

Maybank Lao Branch

Financial statements

For the year ended 31 December 2019

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GENERAL INFORMATION

THE BRANCH

Maybank Lao 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. 35/BOL granted by Bank of the Lao PDR ("the BOL") on 26 October 2012 and the second amended Banking License No. 18/BOL dated 19 November 2018.

The initial registered capital of the Branch is LAK 100,661,400,000. The actual paid-up capital as at 31 December 2019 is LAK 100,661,400,000 (31 December 2018: LAK 100,661,400,000).

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

The Branch is located at No. 43, 45, 47 Lane Xang Avenue, Hatsady Village, Chantabouly District, Vientiane Lao PDR.

MANAGEMENT

Members of the Management during the year and at the date of this report are as follows:

<u>Name</u>	<u>Position</u>	<u>Date of appointment/resignation</u>
Mr. Tan Tee Huat	General Manager	Appointed on 12 March 2019
Mr. Lim Wai Hoong	General Manager	Appointed on 14 May 2012 Resigned on 7 March 2019
Mrs. Amphaivanh Muonghane	Head of Operation Department	Appointed on 1 April 2018
Mr. Sithiphon Sisudajan	Head of Finance Department	Appointed on 28 May 2018
Mr. Phethanousone Xayarath	Head of Business Development Department	Appointed on 1 November 2018
Mr. Keochai Mayyavongsink	Head of Credit Administration Department	Appointed on 1 January 2017

LEGAL REPRESENTATIVE

The legal representative of the Branch from 1 January 2019 to 11 March 2019 is Mr. Lim Wai Hoong – General Manager. The legal representative of the Branch from 12 March 2019 to the date of this report is Mr. Tan Tee Huat – General Director.

AUDITORS

The auditor of the Branch is Ernst & Young Lao Co., Ltd.

REPORT OF BRANCH MANAGEMENT

Management of Maybank Lao Branch ("the Branch") is pleased to present this report and the Branch's financial statements for the year ended 31 December 2019.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Branch's management is responsible for the financial statements of each financial year which give a true and fair view of the financial position of the Branch and the results of its operations and its cash flows for the year. In preparing those financial statements, management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Branch will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Branch and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Branch and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management confirmed that it has complied with the above requirements in preparing the accompanying financial statements.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the Accounting Law of Lao PDR and the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements.

For and on behalf of Management:



Mr. Tan Tee Huat
General Manager

Vientiane, Lao PDR

31 March 2020



Building a better
working world

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Nongbone Village, Saysetha District
Vientiane Capital, Lao P.D.R.

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Reference: 61042000/21504418-LAS

INDEPENDENT AUDITORS' REPORT

To: The Management of Maybank Lao Branch

Opinion

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

In our opinion, the accompanying financial statements of the Branch are prepared, in all material respects, in accordance with the Accounting Law of Lao PDR and with the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *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) together with 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 opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting 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 this matter.

Responsibilities of the Branch's Management for the Financial Statements

The Branch' management is responsible for the preparation and presentation of the financial statements in accordance with the Accounting Law of Lao PDR and with the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of 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.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Branch's 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 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.

We communicate with the Branch's 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.

Ernst & Young Lao Co., Ltd.

Saman Wijaya Bandara
Partner
Audit Practising Registration
Certificate No. 014/LCPAA-APT-2019

Vientiane, Lao PDR

31 March 2020

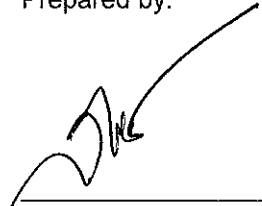
INCOME STATEMENT
for the year ended 31 December 2019

<i>Code</i>	<i>ITEMS</i>	<i>Notes</i>	<i>2019 LAK'000</i>	<i>2018 LAK'000</i>
A.	OPERATING INCOME AND EXPENSES			
1.	Interest and similar income	3	13,703,677	17,148,799
2.	Interest and similar expenses	3	(7,820,056)	(11,719,104)
I.	NET INTEREST AND SIMILAR INCOME		5,883,621	5,429,695
3	Fee and commission income	4	1,084,221	817,574
4	Fee and commission expenses	4	(104,061)	(205,656)
5	Net gain from dealing in foreign currencies		1,126,171	221,124
II.	NET OPERATING INCOME		7,989,952	6,262,737
B	OTHER INCOME AND EXPENSES			
6	Other operating income	5	497,327	985,628
7	Administration expenses		(7,741,643)	(9,606,818)
7.1	Payroll and other staff costs	6	(4,731,778)	(5,480,933)
7.2	Other administration expenses	7	(3,009,865)	(4,125,885)
8	Depreciation and amortization charges	13	(2,409,788)	(875,856)
9	Other operating expenses	8	(194,641)	(119,388)

INCOME STATEMENT (continued)
for the year ended 31 December 2019

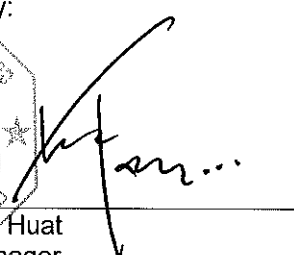

Code	ITEMS	Notes	2019 LAK'000	2018 LAK'000
10	Net provision charges for loans	12.2	(6,044,002)	(39,014,868)
III.	TOTAL (LOSS) BEFORE TAX		(7,902,795)	(42,368,565)
11	Current profit tax	17.3	-	-
IV.	PROFIT AFTER TAX		(7,902,795)	(42,368,565)

Prepared by:



Mr. Sithiphon Sisudajan
Head of Finance Department

Reviewed by:

Mr. Tan Tee Huat
General Manager

Vientiane, Lao PDR

31 March 2020

STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

<i>Code</i>	<i>ASSETS</i>	<i>Notes</i>	<i>31/12/2019 LAK'000</i>	<i>31/12/2018 LAK'000</i>
I	Cash and balances with Bank of the Lao PDR ("BOL")		161,658,850	208,523,236
1	Cash on hand	9	2,965,707	4,996,487
2	Balances at the BOL	10	158,693,143	203,526,749
II	Due from banks		154,000,840	88,905,745
1	Demand deposits	11.1	65,400,840	38,805,745
2	Term deposits	11.2	88,600,000	50,100,000
III	Loans and advances to customers, net of specific provision for credit activities	12	138,045,438	135,461,656
IV	Fixed assets		8,966,479	3,092,093
1	Tangible fixed assets	13.1	2,249,813	2,821,954
2	Intangible assets	13.2	74,011	8,004
3	Fixed assets in transit	13.3	179,048	262,135
4	Right of use assets	13.4	6,463,607	-
V	Other assets		4,904,467	6,222,581
1	Accrued interest receivables		460,751	505,249
2	Other assets	14	4,443,716	5,717,332
	TOTAL ASSETS		467,576,074	442,205,311

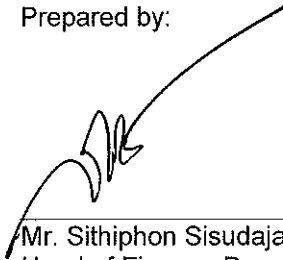
STATEMENT OF FINANCIAL POSITION (continued)
as at 31 December 2019

Code	LIABILITIES AND CAPITAL	Notes	31/12/2019 LAK'000	31/12/2018 LAK'000
I	Due to banks		164,836,367	115,190,206
1	Demand deposits	15.1	149,042,367	101,129,306
2	Term deposits	15.2	15,794,000	14,060,900
II	Due to customers	16	199,295,204	214,604,454
1	Demand deposits		23,182,741	20,368,268
2	Saving deposits		19,009,546	26,624,551
3	Term deposits		154,003,164	167,579,278
4	Other payable to customers		3,099,753	32,357
III	Other liabilities		7,499,109	8,585,288
1	Accrued interest payables		2,440,291	7,474,529
2	Tax payables	17.1	2,969	202,752
3	Other payables	18	5,055,849	908,007
	TOTAL LIABILITIES		371,630,680	338,379,948
IV	Capital and reserves			
1	Paid-up capital	19	100,661,400	100,661,400
2	Regulatory reserve fund		5,633,965	5,633,965
3	General provision for credit activities	12.2	677,735	654,909
4	Undistributed earnings		(11,027,706)	(3,124,911)
	TOTAL CAPITAL		95,945,394	103,825,363
	TOTAL LIABILITIES AND CAPITAL		467,576,074	442,205,311

STATEMENT OF FINANCIAL POSITION (continued)
as at 31 December 2019

Code	OFF BALANCE SHEET ITEMS	31/12/2019 LAK'000	31/12/2018 LAK'000
I	Commitments given		
1	Commitments for financing given to customers	12,739,912	12,741,522
	TOTAL COMMITMENTS GIVEN	12,739,912	12,741,522
II	Collaterals and Mortgages		
A	Collaterals and Mortgages for loans	589,762,455	567,463,311
1	Collaterals and Mortgages for loans to customers	589,762,455	567,463,311
B	Collaterals and Mortgages for guarantees	12,739,912	2,041,290
1	Collaterals and Mortgages for guarantees given to customers	12,739,912	2,041,290
	COLLATERALS AND MORTGAGES	602,502,367	569,504,601

Prepared by:



Mr. Sithipon Sisudajan
Head of Finance Department

Reviewed by:




Mr. Tan Tee Huat
General Manager

Vientiane, Lao PDR

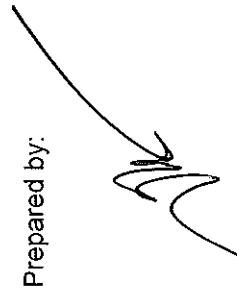
31 March 2020

Maybank Lao Branch

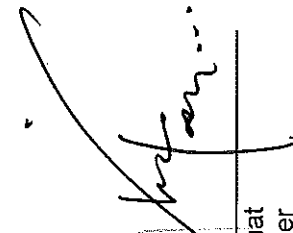
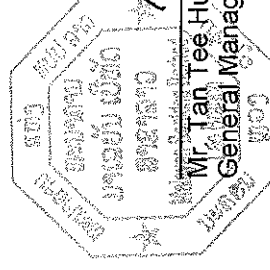
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

ITEMS	Paid-up capital LAK'000	Regulatory reserve fund LAK'000	General provision for credit activities LAK'000	Undistributed earnings/ (accumulated losses) LAK'000	Total LAK'000
Balance as at 1 January 2019	100,661,400	5,633,965	654,909	(3,124,911)	103,825,363
Net loss for the year	-	-	-	(7,902,795)	(7,902,795)
Provision for performing loans reversed during the year	-	-	15,892	-	15,892
Foreign exchange differences	-	-	6,934	-	6,934
Balance as at 31 December 2019	100,661,400	5,633,965	677,735	(11,027,706)	95,945,394

Prepared by:


Mr. Sithipon Sisudajan
Head of Finance Department

Reviewed by:



Mr. Tan Tee Huat
General Manager

Vientiane, Lao PDR

31 March 2020

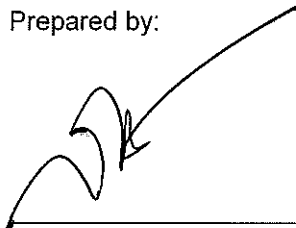
STATEMENT OF CASH FLOW
for the year ended 31 December 2019

ITEMS	Notes	2019 LAK'000	2018 LAK'000
Net loss before tax		(7,902,795)	(42,368,565)
<i>Adjustments for:</i>			
Depreciation and amortization charges		2,409,788	875,856
Loan loss provision net expenses	12.2	6,076,530	38,929,570
Interest income		(13,703,677)	(17,148,799)
Interest expense		7,820,056	11,719,104
Foreign exchange gain arising from revaluation of monetary accounts denominated in foreign currency		(1,126,171)	(221,124)
Cash flows (used in)/from operations before changes in operating assets and liabilities		(6,426,269)	(8,213,958)
(Increase)/Decrease in operating assets			
Due from banks		(38,867,355)	251,403,753
Loans and advances to customers		(8,627,784)	(1,096,090)
Other assets		7,748,728	5,092,193
Increase/(Decrease) in operating liabilities			
Due to banks		49,646,161	(232,256,371)
Customer deposits and other amounts due to customers		(15,309,250)	20,230,995
Other liabilities		190,286	(5,285,127)
Interest received		13,748,175	23,898,818
Interest paid		(12,854,295)	(12,109,997)
Net cash flows (used in)/from operating activities		(10,751,603)	41,664,216
INVESTING ACTIVITIES			
Payments to acquire property and equipment		(9,885,043)	(125,284)
Net cash flows used in investing activities		(9,885,043)	(125,284)

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

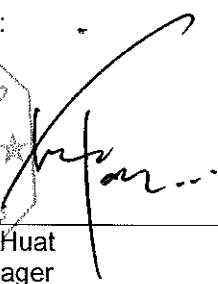

ITEMS	Notes	2019 LAK'000	2018 LAK'000
FINANCING ACTIVITIES			
Net cash flows from financing activities		-	-
Net change in cash and cash equivalents		(20,636,646)	41,538,932
Cash and cash equivalents at the beginning of the year		223,726,370	182,187,438
Effect of foreign exchange differences		-	-
Cash and cash equivalents at the end of the year	20	203,089,724	223,726,370

Prepared by:



Mr. Sithipon Sisudajan
Head of Finance Department

Reviewed by:

Mr. Tan Tee Huat
General Manager

Vientiane, Lao PDR

31 March 2020

1. CORPORATE INFORMATION

Maybank Lao 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. 35/BOL granted by Bank of the Lao PDR ("the BOL") on 26 October 2012 and the second amended Banking License No. 18/BOL dated 19 November 2018.

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

Location

The Branch is located at No.43, 45, 47 Lane Xang Avenue, Hatsady Village, Chantabouly District, Vientiane, Lao PDR.

Employees

Total number of employees of the Branch as at 31 December 2019 is 21 people (2018: 22 people).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. *Statement of compliance*

Management of the Branch states that the accompanying financial statements have been prepared in compliance with the Accounting Law of Lao PDR and the regulations stipulated by Bank of the Lao PDR relevant to the preparation and presentation of financial statements.

2.2. *Basis of preparation*

The Branch maintains its accounting records in Lao Kip ("LAK") and prepare its financial statements in thousands of Lao Kip ("LAK'000") in accordance with Decree No. 02/PR by the Prime Minister of Lao PDR dated 22 March 2000 and the Accounting Law of Lao PDR and the regulations stipulated by Bank of the Lao PDR relevant to the preparation and presentation of financial statements ("LAS").

The accompanying financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Lao PDR. Accordingly, the income statement, the statement of financial position, the statement of changes in equity, the statement of cash flow and the notes thereto are not designed for those who are not informed about Lao PDR's accounting principles, procedures and practices and furthermore are not intended to present the financial position of the Branch and its results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Lao PDR.

Fiscal year

The fiscal year of the Branch starts on 1 January and ends on 31 December.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. *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 in relation to the following:

2.3.1. *Leases*

In 2019, the Branch's accounting policy on Leases contracts was changed in accordance with the Notification No. 1433/BOL dated 24 October 2019 that requesting commercial banks to apply IFRS 16 for preparation and presentation of financial statements.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Branch adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Branch elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Branch applied the standard only to contracts that were previously identified as leases at the date of initial application.

Before the adoption of IFRS 16, the Branch was required to classify each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Branch applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.12 for the accounting policy applied on and after 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Branch.

▶ Leases previously accounted for as operating leases

The Branch recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Branch also applied the available practical expedients wherein it:

- ▶ Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- ▶ Relied on its assessment of whether leases are onerous immediately before the date of initial application;

Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies (continued)

2.3.1. Leases (continued)

- ▶ Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- ▶ Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- ▶ Right-of-use assets of LAK'000 8,064,476 were recognised and presented in the statement of financial position as "Right-of-use assets".
- ▶ Additional lease liabilities of LAK'000 7,084,375 (included in "Other liabilities") were recognised by using discounted cash flows method.
- ▶ The adoption of IFRS 16 had no impact on the Branch's retained earnings.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	<i>LAK'000</i>
Operating lease commitments as at 31 December 2018	9,002,400
Weighted average incremental borrowing rate as at 1 January 2019	3.15%
Discounted operating lease commitments at 1 January 2019	7,084,375
Less:	
Commitments relating to short-term lease	-
Commitments relating to leases of low-value assets	-
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	-
Lease liabilities as at 1 January 2019	7,084,375

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Changes in accounting policies (continued)

2.3.2. Provision on loans classified in Special Mention

In accordance with Official Letter No. 334/AFD issued by the Governor of Bank of Lao PDR dated 11 March 2019, the presentation of provision on loans classified as special mention is presented as specific provision which is net off against "Loans to customers" rather than "provision for performing loans" in the Branch's statement of financial position (as disclosed in Note 2.8).

As at 31 December 2019, the Branch does not have loans to customer classified as special mention.

2.4. Recognition of interest income and expenses

Interest income and expense are recognized in the income statement on an accrual basis using straight-line method and the interest rates stipulated in the loan/deposit contracts with customers.

The recognition of accrued interest income is suspended when the loans becoming non-performing (See Note 2.8 for the definition of non-performing loans) or when management believes that the borrower has no ability to repay the interest and principal. Interest income on such loans is only recorded in the income statement when actually received.

2.5. Recognition of fees and commission

Fees and commission consists of fees received for fund transfer (including trade settlement), fee arising for foreign currency exchange transactions and fee arising from financial guarantees.

Fee and commissions are recognized in income statement on a cash basis.

2.6. Cash and cash equivalents

Cash and cash equivalents consist of cash; highly liquid short-term investments with an original maturity of less than 30 days that are readily convertible to known amount of cash; and accounts due from banks with original maturity of less than 30 days.

2.7. Loans to customers

Loans to customers are recognized at cost and presented at outstanding balance less specific provision for credit activities as at the year end.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8. Classification of and provision for credit activities

Loan classification

In accordance with Regulation 512/BOL ("BOL512") dated 29 June 2018 and Official Letter No. 898/CBSD ("OL898") dated 14 November 2018, the Branch has classified loans into 5 groups based on the payment arrears status and other qualitative factors. Loans classified as either Normal or Pass (Group A) or Watch or Special Mention (Group B) are considered as Performing loans. Loans classified as either Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as Non-performing loans ("NPL").

Provision

In accordance with BOL512 and OL898, the Branch creates provision for loans based on their classification groups as follows:

Group	Provision rate	Provision type (i)	Accounting for provision balance (ii)	Accounting for changes in provision balance (iii)
<i>Performing loans</i>				
A	0.5%	General	In equity	Other operating expenses
B	3.0%	Specific	Deducted to loan balance	Other operating expenses
<i>NPLs</i>				
C	20.0%	Specific	Deducted to loan balance	Net provision charge for loans
D	50.0%	Specific	Deducted to loan balance	Net provision charge for loans
E	100.0%	Specific	Deducted to loan balance	Net provision charge for loans

(i) Provision amount is calculated by the following formulas:

a. Provision for performing loans = Provision rate x Loan outstanding balance

b. Provision for non performing loans = Provision rate x Loan outstanding balance

where the Branch has opted to not include the discounted value of collateral in the provision calculation as allowed by BOL512 and OL898.

(ii) The balance of provision for *loans classified into Group A* is recorded in the balance sheet in "General provision" under capital and reserves of the Branch.

Accumulated balance of provision for *other loans* is recorded in the balance sheet in "Loans to customers, net of specific provision for credit activities".

(iii) Net changes in provision for *performing loans* are recorded to the income statement as "Other operating expenses".

Changes in provision for *non-performing loans* are recorded to the income statement as "Net provision charges for loans".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9. Fixed assets

Fixed asset includes tangible fixed assets, intangible assets and fixed assets in transit. Tangible fixed assets consist of buildings and improvements, office equipment, furniture and fixtures, computer equipment and motor vehicles. Intangible assets include computer software.

Fixed assets are stated at cost less accumulated depreciation and amortization, if any.

The cost of an asset comprises its purchase price plus any directly attributable costs of bringing the asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are capitalized and expenditures for maintenance and repairs are charged to the income statement.

When assets are sold or disposed, their cost and accumulated depreciation/amortisation are removed from the balance sheet and any gains or losses resulting from their disposal are posted to the income statement.

2.10. Depreciation and amortization of fixed assets

Depreciation of fixed assets are made on the straight line basis at prescribed rates over their estimated useful life in accordance with the Tax Law No. 70/NA dated 15 December 2015 which is effective on or after 24 May 2016 stipulated by the President of the National Assembly. The following are the annual rates used:

Tangible fixed assets:

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

Intangible assets:

Computer software	50%
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2.11. Statutory reserves

Under the requirements of the Law on commercial Bank dated 7 December 2018, commercial banks are required to appropriate net profit to following reserves:

- ▶ Regulatory reserve fund
- ▶ Business expansion fund and other funds

In accordance with Article 156, Enterprise Law dated 26 December 2013, the Branch is required to appropriate 10% of profit after tax each year into regulatory reserve fund. When this reserve fund reaches 50% of the registered capital, the Branch may suspend such provision, unless otherwise provided by the laws. The Branch expansion fund and other funds shall be upon decision of the Management. For the year ended 31 December 2019, the Branch operated at loss and did not appropriate to these funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Leasing (applicable from 1 January 2019)

2.12.1. Right-of-use assets

At inception of a contract, the Branch assesses whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Branch combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

The Branch recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Branch is reasonably certain to exercise that option. Unless the Branch is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment.

2.12.2. Lease liabilities

At the commencement date of the lease, the Branch recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Branch and payments of penalties for terminating a lease, if the lease term reflects the Branch exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Branch uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

2.12.3. Short-term leases and leases of low-value assets

The Branch applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Leasing (applicable from 1 January 2019) (continued)

2.12.4. Significant judgement in determining the lease term of contracts with renewal options

The Branch determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Branch applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Branch reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Branch included the renewal period as part of the lease term for leases of premises and IT equipment due to the significance of these assets to its operations.

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 and the arrangement conveys a right to use the asset.

The Branch as a lessee

Leases, where all the risks and benefits of ownership of the leased items are not transferred substantially to the Branch are operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which they are incurred.

2.13. Foreign currency transactions

The Branch maintains its accounting system and records all transactions in original currencies. Income and expenses arising in foreign currencies during the year are converted into LAK monthly using the respective daily exchange rates. Monetary assets and liabilities denominated in foreign currencies at the yearend are translated into LAK at the exchange rates ruling at the balance sheet date. Foreign exchange differences arising from the translation of monetary assets and liabilities on the balance sheet date are recognized into the income statement. The list of exchange rates of applicable foreign currencies against LAK on 31 December 2019 and 31 December 2018 as presented below:

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

2.14. Taxation

Provision is made for profit tax on the current period's profits, based on the Tax Law governing taxation within Lao PDR. The Branch is obliged to pay tax at the rate of 24% of total profit before tax for the year ended 31 December 2019 (2018: 24%) in accordance with the Tax Law No. 70/NA dated 15 December 2015 which is effective on or after 24 May 2016.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15. 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 employee lacks of 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 for the worker who has worked for less than three years. As at 31 December 2019, there are no employees of the Branch who were dismissed under the above-mentioned grounds; therefore the Branch has not made a provision for termination allowance in the financial statements.

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

3. NET INTEREST AND SIMILAR INCOME

	2019 LAK'000	2018 LAK'000
Interest and similar income from:		
Interbank transactions	1,864,688	5,357,755
Loans to customers	11,838,989	11,791,044
	<u>13,703,677</u>	<u>17,148,799</u>
Interest and similar expenses for:		
Interbank transactions	(498,296)	(3,915,493)
Customer deposits	(7,321,760)	(7,803,611)
	<u>(7,820,056)</u>	<u>(11,719,104)</u>
Net interest and similar income	<u>5,883,621</u>	<u>5,429,695</u>

4. FEES AND COMMISSION INCOME

	2019 LAK'000	2018 LAK'000
Fees and commission income from:		
Trade finance activities	892,536	644,508
Settlement activities	191,685	173,066
	<u>1,084,221</u>	<u>817,574</u>
Fees and commission expense for:		
Transactions with customers	(104,061)	(205,656)
	<u>(104,061)</u>	<u>(205,656)</u>
Net fee and commission income	<u>980,160</u>	<u>611,918</u>

5. OTHER OPERATING INCOME

	2019 LAK'000	2018 LAK'000
Income from transactions with other banks	441,609	878,468
Reversal of provision for performing loans	-	85,298
Others	55,718	21,862
	<u>497,327</u>	<u>985,628</u>

6. PAYROLL AND OTHER STAFF COSTS

	2019 LAK'000	2018 LAK'000
Wages and allowances	4,522,150	4,913,176
Other staff costs	209,628	567,757
	<u>4,731,778</u>	<u>5,480,933</u>

7. OTHER ADMINISTRATION EXPENSES

	<i>2019</i> <i>LAK'000</i>	<i>2018</i> <i>LAK'000</i>
Office rental	189,519	1,810,098
Fuel	59,925	27,220
Office stationery	127,996	83,133
Publication, marketing and promotion	16,713	49,593
Telecommunication	77,084	75,756
Repair and maintenance	1,207,130	961,125
Electricity and water	126,300	123,462
Professional fees	387,725	706,984
Guest welcoming fee	4,138	5,369
Insurance fee	68,460	61,889
Office expenses	128,738	212,898
Consultant fees	605,009	-
Others	11,128	8,358
	<u>3,009,865</u>	<u>4,125,885</u>

8. OTHER OPERATING EXPENSES

	<i>2019</i> <i>LAK'000</i>	<i>2018</i> <i>LAK'000</i>
Provision expense for performing loans	32,528	-
Deposit insurance paid to Depositor Protection Fund	162,113	119,388
	<u>194,641</u>	<u>119,388</u>

9. CASH ON HAND

	<i>31/12/2019</i> <i>LAK'000</i>	<i>31/12/2018</i> <i>LAK'000</i>
Cash on hand in LAK	780,334	1,982,483
Cash on hand in foreign currencies	2,185,373	3,014,004
	<u>2,965,707</u>	<u>4,996,487</u>

10. BALANCES WITH THE BOL

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>LAK'000</i>	<i>LAK'000</i>
Demand deposits	134,723,177	179,924,138
Compulsory reserve	12,547,466	12,180,111
Registered capital reserve	11,422,500	11,422,500
	158,693,143	203,526,749

Balances with the BOL include demand deposits, compulsory reserve and registered capital reserve. These balances earn no interest.

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 11,422,500, which is equivalent to USD 1,289,221.

11. DUE FROM BANKS

11.1 Demand deposits

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>LAK'000</i>	<i>LAK'000</i>
Balances with domestic banks	13,256,112	5,855,074
Banque Pour le Commerce Exterieur Lao Public	13,256,112	5,855,074
Balances with overseas banks	52,144,728	32,950,671
Bangkok Bank Public Company Limited	1,878,110	629,005
Maybank - New York Branch	50,266,618	32,321,666
	65,400,840	38,805,745

11.2 Term deposits

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>LAK'000</i>	<i>LAK'000</i>
Balances with domestic banks	-	24,525,000
Maybank – Nongduang Branch	-	8,000,000
Aceda Bank Lao	-	8,000,000
Indochina Bank	-	8,525,000
Balances with overseas bank	88,600,000	25,575,000
Maybank – Head Office	88,600,000	25,575,000
	88,600,000	50,100,000

The term deposits at Maybank - Head Office has the term of 3 months and earn interest rates ranging from 1.95% to 2.08% per annum.

12. LOANS AND ADVANCES TO CUSTOMERS, NET OF SPECIFIC PROVISION FOR CREDIT ACTIVITES

	<u>31/12/2019</u> <u>LAK'000</u>	<u>31/12/2018</u> <u>LAK'000</u>
Loans and advances to customers	99,563,250	186,469,882
Loans to financial institutions	40,340,541	37,644,150
Less provision for non-performing loans (Note 12.2)	(1,858,353)	(88,652,376)
Specific provision for special mention loans	(16,636)	-
Specific provision for non-performing loans	<u>(1,841,717)</u>	<u>(88,652,376)</u>
	<u>138,045,438</u>	<u>135,461,656</u>

	<u>2019</u> <u>Interest rates</u> <u>% per annum</u>	<u>2018</u> <u>Interest rates</u> <u>% per annum</u>
Loans and advances in LAK	3.00% - 11.00%	3.00% - 13.00%
Loans and advances in USD	2.00% - 11.00%	7.50% - 13.00%
Loans and advances in THB	6.25% - 8.00%	8.00% - 9.00%

12.1 Analysis of loans to customers

Analysis by currency

	<u>31/12/2019</u> <u>LAK'000</u>	<u>31/12/2018</u> <u>LAK'000</u>
Loans and advances in LAK	68,105,989	67,339,276
Loans and advances in USD	52,575,000	139,583,022
Loans and advances in THB	<u>19,222,802</u>	<u>17,191,734</u>
	<u>139,903,791</u>	<u>224,114,032</u>

Analysis by status of loans

	<u>31/12/2019</u> <u>LAK'000</u>	<u>31/12/2018</u> <u>LAK'000</u>
Performing loans	136,101,591	130,981,766
Non-performing loans	<u>3,802,200</u>	<u>93,132,266</u>
	<u>139,903,791</u>	<u>224,114,032</u>

Analysis by original terms

	<u>31/12/2019</u> <u>LAK'000</u>	<u>31/12/2018</u> <u>LAK'000</u>
Short-term loans	95,774,918	157,590,014
Medium-term loans	13,135,696	30,062,567
Long-term loans	<u>30,993,177</u>	<u>36,461,451</u>
	<u>139,903,791</u>	<u>224,114,032</u>

Maybank Lao Branch

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

12. LOANS AND ADVANCES TO CUSTOMERS, NET OF SPECIFIC PROVISION FOR CREDIT ACTIVITIES (continued)

12.2 Changes in provision for credit losses

Movement of loan loss provision of the Branch during the year ended 31 December 2019 is as follows:

	Specific provision for non-performing loans ("NPL") LAK'000	Specific provision for special mention loans LAK'000	General provision for performing loans ("PL") LAK'000	Total LAK'000
Balance as at 31 December 2018	88,652,376	-	654,909	89,307,285
Provision charged to expense in the year	6,044,002	16,636	15,892	6,076,530
Bad debts written-off in period	(95,516,488)	-	-	(95,516,488)
Foreign exchange differences	2,661,827	-	6,934	2,668,761
Balance as at 31 December 2019	1,841,717	16,636	677,735	2,536,088

The breakdown of loan classification and provision as at 31 December 2019 are as follows:

Classification	Loan balance LAK'000	Specific provision LAK'000	General provision LAK'000	Total provision LAK'000
Normal or Pass	135,547,039	-	677,735	677,735
Watch or Special Mention	554,552	16,636	-	16,636
Sub-standard	197,944	39,589	-	39,589
Doubtful	3,604,256	1,802,128	-	1,802,128
Total	139,903,791	1,858,353	677,735	2,536,088

13. FIXED ASSETS

13.1 Tangible fixed assets

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>
Cost:						
As at 31 December 2018	6,928,381	499,383	107,421	1,419,219	855,971	9,810,375
Additions	-	10,776	73,312	134,112	-	218,200
As at 31 December 2019	<u>6,928,381</u>	<u>510,159</u>	<u>180,733</u>	<u>1,553,331</u>	<u>855,971</u>	<u>10,028,575</u>
Accumulated depreciation:						
As at 31 December 2018	4,230,457	429,641	107,421	1,376,104	844,798	6,988,421
Charge for the year	692,839	25,278	13,299	47,752	11,173	790,341
As at 31 December 2019	<u>4,923,296</u>	<u>454,919</u>	<u>120,720</u>	<u>1,423,856</u>	<u>855,971</u>	<u>7,778,762</u>
Net book value:						
As at 31 December 2018	<u>2,697,924</u>	<u>69,742</u>	<u>-</u>	<u>43,115</u>	<u>11,173</u>	<u>2,821,954</u>
As at 31 December 2019	<u>2,005,085</u>	<u>55,240</u>	<u>60,013</u>	<u>129,475</u>	<u>-</u>	<u>2,249,813</u>

13.2 Intangible assets

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

	<i>Computer software LAK'000</i>
Cost:	
As at 31 December 2018	254,970
Additions for the year	84,585
As at 31 December 2019	<u>339,555</u>
Accumulated depreciation:	
As at 31 December 2018	246,966
Charge for the year	18,578
As at 31 December 2019	<u>265,544</u>
Net book value:	
As at 31 December 2018	<u>8,004</u>
As at 31 December 2019	<u>74,011</u>

13. FIXED ASSETS (continued)

13.3 Fixed assets in transit

	31/12/2019 LAK'000	31/12/2018 LAK'000
Tangible assets	-	89,856
Intangible assets	179,048	172,279
	179,048	262,135

13.4 Right of use assets

	<i>Right-of-use assets LAK'000</i>
Effect of adoption IFRS 16 as at As at 1 January 2019	-
Addition	8,064,476
As at 31 December 2019	8,064,476
Accumulated depreciation:	
As at 1 January 2019	-
Charge during the year	1,600,869
As at 31 December 2019	1,600,869
Net book value:	
As at 1 January 2019	-
As at 31 December 2019	6,463,607

14. OTHER ASSETS

	31/12/2019 LAK'000	31/12/2018 LAK'000
Prepaid expenses waiting allocation	68,188	1,416,207
Profit tax prepayment (Note 17.2)	4,065,324	4,065,324
Suspend asset items	32,933	-
Others	277,271	235,801
	4,443,716	5,717,332

15. DUE TO BANKS

15.1 Demand deposits

	31/12/2019 LAK'000	31/12/2018 LAK'000
Balances of foreign banks	118,115,300	100,796,324
Malayan Banking Berhad, Head Office	118,115,300	100,796,324
Balances of domestic banks	30,927,067	332,982
Maybank – Nongduang Branch	30,927,067	332,982
	<u>149,042,367</u>	<u>101,129,306</u>

15.2 Term deposits

	31/12/2019 LAK'000	31/12/2018 LAK'000
Balances of domestic banks		
Bangkok Bank Public Company Limited - Vientiane Branch	15,794,000	14,060,900
	<u>15,794,000</u>	<u>14,060,900</u>

The term deposits from Bangkok Bank Public Company Limited, Vientiane Branch are denominated in THB, have terms of 3 months and bear interest at the rate of 3.25% per annum.

16. DUE TO CUSTOMERS

Details of amounts due to customers as at 31 December 2019 are as follows:

	<i>Denominated in LAK LAK'000</i>	<i>Denominated in other currencies LAK'000</i>	<i>Total LAK'000</i>
Demand deposits	3,750,491	19,432,250	23,182,741
Saving deposits	19,009,546	-	19,009,546
Term deposits	5,873,350	148,129,814	154,003,164
Other payables	55,640	3,044,113	3,099,753
	<u>176,809,143</u>	<u>22,486,061</u>	<u>199,295,204</u>

Details of amounts due to customers as at 31 December 2018 are as follows:

	<i>Denominated in LAK LAK'000</i>	<i>Denominated in other currencies LAK'000</i>	<i>Total LAK'000</i>
Demand deposits	3,684,626	16,683,642	20,368,268
Saving deposits	4,584,187	22,040,364	26,624,551
Term deposits	9,321,919	158,257,359	167,579,278
Other payables	22,806	9,551	32,357
	<u>17,613,538</u>	<u>196,990,916</u>	<u>214,604,454</u>

16. DUE TO CUSTOMERS (continued)

The interest rates for these deposits are as follows:

	<i>2019</i> <i>Interest rate p.a.</i>	<i>2018</i> <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%

17. TAXATION

17.1 Taxes payable

	<i>31/12/2019</i> <i>LAK'000</i>	<i>31/12/2018</i> <i>LAK'000</i>
Withholding tax	2,969	202,752
	2,969	202,752

17.2 Taxes prepayment

	<i>31/12/2019</i> <i>LAK'000</i>	<i>31/12/2018</i> <i>LAK'000</i>
Profit tax prepayment	(4,065,324)	(4,065,324)
	(4,065,324)	(4,065,324)

17. TAXATION (continued)

17.3 Profit tax

Provision is made for profit tax on the current year's profits, based on the Tax Law governing taxation within Lao PDR. The Branch is obliged to pay tax at 24% at total profit before tax in accordance with the Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016.

Details of profit tax ("PT") provision for the years 2018 and 2019 are as follows:

	<u>2019</u> <u>LAK'000</u>	<u>2018</u> <u>LAK'000</u>
Loss before tax in accordance with Lao Accounting System	(7,902,795)	(42,368,565)
Less: Non-taxable income	(1,126,171)	-
Add: Non-deductible expense	6,875,399	-
Taxable loss	<u>(2,153,567)</u>	<u>(42,368,565)</u>
PT expenses at 24% of taxable profit	<u>-</u>	<u>-</u>
Current PT expense	-	-
PT (recoverable)/ payable at the beginning of the year	(4,065,324)	(4,065,324)
PT paid during the year	<u>-</u>	<u>-</u>
PT recoverable at the end of the year	<u>(4,065,324)</u>	<u>(4,065,324)</u>

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.

17. TAXATION (continued)

17.3 Profit tax (continued)

Tax losses carried forward

The Branch incurred tax losses for previous years. Under the current Tax Law, the Branch is entitled to carry each individual tax loss forward to offset against taxable profits arising within three years subsequent to the year in which the loss is incurred. Upon expiration of this period, any remaining losses may not be further carried forward to be deducted from profit. The detailed tax losses carried forward as at 31 December 2019 were as follows:

Year	<i>The last year loss can be carried forward LAK'000</i>	<i>Taxable loss incurred LAK'000</i>	<i>Utilized in the year LAK'000</i>	<i>Unutilized as at the reporting date LAK'000</i>
2018	2021	(42,368,565)	-	(42,368,565)
2019	2022	(7,902,795)	-	(50,271,360)
		(50,271,360)	-	

18. OTHER PAYABLES

	<i>31/12/2019 LAK'000</i>	<i>31/12/2018 LAK'000</i>
Payables to external parties	346,006	327,089
Payables to employees	572,999	265,343
Others	83,017	315,575
Lease liabilities	4,053,827	-
	5,055,849	908,007

19. PAID-UP CAPITAL

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

	<i>2019 LAK'000</i>	<i>2018 LAK'000</i>
Opening balance	100,661,400	100,661,400
Increase during the year	-	-
Closing balance	100,661,400	100,661,400

20. CASH AND CASH EQUIVALENTS

	<i>31/12/2019</i> <i>LAK'000</i>	<i>31/12/2018</i> <i>LAK'000</i>
Cash on hand	2,965,707	4,996,487
Current accounts with the BOL	134,723,177	179,924,138
Current accounts with other banks	65,400,840	38,805,745
	<u>203,089,724</u>	<u>223,726,370</u>

21. 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 entity 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.

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

	<i>31/12/2019</i> <i>Receivables/ (payables)</i> <i>LAK'000</i>	<i>31/12/2018</i> <i>Receivables/ (payables)</i> <i>LAK'000</i>
Interbank with Maybank - Head Office		
Vostro account	(118,115,300)	(100,796,324)
Term deposits	88,600,000	25,575,000
Interbank with Maybank - New York Branch		
Nostro account	50,266,618	32,321,666
Interbank with Maybank - Nongduang Branch		
Vostro account	(30,927,067)	(332,982)
Term deposits	-	8,000,000

21. RELATED PARTY TRANSACTIONS (continued)

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

	2019 LAK'000	2018 LAK'000
Interest expenses for term deposit from HO	-	3,703,460
Interest income for term deposit at Maybank – Nongduang Branch	(2,203)	(101,934)
Interest income for term deposit from Maybank HQ	(1,187,257)	
	(1,189,460)	3,601,526

Transactions with key management personnel of the Branch

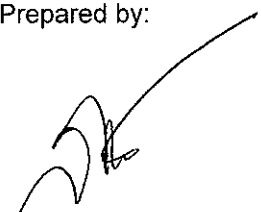
Remuneration to members of the Board of Management is as follows:

	31/12/2019 LAK'000	31/12/2018 LAK'000
Salaries	1,239,734	226,375
Bonus and other benefits	1,814,378	1,031,470
	3,054,112	1,257,845

22. EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date of this report, the Malayan Banking Berhad Nongduang Branch has completed to transfer all assets and liabilities along with all right and obligation to the Branch according to the Malayan Banking Berhad Nongduang Branch plan approved by BOL. Except for the matter mention aboved, there are no matters or circumstances that have arisen since the balance sheet date that requires to adjust or disclose in the accompanying financial statements of the Branch.

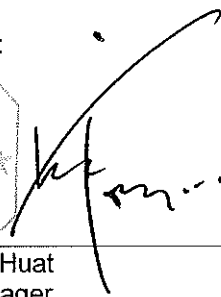

Prepared by:


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Head of Finance Department

Vientiane, Lao PDR

31 March 2020

Reviewed by:



Mr. Tan Tee Huat
General Manager