

# Maybank Nongduang Branch

Special Purpose Financial Statements

31 December 2019

# Maybank Nongduang Branch

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# Maybank Nongduang Branch

## GENERAL INFORMATION

### THE BRANCH

Maybank Nongduang Branch ("the Branch") is a branch established in Lao People's Democratic Republic ("Lao PDR") of Malayan Banking Berhad, a bank incorporated in Malaysia. The Branch operates under Banking License No. 03 granted by Bank of the Lao PDR ("the BOL") on 3 March 2016.

On 29 August 2019, The Board of Directors ("the Board") of Malayan Banking Berhad ("MayBank") issued a decision on closing of Malayan Banking Berhad Nongduang's Branch ("Nongduang Branch"). Accordingly, Nongduang Branch's assets and liabilities shall be transferred to Malayan Banking Berhad Laos Branch (Laos Branch) along with all rights and obligations.

On 17 December 2019, Nongduang Branch submitted the detailed implementation as mentioned above and get approval from Commercial Bank Supervision Department of the BOL ("CBS") that after closing on 31 December 2019, all assets and liabilities of Nongduang Branch along with rights and obligations will be transferred to Laos Branch. Once Nongduang Branch has completed dissolving and merging with the Lao branch, Nongduang Branch is requested to submit the report of the result of implementation to the CBS for reference of revoking the banking license and enterprise registration license.

On 25 December 2019, CBS issued the Official Letter No.723/CBS on closing of the Branch. Accordingly, the CBS has agreed in principle on the proposal and requested Nongduang Branch to submit a detailed implementation plan to the CBS.

On 27 December 2019, Nongduang Branch has ceased its operation under name as Malayan Banking Berhad Nongduang Branch. After closed the financial statements for the year ended 31 December 2019, the Branch has completed to transfer all accounting data to the Lao branch as well as informed to all its vendors, customers about this.

The initial registered capital of the Branch is LAK 100,121,729,000. The actual paid-up capital as at 31 December 2019 is LAK 100,121,729,000 (31 December 2018: LAK 100,121,729,000). The principal activities of the Branch are to provide comprehensive banking and related financial services in Lao PDR.

The Branch is located at Asean Road, Nongduang Tai Village, Sikottabong District, Vientiane Capital, Lao PDR.

### MANAGEMENT

Members of the Management during the year ended 31 December 2019 are as follows:

<u>Name</u>	<u>Title</u>	<u>Date of appointment</u>
Ms. Phengsomchith Phonphosy	Branch Manager	1 October 2015
Mr. Sithiphon Sisudajan	Head of Finance Department	28 May 2018

# Maybank Nongduang Branch

## GENERAL INFORMATION (continued)

### LIQUIDATION COMMITTEE

Members of the Liquidation Committee updated on 25 December 2019 under the Official Letter No.723/CBS issued by Commercial Bank Supervision Department of the BOL to the date of these financial statements are as follows:

<i>Name</i>	<i>Position</i>
Ms. Phengsomchith Phonphosy	Chairman
Mr. Sithiphon Sisudajan	Member

### LEGAL REPRESENTATIVE

The legal representative of the Branch from 1 January 2019 to 31 December 2019 is Ms. Phengsomchith Phonphosy – Branch Manager. The legal representative of the Branch from 1 January 2020 to the date of this report is Ms. Phengsomchith Phonphosy – Chairman of Liquidation committee.

### AUDITORS

The auditor of the Branch is Ernst & Young Lao Company Limited.



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Ernst & Young Lao Co., Ltd  
6th floor, Kolao Tower I, 23 Singha Road  
Nongbone Village, Saysettha District  
Vientiane Capital, Lao P.D.R.

Tel: +856 21 455 077  
Fax: +856 21 455 078  
ey.com

Reference: 61317474/21504418-IFRS

## INDEPENDENT AUDITORS' REPORT

To: The Owners of Maybank Nongduang Branch

### *Qualified Opinion*

We have audited the accompanying special purpose financial statements ("the financial statements") of Maybank Nongduang Branch ("the Branch"), which comprise the statement of financial position as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements of the Branch for the year ended 31 December 2019 are prepared, in all material respects, in accordance with the accounting policies as described in *Note 4* to the financial statements to meet the reporting requirements of Bank of the Lao PDR.

### *Basis for Qualified Opinion*

The financial statements do not disclose information relating to fair value measurements required by IFRS 13: "Fair value measurement". The effects on the financial statements of the failure to disclose required information could not be determined.

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Branch in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Lao PDR, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### *Emphasis of Matters – Basis of Accounting and Restriction on Use*

We draw attention to *Note 2* to the financial statements, which describes the basis of preparation, under which the accounting policies used and disclosures made are not intended to, and do not, comply with all the requirements of International Financial Reporting Standards as the accounting policies for recognition and measurement of financial instruments are based on IAS 39 - *Financial Instruments: Recognition and Measurement* instead of IFRS 9 - *Financial Instruments*. The financial statements are prepared solely for the use of the Branch to meet the reporting requirements of the Bank of the Lao PDR. As a result, the financial statements may not be suitable for another purpose. Our auditor's report is intended solely for the information and use of the Branch and these regulators, and should not be used by other parties. Our opinion is not modified in respect of this matter.

We also draw your attention to *Note 2* to the accompanying financial statements, which describe the basis of accounting. As at the date of the financial statements, the Branch is in the process of completing necessary filing procedures as required by prevailing regulations for the revoking of the Branch's business license. As a result, the Branch has changed its basis of accounting for the year ended 31 December 2019 from the going concern basis to the non-going concern basis of accounting. Accordingly, the presented corresponding figures are not comparable to the current year's figures.



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We also draw attention to *Note 4* of the financial statements, which describes the accounting policies adopted by the Branch. These accounting policies are not intended to present the financial position, the results of operations and cash flows of the Branch in accordance with international generally accepted accounting principles.

Our opinion is not modified in respect of these matters.

#### ***Responsibilities of the Branch's Management for the Financial Statements***

The Branch's management is responsible for the preparation of the financial statements in accordance with the accounting policies as described in *Note 4* to the financial statements and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

#### ***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 skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.

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 Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



# Maybank Nongduang Branch

## INCOME STATEMENT for the year ended 31 December 2019

	Notes	2019 LAK'000	2018 LAK'000
Interest income calculated using the effective interest method	7	3,655,554	4,210,392
Interest expense calculated using the effective interest method	8	(567,025)	(453,458)
<b>Net interest income</b>		<b>3,088,529</b>	<b>3,756,934</b>
Fees and commission income	9	123,907	244,237
Fees and commission expense	9	(12,907)	(5,019)
<b>Net fees and commission income</b>	<b>9</b>	<b>111,000</b>	<b>239,218</b>
Net trading loss	10	(257,835)	(248,709)
Other operating income	11	11,816	82,827
<b>Total operating income</b>		<b>2,953,510</b>	<b>3,830,270</b>
Allowance for impairment losses of loans to customers	17	(11,996,873)	(7,544,327)
<b>NET OPERATING INCOME</b>		<b>(9,043,363)</b>	<b>(3,714,057)</b>
Personnel expenses	12	(1,598,371)	(1,130,460)
Depreciation and amortization	18	(4,354,835)	(1,086,580)
Other operating expenses	13	(1,254,723)	(1,215,066)
<b>TOTAL OPERATING EXPENSES</b>		<b>(7,207,929)</b>	<b>(3,432,106)</b>
<b>(LOSS)/PROFIT BEFORE TAX</b>		<b>(16,251,292)</b>	<b>(7,146,163)</b>
Profit tax expense	23	-	-
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(16,251,292)</b>	<b>(7,146,163)</b>

Prepared by:

Mr. Sithiphon Sisudajan  
Head of Finance Department



Reviewed by:

Ms. Phengsomchith Phonphosy  
Branch Manager

Vientiane, Lao PDR

03 June 2020

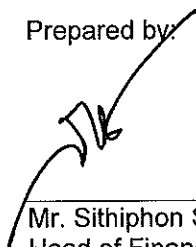


# Maybank Nongduang Branch

STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2019

	2019 LAK'000	2018 LAK'000
<b>NET (LOSS)/PROFIT FOR THE YEAR</b>	<b>(16,251,292)</b>	<b>(7,146,163)</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>(16,251,292)</b>	<b>(7,146,163)</b>

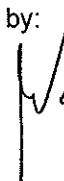
Prepared by:



Mr. Sithipon Sisudajan  
Head of Finance Department



Reviewed by:



Ms. Phengsomchith Phonphosy  
Branch Manager

Vientiane, Lao PDR

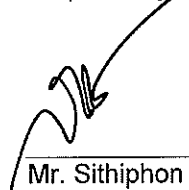
03 June 2020

# Maybank Nongduang Branch

## STATEMENT OF FINANCIAL POSITION as at 31 December 2019

	Notes	31/12/2019 LAK'000	31/12/2018 LAK'000
<b>ASSETS</b>			
Cash and balances with Bank of the Lao PDR	14	25,031,729	38,763,430
Due from banks	15	30,927,067	24,431,587
Loans and advances to customers	16	35,996,784	56,833,628
Construction in progress and fixed assets in transit		-	-
Property and equipment	18	-	4,487,809
Intangible assets	19	-	-
Other assets	20	570,158	137,980
<b>TOTAL ASSETS</b>		<b>92,525,738</b>	<b>124,654,434</b>
<b>LIABILITIES</b>			
Due to banks	21	-	8,101,934
Due to customers	22	15,513,646	23,617,345
Current tax liabilities	23	66	34,575
Other liabilities	24	747,894	385,156
<b>TOTAL LIABILITIES</b>		<b>16,261,606</b>	<b>32,139,010</b>
<b>EQUITY</b>			
Paid up capital	25	100,121,729	100,121,729
Accumulated losses		(23,857,597)	(7,606,305)
<b>TOTAL EQUITY</b>		<b>76,264,132</b>	<b>92,515,424</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>92,525,738</b>	<b>124,654,434</b>

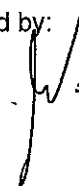
Prepared by:



Mr. Sithiphon Sisudajan  
Head of Finance Department



Reviewed by:



Ms. Phengsomchith Phonphosy  
Branch Manager

Vientiane, Lao PDR

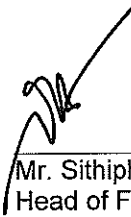
03 June 2020

# Maybank Nongduang Branch

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2019

	<i>Paid-up capital</i> LAK'000	<i>Accumulated losses</i> LAK'000	<i>Total</i> LAK'000
<b>Balance as at 1 January 2019</b>	<b>100,121,729</b>	<b>(7,606,305)</b>	<b>92,515,424</b>
Net loss for the year	-	(16,251,292)	(16,251,292)
<b>Balance as at 31 December 2019</b>	<b>100,121,729</b>	<b>(23,857,597)</b>	<b>76,264,132</b>

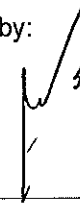
Prepared by:



Mr. Sithiphon Sisudajan  
Head of Finance Department



Reviewed by:



Ms. Phengsomchith Phonphosy  
Branch Manager

Vientiane, Lao PDR


03 June 2020

# Maybank Nongduang Branch

## STATEMENT OF CASH FLOWS (continued) for the year ended 31 December 2019

	Notes	2019 LAK'000	2018 LAK'000
<b>OPERATING ACTIVITIES</b>			
<b>Net (loss)/profit before tax</b>		<b>(16,251,292)</b>	<b>(7,146,163)</b>
<i>Adjustments for:</i>			
Depreciation and amortization charges		4,354,835	1,086,580
Credit loss expense	17	11,996,873	7,544,327
Interest income		(3,655,554)	(4,210,392)
Interest expense		567,025	453,458
Foreign exchange differences from revaluation of monetary accounts denominated in foreign currency		257,835	248,709
Change in operating assets			
Due from banks		25,577,241	(16,932,853)
Loans to customers		8,551,899	(13,399,967)
Other assets		5,860,288	1,372,009
Change in operating liabilities			
Due to banks		(8,000,000)	(2,552,398)
Due to customers		(7,943,451)	12,408,165
Other liabilities		(4,343,127)	(1,506,794)
Interest received		4,039,984	4,397,260
Interest paid		(829,207)	(240,320)
Profit tax paid during the year	23	-	-
<b>Net cash flows (used in)/ from operating activities</b>		<b>20,183,349</b>	<b>(18,478,379)</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property and equipment and other intangible assets		(1,939,194)	-
Proceeds from disposal of equipment		195,470	45,459
<b>Net cash flows from/(used in) investing activities</b>		<b>(1,743,724)</b>	<b>45,459</b>
<b>FINANCING ACTIVITIES</b>			
<b>Net cash flows from financing activities</b>		-	-
<b>Net change in cash and cash equivalents</b>		<b>18,439,625</b>	<b>(18,432,920)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>12,487,442</b>	<b>30,920,362</b>
<b>Effect of foreign exchange difference</b>		-	-
<b>Cash and cash equivalents at the end of the year</b>	26	<b>30,927,067</b>	<b>12,487,442</b>

Prepared by:

  
Mr. Sithiphon Sisudajan  
Head of Finance Department



Reviewed by:

  
Ms. Phengsomchith Phonphosy  
Branch Manager

Vientiane, Lao PDR

03 June 2020

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 1. CORPORATE INFORMATION

Maybank Nongduang Branch (the "Branch") is a foreign bank branch which is incorporated and registered in Lao PDR.

### ***Establishment and operations***

The Branch is a branch of Malayan Banking Berhad, a bank incorporated in Malaysia. The Branch operates under Banking License No. 03 granted by Bank of the Lao PDR ("the BOL") on 3 March 2016.

The principal activities of the Branch are to provide comprehensive banking and related financial services in Lao PDR.

On 29 August 2019, The Board of Directors ("the Board") of Malayan Banking Berhad ("MayBank") issued a decision on closing of Malayan Banking Berhad Nongduang's Branch (Nongduang Branch). Accordingly, Nongduang Branch's assets and liabilities shall be transferred to Malayan Banking Berhad Laos Branch (Laos Branch) along with all rights and obligations.

On 17 December 2019, Nongduang Branch submitted the detailed implementation as mentioned above and get approval from CBS that after closing on 31 December 2019, all assets and liabilities of Nongduang Branch along with rights and obligations will be transferred to Laos Branch. Once Nongduang Branch has completed dissolving and merging with the Lao branch, Nongduang Branch is requested to submit the report of the result of implementation to the CBS for reference of revoking the banking license and enterprise registration license.

On 25 December 2019, Commercial Bank Supervision Department of the BOL (the CBS) issue the Official Letter No.723/CBS on closing of the Branch. Accordingly, the CBS has agreed in principle on the proposal and request Nongduang Branch to submit a detailed implementation plan to the CBS.

On 27 December 2019, Nongduang Branch has ceased its operation under name as Malayan Banking Berhad Nongduang Branch. After closed the financial statements for the year ended 31 December 2019, the Branch has completed to transfer all accounting data to the Lao branch as well as informed to all its vendors, customers about this.

### ***Paid-up capital***

The initial registered capital of the Branch is LAK 100,121,729,000. The actual paid-up capital as at 31 December 2019 is LAK 100,121,729,000 (31 December 2018: LAK 100,121,729,000).

### ***Location***

The Branch is located at Asean Road, Nongduang Tai Village, Sikottabong District, Vientiane Capital, Lao PDR.

### ***Employees***

Total number of employees of the Branch as at 31 December 2019 is 10 people (2018: 10 people).

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 2. BASIS OF PREPARATION

The financial statements (alternatively referred to as the special purpose financial statements) are prepared solely for the use of the Branch to meet the requirements of Bank of the Lao PDR. The financial statements are prepared in accordance with the accounting policies relevant to the preparation and presentation of financial statements under the non-going concern basis of accounting as described in *Note 4*. These accounting policies are primarily based on the International Financial Reporting Standards ("IFRS") as issued by International Accounting Standard Board. However, this is not a complete set of general-purpose financial statements prepared in accordance with IFRS as the Branch follows the guidance stipulated in:

- Official Letters No. 1659/BOL dated 14 December 2018 by Bank of the Lao PDR following which the accounting policies for recognition and measurement of financial instruments are based on IAS 39: "Financial instruments: Recognition and Measurement" instead of IFRS 9: "Financial instruments"; and

Accordingly, the accompanying financial statements are not intended to be prepared in accordance with IFRS.

The Branch maintains its accounting records in Lao Kip ("LAK") which is the Branch's functional currency and presents its financial statements in thousands of Lao Kip ("LAK'000"). Except otherwise stated, financial information presented in LAK has been rounded to the nearest thousand.

The Branch's fiscal year starts on 1 January and ends on 31 December.

### ***Adoption of non-going concern basis in preparation and presentation of the financial statements***

As at the date of the financial statements, the Branch is in the process of completing necessary filing procedures as required by prevailing regulations for the revoking of the Branch's business license. Consequently, the Branch has changed its basis of accounting of preparation and presentation of financial statements for the year ended 31 December 2019 from the going-concern basis to the non-going concern basis of accounting as presented in *Note 3.1*.

Under non-going concern basis of accounting, assets are stated at the lower of their carrying amount and estimated net realizable value and liabilities are stated at their estimated settlement amounts. As the Branch's assets and liabilities will be transferred to Laos Branch along with all rights and obligations, the net realisable value of the assets and the estimated settlement amounts of the liabilities would equal to the assets and liabilities' carrying value plus accrued interest and minus corresponding provision (if any).

### ***Comparative information***

The information in financial statements of current year is not comparable with the corresponding figures of the previous year because in 2018 the Branch prepared its financial statements in accordance with going-concern assumption. In 2019, the Company prepares its financial statements on the non-going concern assumption. Accordingly, the financial statements of 2019 include adjustments relating to the recoverability and classification of asset or to measurement and classification of liabilities that were not made in 2018 as disclosed in *Note 4.1*.

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 3. PRESENTATION OF FINANCIAL STATEMENTS

The Branch presents its statement of financial position in order of liquidity. Financial assets and financial liabilities are generally reported gross in the statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognized amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- ▶ The normal course of business;
- ▶ The event of default;
- ▶ The event of insolvency or Branchruptcy of the Branch and/or its counterparties.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1. *Changes in accounting policies*

The accounting policies adopted by the Branch in preparation of these financial statements are consistent with those used in preparation of the Branch's financial statements for the year ended 31 December 2018, except for the changes in the accounting policies and notes which have been prepared on the basis that going concern assumption is not appropriate. Accordingly, the financial statements include adjustments relating to the recoverability and classification of asset or to measurement and classification of liabilities as follows.

#### *Property and equipment*

Property and equipment includes tangible fixed assets, intangible assets. Tangible fixed assets consist of buildings and improvements, office equipment, furniture and fixtures, computer equipment and motor vehicles. Intangible assets include pre-operating cost and computer software.

Property and equipment are stated at cost less accumulated depreciation and amortization, if any.

Property and equipment are fully depreciated at the reporting date.

### 4.2 *Foreign currency translation*

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK as at 31 December 2019 and 31 December 2018 in *Note 34*). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance date are recognized in the income statement.

### 4.3 *Financial instruments - initial recognition and subsequent measurement*

#### 4.3.1 *Date of recognition*

All financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Branch becomes a party to the contractual provisions of the instrument. This includes "regular way trades" - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' account. The Branch recognises due to customer balances when funds reach the Branch.

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.3 *Financial instruments - initial recognition and subsequent measurement* (continued)

#### 4.3.2 *Initial measurement of financial instruments*

The classification of financial instruments at initial recognition depends on their purposes purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

#### 4.3.3 *The effective interest rate method*

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period, to the net carrying amount of the financial asset or financial liability. The amortised cost of the financial asset or financial liability is adjusted if the Branch revises its estimates of payments or receipts. The adjusted amortised cost is calculated based on the original or latest re-estimated EIR and the change is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities. The accounting policies for the EIR method are further explained in Notes:

- ▶ 4.3.5 for 'Due from banks and loans and advances to customers'
- ▶ 4.3.6 for 'Due to other banks and customers'
- ▶ 4.5 for 'Impairment of financial assets'
- ▶ 4.6 for 'Recognition of income and expenses'

#### 4.3.4 *'Day 1' profit or loss*

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Branch immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

#### 4.3.5 *Due from Banks and loans and advances to customers*

'Due from Banks' and 'Loans and advances to customers' include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- ▶ Those that the Branch intends to sell immediately or in the near term and those that the Branch, upon initial recognition, designates as at fair value through profit or loss;
- ▶ Those that the Branch, upon initial recognition, designates as available-for-sale;
- ▶ Those for which the Branch may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts 'Due from Banks' and 'Loans and advances to customers' are subsequently measured at amortized cost using the EIR methodology, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Therefore, the Branch recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of the loan, hence, recognising the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (prepayments, penalty interest and charges).



# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.3 *Financial instruments - initial recognition and subsequent measurement* (continued)

#### 4.3.5 *Due from Banks and loans and advances to customers* (continued)

If expectations are revised the adjustment is booked a positive or negative adjustment to the carrying amount in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the income statement.

The Branch may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Branch, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss (for example, due to a counterparty credit event).

#### 4.3.6 *Due to other Banks and customers*

"Due to other Banks and customers" include arrangements where the substance of the contractual arrangements result in the Branch having an obligation either to deliver cash or another financial asset to the holder.

After initial measurement, "Due to other Banks and customers" are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

#### 4.3.7 *Reclassification of financial assets*

The Branch was permitted to reclassify, in certain circumstances, non-derivative financial assets out of the 'Held-for-trading' category and into the 'Available-for-sale', 'Loans and receivables', or 'Held-to-maturity' categories. From this date it was also permitted to reclassify, in certain circumstances, financial instruments out of the 'Available-for-sale' category and into the 'Loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost.

For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to the income statement.

In rare circumstances, the Branch may reclassify a non-derivative trading asset out of the 'Held-for-trading' category and into the 'Loans and receivables' category if it meets the definition of loans and receivables and the Branch has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Branch subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis.

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.4 *De-recognition of financial assets and financial liabilities*

#### 4.4.1 *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired. The Branch also derecognises the assets if it has both transferred the asset, and the transfer qualifies for derecognition.

The Branch has transferred the asset if, and only if, either:

- ▶ The Branch has transferred its contractual rights to receive cash flows from the asset
- ▶ It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions when the Branch retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when certain conditions are met. At 31 December 2018, the Branch does not have financial assets which are subject to such arrangements.

A transfer only qualifies for derecognition if either:

- ▶ The Branch has transferred substantially all the risks and rewards of the asset
- ▶ The Branch has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

In relation to the above, the Branch considers the control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

When the Branch has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Branch's continuing involvement in the asset. In that case, the Branch also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Branch has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Branch could be required to repay.

The Branch also derecognises a financial asset, in particular, a loan to customer when the terms and conditions have been renegotiated to the extent that it substantially became a new loan, with the difference recognised as an impairment in the income statement.

#### 4.4.2 *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.5 *Impairment of financial assets*

The Branch assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganization; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### 4.5.1 *Financial assets carried at amortized cost*

##### *Specific impairment losses*

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers), the Branch first assesses whether objective evidence of impairment exists for financial assets that are individually significant or are already under specific work out by management.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in credit loss expense in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and similar income.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Branch. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Branch has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.5 *Impairment of financial assets* (continued)

#### 4.5.1 *Financial assets carried at amortized cost* (continued)

##### *Collective impairment model*

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of a credit risk evaluation or grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors).

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, personal indebtedness, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### 4.5.2 *Collateral valuation*

The Branch seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Branch's annually reporting schedule.

To the extent possible, the Branch uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

#### 4.5.3 *Collateral repossessed*

The Branch's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold, are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Branch's policy.

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.6 Recognition of income and expense

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Branch and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

#### 4.6.1 Interest and similar income and expense

For all financial instruments measured at amortized cost, interest-bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

When the recorded value of a financial asset or a group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### 4.6.2 Fees and commission income

The Branch earns fees and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

##### *Fee and commission income from services where performance obligations are satisfied over time*

Performance obligations satisfied over time include loan commitment, custody and other services, where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Branch performs.

##### *Fee and commission income from providing services where performance obligations are satisfied at a point in time*

Services provided where the Branch's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, or the purchase or sale of businesses, brokerage and underwriting fees.

The Branch typically has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

### 4.7 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, non-restricted current accounts with BOL and amounts due from banks on demand or with an original maturity of three months or less.

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.8 *Property and equipment*

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives, as follows:

Buildings & improvements	10%
Office equipment	20%
Furniture and fixtures	20%
Computer equipment	20%
Motor vehicles	20%

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' in the income statement in the year the asset is derecognized.

### 4.9 *Intangible assets*

The Branch's intangible assets include the value of computer software.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Branch.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the income statement.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

Computer software	50%
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# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.10 *Impairment of non-financial assets*

The Branch assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Branch estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit (CGU)'s fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Branch estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

### 4.11 *Leases*

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

#### *Branch as a lessee*

Leases that do not transfer to the Branch substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

### 4.12 *Financial guarantees*

In the ordinary course of business, the Branch gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements (within 'Other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Branch's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the income statement in 'Credit loss expense'. The premium received is recognized in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.13 *Employee benefits*

#### *Post-employment benefits*

Post-employment benefits are paid to retired employees of the Branch by the Social Security Fund Department which belongs to the Ministry of Labor and Social Welfare. The Branch 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 Branch has no further obligation concerning post-employment benefits for its employees other than this.

#### *Termination benefits*

In accordance with Article 82 of the Amended Labour Law No. 43/NA approved by the President of the Lao People's Democratic Republic on 28 January 2014, the Branch has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

- ▶ The worker lacks specialised skills or is not in good health and thus cannot continue to work;
- ▶ The employer considers it necessary to reduce the number of workers in order to improve the work within the labour unit.

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 31 December 2018, there is no employee of the Branch who was dismissed under the above-mentioned grounds; therefore the Branch has not made a provision for termination allowance in the financial statements.

### 4.14 *Provisions*

Provisions are recognized when the Branch has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Branch determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

### 4.15 *Profit tax*

#### *Current tax*

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Branch operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.15 Profit tax (continued)

#### *Deferred tax*

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of available-for-sale assets, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI. These exceptions are subsequently reclassified from OCI to the income statement together with the respective deferred loss or gain. The Branch also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Branch only off-sets its deferred tax assets against liabilities when there is both a legal right to offset and it is the Branch's intention to settle on a net basis.

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 5. STANDARDS EFFECTIVE/ISSUED BUT NOT YET TO BE APPLIED

### 5.1 *Standards which have been effective but not yet applied*

Standards that are effective, but not yet to be applied, up to the date of issuance of the Branch's financial statements are disclosed below.

#### *IFRS 9 – Financial instruments*

In July 2014, the IASB issued the final version of IFRS 9 – *Financial instruments* which reflects all phases of the financial instruments project and replaces IAS 39 - *Financial instruments: Recognition and Measurement* and all previous versions of IFRS 9. The Standard introduces new requirements of classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is necessary but comparative data is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Branch's financial assets, but no impact on the classification and measurement of the Branch's financial liabilities.

In 2019, The Branch follows the guidance stipulated in Official Letter No. 1659/BOL dated 14 December 2018 by Bank of the Lao PDR following which the accounting policies for recognition and measurement of financial instruments are based on IAS 39: "Financial instruments: Recognition and Measurement" instead of IFRS 9: "Financial instruments".

#### *IFRS 16 Leases*

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

In 2019, Bank of the Lao PDR issued the Notification No. 1433/BOL dated 24 October 2019 and the Notification No. 216/BOL dated 25 Feb 2020 that allows commercial banks to apply IFRS 16 either from the year 2019 or 2020 for preparation and presentation of financial statements.

The Branch has opted not to apply IFRS 16 and still consistently applied the accounting policy as described in *Note 4.11 – Leases*.

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 5. STANDARDS EFFECTIVE/ISSUED BUT NOT YET TO BE APPLIED (continued)

### 5.2 *Standards issued but not yet effective* (continued)

The standards that are issued, but not yet effective, up to the date of issuance of the Branch's financial statements are disclosed below. The Branch intends to adopt these standards, if applicable, when they become effective.

#### *Amendments to IAS 1 and IAS 8: Definition of Material*

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Branch's financial statements.

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Branch's financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Branch's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Branch's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

### 6.1 *Fair value of financial instruments*

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

### 6.2 *Effective Interest Rate (EIR) method*

The Branch's EIR methodology, as explained in *Note 4.3.3*, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well as expected changes to other fee income/expense that are integral parts of the instrument.

### 6.3 *Impairment losses on loans and advances*

The Branch reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement.

The Branch's impairment methodology for assets carried at amortised cost results in the recording of provisions for:

- ▶ Specific impairment losses;
- ▶ Collective impairment.

The detailed approach for each category is further explained in *Note 4.5.1*. All categories include an element of management's judgement, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the changing of which can result in different levels of allowances.

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 7. INTEREST AND SIMILAR INCOME

	2019 <u>LAK'000</u>	2018 <u>LAK'000</u>
<b>Interest income calculated using the effective interest method from:</b>		
Interbank transactions	295,307	449,476
Loans to customers	3,360,247	3,760,916
	<u><b>3,655,554</b></u>	<u><b>4,210,392</b></u>

## 8. INTEREST AND SIMILAR EXPENSE

	2019 <u>LAK'000</u>	2018 <u>LAK'000</u>
<b>Interest expense calculated using the effective interest method for:</b>		
Interbank transactions	2,203	139,332
Customer deposits	564,822	314,126
	<u><b>567,025</b></u>	<u><b>453,458</b></u>

## 9. NET FEES AND COMMISSION INCOME

	2019 <u>LAK'000</u>	2018 <u>LAK'000</u>
<b>Fees and commission income from:</b>		
Trade finance	122,041	241,918
Settlement services	1,866	2,319
	<u><b>123,907</b></u>	<u><b>244,237</b></u>
<b>Fees and commission expense for:</b>		
Transactions with customers	(12,907)	(5,019)
	<u><b>(12,907)</b></u>	<u><b>(5,019)</b></u>
<b>Net fee and commission income</b>	<u><b>111,000</b></u>	<u><b>239,218</b></u>

## 10. NET TRADING LOSS

	2019 <u>LAK'000</u>	2018 <u>LAK'000</u>
Gain from dealing in foreign currencies	193,301	442,289
Loss from dealing in foreign currencies	(451,136)	(690,998)
	<u><b>(257,835)</b></u>	<u><b>(248,709)</b></u>

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 11. OTHER OPERATING INCOME

	2019 <i>LAK'000</i>	2018 <i>LAK'000</i>
Refunded expenses	3,863	48,603
Others	7,953	34,224
	<b>11,816</b>	<b>82,827</b>

## 12. PERSONNEL EXPENSES

	2019 <i>LAK'000</i>	2018 <i>LAK'000</i>
Wages and allowances	1,457,848	1,101,482
Other staff costs	140,523	28,978
	<b>1,598,371</b>	<b>1,130,460</b>

## 13. OTHER OPERATING EXPENSES

	2019 <i>LAK'000</i>	2018 <i>LAK'000</i>
Office rental	259,858	251,518
Fuel	12,740	9,310
Office stationery	16,347	22,746
Publication, marketing and promotion	14,980	1,605
Telecommunication	141,594	177,870
Repair and maintenance	194,296	259,885
Electricity and water	68,748	67,764
Audit and lawyer fee	337,607	187,766
Guest welcoming fee	360	-
Insurance fee	45,884	49,285
Deposit insurance paid to Depositor Protection Fund	3,030	36,999
Others	159,279	150,318
	<b>1,254,723</b>	<b>1,215,066</b>

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 14. CASH AND BALANCES WITH BANK OF THE LAO PDR

	31/12/2019 LAK'000	31/12/2018 LAK'000
Cash on hand in LAK	-	2,097,855
Balances with BOL	25,031,729	36,665,575
- <i>Demand deposit</i>	-	10,056,605
- <i>Compulsory deposits</i>	-	1,577,241
- <i>Registered capital deposit</i>	25,031,729	25,031,729
	<b>25,031,729</b>	<b>38,763,430</b>

(\*) Under regulations of the BOL, the Branch is required to maintain certain reserves with the BOL in the form of compulsory deposits, which are computed at 5.00% for LAK and 10.00% for foreign currencies, on a bi-monthly basis, (2018: 5.00% and 10.00%) of customer deposits having original maturities of less than 12 months. During the year, the Branch maintained its compulsory deposits in compliance with the requirements by the BOL.

(\*\*) Under regulation of Decree No. 02/PR of the BOL, foreign bank branches are required to maintain a minimum balance of special deposit at the BOL which is equivalent to 25% of their paid-up capital to secure for their operational continuance. As at 31 December 2019, the balance of special deposit of the Branch is LAK'000 25,031,729.

On 27 December 2019, the Branch has ceased its operation. On 30 December 2019, the BOL transferred the compulsory and registered capital reserve back to Maybank Nongduang. On 7 January 2020, the BOL issues the Approval Letter No.46/BOD on closing current accounts and compulsory accounts of Maybank Nongduang.

## 15. DUE FROM BANKS

Due from banks comprises demand and term deposits in domestic and foreign currencies. Details are as follows:

	31/12/2019 LAK'000	31/12/2018 LAK'000
<b>Demand deposits</b>	<b>30,927,067</b>	<b>332,982</b>
At domestic banks		
- <i>Maybank - Lao Branch</i>	30,927,067	332,982
<b>Term deposits</b>	-	<b>24,098,605</b>
At domestic banks		
- <i>RHB Bank Vientiane Branch</i>	-	24,098,605
	<b>30,927,067</b>	<b>24,431,587</b>

## 16. LOANS TO CUSTOMERS

	31/12/2019 LAK'000	31/12/2018 LAK'000
Gross loans and advances to customers	37,544,715	64,633,079
Less: Allowance for impairment losses (see Note 17)	(1,547,931)	(7,799,451)
	<b>35,996,784</b>	<b>56,833,628</b>

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 16. LOANS TO CUSTOMERS (continued)

Interest rates for loans to customers during the year are as follows:

	2019 % per annum	2018 % per annum
Loans and advances denominated in LAK	4.00% - 12.00%	3.00% - 13.00%
Loans and advances denominated in USD	-	7.50% - 13.00%
Loans and advances denominated in THB	9.25%	8.00% - 9.00%

### *Analysis of loans to customers*

#### *Analysis by currency*

	31/12/2019 LAK'000	31/12/2018 LAK'000
Loans and advances in LAK	34,928,430	61,509,092
Loans and advances in THB	2,116,033	3,123,987
	<b>37,044,463</b>	<b>64,633,079</b>

#### *Analysis by economic sectors*

	31/12/2019 LAK'000	31/12/2018 LAK'000
Construction companies	3,559,880	3,698,906
Trading companies	437,331	36,557,456
Services companies	10,072,054	13,783,785
Others	22,975,198	10,592,932
	<b>37,044,463</b>	<b>64,633,079</b>

## 17. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in the allowance for impairment losses are as follows:

	2019 LAK'000	2018 LAK'000
<b>Opening balance</b>	<b>7,799,451</b>	<b>254,732</b>
Credit loss expense charged	12,497,126	7,544,327
Write-off	(18,750,893)	-
Foreign exchange difference	2,247	392
<b>Closing balance</b>	<b>1,547,931</b>	<b>7,799,451</b>



# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 18. PROPERTY AND EQUIPMENT

Movements of property and equipment during 2019 are as follows:

Movements of tangible fixed assets during the year ended 31 December 2019 are as follows:

	<i>Building and improvement LAK'000</i>	<i>Office equipment LAK'000</i>	<i>Furniture and fixtures LAK'000</i>	<i>Computer equipment LAK'000</i>	<i>Motor vehicles LAK'000</i>	<i>Total LAK'000</i>
<b>Cost:</b>						
As at 31 December 2018	4,644,183	314,389	669,207	1,231,827	362,656	7,222,262
Disposals	-	-	-	-	(362,656)	(362,656)
As at 31 December 2019	4,644,183	314,389	669,207	1,231,827	-	6,859,606
<b>Accumulated depreciation:</b>						
As at 31 December 2018	1,315,852	178,154	379,217	698,035	163,195	2,734,453
Charges for the year	3,328,331	136,235	289,990	533,792	66,487	4,354,835
Others	-	-	-	-	(229,682)	(229,682)
As at 31 December 2019	4,644,183	314,389	669,207	1,231,827	-	6,859,606
<b>Net book value:</b>						
As at 31 December 2018	3,328,331	136,235	289,990	533,792	199,461	4,487,809
As at 31 December 2019	-	-	-	-	-	-

## 19. INTANGIBLE ASSETS

Movements of intangible assets during 2019 are as follows:

	<i>Computer software LAK'000</i>	<i>Total LAK'000</i>
<b>Cost:</b>		
As at 31 December 2018	1,378,559	1,378,559
Additions for the year	-	-
As at 31 December 2019	1,378,559	1,378,559
<b>Accumulated depreciation:</b>		
As at 31 December 2018	1,378,559	1,378,559
Charges for the year	-	-
As at 31 December 2019	1,378,559	1,378,559
<b>Net book value:</b>		
As at 31 December 2018	-	-
As at 31 December 2019	-	-

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 20. OTHER ASSETS

	31/12/2019 LAK'000	31/12/2018 LAK'000
Prepaid expenses awaiting allocation	272,560	18,276
Others	297,598	119,704
	<b>570,158</b>	<b>137,980</b>

## 21. DUE TO BANKS

	31/12/2019 LAK'000	31/12/2018 LAK'000
<b>Term deposits</b>	-	<b>8,101,934</b>
From domestic banks		
- <i>Maybank – Lao Branch</i>	-	8,101,934
	-	<b>8,101,934</b>

## 22. DUE TO CUSTOMERS

	31/12/2019 LAK'000	31/12/2018 LAK'000
<b>Demand deposits</b>	<b>2,551,649</b>	<b>2,574,350</b>
Demand deposits in LAK	515,662	1,732,902
Demand deposits in other currencies	2,035,987	841,448
<b>Saving deposits</b>	<b>1,839,475</b>	<b>6,561,943</b>
Saving deposits in LAK	261,181	367,541
Saving deposits in other currencies	1,578,294	6,194,402
<b>Term deposits</b>	<b>11,122,522</b>	<b>14,481,052</b>
Term deposits in LAK	405,610	5,821,085
Term deposits in other currencies	10,716,912	8,659,967
	<b>15,513,646</b>	<b>23,617,345</b>

The interest rates for these deposits are as follows:

	2019 <i>Interest rate p.a.</i>	2018 <i>Interest rate p.a.</i>
Demand deposits in LAK	No interest	No interest
Demand deposits in foreign currencies	No interest	No interest
Saving deposits in LAK	1.89%	1.89%
Saving deposits in USD	1.75%	1.75%
Saving deposits in THB	1.75%	1.75%
Term deposits in LAK	3.16% - 6.77%	3.16% - 6.77%
Term deposits in foreign currencies	2.65% - 5.00%	3.00% - 5.00%

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 23. CURRENT TAX LIABILITIES

	31/12/2019 LAK'000	31/12/2018 LAK'000
Profit tax payable	-	-
Withholding tax	66	34,575
	<b>66</b>	<b>34,575</b>

### *Profit Tax*

The Branch is obliged to pay profit tax ("PT") at rate of 24% on total profit before tax of the year in accordance with Tax Law (amended) No.70/NA dated 15 December 2015 which is effective on or after 24 May 2017.

	2019 LAK'000	2018 LAK'000
(Loss)/profit before tax under IFRS	(16,251,292)	(7,146,163)
Amortised cost	-	94,841
Impairment under IFRS	1,551,399	(1,003,973)
Start up costs	-	(46,719)
Accumulated loss carried forward	-	-
<b>Taxable income under LAS</b>	<b>(14,699,893)</b>	<b>(8,102,014)</b>
<b>PT expense at the statutory rate of 24%</b>	-	-
<b>Current PT expense</b>	-	-
PT payable at the beginning of the year	-	-
PT paid during the year	-	-
Foreign exchange differences	-	-
<b>PT payable at the end of the year</b>	<b>-</b>	<b>-</b>

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

## 24. OTHER LIABILITIES

	31/12/2019 LAK'000	31/12/2018 LAK'000
Payables to external parties	494,558	292,465
Payables to employees	237,412	62,605
Deferred income	15,924	30,086
	<b>747,894</b>	<b>385,156</b>

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 25. PAID-UP CAPITAL

The movement of paid up capital during the year is presented below:

	2019 LAK'000	2018 LAK'000
Opening balance	100,121,729	100,121,729
Foreign exchange differences	-	-
<b>Closing balance</b>	<b>100,121,729</b>	<b>100,121,729</b>

## 26. ADDITIONAL CASH FLOW INFORMATION

*Cash and cash equivalents*

	31/12/2019 LAK'000	31/12/2018 LAK'000
Cash on hand	-	2,097,855
Current accounts with the BOL	-	10,056,605
Current accounts with other banks	30,927,067	332,982
	<b>30,927,067</b>	<b>12,487,442</b>

## 27. COMMITMENTS AND CONTINGENCIES

	31/12/2019 LAK'000	31/12/2018 LAK'000
<b>Financial commitments:</b>		
Bank guarantees	886,000	1,705,000
	<b>886,000</b>	<b>1,705,000</b>

## 28. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other parties to which the Branch is related. A party is related to the Branch if:

(a) directly, or indirectly through one or more intermediaries, the party:

- ▶ controls, is controlled by, or is under common control with, the Branch (this includes parents, subsidiaries and fellow subsidiaries);
- ▶ has an interest in the Branch that gives it significant influence over the Branch; or
- ▶ has joint control over the Branch.

(b) the party is a joint venture in which the Branch is a venture;

(c) the party is a member of the key management personnel of the Branch or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Bank resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Branch, or of any entity that is a related party of the Branch.

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 28. RELATED PARTY TRANSACTIONS (continued)

Significant balances with related parties as at 31 December 2019 and 31 December 2018 are as follows:

	31/12/2019 <i>Receivables/ (payables)</i> LAK'000	31/12/2018 <i>Receivables/ (payables)</i> LAK'000
<b>Interbank with Maybank - Lao Branch</b>		
Vostro account	30,927,067	332,982
Term deposits	-	(8,000,000)
	<u>30,927,067</u>	<u>(7,667,018)</u>

Significant transactions with related parties during the year were as follows:

	2019 LAK'000	2018 LAK'000
Interest expenses for term deposit from Maybank – Lao Branch	-	(101,934)
	<u>-</u>	<u>(101,934)</u>

### *Transactions with key management personnel of the Branch*

Remuneration to members of the Board of Management is as follows:

	2019 LAK'000	2018 LAK'000
Salaries	522,438	297,002
Bonus and other benefits	97,680	73,436
	<u>620,118</u>	<u>370,438</u>

## 29. RISK MANAGEMENT POLICIES

### *Introduction*

Risk is inherent in the Branch's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Branch's continuing profitability and each individual within the Branch is accountable for the risk exposures relating to his or her responsibilities.

The Branch is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Branch's policy is to monitor those business risks through the Branch's strategic planning process.

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 29. RISK MANAGEMENT POLICIES (continued)

### *Risk management structure*

The Management is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Management has appointed the Risk - Compliance Officer which has the responsibility to monitor the overall risk process within the Branch. The Risk - Compliance Officer has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk – Compliance Officer is responsible for managing risk decisions and monitoring risk levels and reports to Management.

The Branch's policy is that risk management processes throughout the Branch are audited annually by the Head Office's Internal Audit function, which examines both the adequacy of the procedures and the Branch's compliance with the procedures. Head Office's Internal Audit discusses the results of all assessments and reports its findings and recommendations to the Management.

## 30. INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Branch is exposed to interest rate risk as a result of mismatches of interest rate re-pricing time of assets and liabilities. The Branch manages this risk by matching the re-pricing time of assets and liabilities through risk management strategies. Due to the nature of the Branch's records, the Branch is unable to prepare the interest rate risk sensitivity analysis.

## 31. CURRENCY RISK

Currency risk is the risk exposed to the Branch due to changes in foreign exchange rates which adversely impact the Branch's foreign currency positions. The Branch has set limits on positions by currency, based on its internal risk assessment system and BOL's regulations. Positions are monitored on a daily basis to ensure positions are maintained within the established limits.

## 32. CAPITAL MANAGEMENT

The Branch maintains minimum regulatory capital in accordance with Regulation No 536/BFSD/BOL dated 14 October 2009 by the Governor of Lao PDR and other detailed guidance. The primary objectives of the Branch's capital management are to ensure that the Branch complies with externally imposed capital requirements by BOL. The Branch recognizes the need to maintain effectiveness of assets and liabilities management to balance profit and capital adequacy.

In accordance with Regulation No 536/BFSD/BOL, the Branch's regulatory capital is analyzed into two tiers:

- ▶ Tier 1 capital, which includes chartered capital, regulatory reserve fund, business expansion fund and other funds, and retained earnings;
- ▶ Tier 2 capital, which includes qualifying subordinated liabilities, general provisions and the element of fair value reserve relating to unrealized gains/losses on equity instruments classified as available for sale.

Various limits are applied to elements of the capital base: qualifying tier 2 cannot exceed tier 1 capital, and qualifying subordinated liabilities may not exceed 50 percent of tier 1 capital.

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 32. CAPITAL MANAGEMENT (continued)

An analysis of the Branch's capital based on financial information deprived from financial statements is as follows:

<i>Items</i>	<i>31/12/2019 under IFRS LAK'000</i>	<i>31/12/2018 under IFRS LAK'000</i>
Tier 1 capital	76,990,754	91,749,333
Tier 2 capital	-	-
<b>Total capital</b>	<b>76,990,754</b>	<b>91,749,333</b>
<b>Capital for CAR calculation (A)</b>	<b>76,990,754</b>	<b>91,749,333</b>
Risk weighted balance sheet items	42,752,356	61,857,925
Risk weighted off balance sheet items	443,000	852,500
<b>Total risk weighted assets (B)</b>	<b>43,195,356</b>	<b>62,710,425</b>
<b>Capital Adequacy Ratio (A/B)</b>	<b>178%</b>	<b>146%</b>

## 33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Branch's financial assets and liabilities, fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the Branch's management, the carrying amount of the financial assets and liabilities included in the statement of financial position are a reasonable estimation of their fair values. In making this assessment, the Branch's management assumes that loans to customers are mainly held to maturity with fair values equal to the book value of loans adjusted for allowance for impairment losses.

## 34. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST LAK AT REPORTING DATE

	<i>31 December 2019 LAK</i>	<i>31 December 2018 LAK</i>
United State Dollar ("USD")	8,860	8,525
Thai Baht ("THB")	298	265.30

# Maybank Nongduang Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2019 and for the year then ended

## 35. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

After the balance sheet date of this report, as at opening of 1 January 2020 the Branch has completed the transfer of all assets and liabilities along with all rights and obligations to Malayan Banking Berhad Laos Branch according to the plan approved by BOL.

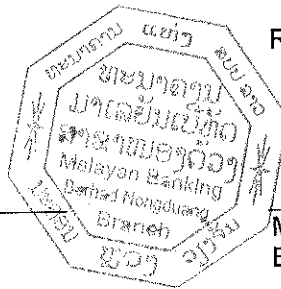
At the date of this report, the BOL has not issued Official letter to revoke the business license of Nongduang Branch.

Other than that, there is no matter or circumstance that has arisen since the balance sheet date that requires adjustment or disclosure in the financial statements of the Branch.

Prepared by:



Mr. Sithipon Sisudajan  
Head of Finance Department



Reviewed by:



Ms. Phengsomchith Phonphosy  
Branch Manager

Vientiane, Lao PDR

03 June 2020