

MARUHAN Japan Bank Lao Co., Ltd

Financial statements

For the year ended 31 December 2022



MARUHAN Japan Bank Lao Co., Ltd

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MARUHAN Japan Bank Lao Co., Ltd

GENERAL INFORMATION

THE BANK

MARUHAN Japan Bank Lao Co., Ltd ("the Bank") is a 100% foreign invested commercial bank which was incorporated in Lao People's Democratic Republic ("Lao PDR"). The Bank operates as part of MARUHAN Japan Group ("the Group"), which is affiliated to MARUHAN Corporation in Japan.

The Bank operates under Banking Business License No. 05/BOL granted by Bank of the Lao PDR ("the BOL") on 11 February 2013.

The initial charter capital of the Bank is LAK 300,000,000,000. As at 31 December 2022, the actual paid-up capital is LAK 501,533,400,000 (31 December 2021: LAK 431,535,000,000).

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

The Bank is located at Unit 14, 23 Singha Road, Ban Phonxay, Saysettha District, Vientiane Capital, Lao PDR.

BOARD OF DIRECTORS

Members of the Board of Directors during the year ended 31 December 2022 and as at the date of these financial statements are as follows:

<u>Name</u>	<u>Position</u>	<u>Date of appointment/resignation</u>
Dr. HAN, Chang-woo	Chairman	Reappointed on 08 January 2022
Mr. Han, Yu	Member	Reappointed on 08 January 2019 Retired on 08 January 2022
Mr. HAN, Ken	Member	Reappointed on 08 January 2022
Mr. KIM, Vada	Member	Reappointed on 12 January 2022
Mr. IWASA, Tomoyuki	Member	Appointed on 01 April 2021
Mr. Yuji Muto	Member	Appointed on 29 September 2022

MANAGEMENT

Members of the Management during the year ended 31 December 2022 and as at the date of these financial statements are as follows:

<u>Name</u>	<u>Position</u>	<u>Date of appointment/resignation</u>
Mr. Anthony CHIN	Chief Executive Officer	Appointed on 16 July 2019 Resigned on 09 September 2022
Mr. Tomoyuki Iwasa	Acting Chief Executive Officer	Appointed on 09 September 2022 until 31 December 2022
Mr. Bounmy Sengphachan	Chief Executive Officer	Appointed on 05 December 2022
Mr. Yoshikoshi HAYATO	Deputy Chief Executive Officer	Appointed on 01 July 2019
Ms. Monekham Xaybounheuang	Chief Risk Officer	Appointed on 22 March 2021 Resigned on 30 November 2022
Mr. Soneouthai Soukhalivong	Chief Financial Officer	Appointed on 01 December 2021
Mr. Boun Xaiyarath	Head of Distribution	Appointed on 03 April 2020 Resigned on 30 October 2022
Mr. Phouvieng Thavyxay	Head of Retail & MSME	Appointed on 01 November 2022
Mr. Vignasone Mounnalard	Head of Agency Banking	Appointed on 19 April 2022
Ms. Phetphaivanh Inthisane	Head of HR and L&D	Appointed on 01 June 2022 Resign on 31 November 2022
Mr. Worasit Sangkul	Head of HR & Admin	Appointed on 20 August 2012 to 30 May 2022
	Acting Head of HR and L&D	Appointed on 01 November 2022

MARUHAN Japan Bank Lao Co., Ltd

GENERAL INFORMATION (continued)

MANAGEMENT (continued)

Members of the Management during the year ended 31 December 2022 and as at the date of these financial statements are as follows:

<u>Name</u>	<u>Position</u>	<u>Date of appointment/resignation</u>
Mr. Sombat Douangsotsy	Head of Credit	Appointed on 01 July 2020
Ms. Vilayvanh	Head of Compliance	Appointed on 22 March 2021
Luangmounninthone		
Ms. Soumaly Siviengsay	Head of Internal Audit	Appointed on 01 August 2014 Resigned on 06 June 2022
Ms. Khampheuan Luanglath	Acting Head of Internal Audit	Appointed on 01 August 2022
Mr. JOHN, Jacob	Head of IT & Operations	Appointed on 07 April 2014 Resigned on 30 October 2022
Mr. Vilasack Chanthavong	Acting Head of IT	Appointed on 21 November 2022
Mr. Horace Arputhaselan	Head of Customer Value Management	Appointed on 16 August 2021

LEGAL REPRESENTATIVE

The legal representative of the Bank during the period from 1 January 2022 until 9 September 2022 is Mr. Anthony Chin, Chief Executive Officer. The legal representative of the Bank during the period from 5 December 2022 until the date of this report is Mr. Bounmy Sengphachan, Chief Executive Officer.

AUDITOR

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

MARUHAN Japan Bank Lao Co., Ltd

REPORT OF MANAGEMENT

Management of MARUHAN Japan Bank Lao Co., Ltd (“the Bank”) is pleased to present its report and the Bank’s financial statements for the year ended 31 December 2022.

MANAGEMENT’S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Bank’s Management is responsible for the financial statements of each financial year in accordance with the Accounting Law of the Lao PDR and the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements. 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 Bank 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 Bank and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

STATEMENT BY MANAGEMENT

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

For and on behalf of Management:



Mr. Bounmy Sengphachan
Chief Executive Officer

Vientiane, Lao PDR

30 March 2023

Reference: 12813499/66841750-LAS

INDEPENDENT AUDITORS' REPORT

To: The Owner of MARUHAN Japan Bank Lao Co., Ltd

Opinion

We have audited the financial statements of MARUHAN Japan Bank Lao Co., Ltd ("the Bank"), 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 Bank 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.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank 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 to the financial statements, which describes the basis of accounting adopted by the Bank. These accounting policies are not intended to present the financial position, the results of operations and cash flows of the Bank in accordance with international generally accepted accounting principles.

Our opinion is not modified in respect of this matter.

Responsibilities of the Bank's Management for the Financial Statements

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

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



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

Vientiane, Lao PDR

30 March 2023

MARUHAN Japan Bank Lao Co., Ltd

INCOME STATEMENT
for the year ended 31 December 2022

Code	ITEMS	Notes	2022 LAK'000	2021 LAK'000
A.	OPERATING INCOME AND EXPENSES			
1.	Interest and similar income	3	98,656,982 ✓	72,692,565
2.	Interest and similar expense	3	(42,835,391) ✓	(35,270,892)
I.	NET INTEREST AND SIMILAR INCOME	3	55,821,591	37,421,673
3	Fee and commission income	4	7,726,079 ✓	5,968,756
4	Fee and commission expense	4	(2,861,695) ✓	(3,022,366)
5	Net loss from dealing in foreign currencies	5	(15,917,807) ✓	(13,350,698)
II.	NET OPERATING INCOME		44,768,168	27,017,365
B	OTHER INCOME AND EXPENSES			
7	Other operating income	6	18,744,667 ✓	9,853,722
8	Administration expenses		(61,987,096)	(46,353,440)
8.1	Payroll and other staff costs	7	(35,165,856) ✓	(31,229,061)
8.2	Other administration expenses	8	(26,821,240)	(15,124,379)
9	Depreciation and amortization charges	14	(8,653,163) ✓	(8,106,865)
10	Other operating expenses	9	(447,531)	(2,232,974)
11	Net provision for non-performing loans	13.2	(6,697,583) ✓	(16,650,899)

MARUHAN Japan Bank Lao Co., Ltd

INCOME STATEMENT (continued)
for the year ended 31 December 2022

Code	ITEMS	Notes	2022 LAK'000	2021 LAK'000
III.	TOTAL LOSS BEFORE TAX		(14,272,538)	(36,473,091)
12	Current profit tax	18.2	-	-
13	Deferred Tax Income	18.3	10,679,731	-
IV.	NET LOSS AFTER TAX		(3,592,807)	(36,473,091)

Prepared by:



Mr. Soneouthai
SOUKHALIVONG
Chief Financial Officer

Approved by:



Mr. Boumy Sengphachan
Chief Executive Officer

Vientiane, Lao PDR

30 March 2023

MARUHAN Japan Bank Lao Co., Ltd

STATEMENT OF FINANCIAL POSITION as at 31 December 2022

Code	ASSETS	Notes	31/12/2022 LAK'000	31/12/2021 LAK'000
I	Cash and accounts with Bank of the Lao PDR ("the BOL")		285,563,559	164,515,405
	1. Cash on hand	10	23,348,524	22,939,517
	2. Balances with the BOL	11	262,215,035	141,575,888
II	Due from banks		503,666,168	377,556,484
	1. Demand deposits	12.1	210,892,168	40,796,284
	2. Term deposits	12.2	292,774,000	336,760,200
III	Loans to customers, net of specific provision	13	824,803,435	716,013,049
IV	Fixed assets and right-of-use assets		29,695,787	30,026,635
	1. Assets under purchase	14.1	259,209	9,341,258
	2. Tangible fixed assets and Right-of-use assets	14.2	10,456,938	12,067,683
	3. Intangible fixed assets	14.3	18,979,640	8,617,694
V	Other assets		46,897,655	20,407,160
	1. Accrued interest receivables	15.1	15,901,329	12,395,912
	2. Others	15.2	20,137,649	8,011,248
	3. Deferred tax asset	18.3	10,858,677	-
	TOTAL ASSETS		1,690,626,604	1,308,518,733

MARUHAN Japan Bank Lao Co., Ltd

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

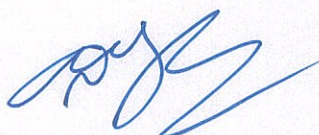
Code	LIABILITIES AND CAPITAL	Notes	31/12/2022 LAK'000	31/12/2021 LAK'000
I	Due to banks and financial institutions		669,753,951	661,718,687
	1. Demand deposits	16.1	2,318,729	4,558,687
	2. Term deposits	16.2	199,800,000	349,800,000
	3. Borrowings from bank and funding from others	16.3	467,635,222	307,360,000
II	Due to customers	17	672,236,719	373,321,437
	1. Demand deposits		10,703,126	20,802,233
	2. Saving deposits		357,321,521	132,314,174
	3. Term deposits		304,212,072	220,205,030
III	Other liabilities		33,361,630	25,340,483
	1. Accrued interests payable		18,903,598	12,712,862
	2. Taxes payable	18.1	23,410	72,304
	3. Other payables	19	14,255,676	12,555,317
	4. Deferred tax liabilities	18.3	178,946	-
	TOTAL LIABILITIES		1,375,352,300	1,060,380,607
IV	Capital and reserves			
	1. Paid-up capital	20	501,533,400	431,535,000
	2. General provision for credit activities	13.2	3,901,031	3,170,446
	3. Accumulated losses		(190,160,127)	(186,567,320)
	TOTAL CAPITAL		315,274,304	248,138,126
	TOTAL LIABILITIES AND CAPITAL		1,690,626,604	1,308,518,733

MARUHAN Japan Bank Lao Co., Ltd

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

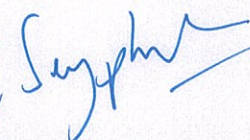
Code	OFF STATEMENT OF FINANCIAL POSITION ITEMS	Notes	31/12/2022 LAK'000	31/12/2021 LAK'000
I	Collaterals and Mortgages			
A 1	Collaterals and Mortgages for loans Collaterals and Mortgages for loans to customers		2,411,591,601	2,107,196,855
	TOTAL COLLATERALS AND MORTGAGES		2,411,591,601	2,107,196,855
II	Commitment given			
A 1	Commitments for guarantees given Commitment for guarantees given to customers		-	508,742
	TOTAL COMMITMENTS GIVEN		-	508,742

Prepared by:



Mr. Soneouthai
SOUKHALIVONG
Chief Financial Officer

Approved by:

Mr. Bounmy Sengphachan
Chief Executive Officer

Vientiane, Lao PDR

30 March 2023

MARUHAN Japan Bank Lao Co., Ltd

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

ITEMS	Paid-up capital LAK'000	General provision for credit activities LAK'000	Accumulated losses LAK'000	Total LAK'000
Balance as at 1 January 2022	431,535,000	3,170,446	(186,567,320)	248,138,126
Net loss for the year	-	-	(3,592,807)	(3,592,807)
Capital contribution	69,998,400	-	-	69,998,400
Net general provision for credit activities during the year (Note 13.2)	-	730,865	-	730,865
Foreign exchange difference	-	(280)	-	(280)
Balance as at 31 December 2022	501,533,400	3,901,031	(190,160,127)	315,274,304

Prepared by:



Mr. Soneouthai
SOUKHALIVONG
Chief Financial Officer

Approved by:



Mr. Bounmy Sengphachan
Chief Executive Officer

Vientiane, Lao PDR

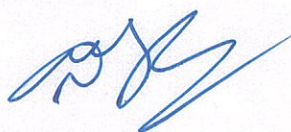
30 March 2023

MARUHAN Japan Bank Lao Co., Ltd

STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

ITEMS	Notes	2022 LAK'000	2021 LAK'000
Net loss before tax		(14,272,538)	(36,473,091)
<i>Adjustments for:</i>			
Depreciation and amortization charges	14	8,653,163	8,106,865
Provision for credit activities	13.2	6,566,336	18,422,646
Interest income		(98,656,982)	(72,692,565)
Interest expense		42,835,391	35,270,892
Cash flows used in operation before changing in operating assets and liabilities		(54,874,630)	(47,365,253)
(Increase)/Decrease in operating assets			
Due from banks		54,190,550	(11,050,860)
Loans to customers		(114,626,137)	(219,273,028)
Other assets		(3,251,234)	(6,623,500)
Increase/(Decrease) in operating liabilities			
Due to banks		8,035,263	169,301,250
Due to customers		298,915,283	141,795,211
Other liabilities		1,830,413	881,758
Interest received		95,151,565	70,330,563
Interest paid		(36,644,655)	(30,816,450)
Net cash flows from operating activities		248,726,418	67,179,691
INVESTING ACTIVITIES			
Payments to acquire property and equipment and intangible fixed assets		(17,376,429)	(10,718,435)
Net cash flows used in investing activities		(17,376,429)	(10,718,435)
FINANCING ACTIVITIES			
Capital contribution		69,998,400	-
Net cash flows from financing activities		69,998,400	-
Net change in cash and cash equivalents		301,348,389	56,461,256
Cash and cash equivalents at the beginning of the year		179,010,722	122,549,466
Cash and cash equivalents at the end of the year	21	480,359,111	179,010,722

Prepared by:



Mr. Soneouthai
SOUKHALIVONG
Chief Financial Officer

Approved by:



Mr. Bounmy Sengphachan
Chief Executive Officer

Vientiane, Lao PDR

30 March 2023

MARUHAN Japan Bank Lao Co., Ltd

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

1. CORPORATE INFORMATION

Establishment and operations

MARUHAN Japan Bank Lao Co., Ltd ("the Bank") is a 100% foreign invested commercial bank which was incorporated in Lao People's Democratic Republic ("Lao PDR"). The Bank operates as part of MARUHAN Japan Group ("the Group"), which is affiliated to MARUHAN Corporation in Japan.

The Bank operates under Banking Business License No. 05/BOL granted by Bank of the Lao PDR ("the BOL") on 11 February 2013.

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

Paid-up capital

The initial charter capital of the Bank is LAK 300,000,000,000. As at 31 December 2022, the actual paid-up capital is LAK 501,533,400,000 (31 December 2021: LAK 431,535,000,000).

Location

The Bank is located at Unit 14, 23 Singha Road, Ban Phonxay, Saysettha District, Vientiane Capital, Lao PDR.

Employees

As at 31 December 2022, the Bank has a total of 153 employees (31 December 2021: 163 employees).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Statement of compliance*

Management of the Bank 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 preparation and presentation of financial statements.

2.2 *Basis of preparation*

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

The accompanying financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Lao PDR. Accordingly, the income statement, the statement of financial position, the statement of changes in equity, the statement of cash flow and the notes thereto are not designed for those who are not informed about Lao PDR's accounting principles, procedures and practices and furthermore are not intended to present the financial position of the Bank 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 Bank's fiscal year starts on 1 January and ends on 31 December.

MARUHAN Japan Bank Lao Co., Ltd

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. *Changes in accounting policies*

The accounting policies adopted by the Bank in preparation of these financial statements are consistent with those used in preparation of the Bank'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 an accrual basis using straight-line method and the interest rates stipulated in the lending/deposit contracts with customers.

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

2.5 *Recognition of fee and commission*

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

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

2.6 *Cash and cash equivalents*

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

MARUHAN Japan Bank Lao Co., Ltd

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 (continued)

The Bank also applies the Regulation 238/BOL dated 26 March 2020 and 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 2020.

Provision

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

Group	Provision rate	Provision type (i)	Accounting for provision balance (ii)	Accounting for changes in provision balance (iii)
<i>Performing loans</i>				
A	0.5%	General	In equity	Other operating income/expense
B	3%	Specific	Deducted to loan balance	Other operating income/expense
<i>NPLs</i>				
C	20%	Specific	Deducted to loan balance	Net provision for NPL
D	50%	Specific	Deducted to loan balance	Net provision for NPL
E	100%	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)
- The Bank has opted to not include the discounted value of collateral in the provision calculation as allowed by BOL512 and BOL898.*
- (ii) The balance of provision for *performing loans classified in group A* is recorded in the statement of Financial Position in “*General provision for credit activities*” under capital and reserves of the Bank.
- (iii) Accumulated balance of provision for *NPLs and performing loans classified in group B* is recorded in the statement of Financial Position in “*Loans to customers, net of specific provision for credit activities*”
- (iv) 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 for non-performing loans*”.

MARUHAN Japan Bank Lao Co., Ltd

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Fixed assets

Fixed assets include of tangible and intangible fixed assets. Tangible fixed assets consist of building and improvements, office equipment, furniture and fixtures, computer equipment and motor vehicles. Intangible fixed assets include computer software.

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.

2.10 Depreciation and amortization of fixed assets

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 following are the annual rates used:

Building & improvements	10%
Office equipment	20%
Furniture and fixtures	20%
Computer equipment	20%
Motor vehicles	20%
Software	10% - 20%

2.11 Statutory reserves

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

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

In accordance with Article 156, Enterprise Law dated 26 December 2013, the Bank 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 Bank 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.

Since the Bank has suffered losses, the Bank does not make appropriation to regulatory reserves fund for the year ended 31 December 2022.

MARUHAN Japan Bank Lao Co., Ltd

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 Leases

2.12.1. Right-of-use assets

At inception of a contract, the Bank 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 Bank combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

The Bank 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 Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment.

2.12.2. Lease liabilities

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

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

The Bank 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.

MARUHAN Japan Bank Lao Co., Ltd

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 Leases (continued)

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

The Bank 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 Bank 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 Bank 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 Bank 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.

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). All foreign exchange differences are taken into "Net gain/(loss) from dealing in foreign currencies" in the income statement.

	31/12/2022	31/12/2021
	<u>LAK</u>	<u>LAK</u>
United State Dollar ("USD")	17,222.00	11,151.00
Thai baht ("THB")	498.01	346.50
Japanese Yen ("JPY")	128.49	96.33

2.14 Taxation

Current tax

The Bank is obliged to pay profit tax at rate of 20% of total profit before tax for the year ended 31 December 2022 in accordance with the Tax Law No. 67/NA dated 18 June 2019 which is effective on or after 1 January 2020. The Bank'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.

Deferred tax

Deferred tax is provided on temporary differences at the statement of financial position 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 an asset or liability in a transaction which, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

MARUHAN Japan Bank Lao Co., Ltd

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 *Taxation* (continued)

Deferred tax (continued)

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

2.15 *Employee benefits*

Post-employment benefits

Post-employment benefits are paid to retired employees of the Bank by the Social Security Fund Department which belongs to the Ministry of Labor and Social Welfare. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 6.00% of employee's basic salary on a monthly basis but shall not exceed LAK 270,000 per staff.

The Bank also creates its internal pension fund in which, the Bank contributes to this fund at the rate of 4.00% of employee's gross salary on a monthly basis.

The Bank 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 No. 43/NA approved by the President of the Lao People's Democratic Republic on 28 January 2014, the Bank has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 31 December 2022, there are no employees of the Bank who were dismissed under the above-mentioned grounds; therefore, the Bank has not made a provision for termination allowance in the financial statements.

MARUHAN Japan Bank Lao Co., Ltd

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

3. NET INTEREST AND SIMILAR INCOME

	2022 LAK'000	2021 LAK'000
Interest and similar income from:		
Interbank transactions	15,551,788	10,341,245
Loans to customers	83,105,194	62,351,320
	98,656,982	72,692,565
Interest and similar expense for:		
Interbank transactions	(28,169,605)	(21,671,027)
Customer deposits	(14,665,786)	(13,599,865)
	(42,835,391)	(35,270,892)
Net interest and similar income	55,821,591	37,421,673

4. NET FEES AND COMMISSION INCOME

	2022 LAK'000	2021 LAK'000
Fees and commission income from:		
Settlement activities	7,068,961	4,954,173
Other activities	657,118	1,014,583
	7,726,079	5,968,756
Fees and commission expense for:		
Transactions with customers	(2,783,750)	(2,921,923)
Other activities	(77,945)	(100,443)
	(2,861,695)	(3,022,366)
Net fee and commission income	4,864,384	2,946,390

5. NET LOSS FROM DEALING IN FOREIGN CURRENCIES

	2022 LAK'000	2021 LAK'000
Gain from dealing in foreign currency	272,253,296	85,195
Loss from dealing in foreign currency	(288,171,103)	(13,435,893)
	(15,917,807)	(13,350,698)

MARUHAN Japan Bank Lao Co., Ltd

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

6. OTHER OPERATING INCOME

	2022 <u>LAK'000</u>	2021 <u>LAK'000</u>
Reversal of provision for performing loans (<i>Note 13.2</i>)	131,247	-
Recovery of bad debt written off	13,763,717	8,715,684
Others	4,849,703	1,138,038
	<u>18,744,667</u>	<u>9,853,722</u>

7. PAYROLL AND OTHER STAFF COSTS

	2022 <u>LAK'000</u>	2021 <u>LAK'000</u>
Wages and allowance	32,365,498	28,917,038
Other staff costs	2,800,358	2,312,023
	<u>35,165,856</u>	<u>31,229,061</u>

8. OTHER ADMINISTRATION EXPENSES

	2022 <u>LAK'000</u>	2021 <u>LAK'000</u>
Office rental	942,228	857,760
Fuel	427,196	227,865
Office stationeries	162,629	175,097
Publication, marketing and promotion	1,008,458	2,723,081
Telecommunication	694,696	651,447
Repair and maintenance	7,093,636	5,811,916
Electricity and water	447,430	454,662
Insurance fee	121,852	146,879
Officials trips	204,577	44,555
Professional fees	13,695,904	627,559
Others	2,022,634	3,403,558
	<u>26,821,240</u>	<u>15,124,379</u>

9. OTHER OPERATING EXPENSE

	2022 <u>LAK'000</u>	2021 <u>LAK'000</u>
Provision for performing loans charged to expense (<i>note 13.2</i>)	-	1,771,747
Others	447,531	461,227
	<u>447,531</u>	<u>2,232,974</u>

MARUHAN Japan Bank Lao Co., Ltd

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

10. CASH ON HAND

	31/12/2022 LAK'000	31/12/2021 LAK'000
Cash on hand in LAK	14,235,881	16,063,760
Cash on hand in foreign currencies	9,112,643	6,875,757
	23,348,524	22,939,517

11. BALANCES WITH BANK OF THE LAO PDR ("the BOL")

	31/12/2022 LAK'000	31/12/2021 LAK'000
Demand deposit	246,118,419	115,274,922
Compulsory deposit (*)	16,087,588	12,820,338
Special deposit (**)	9,028	13,480,628
	262,215,035	141,575,888

Balances with the BOL include demand deposits, compulsory deposits, and special deposit. These balances earn no interest.

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

(**) Under 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. During 2022, the Bank was approved by the BOL to withdraw from this deposit account to supplement its working capital.

12. DUE FROM BANKS

12.1 Demand deposits

	31/12/2022 LAK'000	31/12/2021 LAK'000
Demand deposits with domestic banks		
Banque pour le Commerce Exterieur Lao Public	15,002,833	19,029,782
First Commercial Bank - Vientiane Branch	-	10,839
Demand deposits with overseas banks		
SATHAPANA Bank Plc (*)	874,800	735,100
KEB Hana Bank Tokyo Branch	1,465,202	823,671
Siam Commercial Bank Headquarters	193,549,333	20,196,892
	210,892,168	40,796,284

(*) Previously named as MARUHAN Japan Bank Plc., Cambodia Branch.

MARUHAN Japan Bank Lao Co., Ltd

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

12. DUE FROM BANKS (continued)

12.2 Term deposits

	31/12/2022 LAK'000	31/12/2021 LAK'000
Term deposit at domestic banks		
Saigon-Thuong Tin Bank Lao Limited	17,222,000	-
Vietcombank Lao Limited	-	11,151,000
Lao China Bank Co., Ltd	17,222,000	13,381,200
Indochina Bank Limited	-	22,302,000
ST Bank Limited	34,444,000	100,359,000
Saigon-Hanoi Bank Lao Limited	-	111,510,000
Phongsavanh Bank Limited	103,332,000	44,604,000
Joint Development Bank	120,554,000	33,453,000
	292,774,000	336,760,200

Term deposits denominated in USD have terms of 3 to 12 months, and interest rates from 3.40% to 5.10% p.a.

13. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION

	31/12/2022 LAK'000	31/12/2021 LAK'000
Loans to customers	831,385,840	736,742,940
Less specific provision	(6,582,405)	(20,729,891)
<i>In which:</i>		
<i>Specific provision for non-performing loans</i>	(4,113,265)	(18,622,263)
<i>Specific provision for special mention loans</i>	(2,469,140)	(2,107,628)
	824,803,435	716,013,049

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

	2022 Interest rates % per annum	2021 Interest rates % per annum
Loans to customers in LAK	3.00 - 14.35	3.00 - 14.35
Loans and advances in USD	5.76 - 10.00	6.55 - 9.50

13.1 Analysis of Loans to customers

Analysis by currency

	31/12/2022 LAK'000	31/12/2021 LAK'000
Loans denominated in LAK	743,006,098	734,265,095
Loans denominated in USD	88,379,742	2,477,845
	831,385,840	736,742,940

MARUHAN Japan Bank Lao Co., Ltd

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

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

13.1 Analysis of Loans to customers (continued)

Analysis by performing status

	<u>31/12/2022</u> LAK'000	<u>31/12/2021</u> LAK'000
Performing loans	817,636,012	704,343,428
Non-performing loans	13,749,828	32,399,512
	<u>831,385,840</u>	<u>736,742,940</u>

Analysis by original term

	<u>31/12/2022</u> LAK'000	<u>31/12/2021</u> LAK'000
Short-term loans	4,667,174	12,574,600
Medium-term loans	222,370,223	172,594,358
Long-term loans	604,348,443	551,573,982
	<u>831,385,840</u>	<u>736,742,940</u>

Analysis by industries

	<u>31/12/2022</u> LAK'000	<u>31/12/2021</u> LAK'000
Industrial services companies	20,775,492	20,046,830
Construction companies	4,600,048	6,074,848
Technical instruments enterprises	180,015	235,186
Agricultural and forestry	35,368,724	24,709,252
Trading companies	68,835,906	64,908,784
Transportation companies	49,671,266	5,504,745
Services companies	59,374,735	56,728,711
Handicrafts	7,644,285	10,251,545
Others	584,935,369	548,283,039
	<u>831,385,840</u>	<u>736,742,940</u>

MARUHAN Japan Bank Lao Co., Ltd

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

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

13.2 Provision for credit losses

Changes in provision for credit losses of the Bank during the year ended 31 December 2022 are as follows:

	<i>Specific provision for NPLs LAK'000</i>	<i>Specific provision for special mention loans LAK'000</i>	<i>General provision LAK'000</i>	<i>Total LAK'000</i>
Balance as at 1 January 2022	18,622,263	2,107,628	3,170,446	23,900,337
Net provision charged to expense during the year	6,697,583	(862,112)	730,865	6,566,336
Write-offs during the year	(20,060,209)	-	-	(20,060,209)
Foreign exchange difference	199,871	(122,619)	(280)	76,972
Balance as at 31 December 2022	5,459,508	1,122,897	3,901,031	10,483,436

Changes in provision for credit losses of the Bank during the year ended 31 December 2021 are as follows:

	<i>Specific provision for NPLs LAK'000</i>	<i>Specific provision for special mention loans LAK'000</i>	<i>General provision LAK'000</i>	<i>Total LAK'000</i>
Balance as at 1 January 2021	9,455,652	1,183,060	2,323,267	12,961,979
Net provision charged to expense during the year	16,650,899	924,568	847,179	18,422,646
Write-offs during the year	(7,484,288)	-	-	(7,484,288)
Balance as at 31 December 2021	18,622,263	2,107,628	3,170,446	23,900,337

The breakdown of loan classification and provision in accordance with Regulation 512/BOL are as follows:

Classification	<i>Loan balance LAK'000</i>	<i>Specific provision LAK'000</i>	<i>General provision LAK'000</i>	<i>Total provision LAK'000</i>
- Normal or Pass	780,206,105	-	3,901,031	3,901,031
- Watch or Special Mention	37,429,907	1,122,897	-	1,122,897
- Sub-standard	6,731,215	1,346,243	-	1,346,243
- Doubtful	5,810,697	2,905,349	-	2,905,349
- Loss	1,207,916	1,207,916	-	1,207,916
Total	831,385,840	6,582,405	3,901,031	10,483,436

MARUHAN Japan Bank Lao Co., Ltd

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 Assets under purchase

	Software LAK'000	Furniture and Fixture LAK'000	Office equipment LAK'000	Total LAK'000
As at 1 January 2022	8,882,346	-	458,912	9,341,258
Additional	4,784,917	363,804	2,134,436	7,283,157
Transfer to Fixed Assets	(13,420,977)	(350,881)	(2,593,348)	(16,365,206)
As at 31 December 2022	<u>246,286</u>	<u>12,923</u>	-	<u>259,209</u>

MARUHAN Japan Bank Lao Co., Ltd

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 Tangible fixed assets and Right-of-use assets

Movements of tangible fixed assets and Right-of-use assets during the year are as follows:

	Building & improvement LAK'000	Office equipment LAK'000	Furniture & fixtures LAK'000	Computer equipment LAK'000	Motor vehicles LAK'000	Right-of-use assets		Total LAK'000
						Office rental LAK'000	Office rental LAK'000	
Cost:								
Opening balance	10,469,033	7,358,139	2,508,191	11,743,622	3,767,317	5,367,460		41,213,762
Additions	-	-	-	-	-	1,040,697		1,040,697
Transfer from assets under purchase	-	1,347,807	350,881	1,245,542	-	-		2,944,230
Write off	-	-	-	(29,474)	-	-		(29,474)
Closing balance	10,469,033	8,705,946	2,859,072	12,959,690	3,767,317	6,408,157		45,169,215
Accumulated depreciation:								
Opening balance	9,298,014	6,719,946	2,244,620	6,126,336	2,020,658	2,736,505		29,146,079
Charged for the year	1,046,903	328,669	114,959	1,721,900	515,409	1,866,292		5,594,132
Write off	-	-	-	(27,934)	-	-		(27,934)
Closing balance	10,344,917	7,048,615	2,359,579	7,820,302	2,536,067	4,602,797		34,712,277
Net book value:								
Opening balance	1,171,019	638,193	263,571	5,617,286	1,746,659	2,630,955		12,067,683
Closing balance	124,116	1,657,331	499,493	5,139,388	1,231,250	1,805,360		10,456,938

MARUHAN Japan Bank Lao Co., Ltd

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 Tangible fixed assets and Right-of-use assets (continued)

Set out below are the carrying amounts of lease liabilities (included under 'Other payables' in Note 19) and the movements for the year ended 31 December 2022 and 31 December 2021:

	2022 <u>LAK'000</u>	2021 <u>LAK'000</u>
As at 1 January	544,544	523,582
Additions	1,040,697	3,229,392
Accretion of interest	-	90,850
Payment	(949,965)	(3,532,637)
FX impact	(635,276)	233,357
As at 31 December	-	544,544

14.3 Intangible fixed assets

Movements of intangible fixed assets during the year are as follows:

	<u>Computer software LAK'000</u>
Cost:	
Opening balance	31,239,966
Transfer from assets under purchase	13,420,977
Closing balance	44,660,943
Accumulated amortization:	
Opening balance	22,622,272
Amortized for the period	3,059,031
Closing balance	25,681,303
Net book value:	
Opening balance	8,617,694
Closing balance	18,979,640

15. OTHER ASSETS

15.1 Accrued interest receivables

	31/12/2022 <u>LAK'000</u>	31/12/2021 <u>LAK'000</u>
Interbank	7,712,417	3,726,153
Loan to customer	8,188,912	8,669,759
	15,901,329	12,395,912

MARUHAN Japan Bank Lao Co., Ltd

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

15. OTHER ASSETS (continued)

15.2 Others

	31/12/2022 LAK'000	31/12/2021 LAK'000
Prepaid expenses	6,777,504	6,671,772
Guarantee deposit	10,981,559	862,130
Others	2,378,586	477,346
	20,137,649	8,011,248

16. DUE TO BANKS AND FINANCIAL INSTITUTIONS

16.1 Demand deposits

	31/12/2022 LAK'000	31/12/2021 LAK'000
Balances of domestic banks		
Canadia Bank Lao Co., Ltd	218,408	251,151
First Commercial Bank Ltd, Vientiane Branch	2,080,741	4,287,796
Agricultural Promotion Bank	19,580	19,740
	2,318,729	4,558,687

16.2 Term deposits

	31/12/2022 LAK'000	31/12/2021 LAK'000
Balances of domestic banks		
First Commercial Bank Ltd, Vientiane Branch	-	35,000,000
Canadia Bank Lao Co., Ltd	29,800,000	29,800,000
Indochina Bank Limited	-	35,000,000
Saigon-Thuong Tin Bank Lao Limited	20,000,000	60,000,000
Vietcombank Lao Limited	-	10,000,000
Lao China Bank Co., Ltd	10,000,000	10,000,000
Banque Pour Le Commerce Exterieur Lao Public	100,000,000	140,000,000
Joint Development Bank Limited	30,000,000	30,000,000
Saigon-Hanoi Bank Lao Limited	10,000,000	-
	199,800,000	349,800,000

MARUHAN Japan Bank Lao Co., Ltd

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

16. DUE TO BANKS AND FINANCIAL INSTITUTIONS (continued)

16.2 Term deposits (continued)

Details of the term deposits as at 31 December 2022 are as follows:

	<i>Balance in original currency LAK ('000)</i>	<i>Original Currency</i>	<i>Term</i>	<i>Interest rate (%/year)</i>
Canada Bank Lao Co., Ltd	29,800,000	LAK	3 - 6 months	2.65 - 3.50
Saigon-Thuong Tin Bank Lao Limited	10,000,000	LAK	3 months	3.40
Lao China Bank Co., Ltd	10,000,000	LAK	6 months	3.80
Banque Pour Le Commerce Exterieur Lao Public	100,000,000	LAK	3 – 12 months	4.50 - 7.50
Joint Development Bank Limited	30,000,000	LAK	12 months	5.00
Saigon-Hanoi Bank Lao Limited	20,000,000	LAK	3 months	4.50
	199,800,000			

16.3 Borrowings from bank and funding from others

	<i>31/12/2022 LAK'000</i>	<i>31/12/2021 LAK'000</i>
Borrowing from bank		
MIZUHO Bank Ltd – Bangkok Branch	344,440,000	223,020,000
Funding from others		
Bank of the Lao PDR	9,340,000	9,340,000
Department of Small and Medium Enterprise Promotion (“DOSMEP”), Ministry of Industry and Commerce of Laos	113,855,222	51,000,000
First Commercial Bank Ltd, Vientiane Branch	-	24,000,000
	467,635,222	307,360,000

MARUHAN Japan Bank Lao Co., Ltd

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

16. DUE TO BANKS AND FINANCIAL INSTITUTIONS (continued)

16.3 Borrowings from bank and others (continued)

Details of the borrowings and funding as at 31 December 2022 are as follows:

	<i>Balance in original currency</i>	<i>Original Currency</i>	<i>Balance in LAK equivalent LAK'000</i>	<i>Term</i>	<i>Interest rate (%/year)</i>
MIZUHO Bank Ltd – Bangkok Branch	20,000,000	USD	344,440,000	36 months	6.52
Bank of the Lao PDR Department of Small and Medium Enterprise Promotion ("DOSMEP"), Ministry of Industry and Commerce of Laos	9,340,000	LAK	9,340,000	72 months	3.00
Department of Small and Medium Enterprise Promotion ("DOSMEP"), Ministry of Industry and Commerce of Laos	71,000,000	LAK	71,000,000	132 months	Nil
Department of Small and Medium Enterprise Promotion ("DOSMEP"), Ministry of Industry and Commerce of Laos	42,855,222	LAK	42,855,222	120 months	2.50
			467,635,222		

17. DUE TO CUSTOMERS

	<i>31/12/2022 LAK'000</i>	<i>31/12/2021 LAK'000</i>
Demand deposits	10,703,126	20,802,233
- in LAK	8,059,104	14,973,409
- in foreign currencies	2,644,022	5,828,824
Saving deposits	357,321,521	132,314,174
- in LAK	21,552,217	30,707,755
- in foreign currencies	335,769,304	101,606,419
Term deposits	304,212,072	220,205,030
- in LAK	137,550,804	50,238,755
- in foreign currencies	166,661,268	169,966,275
	672,236,719	373,321,437

MARUHAN Japan Bank Lao Co., Ltd

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

17. DUE TO CUSTOMERS (continued)

The interest rates applied for amounts due to customers are as follows:

	2022 <i>Interest rates</i> <i>% per annum</i>	2021 <i>Interest rates</i> <i>% per annum</i>
Demand deposits in LAK	No interest	No interest
Demand deposits in foreign currencies	No interest	No interest
Saving deposits in LAK	1.89 - 5.00	1.89 - 5.00
Saving deposits in USD	1.35 - 3.00	1.35 - 3.00
Saving deposits in THB	1.50 - 2.00	1.50 - 2.00
Term deposits in LAK	3.16 - 8.50	3.16 - 7.75
Term deposits in USD	1.50 - 7.00	1.50 - 7.00
Term deposits in THB	2.00 - 3.00	2.00 - 3.00

18. PROFIT TAX

18.1 Taxes payable

	31/12/2022 <i>LAK'000</i>	31/12/2021 <i>LAK'000</i>
Personal income tax	16,455	7,413
Withholding tax	6,955	64,891
	23,410	72,304

18.2 Profit tax

The Bank is obliged to pay tax on total profit before tax in accordance with the Tax Law No.67/NA dated 18 June 2019 which is effective on or after 1 January 2020.

Details of profit tax ("PT") provision for the years 2022 and 2021 are as follows:

	2022 <i>LAK'000</i>	2021 <i>LAK'000</i>
Loss before tax	(14,272,538)	(36,473,091)
<i>Adjustments:</i>		
Non-deductible expenses	1,024,612	305,929
Loss after allowable deductions	(13,247,926)	(36,167,162)
Current PT expense, at the statutory rate of 20%	-	-
PT payable at the beginning of the year	-	-
PT paid during the period	-	-
PT payable at the end of the year	-	-

MARUHAN Japan Bank Lao Co., Ltd

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

18. PROFIT TAX (continued)

18.2 Profit tax (continued)

The Bank's tax returns are subject to periodic examination by the tax authority. 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.

Tax losses carried forward

For tax loss incurred in 2022, 2021 and 2020, in accordance with the amended Tax Law No. 67/NA dated 18 June 2019, article 23, annual losses which are certified by the audit authority or an independent audit firm and acknowledged by the tax authorities, are eligible to be carried forward to offset with future taxable profits for a period of five years after the losses incurred.

Tax losses incurred in 2019 and before are eligible to be carried forward to offset with future taxable profits for a period of three years after the losses incurred, in accordance with the previous Tax Law.

Details of tax losses carried forward were as follows:

Year	Can be utilized up to	Additional losses incurred for the year LAK'000	Utilized up to the end of the year LAK'000	Amount unused but is not eligible for next year's use LAK'000	Eligible unused tax loss at the end of the year LAK'000
2018	2021	5,831,734	-	(5,831,734)	-
2019 (*)	2022	25,493,355	-	(25,493,355)	-
2020 (*)	2025	4,878,296	-	-	4,878,296
2021 (*)	2026	36,167,162	-	-	36,167,162
2022 (*)	2027	13,247,926	-	-	13,247,926
		85,618,473	-	(31,325,089)	54,293,384

(*) At the date of these financial statements, the tax assessments for the years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 have not been finalised by the Tax Authority.

18.3 Deferred tax

	Statement of financial position		Income statement	
	31/12/2022 LAK'000	31/12/2021 LAK'000	2022 LAK'000	2021 LAK'000
Deferred tax assets	10,858,677	-	10,858,677	-
Deferred tax liabilities	(178,946)	-	(178,946)	-
Net deferred tax credited to the income statement			10,679,731	-

MARUHAN Japan Bank Lao Co., Ltd

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

18. PROFIT TAX (continued)

18.3 Deferred tax (continued)

Details of the deferred tax assets and deferred tax liabilities are as follows:

	31/12/2022 LAK'000	31/12/2021 LAK'000
Deductible temporary differences	54,293,384	-
<i>In which:</i>		
<i>Tax losses carried forward</i>	<u>54,293,384</u>	-
Deferred tax assets 20%	10,858,677	-
Deductible temporary differences	(894,732)	-
<i>In which:</i>		
<i>Difference in depreciation rate between tax law and accounting policy</i>	<u>(894,732)</u>	-
Deferred tax liabilities 20%	(178,946)	-

19. OTHER PAYABLES

	31/12/2022 LAK'000	31/12/2021 LAK'000
Payable to suppliers	3,268,679	3,033,370
Payable to employees	5,225,948	7,051,831
Lease liability	-	544,544
Others	<u>5,761,049</u>	<u>1,925,572</u>
	14,255,676	12,555,317

20. PAID-UP CAPITAL

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

	2022 LAK'000	2021 LAK'000
Opening balance	431,535,000	431,535,000
Capital contribution during the year	<u>69,998,400</u>	-
Closing balance	501,533,400	431,535,000

21. CASH AND CASH EQUIVALENTS

	31/12/2022 LAK'000	31/12/2021 LAK'000
Cash on hand	23,348,524	22,939,517
Accounts with the BOL	246,118,419	115,274,922
Current accounts with other banks	<u>210,892,168</u>	<u>40,796,283</u>
	480,359,111	179,010,722

MARUHAN Japan Bank Lao Co., Ltd

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

22. RELATED PARTY TRANSACTIONS

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

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

Significant transactions with related parties during the year ended 31 December 2022 and 31 December 2021 were as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>2022</i> <i>LAK'000</i>	<i>2021</i> <i>LAK'000</i>
MARUHAN Corporation	Share holder	Net increase in saving account	(40,756,377)	(13,910,191)
MARUHAN INVESTMENT ASIA PTE.LTD	Share holder	Net increase in saving account	(172,230,879)	-
MARUHAN Corporation	Share holder	Net term deposit account	(172,220)	-

Balances with related parties as at 31 December 2022 and 31 December 2021 are as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Transaction</i>	<i>31/12/2022</i> <i>Receivable/ (payable)</i> <i>LAK'000</i>	<i>31/12/2021</i> <i>Receivable/ (payable)</i> <i>LAK'000</i>
SATHAPANA Bank Plc (previously known as MARUHAN Japan Bank Plc., Cambodia)	Entity under common ultimate ownership	Demand deposits	874,800	735,100
MARUHAN Corporation	Share holder	Saving account	(113,734,261)	(72,977,884)
MARUHAN Corporation	Share holder	Term deposit account	(172,220)	-
MARUHAN INVESTMENT ASIA PTE.LTD	Share holder	Saving account	(172,230,879)	-

MARUHAN Japan Bank Lao Co., Ltd

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

22. RELATED PARTY TRANSACTIONS (continued)

Transactions with key management personnel of the Bank

Remuneration to members of the Board of Management and Board of Director are as follows:

	2022 LAK'000	2021 LAK'000
Salaries	6,580,673	5,397,527
Bonus and other benefits	1,931,244	1,690,451
	8,511,917	7,087,978

23. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 31 December 2022 that requires adjustment or disclosure in the financial statements of the Bank.

Prepared by:



Mr. Soneouthai
SOUKHALIVONG
Chief Financial Officer

Approved by:




Mr. Bounmy Sengphachan
Chief Executive Officer

Vientiane, Lao PDR

30 March 2023

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