

Public Bank Berhad, Vientiane Branch

Financial statements for the year ended
31 December 2019
and
Independent Auditor's Report

Public Bank Berhad, Vientiane Branch

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Public Bank Berhad, Vientiane Branch

Branch Information

Bank	Public Bank Berhad, Vientiane Branch	
Foreign Investment License No.	611/35-95, dated 07 April 1995 Amended Investment License No. 009-13/MPI.4 Dated 20 December 2013	
Board of Management	Mr. Ng Swee Keat Mr. Lew Chee Leong Mr. Khamphai Luangsay Ms. Nitdavone Vongmani	Branch Manager Deputy Branch Manager Banking Service Manager Business Manager
Registered office	Public Bank Berhad, Vientiane Branch 100/1-4 Talat Sao Road PO Box 6614 Vientiane Capital, Lao P.D.R	
Auditors	KPMG Lao Co., Ltd 10th Floor, Royal Square Office Building, Samsenthai Road, Nongduong Nua Village, Sikhotabong District, P.O.Box 6978, Vientiane, Lao PDR. Tel +856 (21) 454240-7	



MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Management of Public Bank Berhad, Vientiane Branch ("the Branch") is responsible for the preparation of the financial statements and for ensuring that the financial statements present fairly in all material respects, the financial position of the Branch as at 31 December 2019, and the statement of comprehensive income, statement of changes in capital and other reserves and statement of cash flows for the year then ended that are in accordance with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R. In preparing the financial statements, Management is required to:

- i) Adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) Comply with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R, if there have been any departures in the interest of true and fair presentation, 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) Take reasonable steps for safeguarding the assets of the Branch and for preventing and detecting fraud, error and other irregularities;
- v) Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Branch will continue operations in the foreseeable future; and
- vi) Effectively control and direct the Branch and be involved in all material decisions affecting the Branch's operations and performance and ascertain that such have been properly reflected in the financial statements.

Management confirms that they have complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

I, Mr. Ng Swee Keat, on behalf of the Board of Management, do hereby state that the financial statements set out on pages 6 to 39 present fairly, in all material respects, the financial position of the Branch as at 31 December 2019, its financial performance, statement of changes in capital and other reserves and statement of cash flows for the year then ended and have been properly drawn up in accordance with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R.

Signed on behalf of the Board of Management,


Mr. Ng Swee Keat
Branch Manager
24 March 2020





KPMG Lao Co., Ltd.
10th Floor, Royal Square Office Building,
Samsenthai Road, Nongduong Nua Village,
Sikhotabong District, P.O. Box 6978,
Vientiane, Lao PDR
Tel +856 (21) 454240-7

ບໍລິສັດ ເຄຟເອັມຈີລາວ ຈຳກັດ
ຊັ້ນ 10, ອາຄານ ໂຮໂຢລສະເຄລ
ຖະໜົນ ສາມແສນໄທ, ບ້ານ ຫນອງດ້ວງເໜືອ,
ເມືອງ ສີໂຄດຕະບອງ, ຖ້ ປ.ນ. 6978,
ນະຄອນຫຼວງວຽງຈັນ, ສປປ ລາວ
ໂທ : +856 (21) 454240-7

INDEPENDENT AUDITORS' REPORT

**To: The Board of Management
Public Bank Berhad, Vientiane Branch**

Opinion

We have audited the financial statements of Public Bank Berhad, Vientiane Branch (the "Branch"), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in capital and other reserves and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 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 that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

We draw attention to Note 2 (a) (i) to the financial statement on basis of preparation, which describes the purpose of presenting reference figures in USD in addition to million LAK. The equivalent amounts in USD are presented in the accompanying financial statements for the purpose of the Branch's internal use only and should not be used for any other purpose.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R, 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 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.

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

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

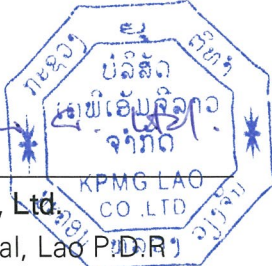
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting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



- 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 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.

KPMG Lao Co., Ltd.



KPMG Lao Co., Ltd.
Vientiane Capital, Lao P.D.R.
24 March 2020

Public Bank Berhad, Vientiane Branch
Statement of financial position

		As at 31 December			
	<i>Note</i>	<i>(in millions LAK)</i>		<i>(in USD equivalent)</i>	
		2019	2018	2019	2018
Assets					
Cash and cash equivalents	5	731.589	419.502	82.768.815	49.302.840
Amounts due from other branches and banks	6	104.300	107.209	11.800.000	12.600.000
Statutory deposits with Central Bank	7	55.569	53.283	6.286.862	6.262.196
Investment	8	11.921	13.133	1.348.689	1.543.518
Loans and advances to customers, net of specific provision	9	940.214	936.386	106.371.709	110.050.706
Property and equipment	10	13.407	5.355	1.516.855	629.339
Other assets	11	11.201	8.624	1.267.108	1.013.584
Total assets		<u>1.868.201</u>	<u>1.543.492</u>	<u>211.360.038</u>	<u>181.402.183</u>
Liabilities, Capital and other reserves					
Liabilities					
Deposits from customers	12	643.180	599.091	72.766.591	70.409.400
Amounts due to other banks	13	696.647	468.681	78.815.564	55.082.742
Other liabilities	14	24.043	19.609	2.720.119	2.304.724
Total liabilities		<u>1.363.870</u>	<u>1.087.381</u>	<u>154.302.274</u>	<u>127.796.866</u>
Capital and other reserves					
Paid-up capital	15	100.000	100.000	12.187.111	12.187.111
Legal reserve	16	48.233	43.098	5.456.845	5.065.224
Foreign currency translation reserve		-	-	(873.550)	(434.407)
Retained earnings		352.526	309.528	39.883.189	36.377.855
General provision for credit activities	17	3.572	3.485	404.169	409.534
Total Capital and other reserves		<u>504.331</u>	<u>456.111</u>	<u>57.057.764</u>	<u>53.605.317</u>
Total liabilities, Capital and other reserves		<u>1.868.201</u>	<u>1.543.492</u>	<u>211.360.038</u>	<u>181.402.183</u>

The accompanying notes form an integral part of these financial statements.

Public Bank Berhad, Vientiane Branch
Statement of comprehensive income

		For the year ended 31 December			
	Note	(in millions LAK)		(in USD equivalent)	
		2019	2018	2019	2018
Interest income					
Interest from loans and advances		80.157	90.449	9.068.595	10.630.201
Interest from interbank and money market items		1.751	2.923	198.094	343.539
Interest income from investment in bonds		487	425	55.138	49.959
Total interest income		82.395	93.797	9.321.827	11.023.699
Interest expenses					
Interest on deposits		(18.599)	(20.215)	(2.104.257)	(2.375.847)
Interest on interbank and money market items		(9.648)	(11.062)	(1.091.563)	(1.300.033)
Total interest expenses		(28.247)	(31.277)	(3.195.820)	(3.675.880)
Net interest income		54.148	62.520	6.126.007	7.347.819
Other income					
Fee and service income		4.903	5.175	554.652	608.117
Fee and service expense		(1.442)	(1.510)	(163.149)	(177.407)
Fee and services income, net	18	3.461	3.665	391.503	430.710
Loss on foreign exchange transactions		(13.352)	(9.958)	(1.510.477)	(1.170.340)
Other income	19	1.010	1.254	114.231	147.351
Total other income		(8.881)	(5.039)	(1.004.743)	(592.279)
Income before non-interest expense, doubtful accounts and income tax expense		45.267	57.481	5.121.264	6.755.540

Public Bank Berhad, Vientiane Branch
Statement of comprehensive income (continued)

	<i>Note</i>	For the year ended 31 December			
		<i>(in millions LAK)</i>		<i>(in USD equivalent)</i>	
		2019	2018	2019	2018
Operating expenses					
Personnel expenses		(12.404)	(11.442)	(1.403.332)	(1.344.730)
Depreciation expense		(1.728)	(1.351)	(195.448)	(158.820)
Other expenses	20	(6.342)	(5.209)	(717.516)	(612.183)
Net specific provision charges		18.476	22.650	2.090.289	2.661.933
Specific provision expense		(59.782)	(153.655)	(6.763.521)	(18.058.651)
Reversal of specific provision		<u>78.258</u>	<u>176.305</u>	<u>8.853.810</u>	<u>20.720.584</u>
Total operating expenses		(1.998)	4.648	(226.007)	546.200
Profit before income tax expense		43.269	62.129	4.895.257	7.301.740
Income tax expense	21	<u>(8.654)</u>	<u>(12.426)</u>	<u>(979.051)</u>	<u>(1.460.348)</u>
Profit for the year		<u>34.615</u>	<u>49.703</u>	<u>3.916.206</u>	<u>5.841.392</u>

The accompanying notes form an integral part of these financial statements.

Public Bank Berhad, Vientiane Branch
Statement of changes in capital and other reserves (Restated)

	Paid-up capital	Retained earnings	Legal reserve	General provision for credit activities	Total
	LAK (in millions)	LAK (in millions)	LAK (in millions)	LAK (in millions)	LAK (in millions)
Balance as at 1 January 2018	100.000	258.060	37.158	8.391	403.609
Profit for the year	-	49.703	-	-	49.703
Transfer to legal reserve	-	(4.970)	4.970	-	-
General provision charged during the year	-	-	-	192	192
Reversal of general provision during the year	-	-	-	(874)	(874)
Reclassify to specific provision during the year	-	-	-	(4.303)	(4.303)
Foreign exchange differences	-	6.735	970	79	7.784
Balance as at 31 December 2018 and 1 January 2019	100.000	309.528	43.098	3.485	456.111
Adjustment on initial application of IFRS 16 Note (3)	-	(171)	-	-	(171)
Adjusted balance of opening retained earnings	100.000	309.357	43.098	3.485	455.940
Profit for the year	-	34.615	-	-	34.615
Transfer to legal reserve	-	(3.462)	3.462	-	-
General provision charged during the year	-	-	-	661	661
Reversal of general provision during the year	-	-	-	(785)	(785)
Foreign exchange differences	-	12.016	1.673	211	13.900
Balance as at 31 December 2019	100.000	352.526	48.233	3.572	504.331

The accompanying notes form an integral part of these financial statements.

Public Bank Berhad, Vientiane Branch
Statement of changes in capital and other reserves (Restated) (continued)

	Paid-up share capital	Retained earnings	Legal reserve	Foreign currency translation reserve	General provision for credit activities	Total
	USD (equivalent)	USD (equivalent)	USD (equivalent)	USD (equivalent)	USD (equivalent)	USD (equivalent)
Balance as at 1 January 2018	12,187,111	31,120,602	4,481,085	(127,687)	1,011,912	48,673,023
Profit for the year	-	5,841,392	-	-	-	5,841,392
Transfer to legal reserve	-	(584,139)	584,139	-	-	-
General provision charged during the year	-	-	-	-	22,523	22,523
Reversal of general provision during the year	-	-	-	-	(102,732)	(102,732)
Reclassification to specific provision during the year	-	-	-	-	(518,944)	(518,944)
Foreign exchange difference	-	-	-	(306,720)	(3,225)	(309,945)
Balance as at 31 December 2018 and 1 January 2019	12,187,111	36,377,855	5,065,224	(434,407)	409,534	53,605,317
Adjustment on initial application of IFRS 16 Note (3)	-	(19,251)	-	-	-	(19,251)
Adjusted balance of opening retained earnings	12,187,111	36,358,604	5,065,224	(434,407)	409,534	53,586,066
Profit for the year	-	3,916,206	-	-	-	3,916,206
Transfer to legal reserve	-	(391,621)	391,621	-	-	-
General provision charged during the year	-	-	-	-	74,811	74,811
Reversal of general provision during the year	-	-	-	-	(88,834)	(88,834)
Foreign exchange difference	-	-	-	(439,143)	8,658	(430,485)
Balance as at 31 December 2019	12,187,111	39,883,189	5,456,845	(873,550)	404,169	57,057,764

The accompanying notes form an integral part of these financial statements.

Public Bank Berhad, Vientiane Branch
Statement of cash flows

	<i>(in millions LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Cash flows from operating activities				
Profit before income tax expense	43.269	62.129	4.895.257	7.301.740
<i>Adjustments for:</i>				
Interest income	(82.395)	(93.797)	(9.321.827)	(11.023.699)
Interest expense	28.248	31.277	3.195.820	3.675.880
Depreciation expense	1.728	1.351	195.448	158.820
Allowance for doubtful debts	60.443	153.847	6.838.332	18.036.128
Reversal of provision for credit losses of loans to customers	(79.043)	(177.179)	(8.942.644)	(20.823.316)
Gain from fixed assets disposal	-	-	-	(76)
Loss from operations before changes in operating assets and liabilities	(27.750)	(22.372)	(3.139.614)	(2.674.523)
<i>Change in operating assets / liabilities</i>				
Change in statutory deposits	(218)	13.835	(24.666)	1.831.867
Change in deposits to other banks	7.071	116.721	800.000	14.404.668
Change in loans and advances to customers	52.764	99.877	5.969.480	14.327.908
Change in other assets	(4.412)	2.223	(499.118)	284.386
Change in deposits from customer	20.835	(94.388)	2.357.191	(13.220.079)
Change in deposits from other banks	209.773	(110.200)	23.732.822	(14.727.002)
Change in other liabilities	3.671	(7.828)	415.318	(1.333.133)
Interest received	77.356	98.748	8.751.729	//11.630.933
Interest paid	(26.866)	(27.276)	(3.039.457)	(3.163.619)
Income tax paid	(9.422)	-	(1.065.972)	-
Net cash generated from operating activities	302.802	69.340	34.257.713	7.361.406

The accompanying notes form an integral part of these financial statements.

Public Bank Berhad, Vientiane Branch
Statement of cash flows (continued)

	<i>Note</i>	31 December			
		<i>in millions LAK</i>		<i>in USD equivalent</i>	
		2019	2018	2019	2018
Cash flows from investing activities					
Acquisition of property and equipment		(6.455)	(58)	(730.060)	(6.800)
Sale proceeds from disposal of fixed assets		-	-	-	76
Net cash used in investing activities		(6.455)	(58)	(730.060)	(6.724)
Net change in cash and cash equivalents		296.347	69.282	33.527.653	7.354.682
Cash and cash equivalents at 1 January		419.502	350.220	49.302.840	42.234.487
Effect of foreign exchange difference		15.740	-	(61.678)	(286.329)
Cash and cash equivalent at 31 December	5	<u>731.589</u>	<u>419.502</u>	<u>82.768.815</u>	<u>49.302.840</u>

The accompanying notes form an integral part of these financial statements.

Public Bank Berhad, Vientiane Branch
Notes to the financial statements
For the year ended 31 December 2019

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Public Bank Berhad, Vientiane Branch

Notes to the financial statements

For the year ended 31 December 2019

1 Organisation and principal activities

Public Bank Berhad, Vientiane Branch (herein referred to as “the Branch”) is a 100% foreign bank branch which was incorporated in Lao People’s Democratic Republic and has its registered office at 100/1-4 Talat Sao Road, PO Box 6614, Vientiane Capital, Lao P.D.R.

Public Bank Berhad (“the Bank”) was incorporated in Malaysia. The Vientiane Branch (“the Branch”) is a branch of the Bank that operates in Lao People’s Democratic Republic (“Lao P.D.R”) under Investment License No. 611/35-95 granted by the Foreign Investment Management Committee on 7 April 1995 and its latest Amended Investment License No. 009-13/MPI.4 dated 20 December 2013.

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

The initial chartered capital of the Branch is 5 million US dollar (“USD”). The total registered and actual paid-up capital as at 31 December 2019 is LAK 100.000 million, equivalent to USD 12.187.111 (31 December 2018: LAK 100.000 million, equivalent to USD 12.187.111)

As at 31 December 2019, the Branch had 71 (2018: 72) employees.

2 Basis of preparation of the financial statements

(a) General basis of accounting

(i) Basis of preparation

The accompanying financial statements are expressed in million of Lao Kip (“million LAK”), in accordance with Decree No. 02/PR by the Prime Minister of Lao P.D.R dated 22 March 2000, the Enterprise Accounting Law of Lao P.D.R and accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R. This is also the functional currency of the Branch.

The financial statements have been prepared in accordance with accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R, which may differ in some material respects from International Financial Reporting Standards and the generally accepted accounting principles and standards of other countries. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations, changes in equity, cash flows and notes thereto in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than the Lao P.D.R. Furthermore, their utilization is not designed for those who are not informed about the Lao P.D.R’s accounting rules, procedures and practices.

New accounting standard IFRS 16 is effective for annual accounting periods on or after 1 January 2019. The application of IFRS 16 accounting is pursuant to the BOL Instruction 1433/AF of International Financial Reporting Standard 16 Leases (“IFRS 16”) dated 24 October 2019. The initial application of the new accounting standard has resulted in change of the Branch’s accounting policy. The effect of this change is described in Note 3.

Public Bank Berhad, Vientiane Branch

Notes to the financial statements

For the year ended 31 December 2019

Solely for internal use purpose, the Branch also translates the financial information into US Dollar (“USD”) equivalent using the exchange rate ruling at the statement of financial position date.

The Branch is 100% foreign invested commercial bank branch which was incorporated in the Lao P.D.R. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally. The Branch has significant transactions and balances with its Head Office and other branches.

The financial statements were authorized for issue on behalf of the Board of Management on 24 March 2020.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except as stated in the accounting policies. The accounting policies have been consistently applied by the Branch and are consistent with those used in the previous year except otherwise stated.

(iii) Use of judgements and estimates

The preparation of the Branch’s financial statements requires management to make judgments, estimates and assumptions based on the management’s best knowledge of current events and actions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and the disclosures of contingent liabilities at the reporting date.

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual outcomes may differ from management’s assessment and such differences could require revisions that are recognized in the period in which the estimates are revised and in any future periods affected.

(b) Foreign currency transactions

The Branch maintains its accounting system and records all transactions in original currencies.

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. Income and expenses arising in foreign currencies during the year are converted into LAK monthly using the respective month’s average exchange rates. Foreign exchange differences arising from the translation of monetary assets and liabilities on the statement of financial position date are recognized in the statement of financial position.

The applicable exchange rates for the LAK against applicable foreign currencies were:

	31 December 2019	31 December 2018
United State Dollar (“USD”)	8.838,95	8.508,68
Thai Baht (“THB”)	304,86	265,50
Euro (“EUR”)	9.887,00	9.736,00

Public Bank Berhad, Vientiane Branch
Notes to the financial statements
For the year ended 31 December 2019

(c) Fiscal Year

The Branch's reporting period starts on 1 January and ends on 31 December.

3 Change in significant accounting policies

3.1 IFRS 16 Leases

(a) Leases

The Branch applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated i.e. it is presented, as previously reported under Lao GAAP and related regulations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(b) Definition of a lease

Previously, the Branch treated Lease contracts as operating leases and booked related lease expense as operating expense. The only lease contracts falling under the domain of IFRS 16 are building rental agreements. The Branch has now assessed whether the rental agreements fall under the definition of a lease, as explained in Note 22.

(c) As a lessee

As a lessee, the branch has the branch office premises. Under IFRS 16, the Branch recognizes right-of-use asset and lease liability i.e. this lease is recorded in the statement of financial position. Further, the Branch has not entered into any new lease during the year ended 31 December 2019.

On transition, for this lease, lease liability was measured at the present value of the remaining lease payments, discounted at the Branch's weighted average rate of deposits for the year 2019.

The right-of-use are measured at their carrying amount as if IFRS 16 was applied since the commencement date of the agreement, discounted using the lessee's weighted average deposits rate at the date of transition.

Public Bank Berhad, Vientiane Branch

Notes to the financial statements

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(d) Impact on transition

On transition to IFRS 16, the Branch recognized additional right-of-use assets and additional lease liability, recognizing the difference in retained earnings. The impact on transition is summarised below:

	1 January 2019	
	<i>(in million LAK)</i>	<i>(in USD equivalent)</i>
ROUA	3.953	447.231
Accumulated depreciation	(627)	(70.811)
Lease liability	(3.006)	(340.116)
Prepaid rental	(427)	(48.300)
Provision for restoration costs	(107)	(12.067)
Retained earnings	171	19.251
Deferred tax	43	4.813

4 Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

The Branch's financial instruments include cash and cash equivalents, originated loans and receivables, deposits, inter-bank balances and other receivables and payables. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

(b) Cash and cash equivalents

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

(c) Interbank and money market items

Interbank and money market items are carried at cost.

(d) Legal 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 the Law on Enterprise (Revision) No.46/NA dated 26 December 2013, the Branch is required to provide legal reserve at a rate of 10% on profit after deducting retained loss. The Branch can stop reserving when the legal reserve has reached up to 50 percentage of Registered Capital.

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(e) Loans and advances

Loans and advances are originated by the Branch providing money to a customer for purposes other than short-term profit taking. They are stated at the outstanding principal balances less an impairment allowance for bad debt and doubtful loans and advances, to reflect the estimated recoverable amount. Loans and advances, except bank overdrafts, are shown exclusive of accrued interest receivable.

(f) Provision for bad debts and doubtful loans and advances

In accordance with Regulation 512/BOL ("BOL 512") dated 29 June 2018 and effective from 1 October 2018, the Branch is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into performing loans, watch-list or non-performing loans based on the payment arrears status and other qualitative factors. Loans classified as Normal or Pass (Group A) are considered as performing loans. Loans classified as Special Mention (Group B) are considered as watch list or special mention loans and loans classified as either Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as non-performing loans.

According to BOL 512, general provision is created at the rate of 0.5% of the total balance of Normal or Pass loans as at the reporting date. Concurrently, specific provision for Watch or Special Mention, Substandard, Doubtful and Loss loans is established by multiplying the outstanding balance of each loan item less the value of collaterals (if any) in accordance with the regulation of BOL with the provision rates applicable to that loan classification as follows:

Classification	Number of days past due	Provision rate
Normal or Pass (A)	0-29 days	0.5%
Watch or Special mention (B)	30-89 days	3%
Substandard (C)	90-179 days	20%
Doubtful (D)	180-359 days	50%
Loss (E)	Over 360 days	100%

Maximum ratio of collateral benefits allowed under BOL 512 are as follows:

Type of collaterals	Maximum allowed ratio
(a) Deposits at the Branch	
- in the same currency with loans	100%
- in different currencies with those of loans	95%
(b) Gold kept at the Branch	90%
(c) Government bonds and BOL bonds	
- in the same currency with loans	
▪ With a remaining term of below 1 year	100%
▪ With a remaining term of between 1 year to 5 years	90%
▪ With a remaining term of over 5 years	80%
- in different currencies with those of loans	
▪ With a remaining term of below 1 year	95%
▪ With a remaining term of between 1 year to 5 years	85%
▪ With a remaining term of over 5 years	75%
(d) Deposits at other banks or financial institutions	

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▪ With a remaining term of below 1 year	80%
▪ With a remaining term of between 1 year to 5 years	75%
▪ With a remaining term of over 5 years	70%
(e) Letter of Credit or Standby Letter of Credit	95%
(f) Letter of Guarantee or Bank Guarantee	90%
(g) Real estates	40%

Changes in specific provision is recorded to the statement of comprehensive income as “Net specific provision charges”. Accumulated specific provision reserve is recorded in the statement of financial position in “Loans and advances to customers, net of specific provision”.

In accordance with the relevant accounting regulations as stipulated by the Bank of Lao P.D.R, any changes in general provision for credit activities are recorded to the statement of comprehensive income as “Other operating expenses” for general provision expense and “Other operating income” for reversal of general provision expense and the balance of general provision reserve is recorded in the statement of financial position in “General provision for credit activities” under capital and reserves of the Branch.

(g) Write-off

In accordance with BOL 512, loans are written off not later than 90 days after being classified to Loss group.

Loans written off are recorded as off-balance sheet items for following up and collection. The amounts collected from the loans previously written-off, including the proceeds from sales of collaterals against those debts, are recognised in the statement of comprehensive income upon receipt.

(h) Provision for off-balance sheet commitments

In accordance with BOL 512, the Branch is not required to make provision for off-balance sheet commitments, except where the Branch has made payment under the guarantee contract on behalf of its customers, in which case the payment is classified and provision for credit losses is made in accordance with the accounting policy as described in Note 4(f).

(i) Investments

Investments consist of investments in bonds issued by the Ministry of Finance. Investments are stated at par.

(j) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

Depreciation of property and equipment is charged to the statement of income on a straight-line basis over the estimated useful lives of the individual assets as follows:

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For the year ended 31 December 2019

Buildings & improvements	5%
Office equipment	20%
Computer equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

The Branch leases its branch office building premises. The lease runs for a period of 25 years, with an option to renew the lease after that date. Payments are made after every five years and rental is increased by predetermined rate to reflect market rates. Previously, the lease was classified as general expense as per Lao GAAP and related regulations.

Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Branch. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the statement of comprehensive income on the date of retirement or disposal.

Fully depreciated property and equipment is retained on the statement of financial position until disposed of or written off.

(k) Amounts due to customers

Amounts due to customers are stated at placement value.

(l) Income recognition

Interest income is recognized on a daily accrual basis using the straight-line method and the interest rates stipulated in the loan/deposit contracts with clients. Where an account becomes non-performing, the recording of interest as income is suspended until it is realized on a cash basis. Customers' accounts are deemed to be non-performing when Management believes that the borrower has no ability to repay the interest and principal.

Fees and commissions consist of fees received from fund transfer transactions, trade settlement, foreign currency exchange transactions, ATM transactions and financial guarantees. Fee and commission income are recognized into the statement of comprehensive income on cash basis.

Income from the various activities of the Branch is accrued using the following bases:

- (i) Loan arrangement fees and commissions on services and facilities extended to customers are recognized on the occurrence of such transactions;
- (ii) Commitment fees and guarantee fees on services and facilities extended to customers are recognized as income over the period in which the services and facilities are extended; and
- (iii) Service charges and processing fees are recognized when the service is provided.

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(m) Interest expense

Interest expense on amounts due to customers and other banks is recognised on an accrual basis.

(n) Income tax

Tax expense comprises current and deferred tax. Current and deferred tax are recognized in statement of comprehensive income.

Current tax

The taxation system in the Lao PDR is relatively new and is characterised by numerous taxes and frequently changing legislation and can be subject to interpretations. Taxes are subject to review and investigation by a number of authorities. 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. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions of amounts payable to the tax authorities.

Provision is made for taxation based on the current year's total revenue as per the laws governing taxation within the Lao P.D.R. For each profitable year, the Bank is subject to the current tax rate of 20% on total taxable income.

(o) Provisions

A provision is recognized if, as a result of a past event, the Branch has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(p) Related parties

Parties are considered to be related to the Branch if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or where the Branch and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

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(q) Employee benefits

Post-employment benefits

Post-employment benefits are paid to retired employees of the Branch by the Social Security Organisation (SSO) which belongs to the Ministry of Labour and Social Welfare. The Branch is required to contribute to these post-employment benefits by paying to the Security Welfare at the rate of 6% of SSO threshold on a monthly basis (maximum SSO threshold is LAK 4,500,000, new max threshold effective from 1 January 2017). 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 Labor Law issued by the President of Lao People's Democratic Republic on 24 December 2013, the Branch has the obligation to pay compensation for employees who are terminated in the following cases:

- The worker lacks specialized skills or is not in good health and has a medical certificate, and after allowing the worker in question to undertake other, more appropriate work according to their ability and health, yet the person in question is still unable to work;
- The employer considers it necessary to reduce the number of workers in order to improve the work within the labor unit after consulting the trade union or employee representative or the majority of employees, and has reported to the Labor Administration Agency.

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay compensation 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 2019, there were no employees of the Branch who were dismissed under the above-mentioned grounds, therefore the Branch did not make any provision for termination allowance in the financial statements.

(r) Leases

The Branch has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under Lao GAAP and related regulations. The details of accounting policies under Lao GAAP and related regulations are disclosed separately if they are different from those under IFRS 16. The impact of changes is disclosed in Note 3.

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Policy applicable from 1 January 2019

At inception of a contract, the Branch assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Branch assesses whether:

- the contract involves the use of an identified asset;
- the Branch has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Branch has the right to direct the use of the asset. The Branch has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Branch allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Under Lao GAAP

Operating leases

In the comparative period, payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

5 Cash and cash equivalents

a) Classified by currency

	31 December			
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Lao Kip ("LAK")	146.477	40.334	16.571.871	4.740.361
Thai Baht ("THB")	4.507	43.086	509.891	5.063.724
United States Dollar ("USD")	553.838	300.725	62.658.748	35.343.305
Other foreign currencies	26.767	35.357	3.028.305	4.155.450
	731.589	419.502	82.768.815	49.302.840

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b) Classified by type of cash and cash equivalents

	31 December		31 December	
	(in million LAK)		(in USD equivalent)	
	2019	2018	2019	2018
Cash on hand	34.286	38.511	3,879.021	4,526,130
Demand deposit at BOL	243.466	165.954	27,544.664	19,503.981
Current accounts with other branches and banks	453.837	215.037	51,345.130	25,272.729
	731.589	419.502	82,768.815	49,302.840

6 Amounts due from other branches and banks

	31 December		31 December	
	(in million LAK)		(in USD equivalent)	
	2019	2018	2019	2018
Amount due from other branches				
Wattay Branch	48.615	51.052	5,500.000	6,000.000
Pakse Branch	42.427	43.394	4,800.000	5,100.000
Savannakhet Branch	13.258	12.763	1,500.000	1,500.000
	104.300	107.209	11,800.000	12,600.000

a) Classified by maturity

	31 December		31 December	
	(in million LAK)		(in USD equivalent)	
	2019	2018	2019	2018
Within 3 months	104.300	107.209	11,800.000	12,600.000
	104.300	107.209	11,800.000	12,600.000

b) Classified by currency

	31 December		31 December	
	(in million LAK)		(in USD equivalent)	
	2019	2018	2019	2018
USD	104.300	107.209	11,800.000	12,600.000
	104.300	107.209	11,800.000	12,600.000

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7 Statutory deposits with Central Bank

	31 December		31 December	
	(in million LAK)		(in USD equivalent)	
	2019	2018	2019	2018
Statutory deposits based on:				
Registered capital reserve	44.981	10.588	5,088,952	1,244,407
Compulsory reserve	10.588	42.695	1,197,910	5,017,789
	<u>55.569</u>	<u>53.283</u>	<u>6,286,862</u>	<u>6,262,196</u>

Statutory deposits with Central Bank include compulsory reserve and registered capital reserve. These balances earn no interest. Under regulations of the BoL, the Branch is required to maintain certain cash reserves with the BoL in the form of compulsory deposits, which are computed at 5% for LAK and 10% for foreign currencies (2018: 5% and 10%), 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 by the BoL.

8. Investment

	31 December		31 December	
	(in million LAK)		(in USD equivalent)	
	2019	2018	2019	2018
Government Bonds	<u>11.921</u>	<u>13.133</u>	<u>1,348,689</u>	<u>1,543,518</u>

The investment represents bonds with the Ministry of Finance of the Lao P.D.R with an interest rate of 3% for the first year and an additional 0.2% per annum in the following years.

Movement of investments during the year are as follows:

	31 December		31 December	
	(in million LAK)		(in USD equivalent)	
	2019	2018	2019	2018
Balance at the beginning of the year	13.133	-	1,543,518	-
Addition	-	13.133	-	1,543,518
Maturity	(1.212)	-	(194,829)	-
Balance at the end of the year	<u>11.921</u>	<u>13.133</u>	<u>1,348,689</u>	<u>1,543,518</u>

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9 Loans and advances to customers, net of specific provision

	31 December			
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Loans and advances to customers	961.033	974.634	108.727.119	114.545.886
Less specific provision (Note 17b)	<u>(20.819)</u>	<u>(38.248)</u>	<u>(2.355.410)</u>	<u>(4.495.180)</u>
	<u>940.214</u>	<u>936,386</u>	<u>106.371.709</u>	<u>110.050.706</u>

a) Classified by residual maturity

	31 December			
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Within 1 year	197.834	285.645	22.382.250	33.570.958
1 year to 5 years	76.940	2.301	8.704.601	270.517
Over 5 years	521.180	499.152	58.964.013	58.663.887
Non-performing loans / watch list	<u>165.079</u>	<u>187.536</u>	<u>18.676.255</u>	<u>22.040.524</u>
	<u>961.033</u>	<u>974.634</u>	<u>108.727.119</u>	<u>114.545.886</u>

b) Classified by currency

	31 December			
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
LAK	302.830	296.784	34.260.888	34.880.115
THB	103.505	98.336	11.710.181	11.557.217
USD	<u>554.698</u>	<u>579.514</u>	<u>62.756.050</u>	<u>68.108.554</u>
	<u>961.033</u>	<u>974.634</u>	<u>108.727.119</u>	<u>114.545.886</u>

c) Classified by type of business

	31 December			
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Agriculture	3.368	3.609	381.040	424.202
Manufacturing	55.381	58.296	6.265.510	6.851.399
Trading	433.082	429.251	48.996.915	50.448.495
Others	<u>469.202</u>	<u>483.478</u>	<u>53.083.654</u>	<u>56.821.790</u>
	<u>961.033</u>	<u>974.634</u>	<u>108.727.119</u>	<u>114.545.886</u>

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d) Classified by performance

	31 December			
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Performing loans	714.484	709.281	80.833.638	83.359.732
Watch List loans	81.470	77.817	9.217.226	9.145.630
Non-performing loans	165.079	187.536	18.676.255	22.040.524
	<u>961.033</u>	<u>974.634</u>	<u>108.727.119</u>	<u>114.545.886</u>

e) Classified by interest rate (per annum)

	2019	2018
	(%)	(%)
LAK	3,00 – 20,00	3,00 – 20,00
THB	7,54 – 14,00	8,00 – 14,00
USD	3,00 – 15,00	3,00 – 15,00

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10 Property and equipment

Movement of the balance of tangible fixed assets for the year ended 31 December 2019 is as follows:

	<i>In million LAK</i>					
	Building & improvements	Right of use asset	Office equipment	Furniture & fixtures	Computer equipment	Motor vehicles
Cost:						
Balance at 1 January 2019	6,399	-	1,807	358	10,011	1,439
Recognition of right of use asset on initial application of IFRS 16	-	3,953	-	-	-	-
Adjusted balance at 1 January 2019	6,399	3,953	1,807	358	10,011	1,439
Additions	2,315	-	181	11	3,948	-
Disposals	-	-	(3)	-	(253)	-
Balance at 31 December 2019	8,714	3,953	1,985	369	13,706	1,439
Accumulated depreciation:						
Balance at 1 January 2019	3,516	-	1,542	291	8,008	1,302
Recognition of right of use asset on initial application of IFRS 16	-	627	-	-	-	-
Adjusted balance at 1 January 2019	3,516	627	1,542	291	8,008	1,302
Charges for the year	281	198	231	33	848	137
Disposals	-	-	(3)	-	(253)	-
Balance at 31 December 2019	3,797	825	1,770	324	8,603	1,439
Net book value:						
As at 1 January 2019 -Adjusted	2,883	3,326	265	67	2,003	137
As at 31 December 2019	4,917	3,128	215	44	5,103	-
As at 31 December 2019 in USD equivalent	556,327	354,058	24,342	4,748	577,380	-

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Movement of the balance of tangible fixed assets for the year ended 31 December 2018 is as follows:

	<i>In million LAK</i>					Total
	Building & improvements	Office equipment	Furniture & fixtures	Computer equipment	Motor vehicles	
Cost:						
Balance at 1 January 2018	6,399	1,853	353	10,051	1,439	20,095
Additions	-	25	5	28	-	58
Disposals	-	(71)	-	(68)	-	(139)
Balance at 31 December 2018	6,399	1,807	358	10,011	1,439	20,014
Accumulated depreciation:						
Balance at 1 January 2018	3,265	1,385	253	7,467	1,077	13,447
Charges for the year	251	228	38	609	225	1,351
Disposals	-	(71)	-	(68)	-	(139)
Balance at 31 December 2018	3,516	1,542	291	8,008	1,302	14,659
Net book value:						
As at 1 January 2018	3,134	468	100	2,584	362	6,648
As at 31 December 2018	2,883	265	67	2,003	137	5,355
As at 31 December 2018 in USD equivalent	338,925	31,186	7,864	235,438	15,926	629,339

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11 Other assets

	31 December			
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Accrued interest receivables on loans	5.122	2.761	579.517	324.503
Accrued interest receivables on amounts due from other branches and banks	62	95	7.009	11.180
Accrued interest receivables from investment	395	425	44.711	49.959
Prepaid expenses	1.295	591	146.497	69.458
Others	4.327	4.752	489.374	558.484
	<u>11.201</u>	<u>8.624</u>	<u>1.267.108</u>	<u>1.013.584</u>

12 Deposits from customers

a) Classified by type of deposits

	31 December			
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Current deposits	85.191	80.138	9.638.135	9.418.363
Saving deposits	235.352	218.107	26.626.690	25.633.532
Term deposits	322.637	300.846	36.501.766	35.357.505
Total	<u>643.180</u>	<u>599.091</u>	<u>72.766.591</u>	<u>70.409.400</u>

b) Classified by maturity

	31 December			
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Less than 3 months	320.470	330.211	36.256.573	38.808.675
3 to 6 months	78.634	56.649	8.896.309	6.657.814
Over 6 months to 1 year	98.565	59.687	11.151.284	7.014.862
Over 1 year	145.511	152.544	16.462.425	17.928.049
Total	<u>643.180</u>	<u>599.091</u>	<u>72.766.591</u>	<u>70.409.400</u>

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c) Classified by type of customers

	31 December		31 December	
	(in million LAK)		(in USD equivalent)	
	2019	2018	2019	2018
Domestic corporations	376.341	354.604	42.577.494	41.675.586
Foreign corporations	104.321	92.536	11.802.475	10.875.482
Individuals	162.518	151.951	18.386.622	17.858.332
Total	643.180	599.091	72.766.591	70.409.400

d) Classified by currencies

	31 December		31 December	
	(in million LAK)		(in USD equivalent)	
	2019	2018	2019	2018
LAK	70.680	43.759	7.996.469	5.142.817
THB	113.015	442.919	12.786.028	13.211.592
USD	459.485	112.413	51.984.094	52.054.975
Others	-	-	-	16
Total	643.180	599.091	72.766.591	70.409.400

e) Classified by interest rate (per annum)

	2019	2018
	(%)	(%)
Current deposits		
- LAK	0,00 -0,00	0,00 – 1,00
- THB	0,00 -0,00	0,00 – 1,00
- USD	0,00 -0,00	0,00 – 1,00
Saving deposits		
- LAK	1,89	1,89
- THB	1,50	1,50
- USD	2,00 – 2,20	2,00
Term deposits		
- LAK	3,16 – 7,50	3,16 – 7,50
- THB	2,00 – 6,25	2,00 – 6,25
- USD	2,25 – 4,95	2,25 – 4,95

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13 Amounts due to other banks

a) Classified by type of deposits

	31 December		31 December	
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Current deposits	341.104	106.685	38.591.038	12.538.330
Term deposits	355.543	361.996	40.224.526	42.544.412
Total	696.647	468.681	78.815.564	55.082.742

b) Classified by residence

	31 December		31 December	
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Domestic	326.188	111.234	36.903.513	13.073.109
Foreign	370.459	357.447	41.912.051	42.009.633
Total	696.647	468.681	78.815.564	55.082.742

c) Classified by maturity

	31 December		31 December	
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Less than 3 months	338.965	106.685	38.348.986	12.538.330
3 to 6 months	357.682	361.996	40.466.578	42.544.412
Total	696.647	468.681	78.815.564	55.082.742

d) Classified by currency

	31 December		31 December	
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
LAK	270	81	30.557	9.537
THB	16.525	36.315	1.869.615	4.267.972
USD	679.852	432.285	76.915.392	46.205.233
Total	696.647	468.681	78.815.564	50.482.742

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14 Other liabilities

	31 December			
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Accrued interest payables to customer deposits	8.386	8.822	948.648	1.037.041
Accrued interest payables to amounts due to other branches and banks	345	911	39.056	107.026
Lease liability	3.207	-	362.860	
Tax payable	10.368	9.219	1.173.029	1.083.413
Others	1.737	657	196.526	77.244
Total	24.043	19.609	2.720.119	2.304.724

15 Paid - up capital

The Branch has registered branch capital of LAK 100 billion (2018: LAK 100 billion), in accordance with the BOL announcement: Agreement on Increasing in Minimum Registered Capital and Investment Capital of Commercial Bank No.141/PM dated 24 September 2009.

According to Article 12 of amended Law on Commercial Bank No. 56/NA dated 07 December 2018, a Branch of foreign commercial bank is required to raise its capital to minimum of LAK 300 billion within 5 years. All banks/branches are required to inject the additional capital not less than 20% each year commencing from September 2019.

The Branch has negotiated its plans for achievement of required capital with BOL. In light of these arrangements, the Branch was not required to inject any additional capital during the year ended 31 December 2019.

16 Legal reserve

In accordance with the Law on Enterprise (Revision) No.46/NA dated 26 December 2013, the Branch is required to provide legal reserve at the rate 10% of profit after deducting retained loss. The Branch can stop reserving when the legal reserve has reached up to 50 percentage of registered capital. The legal reserve is subject to approval by Board of Management.

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17 Provision for credit activities

a) General provision for credit activities

	31 December			
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Balance at the beginning of the year	3.485	8.391	409.534	1.011.912
Reclassify to specific provision during the year	-	(4.303)	-	(518.944)
Provision made in the year (Note 20)	661	192	74.811	22.524
Reversal of provision in the year (Note 19)	(785)	(874)	(88.834)	(102.732)
Foreign exchange translation	211	79	8.658	(3.226)
Balance at the end of the year	3.572	3.485	404.169	409.534

b) Specific provision for credit activities

	31 December			
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Balance at the beginning of the year	38.248	97.438	4.495.180	11.750.477
Reclassify from general provision during the year	-	4.303	-	518.944
Provision made in the year	59.782	153.655	6.763.521	18.058.651
Reversal of provision in the year	(78.258)	(176.305)	(8.853.810)	(20.720.584)
Utilization for bad debt written off	(3.049)	(45.529)	(345.003)	(5.350.910)
Foreign exchange translation	4.096	4.686	295.522	238.602
Balance at the end of the year	20.819	38.248	2.355.410	4.495.180

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18 Net fee and commission income

	31 December			
	(in million LAK)		(in USD equivalent)	
	2019	2018	2019	2018
Fee and commission income				
Processing fees for lending activities	1.087	2.679	122.927	314.802
Trade finance activities	2.227	500	251.975	58.765
Settlement services	16	11	1.758	1.324
Other transactions with customers	1.573	1.985	177.992	233.226
	4.903	5.175	554.652	608.117
Fee and commission expense				
Interbank transactions	(208)	(185)	(23.504)	(21.699)
Visa charge	(951)	(747)	(107.690)	(87.841)
Legal fees related to lending activities	(279)	(566)	(31.547)	(66.483)
Others	(4)	(12)	(408)	(1.384)
	(1.442)	(1.510)	(163.149)	(177.407)
Net fee and commission income	3.461	3.665	391.503	430.710

19 Other income

	31 December			
	(in million LAK)		(in USD equivalent)	
	2019	2018	2019	2018
Reversal of general provision (Note 17a)	785	874	88.834	102.732
Gain on sale of fixed assets	-	-	-	76
Recovery of bad debts written off	-	154	-	18.097
Others	225	226	25.397	26.446
Total	1.010	1.254	114.231	147.351

20 Other expenses

	31 December			
	(in million LAK)		(in USD equivalent)	
	2019	2018	2019	2018
General provision expense (Note 17a)	661	192	74.811	22.524
Administration expenses	5.231	4.218	591.749	495.746
Deposit insurance paid to depositor protection fund	356	799	40.280	93.913
Interest on lease liability	94	-	10.676	-
Total	6.342	5.209	717.516	612.183

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21 Income tax expenses

The reconciliation of income tax computed at the statutory tax rate to the income tax shown in the statement of income is as follow:

	Tax rate (%)	31 December		
		(in million LAK)	(in USD equivalent)	
		2019	2018	2019 2018
Profit before income tax		43.269	62.129	4.895.257 7.301.740
Income tax using statutory tax rate	20	8.654	12.426	979.051 1.460.348
Income tax		8.654	12.426	979.051 1.460.348

The corporate tax expense is calculated at 20% on taxable profit. The calculation of taxable income is subject to review and approval by the tax authorities.

Income tax reduction

The Income Tax Law No. 67/NA dated 31 July 2019 reduced the profit tax rate in Lao PDR from 24% to 20% of taxable profit for the fiscal years beginning on or after 1 January 2020. The reduction in tax rate does not affect the Branch as the Branch is already using 20% as tax rate in accordance with the Law on the Promotion and Management of Foreign investment in the Lao P.D.R No. 01/94 dated 14 March 1994.

22 Leases

The Branch leases its branch office building premises. The lease runs for a period of 20 years, with an option to renew the lease after that date. Payments are made after every five years and rental is increased by pre-determined rates to reflect market rates.

Previously, the lease was classified as general expense as per Lao GAAP and related regulations. The information for lease for which the Branch is lessee is presented below:

i. Right-of-use asset

Right-of-use assets relate to leased branch office premises that are presented within property and equipment (See Note 10).

	31 December 2019	
	(in million LAK)	(in USD equivalent)
Balance at 1 January 2019– net	3.326	376.420
Depreciation charge for the year	(198)	(22.362)
Additions	-	-
Balance at 31 December 2019	3.128	354.058

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ii. Amount recognized in profit or loss

	31 December 2019	
	<i>(in million LAK)</i>	<i>(in USD equivalent)</i>
Interest on lease liability	94	10.676
Depreciation expense	198	22.362
Total	292	33.039

23 Related party transactions

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

- (a) directly, or indirectly through one or more intermediaries, the party:
 - controls, is controlled by, or is under common control with the Branch (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the Branch that gives it significant influence over the Branch or;
 - has joint control over the Branch.
- (b) the party is a joint venture in which the Branch is a venture
- (c) the party is a member of the key management personnel of the Branch or its parent
- (d) the party is a close member of the family of any individual referred to in (a) or (c)
- (e) the party is 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 that is a related party of the Branch.

Name of entities	Country of incorporation/ nationality	Nature of relationships
Public Bank Berhad - Head Office	Malaysia	Head Office
Public Bank Berhad - Savannakhet Branch	Laos	Branch of the same juristic person
Public Bank Berhad - Wattay Branch	Laos	Branch of the same juristic person
Public Bank Berhad - Pakse Branch	Laos	Branch of the same juristic person
Public Bank Berhad – Cambodia	Cambodia	Bank of the same juristic person

The pricing policies for transactions with related parties are explained further below:

Transactions	Pricing policies
Interest income	Contractually agreed
Interest expense	Contractually agreed

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Significant transactions for the year ended 31 December 2019 and 2018 with the Branch were as follows:

	31 December			
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Interest income	1.511	1.427	170.963	167.638
Interest expense	(9.187)	(8.088)	(1.039.359)	(950.569)

Significant balances of inter-office accounts with related parties as at 31 December 2019 and 2018 were as follows:

	31 December			
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Cash and cash equivalents	53.360	47.073	6.037.040	5.532.530
Public Bank Berhad - Head Office	52.874	42.836	5.981.952	5.034.390
Public Bank Berhad - Savannakhet Branch	394	1.337	44.632	157.159
Public Bank Berhad - Wattay Branch	-	76	-	9.032
Public Bank Berhad - Pakse Branch	92	2.824	10.456	331.949
Amount due from other branches	104.300	107.209	11.800.000	12.600.000
Public Bank Berhad - Wattay Branch	48.614	51.052	5.500.000	6.000.000
Public Bank Berhad - Pakse Branch	42.427	43.394	4.800.000	5.100.000
Public Bank Berhad - Savannakhet Branch	13.258	12.763	1.500.000	1.500.000
Other assets	62	95	7.008	11.180
Accrued interest receivables - Wattay Branch	47	59	5.273	6.917
Accrued interest receivables - Pakse Branch	15	36	1.735	4.263
Amount due to other branches and banks	(387.709)	(363.890)	(43.863.711)	(42.767.002)
Public Bank Berhad - Head Office	(208.869)	(197.483)	(23.404.253)	(23.209.633)
Public Bank Berhad - Savannakhet Branch	(15.952)	(2.182)	(1.804.669)	(256.441)
Public Bank Berhad - Wattay Branch	(605)	(4.207)	(68.563)	(494.452)
Public Bank Berhad - Pakse Branch	(762)	(55)	(86.226)	(6.476)
Public Bank Berhad – Cambodia	(163.521)	(159.963)	(18.500.000)	(18.800.000)

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	31 December			
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Other liabilities	(345)	(597)	(39.055)	(59.630)
Accrued interest payables -				
Head Office	(241)	(383)	(27.222)	(45.000)
Accrued interest payables –				
Savannakhet Branch	(14)	-	(1.612)	-
Accrued interest payables -				
Public Bank Berhad Cambodia	(90)	(214)	(10.221)	(14.630)

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

	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Salaries	1.876	1.771	212.287	208.183
Bonus and other benefits	747	680	84.501	79.945
Total	2.623	2.451	296.788	288.128

24 Commitments and contingent liabilities

	31 December			
	<i>(in million LAK)</i>		<i>(in USD equivalent)</i>	
	2019	2018	2019	2018
Letter of credit outstanding	5.303	4.963	600.000	600.000
Letter of guarantee				
outstanding	3.912	2.572	442.541	302.267
Operating lease commitments	-	3.450	-	417.075
Total	9.215	10.985	1.042.541	1.319.342

25 Events after the balance sheet date

Other than those disclosed elsewhere in these financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2019 that significantly impacted the financial position of the Branch as at 31 December 2019.