>Accumulated depreciation</b>						
At 1 January 2016	508,052,092	90,634,380	2,181,046,124	179,637,544	353,020,908	3,312,391,048
Charge for the year	441,078,049	67,652,492	1,561,482,093	144,186,624	268,562,905	2,482,962,163
Adjustments	33,341,514	-	59,854,202	-	-	93,195,716
<b>At 31 December 2016</b>	<b>982,471,655</b>	<b>158,286,872</b>	<b>3,802,382,419</b>	<b>323,824,168</b>	<b>621,583,813</b>	<b>5,888,548,927</b>
<b>Net book value at 31 December 2016</b>	<b>9,174,922,169</b>	<b>230,039,503</b>	<b>4,300,985,855</b>	<b>517,920,794</b>	<b>887,275,579</b>	<b>15,111,143,900</b>

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**9. INTANGIBLE ASSETS**

Movement of the balance of intangible assets is as follows:

	<b>2017 LAK</b>	<b>2016 LAK</b>
<b>Cost</b>		
At 1 January	6.840.055.752	6.840.055.752
Additions	575.194.453	-
<b>At 31 December</b>	<b>7.415.250.205</b>	<b>6.840.055.752</b>
<b>Accumulated amortisation</b>		
At 1 January	3.392.702.439	2.024.691.291
Charge for the year	1.442.908.628	1.368.011.148
<b>At 31 December</b>	<b>4.835.611.067</b>	<b>3.392.702.439</b>
<b>Net book value at 31 December</b>	<b>2.579.639.138</b>	<b>3.447.353.313</b>

**10. OTHER ASSETS**

	<b>2017 LAK</b>	<b>2016 LAK</b>
Prepaid expenses (i)	4.138.360.565	3.054.593.237
Accrued interest receivable (ii)	11.774.509.037	11.496.167.816
Others (iii)	509.806.561	395.239.034
	<b>16.422.676.163</b>	<b>14.946.000.087</b>

(i) Prepaid expenses include advance payments for the electronic equipment insurance, house and office rental, leased area for the server at BOL, and others prepayments.

(ii) Accrued interest receivable includes interest receivable from loans to customers and deposits with other banks.

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

**11. DEPOSITS FROM CUSTOMERS**

Deposits from customers are analysed as follows:

**a) Analysis by types of deposit account**

	<b>2017 LAK</b>	<b>2016 LAK</b>
Current deposits	9.835.135.464	13.322.672.320
Saving deposits	15.490.024.070	9.190.964.126
Term deposits	14.299.445.491	20.469.479.136
	<b>39.624.605.025</b>	<b>42.983.115.582</b>

RHB BANK LAO LIMITED

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11. DEPOSITS FROM CUSTOMERS

*b) Analysis by currency*

	<u>2017</u> <u>LAK</u>	<u>2016</u> <u>LAK</u>
LAK	15.223.148.716	29.145.522.216
USD	18.949.328.193	9.146.464.085
THB	5.452.128.116	4.691.129.281
	<u><b>39.624.605.025</b></u>	<u><b>42.983.115.582</b></u>

*c) Analysis by maturity*

	<u>2017</u> <u>LAK</u>	<u>2016</u> <u>LAK</u>
Within 3 months	34.691.571.537	32.812.774.786
4 to 6 months	1.302.896.080	2.755.055.814
7 to 12 months	2.204.372.407	5.522.281.666
Over 12 months	1.425.765.001	1.893.003.316
	<u><b>39.624.605.025</b></u>	<u><b>42.983.115.582</b></u>

*d) Analysis by type of customer*

	<u>2017</u> <u>LAK</u>	<u>2016</u> <u>LAK</u>
Individual	27.237.060.545	23.070.264.895
Non-individual	12.387.544.480	19.912.850.687
	<u><b>39.624.605.025</b></u>	<u><b>42.983.115.582</b></u>

*e) Analysis by type of relationship*

	<u>2017</u> <u>LAK</u>	<u>2016</u> <u>LAK</u>
Staff	5.385.898.722	2.534.204.725
Customer	34.238.706.303	40.448.910.857
	<u><b>39.624.605.025</b></u>	<u><b>42.983.115.582</b></u>

12. DEPOSITS FROM OTHER BANKS

*a) Analysis by types of deposit account*

	<u>2017</u> <u>LAK</u>	<u>2016</u> <u>LAK</u>
Current deposits	899.125	979.125
Term deposits	145.200.000.000	54.000.000.000
	<u><b>145.200.899.125</b></u>	<u><b>54.000.979.125</b></u>

**RHB BANK LAO LIMITED**

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**12. DEPOSITS FROM OTHER BANKS**

*b) Analysis by currency*

	<b>2017</b>	<b>2016</b>
	<b>LAK</b>	<b>LAK</b>
LAK	145.200.899.125	54.000.979.125
	<b>145.200.899.125</b>	<b>54.000.979.125</b>

*c) Analysis by maturity*

	<b>2017</b>	<b>2016</b>
	<b>LAK</b>	<b>LAK</b>
Within 3 months	24.000.899.125	979.125
4 to 6 months	18.000.000.000	44.000.000.000
7 to 12 months	103.200.000.000	10.000.000.000
	<b>145.200.899.125</b>	<b>54.000.979.125</b>

**13. AMOUNT DUE TO PARENT COMPANY**

	<b>2017</b>	<b>2016</b>
	<b>LAK</b>	<b>LAK</b>
Fixed deposits (i)	446.992.700.000	430.799.940.000
Intercompany payable (ii)	26.700.649.917	26.359.365.835
	<b>473.693.349.917</b>	<b>457.159.305.835</b>

(i) Fixed deposits, denominated in USD, carry an interest rate of 1.80% (2016: 1.80%) per annum with term of 1 month and an interest rate of 3.15% (2016: 3.15%) per annum with term of 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.

**14. OTHER LIABILITIES**

	<b>2017</b>	<b>2016</b>
	<b>LAK</b>	<b>LAK</b>
Current income tax liability	1.352.617.400	114.983.756
Accrued interest payable	9.294.094.496	7.288.985.148
Accruals, provisions and other liabilities (i)	3.266.496.278	15.913.307.081
	<b>13.913.208.174</b>	<b>23.317.275.985</b>

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

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**15. PAID-UP CAPITAL**

	<b>2017 LAK</b>	<b>2016 LAK</b>
Paid-up capital	<u><b>301.500.000.000</b></u>	<u><b>301.500.000.000</b></u>

**16. LEGAL RESERVE**

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

	<b>2017 LAK</b>	<b>2016 LAK</b>
At 1 January	190.340.872	-
Additional during the year	<u>923.845.142</u>	<u>190.340.872</u>
At 31 December	<u><b>1.114.186.014</b></u>	<u><b>190.340.872</b></u>

A legal reserve shall be maintained in accordance with the Law on Enterprise, where the Bank shall annually convert ten percent of its net profit into the reserve funds after deducting its accumulated losses.

**17. NET INTEREST INCOME**

	<b>2017 LAK</b>	<b>2016 LAK</b>
<b>Interest income</b>		
Interest income from customers	31.555.104.150	22.984.634.809
Interest income from banks	<u>19.894.767.560</u>	<u>10.764.913.134</u>
	<u><b>51.449.871.710</b></u>	<u><b>33.749.547.943</b></u>
<b>Interest expense</b>		
Interest expense from customers	(1.111.664.112)	(753.620.932)
Interest expense from banks	(4.294.839.698)	(1.133.956.282)
Interest expense from parent company	<u>(13.662.788.903)</u>	<u>(6.667.866.946)</u>
	<u><b>(19.069.292.713)</b></u>	<u><b>(8.555.444.160)</b></u>
<b>Net interest and similar income</b>	<u><b>32.380.578.997</b></u>	<u><b>25.194.103.783</b></u>

**18. NET FEE AND COMMISSION INCOME**

	<b>2017 LAK</b>	<b>2016 LAK</b>
<b>Fee and commission income</b>		
Loan processing fees	1.374.259.030	1.548.801.500
Penalty fees	467.629.953	191.012.607
Commitment fees	183.032.134	95.339.667
Other fees	<u>212.935.957</u>	<u>166.602.968</u>
	<u><b>2.237.857.074</b></u>	<u><b>2.001.756.742</b></u>
<b>Fee and commission expense</b>		
Commission fees	(92.945.797)	(71.047.563)
Wire transfer fees	<u>(118.900.307)</u>	<u>(104.472.997)</u>
	<u><b>(211.846.104)</b></u>	<u><b>(175.520.560)</b></u>
<b>Net fee and commission income</b>	<u><b>2.026.010.970</b></u>	<u><b>1.826.236.182</b></u>



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19. PAYROLL AND OTHER STAFF COSTS

	2017 LAK	2016 LAK
Salaries and wages	6.234.147.511	5.148.013.301
Bonus	1.524.186.777	2.725.467.567
Other staff costs	942.595.819	598.885.634
	<b>8.700.930.107</b>	<b>8.472.366.502</b>

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2017 LAK	2016 LAK
Rental	982.876.800	1.094.028.000
Repair and maintenance	1.419.421.456	1.083.600.946
Insurance	487.677.648	314.810.012
Professional fees	376.931.492	306.754.095
Communication expense	211.003.865	206.251.095
Utilities	204.228.434	151.936.103
Security fee	202.350.000	153.000.000
Office stationery expense	181.057.269	198.890.888
Transportation and travelling fees	79.205.475	74.143.243
Marketing and public relations	152.520.595	105.747.303
Board of directors' fees and allowances	449.580.390	613.730.833
Other administrative expenses	513.169.524	135.353.081
	<b>5.260.022.948</b>	<b>4.438.245.599</b>

21. INCOME TAX EXPENSE

In accordance with the amended Lao Tax Law No. 023 dated 28 January 2016 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 24% (2016: 24%) of total taxable profit income.

	2017 LAK	2016 LAK
Profit before tax for the year	13.008.945.655	6.180.123.007
Non-deductible expenses	12.619.208.307	14.063.092.099
Non-taxable income	(9.917.761.342)	(13.239.532.035)
Losses carried forward from previous year (i)	-	(6.524.584.086)
<b>Profit before tax of the year after loss carry forward</b>	<b>15.710.392.620</b>	<b>479.098.985</b>
<b>Income tax expense at applicable tax rate</b>	<b>3.770.494.229</b>	<b>114.983.756</b>

Tax losses incurred in any tax year can be carried forward to offset against profit realised in the following three tax years subject to the following conditions:

- The loss must be recorded in the tax on profit return and submitted to the Tax Department on time.
- The business objective of the Bank must not have changed.
- The ownership of the Bank must not have changed.

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**21. INCOME TAX EXPENSE**

Analysis of the income tax payable is as follows:

	<b>2017</b>	<b>2016</b>
	<b>LAK</b>	<b>LAK</b>
At 1 January	114.983.756	-
Income tax expense	3.770.494.229	114.983.756
Tax paid during the year	<u>(2.532.860.585)</u>	<u>-</u>
<b>At 31 December</b>	<b><u>1.352.617.400</u></b>	<b><u>114.983.756</u></b>

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

Deposits to key management personnel comprised of savings and fixed deposits, all of which are unsecured. Savings deposits are repayable on demand and carry interest rates ranging from 1.85% to 2.25% per annum (2016: 1.85% to 2.25%), depending on the currency. Fixed deposits carry interest rates of ranging from 2.50% to 6.35% per annum (2016: 2.50% to 6.35%) depending on the term and currency. Fixed deposits to key management personnel have terms ranging from 1 to 12 months.

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

	<b>2017</b>	<b>2016</b>
	<b>LAK</b>	<b>LAK</b>
<b><i>RHB Bank Berhad - Malaysia (Holding Bank)</i></b>		
<b>(a) Term deposit</b>		
At 1 January	1.374.273.832	349.151.658
Deposits transferred/(withdrawn) during the year	(474.444.526)	1.023.450.977
Foreign exchange gain/(loss)	<u>(13.596.700)</u>	<u>1.671.197</u>
<b>As at 31 December (note 5)</b>	<b><u>886.232.606</u></b>	<b><u>1.374.273.832</u></b>
<b>(b) Fixed deposits</b>		
At 1 January	430.799.940.000	12.222.000.000
Deposits received during the year	11.930.540.000	418.519.440.000
Foreign exchange gain	<u>4.262.220.000</u>	<u>58.500.000</u>
<b>As at 31 December (note 13)</b>	<b><u>446.992.700.000</u></b>	<b><u>430.799.940.000</u></b>
Interest expense	13.662.788.903	6.667.866.946
<b>(c) Intercompany payable</b>		
At 1 January	26.359.365.835	34.249.620.816
Payments during the year	-	(7.726.320.861)
Foreign exchange (gain)/loss	<u>341.284.082</u>	<u>(163.934.120)</u>
<b>As at 31 December (note 13)</b>	<b><u>26.700.649.917</u></b>	<b><u>26.359.365.835</u></b>
Monthly swift payment	118.900.307	104.472.997

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22. RELATED PARTY BALANCES TRANSACTIONS

	2017 LAK	2016 LAK
<i>RHB Bank Thailand</i>		
<b>(a) Term deposit</b>		
At 1 January	483.000.061	168.615.916
Deposits transferred during the year	113.513.114	312.908.895
Foreign exchange gain/(loss)	(54.585.912)	1.475.250
<b>At 31 December (note 5)</b>	<b>541.927.263</b>	<b>483.000.061</b>
<i>Director and key management personnel</i>		
<b>(a) Deposits from customers</b>		
At 1 January	2.534.204.725	956.255.463
Deposits received during the year	2.075.613.747	1.573.372.192
Foreign exchange (gain)/loss	(25.072.747)	4.577.070
<b>As at 31 December</b>	<b>4.584.745.725</b>	<b>2.534.204.725</b>
Interest expense	24.070.637	5.759.726
<b>(b) Loans and advances to customers</b>		
At 1 January	1.996.612.367	-
Loans disbursed during the year	10.094.531.757	1.996.612.367
Loan repayments during the year	(191.951.013)	-
Foreign exchange gain/(loss)	-	-
<b>As at 31 December</b>	<b>11.899.193.111</b>	<b>1.996.612.367</b>
Interest income	301.983.035	480.000
Salaries and other short-term employee benefits	3.912.132.408	4.101.204.797

23. COMMITMENTS AND CONTINGENCIES

At 31 December 2017, 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 2017.

(a) Credit facilities

	2017 LAK	2016 LAK
Unutilised overdraft	11.767.129.279	11.473.714.226
Undisbursed loans	16.919.000.000	11.209.000.000
	<b>28.686.129.279</b>	<b>22.682.714.226</b>

(b) Operating lease

	2017 LAK	2016 LAK
From 1 to 5 years	1.279.486.790	2.222.629.190
Over 5 years	34.232.625.585	38.539.022.122
	<b>35.512.112.375</b>	<b>40.761.651.312</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**23. 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.

**24. EVENTS AFTER THE BALANCE SHEET DATE**

The Bank has opened a third branch in Dongdok on 26 January 2018. The new branch is to provide banking services to individuals, entities, educational institution, SMEs, and enterprises.

