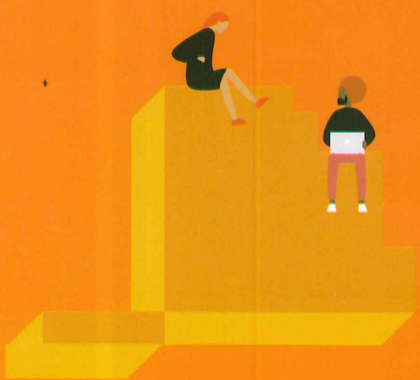
RHB BANK LAO SOLE CO., LTD

FINANCIAL STATEMENTS

(in accordance with International Financial Reporting Standards)

31 DECEMBER 2024



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RHB Bank Lao Sole Co., Ltd

Statement by the Board of Directors
31 December 2024

BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors of RHB Bank Lao Sole Co., Ltd (the Bank) are responsible for ensuring that the financial statements, present fairly, in all material respects, the financial position of the Bank as at 31 December 2024 and its financial performance, statement of changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS). In preparing these financial statements, the Board of Directors is required to:

i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;

ii) comply in accordance with accounting policies of IFRS and ensure that these have been, appropriately disclosed, explained and quantified in the financial statements;

iii) maintain adequate accounting records and an effective system of internal controls;

iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operations for the foreseeable future; and

v) effectively control and direct the Bank and be involved in all material decisions affecting the operations and performance of the Bank, and ascertain that such decisions have been properly reflected in the financial statements.

The Board of Directors confirms that the Bank has complied with the above requirements in preparing the financial statements as at and for the year ended 31 December 2024.

STATEMENT BY THE BOARD OF DIRECTORS ON THE FINANCIAL STATEMENTS

We do hereby state that the accompanying financial statements, present fairly, in all material respects, the financial position of the Bank as at 31 December 2024 and its financial performance, statements of changes in equity and its cash flows for the year then ended and are properly drawn up in accordance with IFRS.

For and on behalf of the Board of Directors

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ອາເຣັສບີ ລາວ
ຈຳກັດຜູ້ດຽວ
RHB Bank Lao
Sole Co.,Ltd

Choong Seang Heng
Chief Executive Officer

Date: 25 April 2025

INDEPENDENT AUDITOR'S REPORT

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of RHB Bank Lao Sole Co., Ltd. (the Bank) as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of these financial statements in accordance with IFRS Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

PricewaterhouseCoopers (Lao) Sole Company Limited. 4th Floor, Allianz Building, 33 Lane Xang Avenue, PO Box 7003, Vientiane Lao PDR, Telephone : + 856 21 222718-9, Facsimile: + 856 21 222723, www.pwc.com/la

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INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For PricewaterhouseCoopers (Lao) Sole Company Limited

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PricewaterhouseCoopers (Lao) Sole Company Limited
ນະຄອນຫຼວງວຽງຈັນ

By Sinsiri Thangsombat
Partner

Vientiane Capital, Lao P.D.R.
Date: 25 April 2025

RHB Bank Lao Sole Co., Ltd

Statement of Financial Position
As at 31 December 2024

	Notes	2024 LAK	2023 LAK
ASSETS			
Cash and short-term funds with central bank	5	168,939,445,561	204,720,990,802
Placement with central bank	6	674,185,032,158	738,665,498,091
Deposits and placements with other banks	7	50,904,530,556	55,064,739,018
Loans and advances to customers	9	359,442,199,624	407,082,778,754
Intangible assets	10	8,038,890,410	9,011,745,379
Property and equipment	11	24,766,603,812	31,792,067,454
Right-of-use assets	12	7,537,282,502	9,976,076,106
Other assets	13	4,025,290,500	3,106,152,306
Deferred tax asset	14	2,552,078,377	10,646,514,169
TOTAL ASSETS		**1,300,391,353,500**	**1,470,066,562,079**
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from customers	15	75,767,744,033	122,378,079,452
Amount due to parent company	16	694,165,292,984	760,649,512,961
Other liabilities	17	11,090,654,726	8,844,049,740
Income tax liability		-	886,142,390
Lease liabilities	18	11,109,064,597	15,451,731,856
TOTAL LIABILITIES		**792,132,756,340**	**908,209,516,399**
EQUITY			
Paid-up capital	19	965,530,117,036	965,530,117,036
Legal reserve	20	4,961,925,958	4,961,925,958
Capital contribution by holding company	21	71,002,226	-
Deficits		(462,304,448,060)	(408,634,997,314)
TOTAL EQUITY		**508,258,597,160**	**561,857,045,680**
TOTAL EQUITY AND LIABILITIES		**1,300,391,353,500**	**1,470,066,562,079**

Choong Seang Heng
Chief Executive Officer

Date: 25 April 2025

The accompanying notes on pages 8 to 53 form an integral part of these financial statements.
Independent auditor's report – pages 2 to 3.

RHB Bank Lao Sole Co., Ltd

Statement of Comprehensive Income
For the year ended 31 December 2024

	Notes	2024 LAK	2023 LAK
Interest income	22	77,628,589,265	95,328,545,748
Interest expense	22	(34,471,967,103)	(43,549,694,902)
NET INTEREST INCOME	22	**43,156,622,162**	**51,778,850,846**
Allowance for credit losses on loans	26	38,579,735,690	53,974,541,395
Allowance for credit losses on other financial assets	26	(62,681,815)	843,627
NET INTEREST INCOME AFTER ALLOWANCE FOR CREDIT LOSSES ON FINANCIAL ASSETS		**81,673,676,037**	**105,754,235,868**
Fee and commission income	23	460,896,526	674,318,240
Fee and commission expense	23	(952,264,544)	(572,575,019)
NET FEE AND COMMISSION (EXPENSE)/INCOME	23	**(491,368,018)**	**101,743,221**
Property and equipment written off		(133,640,430)	(290,429,015)
Foreign exchange gain, net		6,425,166,254	11,724,863,059
Payroll and other staff costs	24	(30,029,851,054)	(35,637,924,396)
General and administrative expenses	25	(13,522,174,549)	(13,750,725,798)
Depreciation and amortisation charges	10,11,12	(14,804,905,961)	(14,783,921,143)
TOTAL EXPENSES		**(52,065,405,740)**	**(52,738,137,293)**
Loss on net monetary position		(74,691,917,233)	(102,008,132,627)
LOSS BEFORE TAX		**(45,575,014,954)**	**(48,890,290,831)**
Income tax expense	27	(8,094,435,792)	(12,385,437,210)
NET LOSS FOR THE YEAR		**(53,669,450,746)**	**(61,275,728,041)**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(53,669,450,746)**	**(61,275,728,041)**

Choong Seang Heng
Chief Executive Officer

Date: 25 April 2025

The accompanying notes on pages 8 to 53 form an integral part of these financial statements.
Independent auditor's report – pages 2 to 3.

Statement of Changes in Equity
For the year ended 31 December 2024

	Notes	Paid-up capital LAK	Legal reserve LAK	Capital contribution by holding company LAK	Deficits LAK	Total LAK
At 1 January 2023		919,133,097,100	4,961,925,958	-	(347,359,269,273)	576,735,753,785
Additional paid-up capital	16,28(b)	46,397,019,936	-	-	-	46,397,019,936
Net loss for the year		-	-	-	(61,275,728,041)	(61,275,728,041)
As at 31 December 2023		**965,530,117,036**	**4,961,925,958**	**-**	**(408,634,997,314)**	**561,857,045,680**
At 1 January 2024		965,530,117,036	4,961,925,958	-	(408,634,997,314)	561,857,045,680
Net loss for the year		-	-	-	(53,669,450,746)	(53,669,450,746)
Share-based payment expenses	21	-	-	71,002,226	-	71,002,226
As at 31 December 2024		**965,530,117,036**	**4,961,925,958**	**71,002,226**	**(462,304,448,060)**	**508,258,597,160**

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RHB Bank Lao Sole Co.,Ltd

Choong Seang Heng
Chief Executive Officer

Date: 25 April 2025

The accompanying notes on pages 8 to 53 form an integral part of these financial statements.
Independent auditor's report – pages 2 to 3.

RHB Bank Lao Sole Co., Ltd

Statement of Cash Flows
For the year ended 31 December 2024

	Notes	2024 LAK	2023 LAK
OPERATING ACTIVITIES			
Loss before tax		(45,575,014,954)	(48,890,290,831)
Adjustments for:			
Depreciation of property and equipment	11	9,671,390,106	9,794,077,063
Amortisation of intangible assets	10	2,694,722,251	2,546,656,457
Amortisation of right-of-use assets	12	2,438,793,604	2,443,187,623
Property and equipment written off		133,640,430	290,429,015
Allowance for credit losses on loans	26	(25,075,071,550)	(22,681,390,679)
Allowance for credit losses on other financial assets	26	62,681,815	(843,627)
Foreign exchange loss, net		36,123,266,166	1,499,007,148
Interest income	22	(77,628,589,265)	(95,328,545,748)
Interest expense	22	34,471,967,103	43,549,694,902
Shared-based payment expenses	21	71,002,226	-
Non-monetary loss		74,691,917,233	102,008,132,627
Operating loss before changes in operating assets and liabilities		**12,080,705,165**	**(4,769,886,050)**
Decrease/(increase) in statutory deposits with BOL		4,419,443,487	(5,622,353,503)
Increase in placement with central bank		(41,307,863,726)	(48,250,601,144)
Decrease in placements with banks		18,541,867,964	111,836,976,662
Decrease/(increase) in loans and advances to customers		23,789,137,863	(134,852,837,757)
Increase in other assets		(1,263,570,181)	(251,449,795)
(Decrease)/increase in deposits from customers		(29,056,926,270)	27,222,201,191
(Decrease)/increase in amount due to parent company		(616,222,832)	47,866,873,773
(Decrease)/increase in other liabilities		4,296,701,983	(1,189,506,334)
Cash used in operations		**(9,116,726,547)**	**(8,010,582,957)**
Interest received		73,828,575,734	73,941,842,832
Interest paid		(32,284,914,334)	(33,883,851,394)
Income tax paid		(758,235,421)	-
Net cash generated from operating activities		**31,668,699,432**	**32,047,408,481**
INVESTING ACTIVITIES			
Purchases of property and equipment		(2,779,566,894)	(3,470,915,046)
Purchases of intangible assets		(1,721,867,282)	(1,032,523,913)
Net cash used in investing activities		**(4,501,434,176)**	**(4,503,438,959)**
FINANCING ACTIVITIES			
Payment of lease liabilities		(2,885,878,898)	(3,170,384,964)
Net cash used in financing activities		**(2,885,878,898)**	**(3,170,384,964)**
Net increase in cash and cash equivalents		24,281,386,358	24,373,584,558
Cash and cash equivalents, beginning		200,363,529,015	186,569,840,833
Effects of foreign exchange difference		7,731,352,694	16,275,122,401
Effects of hyperinflation		(40,149,252,967)	(26,855,018,778)
Cash and cash equivalents, ending	8	**192,227,015,100**	**200,363,529,014**
Non-cash financing activity relating to capital injection	16,28(b)	-	46,397,019,936

Choong Seang Heng
Chief Executive Officer

Date: 25 April 2025

The accompanying notes on pages 8 to 53 form an integral part of these financial statements.
Independent auditor's report – pages 2 to 3.

1. GENERAL INFORMATION

RHB Bank Lao Sole Co., Ltd (the Bank) is a commercial bank incorporated and registered in Lao People's Democratic Republic (Lao P.D.R.).

The Bank is a limited company with 100% foreign investment under the laws of Lao P.D.R. The Bank operates its banking business under the Law on Commercial Bank No. 39/NA, dated 17 July 2023 and under the regulations of Bank of Lao P.D.R (BOL). The Bank had received its revised Banking License No.04/BOL dated 24 March 2021 (replaced Banking License No. 10/BOL dated 30 April 2014) and Enterprise Registration Certificate No.3071/ERA dated 19 August 2024 (replaced Enterprise Registration Certificate No.0628/ERA dated 19 April 2021).

The principal activities of the Bank are to provide comprehensive banking and related financial services in Lao P.D.R.

The Bank is wholly owned by RHB Bank Berhad. As of December 2024, no additional capital injections were made. The Bank's registered capital amounted to LAK 500,000,062,500, comprising 49,751,250 issued shares at an issue price of LAK 10,050 per share.

The registered office of the Bank is at Unit No.1, House No. 008, Kaysone Phomvihane Road, Phonxay Village, Lao P.D.R.

The Bank's Board of Directors has reviewed these financial statements and approved for their issuance on 25 April 2025.

According to BOL's notice number 1066/AD, dated 24 November 2022, banks in Lao PDR are required to prepare a separate set of financial statements in accordance with International Financial Reporting Standards (IFRS). Apart from this set, the Bank has prepared the financial statements in accordance with the accounting policies of the Bank and the relevant accounting regulations and notifications of BOL.

2. MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported period. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Although these estimates and judgements are based on the management's best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Bank financial statements are disclosed in Note 3.

(a) Financial reporting in hyperinflationary economies

IAS 29 Financial Reporting in Hyperinflationary Economies requires the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, whether they are based on a historical cost approach or a current cost approach, to be stated in terms of the measuring unit current at the end of the reporting period. In general terms, the inflation rate must be computed in the non-monetary items from the acquisition date or the revaluation date, as applicable.

To determine the existence of a hyperinflationary economy under the terms of IAS 29, the standard details a series of factors to consider, including a cumulative inflation rate over three years that is close to or exceeds 100%.

2. MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

(a) Financial reporting in hyperinflationary economies

As of 31 December 2024, the three-year accumulated inflation rate in Lao PDR has reached 102.43%. The country's macroeconomic events throughout the year suggest that it meets the qualitative factors outlined in IAS 29, indicating that Lao PDR is a hyperinflationary economy for accounting purposes. Consequently, the financial statements need to be restated for inflation in accordance with IAS 29 for the year ended 31 December 2024.

The adjustment for inflation was calculated using the Consumer Price Index published by the Bank of the Lao PDR. The table below shows the changes in the index over the previous three years and as of 31 December 2024.

	As of 31 December 2024	As of 31 December 2023	As of 31 December 2022	As of 31 December 2021
Consumer Price Index	243.52	208.37	167.54	120.30
Variation in prices				
Annual	16.87%	24.37%	39.27%	5.30%
Three-year accumulation	102.43%	82.40%	51.33%	15.50%

Based on the above conditions, the financial statements as of 31 December 2024 have been restated for the changes in the general purchasing power of the functional currency, in accordance with the provisions of IAS 29.

Restatement of the statement of financial position

Non-monetary items are restated by applying the variations in the general price index from the date of the initial recognition to 31 December 2024. The main items restated include property, plant and equipment, intangible assets, right-of-use assets, prepaid expenses, and the equity items.

Monetary items are not restated because they are already stated in terms of the measuring unit current as of 31 December 2024.

Restatement of the statement of profit or loss and other comprehensive income and the statement of cash flows

In the statement of profit or loss and other comprehensive income. items are restated from the dates when the items of income and expense were originally recorded, applying the variations in the general price index.

The effect of inflation on the monetary position is presented in net monetary gain or (loss) as a separate line item in profit or loss.

The items of the statement of cash flows are also restated in terms of the measuring unit current at the closing date of the statement of financial position.

2. MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

(a) Financial reporting in hyperinflationary economies

Restatement of the statement of changes in equity

At the beginning of the first period when IAS 29 is applied, equity accounts are restated in the following procedure:

a) The components of shareholders' equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose.
b) Restated retained earnings are derived from all the other amounts in the restated statement of financial position.

At the end of the first period and in subsequent periods, all components of shareholders' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

Restatement of the corresponding figures

Corresponding figures are also restated using the general price index, so that they are presented in terms of the measuring unit current as of 31 December 2024.

(b) For the year ended 31 December 2024, there were no new standards or amendments to existing standards that were effective for the first time and applicable to the Bank. Therefore, the accounting policies adopted for the current period are consistent with the those applied in the prior year.

(c) Standards and interpretations that had been issued but were not mandatory for annual reporting periods ended 31 December 2024:

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Bank. The following are applicable new standards, amendments and interpretations to the Bank:

- *Amendments to IAS 21 - Lack of Exchangeability* - In August 2023, the IASB amended IAS 21 to add requirements to help entities to determine whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not. Prior to these amendments, IAS 21 set out the exchange rate to use when exchangeability is temporarily lacking, but not what to do when lack of exchangeability is not temporary. These new requirements will apply for annual reporting periods beginning on or after 1 January 2025. Early application is permitted (subject to any endorsement process).

- *Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7* - On 30 May 2024, the IASB issued targeted amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

  - clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
  - clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
  - add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
  - update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

  The amendments to IFRS 9 and IFRS 7 will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted subject to any endorsement process.

2. MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

(c) Standards and interpretations that had been issued but were not mandatory for annual reporting periods ended 31 December 2024:

- *IFRS 18, 'Presentation and Disclosure in Financial Statements'* - This is the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

  - the structure of the statement of profit or loss with defined subtotals;
  - requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss
  - required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
  - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general

  The new standard will be effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted.

The Bank is assessing the potential impact on its financial statements resulting from the application of these new standards.

2.2 Measurement and presentation currency

(a) *Functional and presentation currency*

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the functional currency). The Bank's financial statements are presented in Laotian KIP 'LAK' (the presentation currency), which is also the Bank's functional currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

2.3 Financial assets

The Bank's significant financial assets include cash and balances with central bank, deposits and placement with other banks, loans and advances and other assets.

At initial recognition, the Bank measures a financial asset at fair value plus transaction costs that are directly attributable to acquisition of the financial asset in the case of a financial asset not at fair value through profit or loss ('FVTPL'). Transaction costs of financial assets carried at FVTPL are expensed in the income statement. Financial assets are recognised when the entity becomes a party to the contractual provisions of the instrument.

Classification

The Bank classify its financial assets measured at amortised cost.

The amortised cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

2. MATERIAL ACCOUNTING POLICIES

2.3 Financial assets

Classification

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 4.1.2. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

<u>Business model and SPPI requirement for debt instruments</u>

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on the Bank's business model for managing the asset and the cash flow characteristics of the asset.

Business model

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Impairment

Expected credit loss model ('ECL')

The Bank assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instruments carried at amortised cost. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

2. MATERIAL ACCOUNTING POLICIES

2.3 Financial assets

Impairment

Significant increase in credit risk ('SICR')

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

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

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

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

Derecognition

The financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests the control to ensure that continuing involvement on the basis of any retained powers of control does not prevent de-recognition).

2.4 Financial liabilities

The Bank's significant financial liabilities include amount due to parent company, deposits from customers, lease liabilities and other liabilities.

Financial liabilities are initially recognised at fair value plus transaction costs and subsequently remeasured at amortised cost using the effective interest rate. Financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished (i.e. when the obligation specified in the contract is discharged, cancelled, or expires).

2.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Bank's statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2. MATERIAL ACCOUNTING POLICIES

2.6 Recognition of income and expenses

2.6.1 Interest income and expenses

Interest income and expense for all interest-bearing financial instruments are recognised within 'Interest income' and 'Interest expense' in the Bank's statement of comprehensive income using the effective interest rate method.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets except for financial assets that are not purchased or originated credit-impaired financial assets but have been subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

2.6.2 Fee and commission income and expenses

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

2.7 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprise balances with one month or less maturity from the date of acquisition, which includes cash on hand, deposits held at call with other banks and other short-term highly liquid investments with original maturities of one month or less.

2.9 Regulatory reserves

Under the requirement of the Law on Commercial Bank No. 39/NA, dated 17 July 2023, commercial banks are required to appropriate net profit to regulatory reserve fund, business expansion fund, and other funds.

In accordance with (Revised) Enterprise Law No. 33/NA, dated 29 December 2022 Capital Adequacy, the regulatory reserve fund shall be provided annually at 10% from profit after tax after deducting its accumulated losses. When this regulatory reserve fund accumulates half of registered capital, the company may suspend the deduction, unless otherwise provided by Law of Limited Company.

2. MATERIAL ACCOUNTING POLICIES

2.10 Leases for lessee

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

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

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

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

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

2.11 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to statement of comprehensive income during the financial period in which they are incurred.

Depreciation is provided on the straight-line basis at prescribed rates over their estimated useful lives as shown below:

Category	Depreciation rate
Buildings and improvements	5% or over the period of the lease
Office equipment	20%
Computer equipment	20% - 25%
Furniture and fixtures	20%
Motor vehicles	20%

Leasehold improvements are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. There are no material adjustments arising from the review that would require disclosure in the financial statements.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Bank's statement of comprehensive income.

2. MATERIAL ACCOUNTING POLICIES

2.12 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The cost of an asset comprises its purchase price plus any directly attributable costs of bringing the asset into working condition for its intended use. Computer software licences are subsequently carried at cost less accumulated amortisation and impairment losses. These costs are amortised over the estimated useful lives of 5 years.

2.13 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the county where the Bank operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.14 Employee benefits

(a) *Short term obligations*

Liabilities for wages and salaries are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(b) *Share-based compensation*

The fair value of the shares offered is recognised as an expense in the income statement over the vesting periods of the grant with a corresponding increase to capital contribution by holding company within equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares granted that are expected to vest. At each reporting date, the Bank will review and revise the estimates of the number of shares granted and shares that are expected to vest. The impact of the revision of the original estimate, if any, will be recognised in the income statement, with corresponding adjustment to capital contribution by holding company in equity.

2. MATERIAL ACCOUNTING POLICIES

2.14 Employee benefits

(c) *Post-employment benefits*

Post-employment benefits are paid to retired employees of the Bank by the National Social Security Fund Office which belongs to the Ministry of Labour and Social Welfare. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 5.5% of employee's basic salary and employer will help to paying 6% on a monthly basis or of ceiling LAK4,500,000 in case employee's basic salary higher than ceiling rate. The Bank has no further significant obligation concerning post-employment benefits for the employees other than this.

(d) *Termination benefits*

In accordance with Article 90 of the Amended Labour Law No. 43/NA, dated 24 December 2013, the Bank has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

- Compensation for the cancellation of employment contracts shall be 10% of the last salary or wage multiplied by the total number of months worked;
- For unjustified termination of employment contracts in accordance with the Article 88 of the Amended Labour law, compensation will be 15% of the last salary or wage multiplied by the total number of months worked; and
- Cancellation of employment contracts for reasons not specified in the Amended Labour Law, the Bank must implement compensation in accordance with the agreement between the Bank and the employee.

2.15 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood of an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal to the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standards. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

(a) *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 4.1.2 which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

In determining the ECL, management will evaluate a range of possible outcomes, taking into account past events, current conditions/trends and economic outlooks. Additional consideration through structured management overlays have been considered and reflected to ensure adequacy of ECL. The structured management overlays are subject to robust review and governance process.

The Bank has exercised judgment in the provision of management overlay for ECL of loans/financing which is estimated and adapted based on information on-hand. Management overlay is made in circumstances where the Bank believes that existing inputs, assumptions and modelling process have not capture existing or expected risk factors relevant to the loan/financing portfolio. Examples of such circumstances include emerging risks in the local or global macroeconomic, microeconomic or political events, and natural disasters that have not been considered in the modelling process.

The Bank has made management overlay for potential deterioration in credit risks of its large corporate, retail and small and medium enterprises portfolios. The factors associated with potential deterioration in credit risks include economic uncertainty due to geopolitical tensions, rising inflation, rapidly increasing interest rates, alongside other factors, which may have potential ramifications to the economy. Additionally, the deterioration in credit profile has yet to be fully reflected in modelling data due to the masking effects of observed defaults owing to various relief assistances to support businesses and individuals, hence management overlay is provided.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 4.1.2.

(b) *Taxes*

Management exercises judgement in determining the provision for income taxes and whether deferred taxes should be recognised or temporary differences arising from credit loss allowances since the taxation system in the Lao PDR can be subject to interpretations by different relevant authorities. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Management has then concluded that deferred taxes on the credit loss allowances should not be recognised. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Management also exercises judgement with regards to deferred tax assets. Where the possibility exists that no future taxable income may flow against which these assets can be offset, the deferred tax assets are not recognised.

4. FINANCIAL RISK MANAGEMENT POLICIES

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk management is carried out by the Compliance and Risk Management Department under policies approved by the Board of Directors and Board Risk Committee. The Compliance and Risk Management Department identifies, evaluates and minimises financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The risks arising from financial instruments to which the Bank is exposed are financial risks, which include credit risk, liquidity risk and market risk (which are discussed below).

4.1 Credit risk

Credit risk is the potential loss of revenue and principal in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending and investing activities. The primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the statement of financial position. The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved i.e. that the loans portfolio is strong and healthy and credit risks are well diversified. The credit policy documents are the credit control and recovery manual, credit operations manual, and credit policy manual.

Credit risk is the single largest risk for the Bank's business, management therefore carefully manages its exposure to credit risk.

4.1.1 Credit risk measurement

Loans and advances to customers

The estimation of credit risk exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

<u>Credit risk grading</u>

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Bank uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application is fed into this rating model. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

4.1.2 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

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

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

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

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

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per 'Definition of default and credit-impaired' above), either over the next 12 month (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 month (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss given default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual collective segment. These three components are multiplied together and adjusted for the likelihood of survival. This effectively calculated an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective rates or an approximation thereof.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

4.1.2 Expected credit loss measurement

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

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

Forward-looking information incorporated in the ECL models

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

The Bank conducts sensitivity analysis on the main macro-economic factors used in forward-looking information. When the predicted value of the main macro-economic factors changes by 1% and 3%, the difference between the hypothetical expected credit loss and the current expected credit loss measurement does not exceed 1.8% (2023: 8%).

4.1.3 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified, in particular, to related parties, to individual counterparties and groups, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry, sector and country are approved annually by the Board of Directors.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

4.1.3 Risk limit control and mitigation policies

Some other specific control and mitigation measures are outlined below:

(a) *Collateral*

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for loans and advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. All loans and advances to customers are secured by collateral. Generally, the Bank shall accept all types of security and collateral which can be liquidated and enforced easily in the event of loan default.

The principal collateral types for loans and advances are mortgages over residential properties primarily land and building, and fixed deposits.

The carrying amount of collateral as at 31 December 2024 for loans and advances to customers is LAK 1,459,226,267,725 (2023: LAK 1,346,439,003)

(b) *Lending limits*

The Bank maintains strict control limits on loans to be disbursed to its customers by both amount and term depending on the type of loan. Lending limits are in accordance with the Regulation on limit of loan lending for Commercial Bank 296/BOL dated 17 June 2021.

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

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

	2024 LAK	2023 LAK
Short-term funds with central bank (exclude cash on hand)	140,317,427,319	167,087,450,926
Placement with central bank	675,167,413,079	739,745,262,071
Deposits and placement with other banks	50,974,706,241	55,124,515,451
Loans and advances to customers	389,006,354,027	495,000,704,858
	1,255,465,900,666	**1,456,957,933,306**

The above table represents a worse-case scenario of credit risk exposure to the Bank at 31 December 2024 and 2023 without taking account of any collateral held or other credit enhancements attached.

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

For on financial positions assets, the exposures set out in the table are based on gross carrying amounts. As shown above, 31% of the total maximum exposure is derived from loans and advances to customers (2023: 34%) and 54% from placement with central bank (2023: 51%). Management is confident in its ability to continue to control and sustain minimal exposure credit risk to the Bank resulting from its loan and advances as 100% of the loans and advances are backed up by collateral.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

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

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

	Loans and advances to customers			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 31 December 2024				
Gross carrying amount	389,006,354,027	-	-	389,006,354,027
Allowance for credit losses	(29,564,154,403)	-	-	(29,564,154,403)
Carrying amount (Note 9)	**359,442,199,624**	**-**	**-**	**359,442,199,624**
At 31 December 2023				
Gross carrying amount	449,754,078,243	14,307,372,705	30,939,253,910	495,000,704,858
Allowance for credit losses	(48,329,495,381)	(9,435,670,022)	(30,152,760,701)	(87,917,926,104)
Carrying amount (Note 9)	**401,424,582,862**	**4,871,702,683**	**786,493,209**	**407,082,778,754**

	Short-term funds with central bank			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 31 December 2024				
Gross carrying amount	140,317,427,319	-	-	140,317,427,319
Allowance for credit losses	(177,450,342)	-	-	(177,450,342)
Carrying amount (Note 5.2)	**140,139,976,977**	**-**	**-**	**140,139,976,977**
At 31 December 2023				
Gross carrying amount	167,087,450,926	-	-	167,087,450,926
Allowance for credit losses	(243,676,548)	-	-	(243,676,548)
Carrying amount (Note 5.2)	**166,843,774,378**	**-**	**-**	**166,843,774,378**

	Placement with central bank			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 31 December 2024				
Gross carrying amount	675,167,413,079	-	-	675,167,413,079
Allowance for credit losses	(982,380,921)	-	-	(982,380,921)
Carrying amount (Note 6)	**674,185,032,158**	**-**	**-**	**674,185,032,158**
At 31 December 2023				
Gross carrying amount	739,745,262,071	-	-	739,745,262,071
Allowance for credit losses	(1,079,763,980)	-	-	(1,079,763,980)
Carrying amount (Note 6)	**738,665,498,091**	**-**	**-**	**738,665,498,091**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

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

	Deposits and placements with other banks			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 31 December 2024				
Gross carrying amount	50,974,706,241	-	-	50,974,706,241
Allowance for credit losses	(70,175,685)	-	-	(70,175,685)
Carrying amount (Note 7)	**50,904,530,556**	**-**	**-**	**50,904,530,556**
At 31 December 2023				
Gross carrying amount	55,124,515,451	-	-	55,124,515,451
Allowance for credit losses	(59,776,433)	-	-	(59,776,433)
Carrying amount (Note 7)	**55,064,739,018**	**-**	**-**	**55,064,739,018**

4.1.4.1 Loss allowance

	Loans and advances to customers			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 1 January 2024	48,329,495,381	9,435,670,022	30,152,760,701	87,917,926,104
Transfers:				
Transfer to 12-month ECL (Stage 1)	958,514,058	(334,669,616)	(623,844,442)	-
Transfer to lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Transfer to lifetime ECL credit impaired (Stage 3)	-	-	-	-
	958,514,058	(334,669,616)	(623,844,442)	-
Net writeback during the year	(17,203,961,528)	(7,753,063,426)	(118,046,596)	(25,075,071,550)
Bad debts written off	-	-	(22,700,481,411)	(22,700,481,411)
Other movement	-	-	(439,069,037)	(439,069,037)
Foreign exchange	2,915,687,477	-	(2,451,492,132)	464,195,345
Effects of hyperinflation	(5,435,580,985)	(1,347,936,980)	(3,819,827,083)	(10,603,345,048)
At 31 December 2024 (Note 9)	**29,564,154,403**	**-**	**-**	**29,564,154,403**
At 1 January 2023	55,346,110,765	53,268,252,251	21,447,298,309	130,061,661,325
Transfers:				
Transfer to 12-month ECL (Stage 1)	1,987,469,032	(843,726,258)	(1,143,742,774)	-
Transfer to lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Transfer to lifetime ECL credit impaired (Stage 3)	(27,327,343)	(1,224,993,182)	1,252,320,525	-
	1,960,141,689	(2,068,719,440)	108,577,751	-
Net allowance made/ (write-back) during the year	3,317,912,734	(40,442,121,880)	14,442,818,467	(22,681,390,679)
Bad debts written off	-	-	(1,933,340,941)	(1,933,340,941)
Other movement	-	-	1,191,391,525	1,191,391,525
Foreign exchange	(512,522,968)	(984,050,647)	2,803,463,368	1,306,889,753
Effects of hyperinflation	(11,782,146,839)	(337,690,262)	(7,907,447,778)	(20,027,284,879)
At 31 December 2023 (Note 9)	**48,329,495,381**	**9,435,670,022**	**30,152,760,701**	**87,917,926,104**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

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

4.1.4.1 Loss allowance

	Demand deposit with central bank			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 1 January 2024	243,676,548	-	-	243,676,548
Net write back allowance during the year	(31,053,610)	-	-	(31,053,610)
Effects of hyperinflation	(35,172,596)	-	-	(35,172,596)
At 31 December 2024 (Note 5.2)	**177,450,342**	**-**	**-**	**177,450,342**
At 1 January 2023	157,978,596	-	-	157,978,596
Net allowance made during the year	116,653,782	-	-	116,653,782
Effects of hyperinflation	(30,955,830)	-	-	(30,955,830)
At 31 December 2023 (Note 5.2)	**243,676,548**	**-**	**-**	**243,676,548**

	Placement with central bank			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 1 January 2024	1,079,763,980	-	-	1,079,763,980
Net allowance made during the year	58,471,507	-	-	58,471,507
Effects of hyperinflation	(155,854,566)	-	-	(155,854,566)
At 31 December 2024 (Note 6)	**982,380,921**	**-**	**-**	**982,380,921**
At 1 January 2023	1,269,480,917	-	-	1,269,480,917
Net allowance made during the year	59,037,230	-	-	59,037,230
Effects of hyperinflation	(248,754,167)	-	-	(248,754,167)
At 31 December 2023 (Note 6)	**1,079,763,980**	**-**	**-**	**1,079,763,980**

	Deposit and placements with other banks			
	Stage 1 12-month ECL LAK	Stage 2 Lifetime ECL LAK	Stage 3 Lifetime ECL LAK	Total LAK
At 1 January 2024	59,776,434	-	-	59,776,434
Net allowance made during the year	19,027,461	-	-	19,027,461
Effects of hyperinflation	(8,628,210)	-	-	(8,628,210)
At 31 December 2024 (Note 7)	**70,175,685**	**-**	**-**	**70,175,685**
At 1 January 2023	312,736,127	-	-	312,736,127
Net write back allowance during the year	(191,679,201)	-	-	(191,679,201)
Effects of hyperinflation	(61,280,493)	-	-	(61,280,493)
At 31 December 2023 (Note 7)	**59,776,433**	**-**	**-**	**59,776,433**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

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

4.1.4.2 Concentration of risks of financial assets with credit risk exposure

(a) *Geographical sectors*

The following table breaks down the Bank's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as at 31 December 2024 and 2023. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.

	Thailand	USA	Lao PDR	Total
Short-term funds with central bank (exclude cash on hand)	-	-	140,317,427,319	140,317,427,319
Placement with central bank	-	-	675,167,413,079	675,167,413,079
Deposits and placement with other banks	10,454,628,983	2,473,818,326	38,046,258,932	50,974,706,241
Loans and advances to customers	-	-	389,006,354,027	389,006,354,027
31 December 2024	**10,454,628,983**	**2,473,818,326**	**1,242,537,453,357**	**1,255,465,900,666**
Short-term funds with central bank (exclude cash on hand)	-	-	167,087,450,926	167,087,450,926
Placement with central bank	-	-	739,745,262,071	739,745,262,071
Deposits and placement with other banks	2,772,567,786	3,469,505,571	48,882,442,094	55,124,515,451
Loans and advances to customers	-	-	495,000,704,858	495,000,704,858
31 December 2023	**2,772,567,786**	**3,469,505,571**	**1,450,715,859,949**	**1,456,957,933,306**

Short-term funds with central bank comprise deposits with the BOL other than compulsory reserve and special deposit.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

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

4.1.4.2 Concentration of risks of financial assets with credit risk exposure

(b) *Industry sectors*

The following table breaks down the Bank's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by industry sectors as at 31 December 2024 and 2023. Credit risks relating to on-balance sheet items are as follows:

	Short-term funds with central bank	Placement with central bank	Deposits and placement with other banks	Loans and advances to customers	Total
Financial	140,317,427,319	675,167,413,079	50,974,706,241	-	866,459,546,639
Manufacturing	-	-	-	14,686,353,297	14,686,353,297
Construction	-	-	-	4,857,898,413	4,857,898,413
Commercial	-	-	-	36,912,230,450	36,912,230,450
Transportation	-	-	-	1,518,529,145	1,518,529,145
Service	-	-	-	277,035,538,172	277,035,538,172
Others	-	-	-	53,995,804,550	53,995,804,550
31 December 2024	**140,317,427,319**	**675,167,413,079**	**50,974,706,241**	**389,006,354,027**	**1,255,465,900,666**
Financial	167,087,450,926	739,745,262,071	55,124,515,451	-	961,957,228,448
Manufacturing	-	-	-	27,037,475,647	27,037,475,647
Construction	-	-	-	14,373,869,799	14,373,869,799
Commercial	-	-	-	63,354,773,492	63,354,773,492
Transportation	-	-	-	21,164,150,926	21,164,150,926
Service	-	-	-	293,127,099,273	293,127,099,273
Others	-	-	-	75,943,335,721	75,943,335,721
31 December 2023	**167,087,450,926**	**739,745,262,071**	**55,124,515,451**	**495,000,704,858**	**1,456,957,933,306**

Short-term funds with central bank comprise deposits with the BOL other than compulsory reserve and special deposit.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1 Credit risk

4.1.5 Write-off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

4.2 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

4.2.1 Foreign currency exchange risk

Foreign currency exchange risk refers to the risk of adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Bank maintains a policy of not exposing itself to large foreign exchange positions. Net opening position is being monitored on a daily basis to check how much of foreign currency position there is to reduce risk and comply with the Bank's and BOL's regulations. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and stop-loss limits. Included in the table below are the Bank's financial instruments at carrying amounts, categorised by LAK, United States Dollar (USD) and Thailand Baht (THB) as at 31 December 2024 and 2023.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.2 Market risk

4.2.1 Foreign currency exchange risk

	As at 31 December 2024			
	LAK	USD	THB	Total
Assets				
Cash and short-term funds with central bank	28,421,490,123	123,654,908,756	16,863,046,682	168,939,445,561
Placement with central bank	-	674,185,032,158	-	674,185,032,158
Deposits and placement with other banks	11,033,352,820	28,548,648,598	11,322,529,138	50,904,530,556
Loans and advances to customers	353,186,766,050	6,255,433,574	-	359,442,199,624
Total financial assets	**392,641,608,993**	**832,644,023,086**	**28,185,575,820**	**1,253,471,207,899**
Liabilities				
Deposits from customers	24,767,928,630	43,030,063,376	7,969,752,027	75,767,744,033
Amount due to parent company	-	694,165,292,984	-	694,165,292,984
Lease liabilities	11,109,064,597	-	-	11,109,064,597
Total financial liabilities	**35,876,993,227**	**737,195,356,360**	**7,969,752,027**	**781,042,101,614**
Net on-balance sheet financial position	**356,764,615,766**	**95,448,666,726**	**20,215,823,793**	**472,429,106,285**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.2 Market risk

4.2.1 Foreign currency exchange risk

	As at 31 December 2023			
	LAK	USD	THB	Total
Assets				
Cash and short-term funds with central bank	18,003,517,209	150,908,946,313	35,808,527,280	204,720,990,802
Placement with central bank	-	738,665,498,091	-	738,665,498,091
Deposits and placement with other banks	35,884,527,119	15,776,424,355	3,403,787,544	55,064,739,018
Loans and advances to customers	382,238,379,713	24,844,399,041	-	407,082,778,754
Total financial assets	**436,126,424,041**	**930,195,267,800**	**39,212,314,824**	**1,405,534,006,665**
Liabilities				
Deposits from customers	43,825,245,313	62,778,887,575	15,773,946,564	122,378,079,452
Amount due to parent company	-	760,649,512,961	-	760,649,512,961
Lease liabilities	15,451,731,856	-	-	15,451,731,856
Total financial liabilities	**59,276,977,169**	**823,428,400,536**	**15,773,946,564**	**898,479,324,269**
Net on-balance sheet financial position	**376,849,446,872**	**106,766,867,264**	**23,438,368,260**	**507,054,682,396**

Cash and short-term funds with central bank comprise cash on hand and deposits with the BOL including compulsory reserve deposits.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.2 Market risk

4.2.2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set. The Bank regularly monitors its interest rate risk to ensure that there are no undue exposures to significant interest rate movement. The table below summarises the Bank's non-trading book fair value exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts (non-derivatives), categorised by the earlier of contractual re-pricing.

	As at 31 December 2024						
	Up to 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and short-term funds with central bank	-	-	-	-	-	168,939,445,561	168,939,445,561
Placement with central bank	-	-	674,185,032,158	-	-	-	674,185,032,158
Deposits and placement with other banks	-	21,609,150,562	-	-	-	29,295,379,994	50,904,530,556
Loans and advances to customers	2,128,917,421	-	88,455,108,239	68,263,766,732	200,594,407,232	-	359,442,199,624
Total financial assets	**2,128,917,421**	**21,609,150,562**	**762,640,140,397**	**68,263,766,732**	**200,594,407,232**	**198,234,825,555**	**1,253,471,207,899**
Liabilities							
Deposits from customers	19,640,888,310	6,587,175,693	18,737,463,979	24,159,462,181	-	6,642,753,870	75,767,744,033
Amount due to parent company	-	-	670,703,901,674	-	-	23,461,391,310	694,165,292,984
Lease liabilities	191,872,609	383,396,599	1,781,959,186	8,751,836,203	-		11,109,064,597
Total financial liabilities	**19,832,760,919**	**6,970,572,292**	**691,223,324,839**	**32,911,298,384**	**-**	**30,104,145,180**	**781,042,101,614**
Total interest re-pricing gap	**(17,703,843,498)**	**14,638,578,270**	**71,416,815,558**	**35,352,468,348**	**200,594,407,232**	**168,130,680,375**	**472,429,106,285**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.2 Market risk

4.2.2 Interest rate risk

	As at 31 December 2023						
	Up to 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and short-term funds with central bank	-	-	-	-	-	204,720,990,802	204,720,990,802
Placement with central bank	-	-	-	738,665,498,091	-	-	738,665,498,091
Deposits and placement with other banks	-	47,235,970,160	-	-	-	7,828,768,858	55,064,739,018
Loans and advances to customers	1,775,121,134	-	117,990,425,377	32,390,676,397	254,926,555,846	-	407,082,778,754
Total financial assets	**1,775,121,134**	**47,235,970,160**	**117,990,425,377**	**771,056,174,488**	**254,926,555,846**	**212,549,759,660**	**1,405,534,006,665**
Liabilities							
Deposits from customers	34,240,231,882	31,389,810,179	18,732,665,180	27,068,118,583	-	10,947,253,628	122,378,079,452
Amount due to parent company	-	-	-	734,944,106,060	-	25,705,406,901	760,649,512,961
Lease liabilities	19,563,312	38,620,439	2,192,634,901	13,200,913,204	-	-	15,451,731,856
Total financial liabilities	**34,259,795,194**	**31,428,430,618**	**20,925,300,081**	**775,213,137,847**	**-**	**36,652,660,529**	**898,479,324,269**
Total interest re-pricing gap	**(32,484,674,060)**	**15,807,539,542**	**97,065,125,296**	**(4,156,963,359)**	**254,926,555,846**	**175,897,099,131**	**507,054,682,396**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.2 Market risk

4.2.3 Sensitivity analysis

(a) *Interest rate risk*

Sensitivity of loss before tax and equity to changes in interest rates by the following from 31 December 2024 and 2023 rates agreed on the loan agreements and deposits with customers with all other variables held constant are:

i. Gains/(losses) – net increase/decrease in interest rates for loans and advances to customers, deposit and placement with central bank and other banks

	2024 LAK	**2023 LAK**
Increase 10%	14,354,850,637	18,012,179,920
Decrease 10%	(14,354,850,637)	(18,012,179,920)

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

	2024 LAK	**2023 LAK**
Increase 10%	25,105,796,904	21,775,855,483
Decrease 10%	(25,105,796,904)	(21,775,855,483)

(b) *Foreign exchange risk*

Sensitivity of loss before tax and equity to changes in foreign exchange rates by the following from 31 December 2024 and 2023 rates in LAK, which is the functional currency, primarily against USD and THB by increasing and decreasing of 10% with all other variables held constant are:

USD	**2024 LAK**	**2023 LAK**
Increase 10%	915,908,425,395	905,771,240,589
Decrease 10%	(915,908,425,395)	(905,771,240,589)

THB	**2024 LAK**	**2023 LAK**
Increase 10%	31,004,133,402	17,351,341,220
Decrease 10%	(31,004,133,402)	(17,351,341,220)

4.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives.

Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.3 Liquidity risk

4.3.1 Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by the Operations Department includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in global money markets to enable this to happen;

- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

- Monitoring of the liquidity ratios of the statement of financial position against internal and regulatory requirements of BOL; and

- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week, and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

4.3.2 Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Cash and short-term funds with central bank;

- Placement with central bank; and

- Deposits and placement with other banks

4. FINANCIAL RISK MANAGEMENT POLICIES

4.3 Liquidity risk

4.3.3 Non-derivative financial liabilities held for managing liquidity risk

The table below represents the cash flows payable by the financial liabilities held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows whereas the Bank manages the liquidity risk based on a different basis, not resulting in a significantly different analysis.

	Up to 1 month and repayable on demand	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Deposits from customers	39,179,851,050	6,088,315,285	25,896,250,964	5,875,089,699	-	77,039,506,998
Amount due to parent company	23,461,391,310	-	704,003,697,124	-	-	727,465,088,434
Other liabilities	5,353,619,844	5,737,034,881				11,090,654,725
Lease liabilities	301,295,054	602,008,360	2,806,038,499	15,202,703,451	-	18,912,045,364
As at 31 December 2024	**68,296,157,258**	**12,427,358,526**	**732,705,986,587**	**21,077,793,150**	**-**	**834,507,295,521**
Liabilities						
Deposits from customers	24,704,987,495	31,985,309,970	26,228,109,337	78,907,134,288	-	161,825,541,090
Amount due to parent company	25,705,406,902	-	32,675,645,120	756,727,868,764	-	815,108,920,786
Other liabilities	8,844,049,740	-	-	-	-	8,844,049,740
Lease liabilities	50,558,108	152,180,505	4,176,349,819	18,350,333,898	-	22,729,422,330
As at 31 December 2023	**59,305,002,245**	**32,137,490,475**	**63,080,104,276**	**853,985,336,950**	**-**	**1,008,507,933,946**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.3 Liquidity risk

4.3.4 Off-balance sheet items

Credit facilities

	2024 LAK	2023 LAK
Unutilised overdraft	3,773,058,230	10,146,098,606
Undisbursed loans	8,357,740,000	6,234,962,806
	12,130,798,230	**16,381,061,412**

Unutilised overdraft pertains to amount not yet withdrawn by the customers.

4.3.5 Fair value of financial assets and liabilities

Fair value hierarchy:

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible. The management applies judgement in categorising financial instruments using fair value hierarchy. Fair value disclosed is in level two valuation techniques.

The table below summarises the carrying amounts and fair values of those financial assets not presented on the Bank's statement of financial position at their fair value.

	Carrying value LAK	Fair value LAK
Financial assets		
Loans and advances to customers	359,442,199,624	369,680,684,260
As at 31 December 2024	**359,442,199,624**	**369,680,684,260**

	Carrying value LAK	Fair value LAK
Financial assets		
Loans and advances to customers	407,082,778,754	419,907,635,242
As at 31 December 2023	**407,082,778,754**	**419,907,635,242**

4. FINANCIAL RISK MANAGEMENT POLICIES

4.3 Liquidity risk

4.3.5 Fair value of financial assets and liabilities

The following methods and assumptions are used in estimating fair value of financial assets and liabilities:

(i) Cash and short-term fund with central bank, placement with central bank and deposits and placement with other banks

For placement with central bank and deposits and placement with other banks with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rate at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

(ii) Loans and advances to customers

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Deposits from customers

The fair values of deposits from customers with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of deposits from customers and from other banks with remaining maturities of more than one year are expected to approximate their carrying values due to the bank offered similar interest rate for similar maturities and terms.

The estimated fair value of deposits with no stated maturities, which includes non-interest-bearing deposits, deposits payable on demand is the amount payable at the reporting date.

(iv) Amount due to parent company

The fair values of amount due to parent company with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of amounts due to parent company with remaining maturities of more than one year are expected to approximate their carrying values due to the similar interest rate for similar maturities and terms.

(v) Other assets and liabilities

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

(vi) Lease liabilities

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

4. FINANCIAL RISK MANAGEMENT POLICIES

4.4 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operate;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for Head Office and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Bank maintains minimum regulatory capital in accordance with Regulation No 135/BOL dated 20 March 2007 by the Governor of Lao P.D.R and other detailed guidance. The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements by BOL. The Bank recognises the need to maintain effectiveness of assets and liabilities management to balance profit and capital adequacy.

In accordance with Regulation No 135/BOL, the Bank's regulatory capital is analysed into two tiers:

(i) Tier 1 capital, which includes chartered capital, regulatory reserve fund, business expansion fund and other funds and retained earnings; and

(ii) Tier 2 capital, which includes qualifying subordinated liabilities, general provisions and the element of fair value reserve relating to unrealised gains/losses on equity instruments classified as available for sale.

Various limits are applied to elements of the capital base: qualifying tier 2 cannot exceed tier 1 capital, and qualifying subordinated liabilities may not exceed 50 percent of tier 1 capital. An analysis of the Bank's capital based on financial information is as follows:

	2024 LAK	2023 LAK
Tier 1 capital	518,633,970,000	497,833,700,000
Tier 2 capital	1,928,870,000	24,451,540,000
Total capital	**520,562,840,000**	**522,285,240,000**
Less: deductions from capital	-	-
Capital for CAR calculation	**520,562,840,000**	**522,285,240,000**
Risk weighted statement of financial position items	361,344,370,000	351,262,770,000
Risk weighted off balance sheet items	-	-
Total risk weighted assets	**361,344,370,000**	**351,262,770,000**
Tier 1 Capital Adequacy Ratio	144%	142%
Tier 2 Capital Adequacy Ratio	1%	7%

The balances above are derived from another set of financial statements, which are prepared following the Bank's accounting policies and the applicable accounting regulations and notifications issued by the Bank of the Lao People's Democratic Republic.

5. CASH AND SHORT-TERM FUNDS WITH CENTRAL BANK

	2024 LAK	2023 LAK
Cash on hand (Note 5.1)	22,791,658,130	25,690,985,778
Demand deposit with central bank (Note 5.2)	140,139,976,977	166,843,774,378
Included in cash and cash equivalents (Note 8)	**162,931,635,107**	**192,534,760,156**
Mandatory reserve deposits with central bank (Note 5.3)	6,007,810,454	12,186,230,646
	168,939,445,561	**204,720,990,802**

5.1 CASH ON HAND

	2024 LAK	2023 LAK
Cash on hand – LAK	7,795,081,500	8,094,205,926
Cash on hand – foreign currency	14,996,576,630	17,596,779,852
	22,791,658,130	**25,690,985,778**

5.2 DEMAND DEPOSIT WITH CENTRAL BANK

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

	2024 LAK	2023 LAK
Demand deposit	140,317,427,319	167,087,450,926
Less: expected credit losses	(177,450,342)	(243,676,548)
	140,139,976,977	**166,843,774,378**

5.3 MANDATORY RESERVE DEPOSITS WITH CENTRAL BANK

	2024 LAK	2023 LAK
Compulsory reserve (i)	5,919,449,587	12,082,964,157
Special deposit (ii)	88,360,867	103,266,489
	6,007,810,454	**12,186,230,646**

(i) These are deposits maintained in BOL as per BOL regulations. The balance is adjusted and calculated at 8% (2023: 8%) of LAK and 11% (2023: 10%) of other foreign currencies, such as Thailand Baht (THB) and United States Dollar (USD), on the average balance of bank and customer deposits, such as savings accounts, current accounts and term deposits as of the year. These deposits do not earn interest.

(ii) The Bank maintains an additional statutory capital deposit with BOL. This deposit amount is considered as a guarantee for the operations and such should not be withdrawn. Per regulation No.01/BOL dated 28 January 2010, commercial banks and foreign branch which have permanent office, no longer needs to appropriate a reserve of 25% of the registered capital and the investment capital. This deposit does not earn interest.

6. PLACEMENT WITH CENTRAL BANK

	2024 LAK	2023 LAK
Long term fixed deposit with central bank (i)	675,167,413,079	739,745,262,071
Less: expected credit losses	(982,380,921)	(1,079,763,980)
	674,185,032,158	**738,665,498,091**

(i) Long term fixed deposits maintained with BOL earn interest at 6.50% (2023: 6.50%) per annum with a term of 3 (2023: 3) years.

7. DEPOSITS AND PLACEMENTS WITH OTHER BANKS

	2024 LAK	2023 LAK
Deposits with other banks (Note 7.1)	29,334,497,655	7,838,038,928
Placements with other banks (Note 7.2)	21,640,208,586	47,286,476,523
	50,974,706,241	**55,124,515,451**
Less: expected credit losses	(70,175,685)	(59,776,433)
	50,904,530,556	**55,064,739,018**

7.1 DEPOSITS WITH OTHER BANKS

	2024 LAK	2023 LAK
Deposit with other banks	29,334,497,655	7,838,038,928
Less: expected credit losses	(39,117,661)	(9,270,069)
Included in cash and cash equivalents (Note 8)	**29,295,379,994**	**7,828,768,859**

Analysis by institution

	2024 LAK	2023 LAK
Balances with domestic banks		
Banque Pour Le Commerce Exterieur Lao – Vientiane Branch	16,406,050,346	1,595,965,571
	16,406,050,346	**1,595,965,571**
Balances with overseas banks		
RHB Bank Berhad – Thailand	10,454,628,983	2,772,567,786
JP Morgan – The United State of America	2,473,818,326	3,469,505,571
	12,928,447,309	**6,242,073,357**
	29,334,497,655	**7,838,038,928**
Less: expected credit losses	(39,117,661)	(9,270,069)
Included in cash and cash equivalents (Note 8)	**29,295,379,994**	**7,828,768,859**

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

7. DEPOSITS AND PLACEMENTS WITH OTHER BANKS

7.2 PLACEMENTS WITH OTHER BANKS

	2024 LAK	2023 LAK
Placement with other banks	21,640,208,586	47,286,476,523
Less: expected credit losses	(31,058,024)	(50,506,364)
	21,609,150,562	**47,235,970,159**

Analysis by institution

	2024 LAK	2023 LAK
Placements with domestic banks		
Acleda Bank Lao Ltd.	21,640,208,586	11,917,557,602
Military Commercial Joint Stock Bank – Lao Branch	-	11,805,395,317
VietinBank Lao Limited	-	23,563,523,604
	21,640,208,586	**47,286,476,523**
Less: expected credit losses	(31,058,024)	(50,506,364)
	21,609,150,562	**47,235,970,159**

Placements with domestic banks carry interest rates of 12.00% (2023: 3.20% to 4.50%) per annum with terms ranging from 3 months (2023: 3 months to 6 months).

8. CASH AND CASH EQUIVALENTS

	2024 LAK	2023 LAK
Cash and balances with central bank (Note 5)	162,931,635,107	192,534,760,156
Deposits with other banks (Note 7.1)	29,295,379,994	7,828,768,859
	192,227,015,101	**200,363,529,015**

9. LOANS AND ADVANCES TO CUSTOMERS

	2024 LAK	2023 LAK
Loans and advances to customers	389,006,354,027	495,000,704,858
Less: allowance for credit losses (i)	(29,564,154,403)	(87,917,926,104)
	359,442,199,624	**407,082,778,754**

The Bank offers its customers interest rates ranging from 4.00% to 11.00% (2023: 4.00% to 9.50%) per annum with maturity ranging from 1 to 25 years (2023: 1 to 25 years) depending on each loan agreement.

9. LOANS AND ADVANCES TO CUSTOMERS

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

	2024 LAK	2023 LAK
As at 1 January	87,917,926,104	130,061,661,325
Write back during the year	(25,075,071,550)	(22,681,390,679)
Utilisation for bad debt written off	(22,700,481,411)	(1,933,340,941)
Other movement	(439,069,037)	1,191,391,525
Foreign exchange difference	464,195,345	1,306,889,753
Effects of hyperinflation	(10,603,345,048)	(20,027,284,879)
As at 31 December	**29,564,154,403**	**87,917,926,104**

10. INTANGIBLE ASSETS

Movement of intangible assets for the year ended 31 December 2024 is as follows:

	Computer software LAK	In progress* LAK	Total LAK
Cost			
At 1 January 2024	27,820,499,310	533,084,661	28,353,583,971
Additions	1,721,867,282	-	1,721,867,282
Reclassification	68,473,626	(68,473,626)	-
Written off	(3,614,320,597)		(3,614,320,597)
As at 31 December 2024	**25,996,519,621**	**464,611,035**	**26,461,130,656**
Accumulated amortisation			
At 1 January 2024	(19,341,838,592)	-	(19,341,838,592)
Charge for the year	(2,694,722,251)	-	(2,694,722,251)
Written off	3,614,320,597	-	3,614,320,597
As at 31 December 2024	**(18,422,240,246)**	**-**	**(18,422,240,246)**
Net book value at 31 December 2024	**7,574,279,375**	**464,611,035**	**8,038,890,410**

* Intangible assets in progress during 2024 are related to Information Technology projects to enhance the system.

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

	Computer software LAK	In progress* LAK	Total LAK
Cost			
At 1 January 2023	26,789,368,979	531,691,079	27,321,060,058
Additions	1,031,130,330	1,393,583	1,032,523,913
As at 31 December 2023	**27,820,499,309**	**533,084,662**	**28,353,583,971**
Accumulated amortisation			
At 1 January 2023	(16,795,182,135)	-	(16,795,182,135)
Charge for the year	(2,546,656,457)	-	(2,546,656,457)
As at 31 December 2023	**(19,341,838,592)**	**-**	**(19,341,838,592)**
Net book value at 31 December 2023	**8,478,660,717**	**533,084,662**	**9,011,745,379**

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

11. PROPERTY AND EQUIPMENT

Movement of property and equipment for the year ended 31 December 2024 is as follows:

	Building & improvements LAK	Office equipment LAK	Computer equipment LAK	Furniture & fixtures LAK	Motor vehicles LAK	Fixed assets in progress LAK	Total LAK
Cost:							
At 1 January 2024	28,795,035,736	2,055,328,259	36,101,883,114	3,019,421,239	5,974,444,963	279,587,094	76,225,700,405
Additions	51,109,090	19,741,982	2,692,567,967	16,147,855	-	-	2,779,566,894
Reclassification	-	-	279,587,094	-	-	(279,587,094)	-
Written off	(109,181,841)	(110,572,017)	(1,623,482,551)	-	-	-	(1,843,236,409)
At 31 December 2024	**28,736,962,985**	**1,964,498,224**	**37,450,555,624**	**3,035,569,094**	**5,974,444,963**	**-**	**77,162,030,890**
Accumulated depreciation							
At 1 January 2024	(16,759,058,268)	(1,516,255,860)	(18,765,124,270)	(2,746,758,120)	(4,646,436,433)	-	(44,433,632,951)
Charge for the year	(3,437,847,052)	(134,277,152)	(5,670,095,738)	(110,448,117)	(318,722,047)	-	(9,671,390,106)
Written off	109,181,840	110,572,017	1,489,842,122	-	-	-	1,709,595,979
At 31 December 2024	**(20,087,723,480)**	**(1,539,960,995)**	**(22,945,377,886)**	**(2,857,206,237)**	**(4,965,158,480)**	**-**	**(52,395,427,078)**
Net book value at 31 December 2024	**8,649,239,505**	**424,537,229**	**14,505,177,738**	**178,362,857**	**1,009,286,483**	**-**	**24,766,603,812**

11. PROPERTY AND EQUIPMENT

Movement of property and equipment for the year ended 31 December 2023 is as follows:

	Building & improvements LAK	Office equipment LAK	Computer equipment LAK	Furniture & fixtures LAK	Motor vehicles LAK	Fixed assets in progress LAK	Total LAK
Cost:							
At 1 January 2023	29,166,646,394	1,618,871,692	46,050,359,993	2,870,936,044	4,380,834,728	279,587,094	84,367,235,945
Additions	191,095,559	436,456,567	1,101,267,490	148,485,195	1,593,610,235	-	3,470,915,046
Written off	(562,706,217)	-	(11,049,744,369)			-	(11,612,450,586)
At 31 December 2023	**28,795,035,736**	**2,055,328,259**	**36,101,883,114**	**3,019,421,239**	**5,974,444,963**	**279,587,094**	**76,225,700,405**
Accumulated depreciation							
At 1 January 2023	(13,590,016,390)	(1,403,388,293)	(23,972,662,275)	(2,631,082,125)	(4,364,428,376)	-	(45,961,577,459)
Charge for the year	(3,441,319,080)	(112,867,567)	(5,842,206,364)	(115,675,995)	(282,008,057)	-	(9,794,077,063)
Written off	272,277,202	-	11,049,744,369		-	-	11,322,021,571
At 31 December 2023	**(16,759,058,268)**	**(1,516,255,860)**	**(18,765,124,270)**	**(2,746,758,120)**	**(4,646,436,433)**	**-**	**(44,433,632,951)**
Net book value at 31 December 2023	**12,035,977,468**	**539,072,399**	**17,336,758,844**	**272,663,119**	**1,328,008,530**	**279,587,094**	**31,792,067,454**

*Fixed assets in progress during 2023 are related to Information Technology projects to replace those hardware nearing its end of useful lives in the coming year, upgrade security system and building renovation.

12. RIGHT-OF-USE ASSETS

	2024 LAK	2023 LAK
Cost		
At 1 January	31,026,246,595	31,042,065,063
Adjustment (i)	-	(15,818,468)
At 31 December	**31,026,246,595**	**31,026,246,595**
Accumulated amortisation		
At 1 January	(21,050,170,489)	(18,606,982,866)
Charge for the year	(2,438,793,604)	(2,443,187,623)
At 31 December	**(23,488,964,093)**	**(21,050,170,489)**
Net book value at 31 December	**7,537,282,502**	**9,976,076,106**

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

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

13. OTHER ASSETS

	2024 LAK	2023 LAK
Prepaid expenses (i)	1,750,787,733	1,187,143,499
Others (ii)	2,274,502,767	1,919,008,807
	4,025,290,500	**3,106,152,306**

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

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

14. DEFERRED TAX ASSET

Deferred income taxes are calculated in full of temporary differences, using the liability method and using a principal tax rate of 20%, which is the enacted tax rate at the balance sheet date (2023: 20%). The deferred taxation related to the temporary differences between the carrying amounts and the tax bases of assets, relating to loans and advances, cash and short-term funds with central bank, placement with central bank, and deposits and placements with other banks:

	2024 LAK	2023 LAK
As at 1 January	10,646,514,169	22,145,808,989
Deferred income tax charged from the statement of profit or loss (Note 27)	(8,094,435,792)	(11,499,294,820)
As at 31 December	**2,552,078,377**	**10,646,514,169**

14. DEFERRED TAX ASSET

As of 31 December 2024, the Bank has outstanding loss carry forward amounting to LAK 5,133,913,987 which can be carried forward to offset against taxable profit to be realised for the remaining years from 2025 to 2029 subject to certification by the National Audit Authority with the acknowledgement from the tax authorities.

No deferred tax asset has been recognised on tax losses as the Bank did not receive any certification from the Tax Authorities as of 31 December 2024. Tax losses incurred in any tax year can be carried forward to offset against profit realised in the following five tax years from the year loss was incurred subject to certification by the National Audit Authority or an independent audit company and with the acknowledgement of the tax authorities. Upon expiration of such period, any remaining loss may no longer be deducted from profits.

Deferred income tax assets are recognised to the extent that realisation of the related tax benefit through the future taxable profits are probable.

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

	Net deferred tax (liability)/asset as at 1 January 2024	Deferred tax income/ (expense) recognised during 2024	Net deferred tax (liability)/asset as at 31 December 2024
	LAK	LAK	LAK
Loans and advances	14,126,875,716	(8,501,569,705)	5,625,306,011
Cash and short-term funds with central bank	48,735,309	(9,100,886)	39,634,423
Placement with central bank	215,952,796	(23,620,966)	192,331,830
Deposits and placements with other banks	11,955,288	2,079,849	14,035,137
Right-of-use assets	(887,405,953)	110,843,135	(776,562,818)
Property and equipment	(2,352,026,805)	347,663,859	(2,004,362,946)
Intangible assets	(487,740,093)	(4,254,249)	(491,994,342)
Other assets	(29,832,089)	(16,476,829)	(46,308,918)
Total	**10,646,514,169**	**(8,094,435,792)**	**2,552,078,377**

	Net deferred tax (liability)/asset as at 1 January 2023	Deferred tax income/ (expense) recognised during 2023	Net deferred tax (liability)/asset as at 31 December 2023
	LAK	LAK	LAK
Loans and advances	24,485,726,691	(10,358,850,975)	14,126,875,716
Cash and short-term funds with central bank	31,595,718	17,139,591	48,735,309
Placement with central bank	253,896,183	(37,943,387)	215,952,796
Deposits and placements with other banks	62,547,227	(50,591,939)	11,955,288
Right-of-use assets	(766,365,758)	(121,040,195)	(887,405,953)
Property and equipment	(1,915,585,276)	(436,441,529)	(2,352,026,805)
Intangible assets	(234,871,949)	(252,868,144)	(487,740,093)
Other assets	228,866,153	(258,698,242)	(29,832,089)
Total	**22,145,808,989**	**(11,499,294,820)**	**10,646,514,169**

15. DEPOSITS FROM CUSTOMERS

The amounts due to customers are analysed as follows:

a) *Analysis by types of deposit account*

	2024 LAK	2023 LAK
Current deposits	7,108,359,919	11,874,572,629
Saving deposits	16,994,861,314	20,749,235,281
Term deposits	51,664,522,800	89,754,271,542
	75,767,744,033	**122,378,079,452**

b) *Analysis by interest rates*

	2024 LAK	2023 LAK
Current deposits	0%	0%
Saving deposits	1.60% to 2.00%	1.60% to 2.00%
Term deposits	1.10% to 6.80%	2.50% to 6.75%

16. AMOUNT DUE TO PARENT COMPANY

	2024 LAK	2023 LAK
Fixed deposits and accrued interest payable (i)	670,703,901,674	734,944,106,059
Intercompany payable (ii)	23,461,391,310	25,705,406,902
	694,165,292,984	**760,649,512,961**

(i) Fixed deposits denominated in USD carry interest rates of 4.50% (2023: 4.00% to 4.50%) per annum with a terms of 3 years (2023: 1 to 3 years).

(ii) Intercompany payable includes purchases of property and equipment initially made by RHB Bank Berhad - Malaysia during the start-up phase of the Bank. The intercompany payable is repayable on demand. In 2023, intercompany payables of USD 1,931,874 which is equivalent to LAK 46,397,019,936 has been converted to share capital as approved by the BOL under letter with reference 1035/BSD dated 21 December 2023.

17. OTHER LIABILITIES

	2024 LAK	2023 LAK
Accrued bonus	4,780,500,997	3,967,757,802
Accrued repair and maintenance	-	2,006,832,024
Accrued professional fees	956,533,884	893,912,519
Other accruals and liabilities	5,353,619,845	1,975,547,395
	11,090,654,726	**8,844,049,740**

18. LEASE LIABILITIES

	2024 LAK	2023 LAK
Lease liabilities from property	**11,109,064,597**	**15,451,731,856**
Scheduled repayments of lease liabilities:		
- Within one year	2,357,228,394	2,250,818,651
- Beyond one year	8,751,836,203	13,200,913,205
	11,109,064,597	**15,451,731,856**

The total cash outflow for leases in 2024 was LAK 3,380,880,032 (2023: LAK 3,682,699,194) which includes the principal and interest payments. Interest rates in 2024 are 5.5% (2023: 5.5%) for LAK and 3.75% for USD (2023: 3.75%)

19. PAID-UP CAPITAL

	2024 LAK	2023 LAK
At 1 January	500,000,062,500	460,300,050,000
Injection	-	39,700,012,500
At 31 December	**500,000,062,500**	**500,000,062,500**
Inflation adjustment to share capital	465,530,054,536	465,530,054,536
Inflation adjusted capital	**965,530,117,036**	**965,530,117,036**

RHB Bank Berhad - Malaysia owns 100% of the Bank's shares represented by 49,751,250 (2023: 49,751,250) shares with issue price of LAK 10,050 (2023: LAK 10,050) per share. All issued shares were fully paid.

20. LEGAL RESERVE

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

	2024 LAK	2023 LAK
At 1 January	4,961,925,958	4,961,925,958
Additional	-	-
At 31 December	**4,961,925,958**	**4,961,925,958**

A legal reserve shall be maintained in accordance with the Law on Enterprise No. 33/NA, dated 29 December 2022 where the Bank shall annually convert ten percent of its net profit into the reserve funds after deducting its accumulated losses. The Bank has set up its legal reserve based on its net profit derived under a separate set of financial statements prepared in accordance with the Bank's accounting policies and the BOL's relevant accounting regulations and notifications as required by BOL.

21. CAPITAL CONTRIBUTION BY HOLDING COMPANY

Capital contribution by holding company represents the cost of the ordinary shares of RHB Bank in respect of Share Grant Scheme awarded to eligible employees of the Bank.

	2024 LAK	2023 LAK
At 1 January	-	-
Share-based payment expenses	71,002,226	-
At 31 December	**71,002,226**	**-**

22. NET INTEREST INCOME

	2024 LAK	2023 LAK
Interest income		
Interest income from customers	32,220,602,067	33,508,267,460
Interest income from banks	45,407,987,198	61,820,278,288
	77,628,589,265	**95,328,545,748**
Interest expense		
Interest expense from customers	(2,761,494,577)	(4,434,036,136)
Interest expense from parent company	(31,196,050,901)	(38,462,751,281)
Interest expense from lease liability	(514,421,625)	(652,907,485)
	(34,471,967,103)	**(43,549,694,902)**
Net interest income	**43,156,622,162**	**51,778,850,846**

23. NET FEE AND COMMISSION (EXPENSE)/INCOME

	2024 LAK	2023 LAK
Fee and commission income		
Credit related fees	120,255,400	210,742,126
Other fees	340,641,126	463,576,114
	460,896,526	**674,318,240**
Fee and commission expense		
Commission expenses	(46,845,525)	(75,268,435)
Wire transfer fees	(905,419,019)	(497,306,584)
	(952,264,544)	**(572,575,019)**
Net fee and commission (expense)/income	**(491,368,018)**	**101,743,221**

24. PAYROLL AND OTHER STAFF COSTS

	2024 LAK	2023 LAK
Salaries and wages	24,545,321,064	26,105,488,429
Bonus	3,269,472,325	7,235,069,521
Share-base payment	71,002,226	-
Other staff costs	2,144,055,439	2,297,366,446
	30,029,851,054	**35,637,924,396**

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2024 LAK	2023 LAK
Repair and maintenance	5,436,330,530	4,892,379,498
Insurance	1,206,595,467	1,735,052,467
Professional fees (i)	1,497,315,592	1,481,542,909
Communication expense	986,585,215	609,309,277
Utilities	425,659,971	445,534,085
Security fee	450,020,223	406,650,221
Office stationery expense	476,928,060	917,646,675
Meal and travelling	388,037,744	654,482,372
Marketing and public relations	118,248,903	407,581,555
Board of directors' fees and allowances	829,589,790	804,114,406
Other administrative expenses	1,706,863,054	1,396,432,333
	13,522,174,549	**13,750,725,798**

(i) Professional fee includes audit fee of LAK 759,731,108 (2023: LAK 724,000,000)

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

	2024 LAK	2023 LAK
(WRITE BACK)/CHARGE		
Loans and Advances		
- Net write back	(25,075,071,550)	(22,681,390,679)
- Bad debts recovered	(13,504,664,140)	(31,293,150,716)
	(38,579,735,690)	**(53,974,541,395)**
Other financial assets	62,681,815	(843,627)
NET WRITE BACK	**(38,517,053,875)**	**(53,975,385,022)**

27. INCOME TAX EXPENSE

	2024 LAK	2023 LAK
Current income tax	-	886,142,390
Deferred income tax expense (Note 14)	8,094,435,792	11,499,294,820
Income tax expense	**8,094,435,792**	**12,385,437,210**

27. INCOME TAX EXPENSE

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

	2024 LAK	2023 LAK
Loss before tax	(45,575,014,954)	(48,890,290,831)
Tax rate 20% (2023: 20%)	(9,115,002,991)	(9,778,058,166)
Tax effects on losses carry forward where no deferred tax assets is recognised	(1,026,782,797)	(3,370,451,142)
Tax effects of expenses not deductible for tax purposes	53,985,733,939	169,233,563,969
Tax effects of income not taxable for tax purposes	(35,749,512,359)	(143,699,617,451)
Income tax expense	**8,094,435,792**	**12,385,437,210**

28. RELATED PARTY TRANSACTIONS

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

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

Deposits from key management personnel comprise savings and fixed deposits, Savings deposits are repayable on demand and carry interest rates ranging from 1.60% to 2.00% (2023: 1.60% to 2.00%) per annum, depending on the currency. Fixed deposits carry interest rates ranging from 1.90% to 5.75% (2023: 2.50% to 6.10%) per annum, depending on the term and currency. Fixed deposits from key management personnel have terms ranging from 1 to 24 months (2023: 1 to 36 months). Loans and advances carry interest rate of 4.00% (2023: 4.00%) per annum with terms ranging from 48 to 300 months (2023: 72 to 300 months).

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

	2024 LAK	2023 LAK
RHB Bank Berhad - Malaysia (Holding Bank)		
(a) ***Fixed deposits***		
At 1 January	734,944,106,059	844,477,511,510
Deposits withdrawn and interest expense during the year	(81,483,257)	(96,034,688,985)
Foreign exchange (gain)/loss	41,924,086,558	151,976,240,558
Effects of hyperinflation	(106,082,807,686)	(165,474,957,024)
As at 31 December (Note 16)	**670,703,901,674**	**734,944,106,059**
Interest expense (Note 22)	31,196,050,901	38,462,751,281
(b) ***Intercompany payable***		
At 1 January	25,705,406,901	72,516,519,798
Transfer to paid-up capital	-	(46,397,019,936)
Foreign exchange loss	1,466,336,957	13,795,483,770
Effects of hyperinflation	(3,710,352,548)	(14,209,576,730)
As at 31 December (Note 16)	**23,461,391,310**	**25,705,406,902**
Monthly swift payment	1,044,628,208	566,878,017

28. RELATED PARTY TRANSACTIONS

	2024 LAK	2023 LAK
RHB Bank Thailand		
(a) Term deposit		
At 1 January	2,772,567,786	21,025,628,282
Deposits (withdrawn)/placed during the year	8,100,028,450	(19,445,562,874)
Foreign exchange (loss)/gain	(17,771,139)	5,312,463,998
Effects of hyperinflation	(400,196,114)	(4,119,961,620)
At 31 December (Note 7)	**10,454,628,983**	**2,772,567,786**
Director and key management personnel		
(a) Deposits		
At 1 January	3,319,799,136	8,092,007,811
Deposits and interest received/(withdrawn) during the year	2,283,039,413	(4,392,473,451)
Foreign exchange loss	145,833,688	1,205,889,765
Effects of hyperinflation	(479,184,213)	(1,585,624,989)
As at 31 December	**5,269,488,024**	**3,319,799,136**
Interest expense	2,928,132,623	5,043,733,719
(b) Loans and advances		
At 1 January	12,438,047,126	14,315,920,049
Loans disbursed during the year	1,111,689,574	1,280,884,580
Loans repaid during the year	(2,364,975,893)	(353,559,943)
Effects of hyperinflation	(1,795,324,230)	(2,805,197,560)
As at 31 December	**9,389,436,577**	**12,438,047,126**
Interest income	440,319,950	617,210,146
Salaries and other short-term employee benefits	14,977,505,687	22,104,656,385
Management fees	1,786,484,661	947,874,498
Social security contribution (i)	41,967,669	45,916,180

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

29. COMMITMENTS AND CONTINGENCIES

(a) Capital commitment

In order to meet the minimum capital requirement of LAK 1,000,000,000,000 to as per revised Law on Commercial Bank No. 39/NA, dated 17 July 2023, RHB Bank Berhad needs to inject additional capital of LAK 499,999,937,500. The timing of the capital injection is yet to be announced by BOL.

(b) Credit facilities

The Bank had the contractual amounts of the Bank's off-financial position, financial instruments that commit it to extend credit to customers. Unutilised overdrafts are those credit limit provided to customers but have not yet been withdrawn as at 31 December 2024 and 2023.

	2024 LAK	2023 LAK
Unutilised overdraft	3,773,058,230	10,146,098,606
Undisbursed loans	8,357,740,000	6,234,962,806
	12,130,798,230	**16,381,061,412**

29. COMMITMENTS AND CONTINGENCIES

(a) Taxation contingencies

The taxation system in the Lao PDR is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Lao PDR substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.