

Public Bank Berhad, Wattay Branch

Financial Statements

For the year ended 31 December 2022



Public Bank Berhad, Wattay Branch

CONTENTS

| | <i>Pages</i> |
|-----------------------------------|--------------|
| General information | 1 - 2 |
| Report of management | 3 |
| Independent auditor's report | 4 - 5 |
| Income statement | 6 |
| Statement of financial position | 7 - 8 |
| Statement of changes in equity | 9 |
| Statement of cash flow | 10 |
| Notes to the financial statements | 11 - 33 |

Public Bank Berhad, Wattay Branch

GENERAL INFORMATION

THE BRANCH

Public Bank Berhad ("the Bank") was incorporated in Malaysia. The Wattay Branch ("the Branch") is a branch of the Bank that operates in Lao People's Democratic Republic ("Lao PDR") under Foreign Investment No. 102-07/MPI granted by the Foreign Investment Management Committee, dated 24 August 2007.

On 13 August 2020, Public Bank Berhad Head Office had an official letter to Bank of the Lao PDR ("BOL") about "Proposed Paid-up Capital Plan" in which Public Bank Berhad proposed a plan to establish a new bank in Laos and all assets and liabilities 4 branches Vientiane, Wattay, Savannakhet and Pakse ('The Branches') shall be transferred to the new Bank along with all right and obligation and Branches will continue operate under the new bank after closing Branches' business licenses. Following that letter, the Branches continued to have letters No.0287/20/PBB dated 15 September 2020 and 0289/20/PBB.VTE dated 17 September 2020 to ask for BOL guidance on this matter.

On 14 October 2020, BOL had an official letter No. 596.CBS that requested the Branches submitting documents regarding to a detailed plan of closing 4 branches and establishing a new commercial bank.

On 16 December 2020, the Branches submitted the detailed implementation plan for closing 4 branches, in which all assets and liabilities of the Branches along with rights and obligations will be transferred to the new commercial Bank.

On 5 November 2021, Public Bank Berhad Vientiane branch on behalf of all branches (Wattay, Savannakhet and Pakse) sent the official letter No.0420/21/PBB.VTE to the BOL about extending the plan of closing 4 branches and establishing a new commercial bank to end of the year 2022. On 29 November 2021, the BOL issued the letter No.669/CBS to agree and request all branches continuing operation and following with the extension plan.

On 21 November 2022, the Branches had a meeting with the BOL to discuss and agree on the plan of closing 4 branches and establishing a new commercial bank to the year 2023

The initial chartered capital of the Branch was LAKm 50,000. As at 31 December 2022, the actual paid-up capital was LAKm 100,166 equivalent to USD 10,827,664 (31 December 2021: LAKm 100,166 equivalent to USD 10,827,664).

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

The Branch is located at No. 146/1 and 146/2, Souphanouvong Road, Unit 6 Wattay Noi Tha Village, Sikhottabong District, P.O Box 6614, Vientiane Capital, Lao P.D.R

Public Bank Berhad, Wattay Branch

GENERAL INFORMATION (continued)

MANAGEMENT

Members of Management during the year ended 31 December 2022 and as at the date of this report are as follows:

| <u>Name</u> | <u>Title</u> | <u>Date of appointment/resignation</u> |
|-----------------------------|-----------------------|---|
| Ms. Nitdavone Vongmany | Branch Manager | Appointed on 1 April 2022 |
| Ms. Khanthaly Phachoumphone | Branch Manager | Appointed on 28 January 2008 Resigned on 31 March 2022 |
| Mr. Viengsavanh Thammavong | Deputy Branch Manager | Appointed on 1 May 2014 |

LEGAL REPRESENTATIVE

The legal representative of the Branch from 1 January 2022 until 31 March 2022 is Ms. Khanthaly Phachoumphone – Branch Manager.

The legal representative of the Branch from 1 April 2022 until the date of this report is Ms. Nitdavone Vongmany – Branch Manager.

AUDITOR

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

Public Bank Berhad, Wattay Branch

REPORT OF MANAGEMENT

Management of Public Bank Berhad, Wattay Branch (the "Branch") is pleased to present its report and the Branch's financial statements as at and for the year ended 31 December 2022.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE SEPARATE FINANCIAL STATEMENTS

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

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


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

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

STATEMENT BY MANAGEMENT

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

For and on behalf of Management:


Ms. Nitdavone Vongmany
Branch Manager

Vientiane Capital, Lao PDR

31 March 2023

Reference: 11710361/66947570-WTA-LAS

INDEPENDENT AUDITOR'S REPORT

To: **The Owner of Public Bank Berhad, Wattay Branch**

Opinion

We have audited the financial statements of Public Bank Berhad, Wattay Branch (the "Branch"), which comprise the statement of financial position as at 31 December 2022, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 are independent of the Branch in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Lao PDR, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the accounting policies adopted by the Branch. These accounting policies are not intended to present the financial position, the results of operations and cash flows of the Branch in accordance with international generally accepted accounting principles. Our opinion is not modified in respect of this matter.

Responsibilities of the Branch's Management for the Financial Statements

The Branch's management is responsible for the preparation of the financial statements in accordance with the Accounting Law of Lao PDR and with the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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 ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Ernst & Young



Vientiane Capital, Lao PDR

31 March 2023

Public Bank Berhad, Wattay Branch

INCOME STATEMENT

For the year ended 31 December 2022

| Code | ITEMS | Notes | 2022 LAKm | 2021 LAKm |
|-----------|--|-------|--------------|--------------|
| A. | OPERATING INCOME AND EXPENSES | | | |
| 1. | Interest and similar income | 3 | 17,817 | 11,987 |
| 2. | Interest and similar expenses | 3 | (2,695) | (1,724) |
| I. | NET INTEREST AND SIMILAR INCOME | | 15,122 | 10,263 |
| 3 | Fee and commission income | 4 | 1,439 | 645 |
| 4 | Fee and commission expenses | 4 | (85) | (83) |
| 5 | Net gain/(loss) from dealing in foreign currencies | 5 | 5,807 | (109) |
| II. | NET OPERATING INCOME | | 22,283 | 10,716 |
| B | OTHER INCOME AND EXPENSES | | | |
| 6 | Other operating income | 6 | 3,819 | 439 |
| 7 | Administration expenses | | (5,180) | (3,961) |
| 7.1 | Payroll and other staff costs | 7 | (3,637) | (2,720) |
| 7.2 | Other administrative expenses | 8 | (1,543) | (1,241) |
| 8 | Depreciation and amortization charges | 14 | (746) | (924) |
| 9 | Other operating expenses | 9 | (70) | (50) |
| 10 | Net provision (charges) for non-performing loans | 13.2 | (2,599) | (613) |
| III. | TOTAL PROFIT BEFORE TAX | | 17,507 | 5,607 |
| 11 | Current profit tax | 20.2 | (2,340) | (1,143) |
| IV. | PROFIT AFTER TAX | | 15,167 | 4,464 |

Prepared by:



Mr. Viengsavanh Thammavong
Deputy Branch Manager

Vientiane Capital, Lao PDR

31 March 2023

Reviewed by:



Ms. Nittavone Vongmany
Branch Manager

Public Bank Berhad, Wattay Branch

STATEMENT OF FINANCIAL POSITION As at 31 December 2022

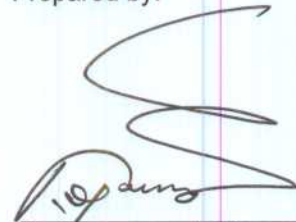
| Code | ASSETS | Notes | 31/12/2022 LAKm | 31/12/2021 LAKm |
|------------|--|-----------|--------------------|--------------------|
| I | Cash and accounts with the BOL | | 154,864 | 147,047 |
| | 1. Cash on hand | 10 | 13,374 | 6,106 |
| | 2. Balances with the BOL | 11 | 141,490 | 140,941 |
| II | Due from other banks | | 46,767 | 11,705 |
| | 1. Demand deposits | 12.1 | 6,767 | 11,705 |
| | 2. Term deposits | 12.2 | 40,000 | - |
| IV | Loans to customers, net of specific provision for credit activities | 13 | 193,290 | 149,692 |
| VI | Fixed assets and Right of use assets | | 5,525 | 6,435 |
| | 1. Tangible fixed assets | 14.1 | 3,554 | 4,129 |
| | 2. Right-of-use assets | 14.2 | 1,971 | 2,306 |
| VII | Other assets | | 10,533 | 9,663 |
| | 1. Accrued interest receivable | 15 | 7,929 | 7,309 |
| | 2. Tax Advance | 20.1 | 1,404 | 1,514 |
| | 3. Other assets | 16 | 1,200 | 840 |
| | TOTAL ASSETS | | 410,979 | 324,542 |
| | LIABILITIES AND CAPITAL | | | |
| I | Due to other banks | | 75,636 | 46,175 |
| | 1. Demand and saving deposits | 17.1 | 6,920 | 1,659 |
| | 2. Term deposits | 17.2 | 68,716 | 44,516 |
| II | Due to customers | 18 | 96,146 | 56,312 |
| | 1. Demand deposits | | 8,330 | 4,187 |
| | 2. Saving deposits | | 46,696 | 25,940 |
| | 3. Term deposits | | 41,120 | 26,185 |
| III | Other liabilities | | 5,087 | 3,444 |
| | 1. Accrued interests payable | 19 | 668 | 682 |
| | 2. Other payables | 21 | 4,419 | 2,762 |
| | TOTAL LIABILITIES | | 176,869 | 105,931 |
| IV | Capital and reserves | | | |
| | 1. Paid-up capital | 22 | 100,166 | 100,166 |
| | 2. Regulatory reserve fund | | 13,312 | 11,795 |
| | 3. General provision for credit activities | 13.2 | 815 | 483 |
| | 4. Retained earnings | | 119,817 | 106,167 |
| | TOTAL CAPITAL | | 234,110 | 218,611 |
| | TOTAL LIABILITES AND CAPITAL | | 410,979 | 324,542 |

Public Bank Berhad, Wattay Branch

STATEMENT OF FINANCIAL POSITION (continued)
as at 31 December 2022

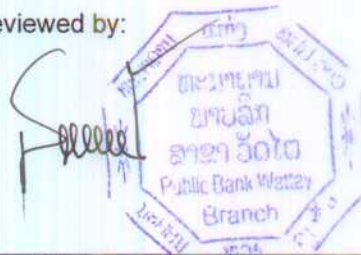
| Code | OFF BALANCE SHEET ITEMS | Notes | 31/12/2022 LAKm | 31/12/2021 LAKm |
|----------|--|-------|--------------------|--------------------|
| I | Collaterals and Mortgages | | | |
| A | Collaterals and Mortgages for loans | | | |
| 1 | Collaterals and Mortgages for loans to customers | | 738,374 | 571,841 |
| | TOTAL COLLATERALS AND MORTGAGES | | 738,374 | 571,841 |

Prepared by:



Mr. Viengsavanh Thammavong
Deputy Branch Manager

Reviewed by:



Ms. Nitdavone Vongmany
Branch Manager

Vientiane, Lao PDR

31 March 2023

Public Bank Berhad, Wattay Branch

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2022

Currency: LAKm

| | Charter capital | Regulatory reserve fund | General provision for credit activities (see Note 13.2) | Retained earnings | Total |
|---|-----------------|----------------------------|--|----------------------|----------------|
| Balance as at 31 December 2021 | 100,166 | 11,795 | 483 | 106,167 | 218,611 |
| Net profit for the year | - | - | - | 15,166 | 15,167 |
| Regulatory reserve for the year | - | 1,517 | - | (1,517) | - |
| Net general provision for credit activities (Note 13.2) | - | - | 233 | - | 233 |
| Foreign exchange difference | - | - | 99 | - | 99 |
| Balance as at 31 December 2022 | 100,166 | 13,312 | 815 | 119,817 | 234,110 |

Prepared by:


Mr. Viengsavanh Thammavong
Deputy Branch Manager

Reviewed by:



Ms. Nitdavone Vongmany
Branch Manager

Vientiane, Lao PDR

31 March 2023

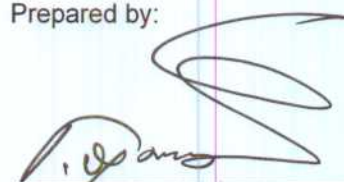
Public Bank Berhad, Wattay Branch

STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

Currency: LAKm

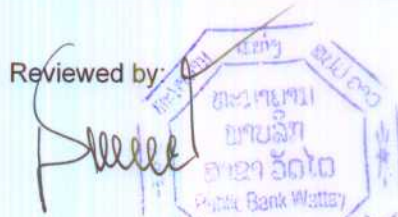
| | Notes | 2022 | 2021 |
|--|-----------|----------------|----------------|
| OPERATING ACTIVITIES | | | |
| Net profit before tax | | 17,507 | 5,607 |
| <i>Adjustments for:</i> | | | |
| Depreciation and amortization charges | 14 | 746 | 924 |
| Net charged during the year | 13.2 | 2,176 | 273 |
| Interest income | 3 | (17,817) | (11,987) |
| Interest expense | 3 | 2,695 | 1,724 |
| Cash flows from operating profit before changes in operating assets and liabilities | | 5,307 | (3,459) |
| (Increase)/Decrease in operating assets | | | |
| Balances with other banks | | (41,128) | 149 |
| Loans to customers | | (45,442) | 7,548 |
| Interest received | | 17,197 | 9,251 |
| Other assets | | (181) | 249 |
| Increase/(Decrease) in operating liabilities | | | |
| Amounts due to other banks | | 29,460 | 3,240 |
| Due to customers | | 39,834 | 15,540 |
| Profit tax paid during the year | 20.2 | (2,230) | (3,195) |
| Interest paid | | (2,709) | (1,451) |
| Other liabilities | | 1,658 | 653 |
| Net cash flows from/(used in) operating activities | | 1,766 | 28,525 |
| INVESTING ACTIVITY | | | |
| Purchase and construction of fixed assets | 14.1 | (16) | - |
| Net cash flows from investing activity | | (16) | |
| Net change in cash and cash equivalents | | 1,750 | 28,525 |
| Cash and cash equivalents at the beginning of the year | | 156,371 | 127,680 |
| Cash and cash equivalents at the end of the year | 23 | 158,121 | 156,371 |

Prepared by:



Mr. Viengsavanh Thammavong
Deputy Branch Manager

Reviewed by:



Ms. Nitdavone Vongmany
Branch Manager

Vientiane, Lao PDR

31 March 2023

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS as at and for the year ended 31 December 2022

1. THE BRANCH INFORMATION

Public Bank Berhad, Vientiane Branch is a 100% foreign bank branch (herein referred to as the "Branch") which is incorporated and registered in Lao P.D.R.

Establishment and operations

Public Bank Berhad ("the Bank") was incorporated in Malaysia. The Wattay Branch ("the Branch") is a branch of the Bank that operates in Lao People's Democratic Republic ("Lao PDR") under Foreign Investment No. 102-07/MPI granted by the Foreign Investment Management Committee, dated 24 August 2007.

The principal activity of the Branch is the provision of comprehensive banking and related financial services in Lao PDR.

On 13 August 2020, Public Bank Berhad Head Office had an official letter to Bank of the Lao PDR ("BOL") about "Proposed Paid-up Capital Plan" in which Public Bank Berhad proposed a plan to establish a new bank in Laos and all assets and liabilities 4 branches Vientiane, Wattay, Savannakhet and Pakse ('The Branches') shall be transferred to the new Bank along with all right and obligation and Branches will continue operate under the new bank after closing Branches' business licenses. Following that letter, the Branches continue to have letters No.0287/20/PBB dated 15 September 2020 and 0289/20/PBB.VTE dated 17 September 2020 to ask for BOL guidance on this matter.

On 14 October 2020, BOL had an official letter No. 596.CBS that requested the Branches submitting documents regarding to a detailed plan of closing 4 branches and establishing a new commercial bank.

On 16 December 2020, the Branches submitted the detailed implementation plan for closing 4 branches by November 2021 and establish a new commercial bank by June 2021, in which all assets and liabilities of the Branches along with rights and obligations will be transferred to the new commercial Bank.

On 5 November 2021, Public Bank Berhad Vientiane branch on behalf of all branches (Wattay, Savannakhet and Pakse) sent the official letter No.0420/21/PBB.VTE to the BOL about extending the plan of closing 4 branches and establishing a new commercial bank to end of the year 2022. On 29 November 2021, the BOL issued the letter No.669/CBS to agree and request all branches continuing operation and following with the extension plan.

On 21 November 2022, the Branches had a meeting with the BOL to discuss and agree on the plan of closing 4 branches and establishing a new commercial bank to the year 2023.

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

1. THE BRANCH INFORMATION (continued)

Charter Capital

The initial chartered capital of the Branch was LAKm 50,000 . As at 31 December 2022, the actual paid-up capital was LAKm 100,166 equivalent to USD 10,827,664 (31 December 2021: LAKm 100,165, equivalent to USD 10,827,664).

Management

Members of the Management during the year ended 31 December 2022 and as at the date of this report are as follows:

| <u>Name</u> | <u>Position</u> | <u>Date of appointment/resignation</u> |
|-----------------------------|-----------------------|--|
| Ms. Khanthaly Phachoumphone | Branch Manager | Appointed on 28 January 2008 Resigned on 14 February 2022 |
| Ms. Nitdavone Vongmany | Branch Manager | Appointed on 1 April 2022 |
| Mr. Viengsavanh Thammavong | Deputy Branch Manager | Appointed on 1 May 2014 |

Location

The Branch is located at No. 146/1 and 146/2, Souphanouvong Road, Unit 6 Wattay Noi Tha Village, Sikhottabong District, P.O Box 6614, Vientiane Capital, Lao P.D.R

Employees

Total employees of the Branch as at 31 December 2022 were 12 people (2021: 12 people).

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Statement of compliance*

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

2.2 *Basis of preparation*

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

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

Fiscal year

The Branch's fiscal years applicable for the preparation of its financial statements start on 1 January and end on 31 December.

2.3 *Changes in accounting policies*

The accounting policies adopted by the Branch in preparation of these financial statements are consistent with those used in preparation of the Branch's financial statements for the year ended 31 December 2021.

2.4 *Recognition of interest income and expense*

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

The recognition of accrued interest income is suspended when the loans becoming non-performing (See Note 3.6 for the definition of non-performing loans) or when management believes that the borrower has no ability to repay the interest and principal. Interest income on such loans is only recorded in the income statement upon actually received.

2.5 *Recognition of fee and commission*

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

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

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Cash and cash equivalents

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

2.7 Loans to customers

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

2.8 Classification of and provision for credit activities

Loan classification

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

The Bank also applies the Regulation 238/BOL dated 26 March 2020, Guidance 249/BOL dated 11 May 2020 and the extension Notice 254/CAD dated 5 May 2021 by the BOL on loan restructuring, extension and retention of loan classification group to assist the borrowers affected by Covid-19 pandemic. Accordingly, the Bank has restructured the loans qualified and retained their classification groups as before 01 January 2021.

Provision

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

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

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

- General provision = Provision rate x Loan outstanding balance
- Specific provision = Provision rate x (Loan outstanding balance – discounted value of collateral)

Where the Branch has opted to include the discounted value of collateral in the provision calculation as allowed by BOL512 and OL898.

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 *Classification of and provision for credit activities*

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

Accumulated balance of provision for *loans classified into Group B and NPL* is recorded in the balance sheet in "Loans to customers, net of specific provision for credit activities".

- (iii) Changes in provision for *performing loans* are recorded to the income statement as "Other operating expenses" for provision expense and "Other operating income" for reversal of provision expense.

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

2.9 *Tangible fixed assets*

Tangible fixed assets consist of office equipment, furniture and fixtures, building improvements, computer equipment and motor vehicles.

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

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

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

When assets are sold or disposed, their cost and accumulated depreciation are removed from the statement of financial position and any gains or losses resulting from their disposal are posted to the income statement.

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Leasing

Right-of-use assets

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

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Leasing (continued)

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

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

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

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

The Branch as a lessee

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

2.11 Depreciation

Depreciation of fixed assets are provided on the straight-line basis at prescribed rates over their estimated useful life in accordance with the Tax Law No.67/NA dated 18 June 2019 which is effective on or after 1 January 2020 stipulated by the President of the National Assembly. The followings are the annual rates used.

| | |
|------------------------|-----|
| Building & improvement | 5% |
| Office equipment | 20% |
| Computer equipment | 20% |
| Furniture and fixtures | 20% |
| Motor vehicles | 20% |

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Reserves

Under the requirement of the Law on commercial Bank dated 16 January 2007, commercial banks are required to appropriate net profit to following reserves:

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

In accordance with Article 156, Enterprise Law dated 26 December 2013, the Branch is required to appropriate 10% of profit after tax each year into regulatory reserve fund. When this reserve fund reaches 50% of the registered capital, the Branch may suspend such provision, unless otherwise provided by the laws.

The Business expansion fund and other funds shall be created upon decision of the Board of Management. Accordingly, the Branch has made the following reserves for the year ended 31 December 2022:

| Reserve | % of profit after tax (less accumulated losses, if any) |
|-------------------------|--|
| Regulatory reserve fund | 10 |
| Business expansion fund | - |

2.13 Foreign currency transactions

Transactions in original currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at year end are translated into LAK at exchange rates ruling on the statement of financial position date (see the list of exchange rates of applicable foreign currencies against LAK on 31 December 2022 as presented below). Foreign exchange differences arising from the translation of monetary assets and liabilities on the statement of financial position date are recognized into "Net gain/(loss) from dealing in foreign currencies" in the income statement.

| | 31/12/2022 LAK | 31/12/2021 LAK |
|-----------------------------|-------------------|-------------------|
| United State Dollar ("USD") | 17,179.00 | 11,129.00 |
| Thai Bath ("THB") | 497.00 | 347.00 |
| Euro ("EUR") | 17,641.00 | 12,464.00 |

2.14 Profit tax

Current tax

Provision is made for profit tax on the current period's profits, based on the Tax Law governing taxation within Lao PDR. The Branch is obliged to pay profit tax at rate of 20% of total profit before tax in accordance with the new Tax Law No.67/NA dated 18 June 2019 which is effective on or after 1 January 2020. Accordingly, the Branch is subject to the tax rate of 20%. The Branch's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations in many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax

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

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

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

Current and deferred taxes are recognized as income tax benefits or expenses in the income statement.

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

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Employee benefit

Post-employment benefits

Post-employment benefits are paid to retired employees of the Branch by the Social Security Fund Department which belongs to the Ministry of Labor and Social Welfare. The Branch is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at an amount equivalent to 6% of employee's basic salary on a monthly basis. The Branch has no further obligation concerning post-employment benefits for its employees other than this.

Termination benefits

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

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the last salary or wage multiplied by the total number of months worked. As at 31 December 2022, there are no employees of the Branch who were dismissed under the above-mentioned grounds; therefore the Branch has not made a provision for termination allowance in the financial statement.

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

3. NET INTEREST AND SIMILAR INCOME

| | 2022 LAKm | 2021 LAKm |
|--|----------------|----------------|
| Interest and similar income from | | |
| Loans to customers | 17,106 | 11,987 |
| Term deposit | 711 | - |
| | 17,817 | 11,987 |
| Interest and similar expenses for | | |
| Interbank transactions | (923) | (177) |
| Customers' deposits | (1,772) | (1,547) |
| | (2,695) | (1,724) |
| Net interest and similar income | 15,122 | 10,263 |

4. NET FEE AND COMMISSION INCOME

| | 2022 LAKm | 2021 LAKm |
|--|--------------|--------------|
| Fee and commission income from | | |
| Trade finance activities | 1,303 | 546 |
| Settlement services | 136 | 99 |
| | 1,439 | 645 |
| Fee and commission expenses for | | |
| Inter-bank transactions | (85) | (83) |
| | (85) | (83) |
| Net fee and commission income | 1,354 | 562 |

5. NET GAIN/(LOSS) FROM DEALING IN FOREIGN CURRENCIES

| | 2022 LAKm | 2021 LAKm |
|---|--------------|--------------|
| Gain from dealing in foreign currencies | 77,997 | 2,340 |
| Loss from dealing in foreign currencies | (72,190) | (2,449) |
| | 5,807 | (109) |

6. OTHER OPERATING INCOME

| | 2022 LAKm | 2021 LAKm |
|---|--------------|--------------|
| Reversal of Provision for performing loans (see Note 13.2) | 423 | 340 |
| Recovery from bad debts written-off | 3,174 | 61 |
| Others | 222 | 38 |
| | 3,819 | 439 |

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

7. PAYROLL AND OTHER STAFF COSTS

| | 2022 LAKm | 2021 LAKm |
|--------------------|--------------|--------------|
| Wages and salaries | 3,580 | 2,661 |
| Other staff costs | 57 | 59 |
| | 3,637 | 2,720 |

8. OTHER ADMINISTRATION EXPENSES

| | 2022 LAKm | 2021 LAKm |
|---------------------------------|--------------|--------------|
| Repair and maintenance expenses | 641 | 432 |
| Audit and Lawyer fees | 300 | 387 |
| Telecommunication | 225 | 148 |
| Office rental | 94 | 62 |
| Electricity and water | 91 | 85 |
| Transport and traveling | 70 | 30 |
| Insurance fee | 64 | 62 |
| Office stationeries | 51 | 27 |
| Others | 7 | 8 |
| | 1,543 | 1,241 |

9. OTHER OPERATING EXPENSES

| | 2022 LAKm | 2021 LAKm |
|-----------------------------------|--------------|--------------|
| Depositor Protection Fund expense | 70 | 50 |
| | 70 | 50 |

10. CASH ON HAND

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|------------------------------------|--------------------|--------------------|
| Cash on hand in LAK | 2,173 | 1,198 |
| Cash on hand in foreign currencies | 11,201 | 4,908 |
| | 13,374 | 6,106 |

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

11. BALANCES WITH THE BOL

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|---------------------------------|--------------------|--------------------|
| Demand deposit | 137,981 | 138,560 |
| Compulsory reserve (*) | 3,504 | 2,376 |
| Registered capital reserve (**) | 5 | 5 |
| | 141,490 | 140,941 |

(*) Under regulations of the Bank of Lao PDR, the Branch is required to maintain certain cash reserves with the Bank of Lao PDR in the form of compulsory deposits, which are computed at 5.00% for LAK (2021: 3.00%) and 5.00% for other currencies (2021: 5.00%), on a bi-monthly basis, of customer deposits having original maturities of less than 12 months. During the year, the Branch maintained its compulsory deposits in compliance with the requirements of the Bank of Lao PDR.

(**) According to Decree No. 02/PR of the BOL, foreign bank branches are required to maintain a minimum balance of special deposit at the BOL which is equivalent to 25% of their paid-up capital to secure for their operational continuance. The Branch was then approved by the BOL in Official Letter No. 30/BSO dated 23 January 2015 and Official Letter No. 64/BSO dated 24 February 2015 to withdraw from this deposit account to supplement its working capital.

12. DUE FROM OTHER BANKS

12.1 Demand deposits

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|--|--------------------|--------------------|
| Balances with domestic banks | | |
| Banque Pour le Commerce Extérieur Lao (BCEL) | 4,209 | 11,475 |
| Public Bank Berhad, Vientiane Branch (Note 24) | 69 | 228 |
| Public Bank Berhad, Pakse Branch (Note 24) | - | 1 |
| Public Bank Berhad, Savanakheth Branch (Note 24) | 2,489 | 1 |
| | 6,767 | 11,705 |

12.2 Term deposits

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|--|--------------------|--------------------|
| Balances with domestic bank | | |
| Public Bank Berhad, Vientiane Branch (Note 24) | 40,000 | - |
| | 40,000 | - |

Term deposits denominated in USD have terms of 3 months, and interest rate of 3.20% p.a.

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

13. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION FOR CREDIT ACTIVITIES

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|--|--------------------|--------------------|
| Loan to customer (Note 13.1) | 194,676 | 151,844 |
| Less specific provision (Note 13.2) | (1,386) | (2,152) |
| <i>In which:</i> | | |
| Specific provision for non-performing loans | (588) | (1,124) |
| Specific provision for special mention loans | (798) | (1,028) |
| | 193,290 | 149,692 |

Interest rates for commercial loans during the year are as follows:

| | 2022 Interest rate % per annum | 2021 Interest rate % per annum |
|--------------------------|--------------------------------------|--------------------------------------|
| Loans denominated in LAK | 3.00 - 11.00 | 3.00 - 15.00 |
| Loans denominated in USD | 3.00 - 09.00 | 3.00 - 12.00 |
| Loans denominated in THB | 8.00 - 10.00 | 7.26 - 12.00 |

13.1 Analysis of loans to customers

Analysis by currency

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|--------------------------|--------------------|--------------------|
| Loans denominated in LAK | 124,219 | 103,802 |
| Loans denominated in USD | 60,821 | 40,021 |
| Loans denominated in THB | 9,636 | 8,021 |
| | 194,676 | 151,844 |

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

13. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION FOR CREDIT ACTIVITIES (continued)

13.1 Analysis of loans to customers (continued)

Analysis by quality

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|--------------------------|--------------------|--------------------|
| Normal or Pass | 163,090 | 96,652 |
| Watch or Special Mention | 19,589 | 37,475 |
| Substandard | - | 501 |
| Doubtful | - | 669 |
| Loss | 11,997 | 16,547 |
| | 194,676 | 151,844 |

Analysis by original term

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|-------------------|--------------------|--------------------|
| Short-term loans | 59,730 | 40,094 |
| Medium-term loans | 4,453 | 7,939 |
| Long-term loans | 130,493 | 103,811 |
| | 194,676 | 151,844 |

Analysis of loan portfolio by type of industrial sectors

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|-------------------------------|--------------------|--------------------|
| Industrial services companies | 2,464 | 1,133 |
| Construction companies | 1,384 | 1,810 |
| Trading companies | 73,053 | 58,606 |
| Transportation companies | 134 | 148 |
| Services companies | 48,826 | 36,720 |
| Handicrafts | 77 | 2,005 |
| Other loans | 68,738 | 51,422 |
| | 194,676 | 151,844 |

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

13. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION FOR CREDIT ACTIVITIES (continued)

13.2 Provision for credit losses

Movements of provision for credit losses of the Branch are as follows:

| | <i>Provision for NPL</i> | <i>Provision for PL</i> | | |
|--|--|---|---|-----------------------|
| | | <i>Specific provision for special mention loans</i> | <i>General provision for normal loans</i> | |
| | <i>Specific provision for NPL LAKm</i> | <i>LAKm</i> | <i>LAKm</i> | <i>Total LAKm</i> |
| Balance as at 1 January 2022 | 1,028 | 1,124 | 483 | 2,635 |
| Net provision/(reversal) charged during the year | 2,599 | (656) | 233 | 2,176 |
| Non-performing loans written-off | (3,090) | - | - | (3,090) |
| Foreign exchange differences | 261 | 120 | 99 | 480 |
| Balance as at 31 December 2022 | 798 | 588 | 815 | 2,201 |

The breakdown of loan classification and provision as required by the BOL as at 31 December 2022 is as follows:

| <i>Classification</i> | <i>Loan balance LAKm</i> | <i>Specific Provision LAKm</i> | <i>General provision LAKm</i> |
|----------------------------|----------------------------------|--|---------------------------------------|
| Performing loans | | | |
| - Normal or Pass | 163,090 | - | 815 |
| - Watch or Special Mention | 19,589 | 588 | - |
| Non-Performing loans (NPL) | | | |
| - Sub-standard | - | - | - |
| - Doubtful | - | - | - |
| - Loss | 11,997 | 798 | - |
| Total | 194,676 | 1,386 | 815 |

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

14. FIXED ASSETS AND RIGHT OF USE ASSETS

14.1 Tangible fixed assets

Movements of tangible fixed assets for the year ended 31 December 2022 are as follows:

| | Building & improvement LAKm | Office equipment LAKm | Furniture & fixtures LAKm | Motor vehicles LAKm | Computer Equipment LAKm | Total LAKm |
|----------------------------------|-----------------------------------|-----------------------------|---------------------------------|---------------------------|-------------------------------|---------------|
| Cost: | | | | | | |
| As at 31/12/2021 | 6,306 | 1,002 | 196 | 198 | 2,133 | 9,835 |
| Additions | - | 1 | 15 | - | - | 16 |
| As at 31/12/2022 | 6,306 | 1,003 | 211 | 198 | 2,133 | 9,851 |
| Accumulated depreciation: | | | | | | |
| As at 31/12/2021 | 2,576 | 930 | 194 | 198 | 1,808 | 5,706 |
| Charge for the year | 315 | 30 | 3 | - | 243 | 591 |
| As at 31/12/2022 | 2,891 | 960 | 197 | 198 | 2,051 | 6,297 |
| Net book value: | | | | | | |
| As at 31/12/2021 | 3,730 | 72 | 2 | - | 325 | 4,129 |
| As at 31/12/2022 | 3,415 | 43 | 14 | - | 82 | 3,554 |

14.2 Right of used assets

Movements of the balance of right of used assets for the year 2022 are as follows:

| | Building LAKm |
|----------------------------------|------------------|
| Cost: | |
| As at 31/12/2021 | 3,411 |
| New recognition | - |
| Other decrease | (277) |
| As at 31/12/2022 | 3,134 |
| Accumulated amortization: | |
| As at 31/12/2021 | 1,105 |
| Charge for the year | 155 |
| Other decrease | (97) |
| As at 31/12/2022 | 1,163 |
| Net book value: | |
| As at 31/12/2021 | 2,306 |
| As at 31/12/2022 | 1,971 |

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

14. FIXED ASSETS AND RIGHT OF USE ASSETS (continued)

14.2 Right of used assets

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 21) and the movements during the year:

| | 2022 LAKm |
|-------------------------------|--------------|
| As at 31 December 2021 | 2,339 |
| Additions | - |
| Accrual of interest | 94 |
| Payments | - |
| Foreign currency difference | 1,287 |
| As at 31 December 2022 | 3,720 |

15. ACCRUED INTEREST RECEIVABLE

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|--------------------|--------------------|--------------------|
| Loans to customers | 7,929 | 7,309 |
| | 7,929 | 7,309 |

16. OTHER ASSETS

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|--|--------------------|--------------------|
| Prepaid expenses waiting to be allocated | 553 | 248 |
| Other receivables | 647 | 592 |
| | 1,200 | 840 |

17. DUE TO OTHER BANKS

17.1 Demand and saving deposits

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|---|--------------------|--------------------|
| Balances of domestic banks (Note 24) | | |
| Public Bank Berhad, Vientiane Branch | 1,963 | 186 |
| Public Bank Berhad, Savannakhet Branch | 2,577 | - |
| Balances of oversea banks (Note 24) | | |
| Public Bank Berhad, Head Office | 2,380 | 1,473 |
| | 6,920 | 1,659 |

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

17. DUE TO OTHER BANKS (continued)

17.2 Term deposits

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|--------------------------------------|--------------------|--------------------|
| Balances of domestic banks | | |
| Public Bank Berhad, Vientiane Branch | 68,716 | 44,516 |
| | 68,716 | 44,516 |

Term deposits denominated in USD have terms of 1 month, and interest rates from 0% to 4.8% p.a.

18. DUE TO CUSTOMERS

Details of amounts due to customers as at 31 December 2022 are as follows:

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|-------------------------------------|--------------------|--------------------|
| Demand deposits | 8,330 | 4,187 |
| Demand deposits in LAK | 525 | 235 |
| Demand deposits in foreign currency | 7,805 | 3,952 |
| Saving deposits | 46,696 | 25,939 |
| Saving deposits in LAK | 3,944 | 4,107 |
| Saving deposits in foreign currency | 42,752 | 21,832 |
| Term deposits | 41,120 | 26,186 |
| Term deposits in LAK | 1,366 | 964 |
| Term deposits in foreign currency | 39,754 | 25,222 |
| | 96,146 | 56,312 |

The interest rates for these deposits are as follows:

| | 2022 Interest rate % per annum | 2021 Interest rate % per annum |
|------------------------|--------------------------------------|--------------------------------------|
| Demand deposits in LAK | 0.00 - 1.00 | 0.00 - 1.00 |
| Demand deposits in USD | 0.00 - 1.00 | 0.00 - 1.00 |
| Demand deposits in THB | 0.00 - 1.00 | 0.00 - 1.00 |
| Saving deposits in LAK | 1.89 | 1.89 |
| Saving deposits in USD | 1.50 | 1.50 - 2.20 |
| Saving deposits in THB | 1.00 | 1.00 |
| Term deposits in LAK | 3.16 - 5.59 | 3.16 - 5.89 |
| Term deposits in USD | 2.00 - 4.00 | 2.75 - 4.20 |
| Term deposits in THB | 1.50 - 4.25 | 2.00 - 6.00 |

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

19. ACCRUED INTEREST PAYABLE

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|-------------------|--------------------|--------------------|
| Due from banks | 34 | 4 |
| Customer deposits | 634 | 678 |
| | 668 | 682 |

20. TAXATION

20.1 Tax payable

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|--------------------|--------------------|--------------------|
| Profit tax advance | 1,404 | 1,514 |
| | 1,404 | 1,514 |

20.2 Profit Tax ("PT")

The Branch is obliged to pay profit tax at rate of 20% on total profit before tax of the year in accordance with Tax Law No.67/NA dated 18 June 2019 which is effective on or after 1 January 2020. Profit tax in 2022 and 2021 are calculated as follows:

| | 2022 LAKm | 2021 LAKm |
|---|----------------|----------------|
| Profit before tax | 17,506 | 5,607 |
| Less: Non-taxable income | (77,997) | (2,340) |
| Add: Non-deductible expenses | 72,190 | 2,449 |
| Taxable income | 11,699 | 5,716 |
| Current PT expense, at the statutory rate of 20% | 2,340 | 1,143 |
| PT payable/(advance) at the beginning of the year | (1,514) | 538 |
| PT paid during the year | (2,230) | (3,195) |
| PT (advance) at the end of the year | (1,404) | (1,514) |

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

Contingent liabilities

On 6 November 2019, the Ministry of Finance issued Notification No. 4475/MOF requesting commercial banks to recalculate profit tax for the years from 2016 to 2019 in which provision for credit losses should be considered as non-deductible expenses. The Branch has submitted Official Letter No. 0995/19 PBL dated 22 July 2019 to the Ministry of Finance to seek for further clarification and detailed guidance on the implementation of such Notification. Until the date of the financial statements, the Branch has not yet received the responses from the Ministry of Finance and Bank of the Lao PDR and the impact of this issue (if any) has not been yet defined. Therefore, the Branch has not booked any adjustments on the financial statements for the fiscal year 2022.

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

21. OTHER PAYABLES

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|-------------------|--------------------|--------------------|
| Lease liabilities | 3,720 | 2,340 |
| Other liabilities | 699 | 422 |
| | 4,419 | 2,762 |

22. PAID-UP CAPITAL

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

| | 2022 LAKm | 2021 LAKm |
|--|----------------|----------------|
| Opening balance | 100,166 | 100,166 |
| Additional paid-up capital in the year | - | - |
| Closing balance | 100,166 | 100,166 |

23. CASH AND CASH EQUIVALENTS

| | 31/12/2022 LAKm | 31/12/2021 LAKm |
|-----------------------------------|--------------------|--------------------|
| Cash on hand | 13,374 | 6,106 |
| Demand deposits with the BOL | 137,980 | 138,560 |
| Current accounts with other banks | 6,767 | 11,705 |
| | 158,121 | 156,371 |

24. RELATED PARTY TRANSACTIONS

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

- (a) directly, or indirectly through one or more intermediaries, the party:
 - ▶ controls, is controlled by, or is under common control with, the Branch (this includes parents, subsidiaries and fellow subsidiaries);
 - ▶ has an interest in the Branch that gives it significant influence over the Branch; or
 - ▶ has joint control over the Branch.
- (b) the party is a joint venture in which the Branch is a venture;
- (c) the party is a member of the key management personnel of the Branch or its parent;
- (d) the party is a close member of the family of any individual referred to in (a) or (d);
- (e) the party is a Branch that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Branch resides with, directly or indirectly, any individual referred to in (c) or (d); or
- (f) the party is a post-employment benefit plan for the benefit of employees of the Branch, or of any Branch or Bank that is a related party of the Branch.

Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

24. RELATED PARTY TRANSACTIONS (continued)

Balances with related parties as at 31 December are as follows:

| | 31/12/2022 Receivable /(payable) LAKm | 31/12/2021 Receivable /(payable) LAKm |
|---|--|--|
| Public Bank Berhad, Head Office | | |
| Vostro account (Note 17.1) | (2,380) | (1,474) |
| Public Bank Berhad, Vientiane Branch | | |
| Nostro account (Note 12.1) | 69 | 228 |
| Term deposits (Note 12.2) | 40,000 | - |
| Term deposit (Note 17.2) | (68,716) | (44,516) |
| Vostro account (Note 17.1) | (1,963) | (186) |
| Public Bank Berhad, Savannakhet Branch | | |
| Nostro account (Note 12.1) | 2,489 | 1 |
| Vostro account (Note 17.1) | 2,577 | - |
| Public Bank Berhad, Pakse Branch | | |
| Nostro account (Note 12.1) | - | 1 |

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

| | 2022 LAKm | 2021 LAKm |
|---------------------------------------|--------------|--------------|
| Public Bank – Vientiane Branch | | |
| Interest expense | (923) | (177) |
| Interest income | 711 | - |

Transactions with key management personnel of the Branch

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

| | 2022 LAKm | 2021 LAKm |
|--------------------------|--------------|--------------|
| Salaries | 1,078 | 732 |
| Bonus and other benefits | 125 | 234 |
| | 1,203 | 966 |

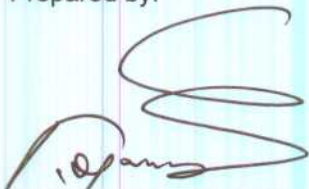
Public Bank Berhad, Wattay Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

25. EVENTS AFTER THE BALANCE SHEET DATE

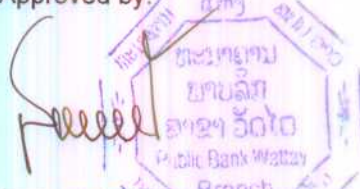
There is no matter or circumstance that has arisen since 31 December 2022 that required adjustment or disclosure in the financial statement of the Branch.

Prepared by:



Mr. Viengsavanh Thammavong
Deputy Branch Manager

Approved by:



Ms. Nitdavone Vongmany
Branch Manager

Vientiane Capital, Lao P.D.R

31 March 2023