

**BANGKOK BANK PUBLIC COMPANY LIMITED**  
**- VIENTIANE BRANCH**

***Financial Statements***

***Year ended December 31, 2021***

## REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

### TO THE BRANCH MANAGER OF BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH

#### Opinion

We have audited the financial statements of Bangkok Bank Public Company Limited - Vientiane Branch (the "Branch"), which comprise the statement of financial position as at December 31, 2021, and the related statements of profit or loss and other comprehensive income, changes in Head Office account and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Branch for the year ended December 31, 2021 are prepared, in all material respects, in accordance with the regulations of Bank of the Lao PDR and the Branch's accounting policies as described in Note 3 to the financial statements.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Branch in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are 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.

#### Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw your attention to Notes 2 and 3 to the financial statements, which describe the basis of accounting and significant accounting policies. The financial statements are prepared to provide information for use by the Branch, the Head Office and Bank of the Lao PDR. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.





## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the regulations of Bank of the Lao PDR and the Branch's accounting policies as described in Note 3 to the financial statements, 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.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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.



Waraporn K

Waraporn Kriengsuntornkij  
Certified Public Accountant

VIENTIANE

March 30, 2022

DELOITTE (LAO) SOLE COMPANY LIMITED



## **Bangkok Bank Public Company Limited - Vientiane Branch**

### **Branch information**

Branch	Bangkok Bank Public Company Limited - Vientiane Branch
Registration number	04/93/BoL
Registered office	Unit 12, Samsenthai Road Xieng Nguen Village, Chanthabouly District P.O. Box 5400 Vientiane Capital, Lao PDR
Branch Manager	Ms. Chadaphorn Uratchat
Auditor	Deloitte (Lao) Sole Company Limited

## Manager's responsibility in respect of the financial statements

The Branch Manager is responsible for ascertaining that the financial statements are properly drawn up so as to give a true and fair view of the statement of financial position of the Branch as at December 31, 2021, and the related statements of profit or loss and other comprehensive income, changes in Head Office account and cash flows for the year then ended. In preparing these financial statements, the Branch Manager 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 regulations of Bank of the Lao PDR and the Branch's accounting policies as described in Note 3 to the financial statements and ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Branch will continue operations in the foreseeable future; and
- v) control and direct effectively the Branch in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Branch Manager confirms that the Branch has complied with the above requirements in preparing the financial statements.



Ms. Chadaphorn Uratchat  
Branch Manager

March 30, 2022



## BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

UNIT : LAK

	Notes	2021	2020
<b>ASSETS</b>			
Cash on hand	11.1	15,745,844,146	15,110,672,361
Interbank and money market items, net	12	310,961,601,346	441,893,170,597
Due from Head Office and other branches	24	297,095,718,323	80,144,013,664
Statutory deposits	13	25,592,532,864	30,667,256,080
Loans to customers and accrued interest receivables, net	14		
Loans to customers		260,352,871,125	269,969,318,791
Accrued interest receivables		9,272,959,452	4,784,978,458
Total loans to customers and accrued interest receivables		269,625,830,577	274,754,297,249
Less Allowance for doubtful accounts		(3,124,234,417)	(3,239,631,794)
Total loans to customers and accrued interest receivables, net		266,501,596,160	271,514,665,455
Property and equipment	15	26,412,502,751	28,071,137,392
Intangible assets	16	2	2
Other assets	18	59,369,082	36,030,653
<b>TOTAL ASSETS</b>		<b>942,369,164,674</b>	<b>867,436,946,204</b>

Notes to the financial statements form an integral part of these statements

**BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH**

**STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**AS AT DECEMBER 31, 2021**

**UNIT : LAK**

	<b>Notes</b>	<b>2021</b>	<b>2020</b>
<b>LIABILITIES AND HEAD OFFICE ACCOUNT</b>			
Deposits	19	574,234,616,678	403,376,303,021
Interbank and money market items	20	42,873,037,418	46,085,713,317
Due to Head office and other branches	24	82,460,760,758	205,584,963,911
Tax payable	10	7,038,468,153	8,359,636,165
Other liabilities	21	21,489,231,671	17,575,412,049
<b>TOTAL LIABILITIES</b>		<u>728,096,114,678</u>	<u>680,982,028,463</u>
<b>HEAD OFFICE ACCOUNT</b>			
Branch capital	22	170,000,000,000	140,000,000,000
Retained earnings			
Appropriated			
Legal reserve	23	14,135,808,090	11,353,994,865
Unappropriated		30,137,241,906	35,100,922,876
<b>TOTAL HEAD OFFICE ACCOUNT</b>		<u>214,273,049,996</u>	<u>186,454,917,741</u>
<b>TOTAL LIABILITIES AND HEAD OFFICE ACCOUNT</b>		<u>942,369,164,674</u>	<u>867,436,946,204</u>

Notes to the financial statements form an integral part of these statements



**BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

UNIT : LAK

	Notes	2021	2020
Interest income	5	30,127,784,688	34,036,707,747
Interest expenses	5	(10,217,451,128)	(11,595,157,435)
Net interest income	5	19,910,333,560	22,441,550,312
Fees and service income	6	14,674,215,939	12,600,187,464
Fees and service expenses	6	(622,372,982)	(503,749,972)
Net fees and service income	6	14,051,842,957	12,096,437,492
Gain on foreign exchange transactions		10,388,914,673	5,773,088,071
Other operating income		9,614,644	4,200,310
Total operating income		44,360,705,834	40,315,276,185
Other operating expenses			
Employee's expenses	7	(6,712,417,281)	(6,213,566,580)
Depreciation and amortization expenses	8	(1,718,937,561)	(1,671,169,146)
Others		(3,788,255,645)	(3,546,004,984)
Total operating expenses		(12,219,610,487)	(11,430,740,710)
Impairment loss reversal	9	2,794,452,624	819,023,310
<b>Profit before income tax expenses</b>		34,935,547,971	29,703,558,785
Income tax expenses	10	(7,117,415,716)	(7,304,088,704)
<b>Net profit</b>		27,818,132,255	22,399,470,081
<b>Total comprehensive income</b>		27,818,132,255	22,399,470,081

Notes to the financial statements form an integral part of these statements

**BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH**

**STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

		UNIT : LAK			
	Notes	Branch Capital	Retained Earnings	Total	Head Office Account
			Appropriated Legal Reserve	Unappropriated	
<b>Beginning balance as at January 1, 2020</b>		100,000,000,000	8,982,008,716	55,073,438,944	164,055,447,660
Capital increment	22	40,000,000,000	-	(40,000,000,000)	-
Total comprehensive income		-	-	22,399,470,081	22,399,470,081
Transfer to legal reserve	23	-	2,371,986,149	(2,371,986,149)	-
<b>Ending balance as at December 31, 2020</b>		<u>140,000,000,000</u>	<u>11,353,994,865</u>	<u>35,100,922,876</u>	<u>186,454,917,741</u>
<b>Beginning balance as at January 1, 2021</b>		140,000,000,000	11,353,994,865	35,100,922,876	186,454,917,741
Capital increment	22	30,000,000,000	-	(30,000,000,000)	-
Total comprehensive income		-	-	27,818,132,255	27,818,132,255
Transfer to legal reserve	23	-	2,781,813,225	(2,781,813,225)	-
<b>Ending balance as at December 31, 2021</b>		<u>170,000,000,000</u>	<u>14,135,808,090</u>	<u>30,137,241,906</u>	<u>214,273,049,996</u>

Notes to the financial statements form an integral part of these statements



## BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

UNIT : LAK

	Notes	2021	2020
<b>Cash flows from operating activities</b>			
Profit before income tax expenses		34,935,547,971	29,703,558,785
Adjustments to reconcile net profit for the year			
to cash received (paid) from operating activities:			
Depreciation and amortization	8	1,718,937,561	1,671,169,146
Provision for doubtful accounts charges/ (reversal)	9	(2,794,452,624)	(819,023,310)
Unrealized loss on exchange		2,821,851,047	587,947,439
Gain on disposal of equipments		(6,849,974)	-
Interest income	5	(30,127,784,688)	(34,036,707,747)
Interest expenses	5	10,217,451,128	11,595,157,435
Cash generated from operations		16,764,700,421	8,702,101,748
Interest received		24,985,309,286	29,779,441,488
Interest paid		(10,027,293,620)	(11,051,368,515)
Income tax paid	10	(8,438,583,728)	(4,557,615,813)
Profit from operating before changes in			
operating assets and liabilities		23,284,132,359	22,872,558,908
Changes in operating assets and liabilities:			
Decrease (increase) in operating assets:			
Interbank and money market items		81,832,400,000	56,578,396,941
Statutory deposits		5,074,723,216	21,710,185,624
Due from Head Office and other branches		(216,833,644,392)	219,867,198,336
Loans to customers		9,616,447,666	(6,995,383,236)
Other assets		(23,338,429)	264,477,414
Increase (decrease) in operating liabilities:			
Deposits		170,858,313,657	(151,883,997,398)
Interbank and money market items		(3,212,675,899)	(84,996,690,441)
Due to Head Office and other branches		(123,124,203,153)	(20,926,752,674)
Other liabilities		2,027,729,114	281,385,617
Net cash provided by (used in) operating activities		(50,500,115,861)	56,771,379,091

## BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH

## STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2021

UNIT : LAK

	Notes	2021	2020
<b>Cash flows from investing activities</b>			
Purchases of equipment	11.2	(60,302,945)	(1,055,105,224)
Proceeds from disposal equipment		6,849,999	-
Net cash used in investing activities		(53,452,946)	(1,055,105,224)
<b>Cash flows from financing activities</b>			
Cash paid for lease liabilities	11.2	(83,502,000)	-
Net cash used in investing activities		(83,502,000)	-
<b>Net increase (decrease) in cash and cash equivalents</b>		(50,637,070,807)	55,716,273,867
Cash and cash equivalents at beginning of the year		278,446,953,892	222,730,680,025
Cash and cash equivalents at end of the year		227,809,883,085	278,446,953,892
<b>Cash and cash equivalents</b>			
Cash on hand	11.1	15,745,844,146	15,110,672,361
Deposits within three months with other banks		212,064,038,939	263,336,281,531
		227,809,883,085	278,446,953,892

Notes to the financial statements form an integral part of these statements



**BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**1. GENERAL INFORMATION**

Bangkok Bank Public Company Limited (the “Bank”) is incorporated in Thailand. Bangkok Bank Public Company Limited - Vientiane Branch (the “Branch”) is a branch office of the Bank that operates in the Lao People’s Democratic Republic (“Lao PDR”) under a banking license (License No. 04/93/BoL) granted by Bank of the Lao PDR (“BoL”) on February 25, 1993. The Branch’s main business is commercial banking in the Lao PDR.

These financial statements were approved for issue by the Branch’s management on March 30, 2022.

**2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS**

The Branch is not a separate legal entity. The financial statements have been prepared from the records of the Branch and reflected only transactions recorded locally.

The Branch’s financial statements have been prepared in accordance with the accounting policies as described in Note 3. These accounting policies are primarily based on International Financial Reporting Standards (“IFRSs”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretation. However, this is not a complete set of general purpose financial statements prepared in accordance with IFRS as the Branch has not adopted IFRS 9 “Financial Instruments” as following the guidance stipulated in Official Letter No. 1659/BoL dated December 14, 2018 for the year ended December 31, 2021.

The Branch’s financial statements have been prepared on an accrual basis under the measurement basis of historical cost as disclosed in the accounting policies (see Note 3).

The financial statements are prepared solely for the use of the Branch, the Head Office and Bank of the Lao PDR.

The Branch’s financial statements are presented in LAK, which is the Branch’s presentation currency.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Recognition of income

The Branch recognizes interest on an accrual basis, except for interest from lending which was accrued over three months, such interest is recognized when received. The Branch reversal all accrued interest income for items which are no longer on an accrual basis.

The Branch recognizes fee income on an accrual basis when the service has been provided or upon satisfaction of performance obligations.

#### 3.2 Recognition of expenses

The Branch recognizes interest and fee expenses on an accrual basis.

#### 3.3 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, balances with Central Bank, deposits with other banks and other short-term highly liquid investments with original maturities of three months or less.

#### 3.4 Investments

Investments for which the Branch has the intent and the ability to hold until maturity are classified as held-to-maturity debt securities and carried at the amortized cost, net of valuation allowances for impairment (if any).

#### 3.5 Loans to customers

The Branch recognizes loans to customers at cost when cash is advanced to a borrower and derecognizes when getting repayment or writing off.

Overdraft are carried at the drawn amounts including interest. Other loans to customers are carried at the principal amounts.

#### 3.6 Allowance for doubtful accounts

Loan classification and provision for losses are made in accordance with BoL regulations No.512/BoL dated June 29, 2018 on Article 9. These classifications are applied as guidance to assist the Branch to better estimate its loan loss provision as follows:

Classification	Number of days past due	Provision rate (No. 512/BoL)	Provision rate (The Branch)
Normal	1 to 30 days	0.50%	1.20%*
Special mentioned	31 to 90 days	3.00%	3.00%
Substandard	91 to 180 days	20.00%	36.00%**
Doubtful	181 to 360 days	50.00%	50.00%
Loss	Over 360 days	100.00%	100.00%

\* The Branch used the Head Office's provision rate of 1.20%, which has been approved by the BoL in accordance with the Official letter No. 37/BoL dated January 30, 2014.

\*\* The Branch used the Head Office's provision rate of 36.00%, which has been approved by the BoL in accordance with the Official Letter No. 304/BoL dated September 11, 2014.



Changes in allowance for doubtful accounts are recorded to the statement of profit or loss and other comprehensive income as allowance for doubtful debt or reversal on allowance for doubtful debt. Allowance for doubtful accounts is recorded in the statement of financial position in allowance for doubtful accounts as a contra account of loans to customers.

### **3.7 Property and equipment**

Property and equipment are stated at cost net of accumulated depreciation and allowance for impairment (if any).

Depreciation is calculated by the straight-line method, based on the legal rates applicable.

Leasehold improvements	10 years
Furniture and fixtures	5 years
Computer equipment	5 years
Motor vehicles	5 years

When property and equipment become impaired, the allowance for impairment is recorded to recognize loss on impairment as other operating expense.

Gains or losses on disposal of property and equipment are recognized as other operating income or expenses upon disposal.

### **3.8 Intangible assets**

Intangible assets are stated at cost net of accumulated amortization and allowance for impairment (if any).

Amortization is calculated by the straight-line method, based on the legal rates applicable.

Computer software	2 years
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When intangible assets become impaired, the allowance for impairment is recorded to recognize loss on impairment as other operating expense.

Gains or losses on disposal of intangible assets are recognized as other operating income or expenses upon disposal.

### **3.9 Leases**

The Branch as tenants recognizes liabilities under rental contracts at the present value of the obligations under the lease agreements, and recognizes right-of-use assets with the value of lease liabilities plus the initial direct costs and the right-of-use is amortized over the straight-line method throughout the lease term.

### **3.10 Income taxes**

Income taxes comprise of current tax and deferred tax.

Current tax is recognized at the amount expected to be paid or recovered from the tax authorities by calculating from taxable profit or loss for the period and using tax rates enacted or substantively enacted by the reporting date.

Deferred tax is recognized on temporary differences arising between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss (tax base). The Branch recognized deferred tax assets and liabilities arising from such temporary differences at the amount of expected benefit to be received from the assets or paid for the liabilities in profit or loss except to the extent that it relates to items recognized in equity, in which case it is recognized directly in equity.

Deferred tax assets and liabilities are offset, if the Branch has a legally enforceable right to offset current tax assets and current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be sufficiently available to allow the temporary differences to be utilized. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that the related tax benefit will be realized.

### **3.11 Provisions**

Provisions are recognized when the Branch has a present obligation (legal or constructive) as a result of a past event, it is probable that the Branch will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The Branch recognizes no provisions for future operating losses.

The Branch recognizes the provisions as other operating expenses and as provisions in the statements of financial position.

The Branch reviews the provisions on a regular basis, and recognizes the changes in the provisions as increase or decrease in other operating expenses.

### **3.12 Segment information**

The Branch operates within one business segment, commercial banking, and within one geographical segment, which is the Lao PDR.



### **3.13 Foreign currency translation**

Items included in the financial statements are measured using Lao Kip ("LAK").

Foreign currency transactions are translated into LAK using the exchange rates prevailing at the date of the transactions.

Foreign currency assets and liabilities outstanding at the statement of financial positions date and income and expenses for each statement of profit or loss and other comprehensive income presented are translated into LAK using the reference rates of exchange of the Bangkok Bank Public Company Limited ruling at that date.

Gains and losses resulting from the settlement of such transactions when incurred and from the foreign exchange translation are recognized in statement of profit or loss and other comprehensive income.

### **3.14 Use of management's judgments**

The preparation of financial statements in conformity with the regulations of Bank of the Lao PDR and the Branch's accounting policies as described in Note 3 to the financial statements requires the Branch's management to exercise judgment in order to determine the accounting policies, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the last date of the reporting period and the reported amounts of revenue and expense during the reporting period. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates.

## **4. FINANCIAL RISK MANAGEMENT**

The Branch's business involves taking on risks in a targeted manner and managing them professionally primarily through the Bank at consolidated level and by the Branch itself to comply with local regulators' requirements.

At the Branch level, the core functions of the Branch's risk management are to identify all key risks for the Branch, measure these risks, manage the risk positions and determine capital allocations. The Branch complies with the Bank's risk management policies.

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

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

At the Bank level, the Bank's Risk Management Committee ("RMC") plays a significant role in prescribing the risk management policy, reviewing the sufficiency of the risk management policy and system, defining the strategy for risk management, and monitoring the Bank's risk to an appropriate level, in compliance with the Bank's risk management policy which has been approved by the Board of Directors based on the Risk Management Committee's recommendation. The objectives are to manage the relevant risks within designated boundaries, in particular the maintenance of capital in accordance with the revised capital adequacy requirements under the Basel III guidelines and to achieve an appropriate rate of return.



The key principle of the risk management system is that business units shall be responsible for continuously managing their risk exposures in order to ensure that the risk is within the specified limits and in compliance with the overall risk management policy approved by the Board of Directors, while the Risk Management unit is responsible for monitoring and controlling the risks on a regular basis.

The Branch is exposed to financial risks, which include credit risk, interest rate risk, foreign exchange risk and liquidity risk.

#### 4.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Branch's customers, clients or market counterparties fail to fulfil their contractual obligations to the Branch. Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit.

The Branch, however, is not in a position to manage most parts of its own credit risk. It acts as a marketing arm of the Bank, to solicit and acquire potential credit customers, to maintain both existing and potential credit customers. The Branch, as a local representative of the Bank, performs most of credit operation functions. All the Branch's credit applications are submitted to the Bank's relevant credit departments to be prepared, analyzed and underwritten. After approval, all of the Branch's credit portfolio is aggregated to the Bank's credit portfolios which are subjected the Bank's credit risk management and control.

Credit risk is the single largest risk for both the Bank's and the Branch's business; management therefore carefully manages the exposure to credit risk. The credit risk management and control are centralized in a credit risk management team, which reports to the Board of Directors and head of each business unit regularly.

##### 4.1.1 Credit risk exposure

Credit risk exposures relating to on-balance sheet as at December 31, are as follows:

	2021 LAK	2020 LAK
Loan corporate entities	260,352,871,125	269,969,318,791
Total	<u>260,352,871,125</u>	<u>269,969,318,791</u>

Credit risk exposures relating to off-balance sheet as at December 31, are as follows:

	2021 LAK	2020 LAK
Undrawn loan commitments	12,212,017,529	10,535,349,332
Letters of credit	-	593,792,000
Letters of Guarantee	675,426,546,234	573,470,933,553
Bills sent for collection	8,433,427,497	11,185,600,500
Total	<u>696,071,991,260</u>	<u>595,785,675,385</u>



#### 4.1.2 Concentration of risks of financial assets with credit risk exposure

##### (a) Geographical sectors

The following table breaks down the Branch's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as classified by geographical region as of December 31, are as follows.

	2021 LAK	2020 LAK
Residents	260,352,871,125	269,969,318,791
Total	<u>260,352,871,125</u>	<u>269,969,318,791</u>

##### (b) Industry sectors

The following table breaks down the Branch's credit exposure at carrying amounts (without taking into account any collateral held or other credit support), classified by the industry sectors of the Branch's counterparties as at December 31, are as follows:

	2021 LAK	2020 LAK
Industrial service companies	109,294,476,885	106,084,971,534
Trading companies	67,438,357,635	84,385,843,396
Service companies	83,620,036,605	79,498,503,861
Total	<u>260,352,871,125</u>	<u>269,969,318,791</u>

#### 4.2 Interest rate risk

Interest rate risk is the risk that arises from the potential change in interest rates which may have an adverse effect on the net interest income of the Branch in the current reporting period, and/or in future periods. Interest rate risk arises from the structure and characteristics of the Branch's assets and liabilities, and in the mismatch in repricing dates of its assets and liabilities.

The Bank assesses, monitors, and controls interest rate risk to be at an acceptable level and to comply with the policy set by the Asset-Liability Management Committee ("ALCO") and the Risk Management Committee. The Branch manages interest rate risk in order to achieve business return targets and control the potential impact on capital to be within a specified limit.

The Branch has significant financial assets and financial liabilities categorized by the earlier of contractual repricing or maturity dates as at December 31, as follows:

2021							
	Call to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
	LAK	LAK	LAK	LAK	LAK	LAK	LAK
<b>Financial assets</b>							
Interbank and money market items	195,322,538,939	16,769,821,038	98,869,241,369	-	-	-	310,961,601,346
Due from Head Office and other branches	280,400,927,987	16,694,790,336	-	-	-	-	297,095,718,323
Statutory deposits	-	-	-	-	-	25,592,532,864	25,592,532,864
Loans to customers and accrued interest receivables	-	-	56,314,520,879	213,311,309,698	-	-	269,625,830,577
<b>Financial liabilities</b>							
Deposits	263,159,262,560	94,475,928,268	42,549,359,127	5,971,670,059	-	168,078,396,664	574,234,616,678
Interbank and money market items	27,873,037,418	5,000,000,000	10,000,000,000	-	-	-	42,873,037,418
Due to Head Office and other branches	25,138,760,758	57,322,000,000	-	-	-	-	82,460,760,758
2020							
	Call to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
	LAK	LAK	LAK	LAK	LAK	LAK	LAK
<b>Financial assets</b>							
Interbank and money market items	263,336,281,531	-	180,193,528,266	-	-	-	443,529,809,797
Due from Head Office and other branches	74,503,478,597	5,640,535,067	-	-	-	-	80,144,013,664
Statutory deposits	-	-	-	-	-	30,667,256,080	30,667,256,080
Loans to customers and accrued interest receivables	23,102,868,735	20,632,681,212	18,157,300,615	172,392,921,187	40,468,525,500	-	274,754,297,249
<b>Financial liabilities</b>							
Deposits	182,485,519,640	78,325,903,296	40,211,817,803	2,127,800,000	-	100,225,262,282	403,376,303,021
Interbank and money market items	26,085,713,317	-	20,000,000,000	-	-	-	46,085,713,317
Due to Head Office and other branches	32,150,038,911	173,434,925,000	-	-	-	-	205,584,963,911

Interest rate risk is the current and prospective impact to the financial condition due to adverse changes in interest rates to which the Branch statement of financial position is exposed. The Branch's mismatched assets and liabilities positions have undesired outcomes over the short term. The Branch's objective is to manage interest rate risk to achieve stable and sustainable net interest income in the long term.

#### 4.3 Foreign exchange risk

Foreign exchange risk is the risk that arises when the Branch deals in foreign currency transactions which lead to overbought or oversold positions in any individual foreign currency positions. The Branch may incur gains or losses as a result of changes in foreign exchange rates.

The Branch manages its foreign currency positions in compliance with regulatory guidelines and the internal risk limits set by ALCO and RMC.



The table below summarizes the Branch's exposure to foreign currency exchange rate risk, included in the table are the Branch's financial instruments at carrying amounts, categorized by currency as at December 31, as follows:

	2021				
	LAK	USD	THB	Others	Total
	LAK	LAK	LAK	LAK	LAK
<b>Financial assets</b>					
Cash on hand	2,963,478,000	6,761,880,689	6,020,485,457	-	15,745,844,146
Interbank and money market items	124,681,320,182	101,990,818,376	84,289,462,788	-	310,961,601,346
Due from Head Office and other branches	-	124,738,251,476	172,267,534,753	89,932,094	297,095,718,323
Statutory deposits	1,365,183,671	11,088,936,548	13,138,412,645	-	25,592,532,864
Loans to customers and accrued interest receivables	151,280,006,366	109,328,026,293	9,017,797,918	-	269,625,830,577
<b>Financial liabilities</b>					
Deposits	64,199,620,329	274,087,399,382	235,947,596,967	-	574,234,616,678
Interbank and money market items	15,000,000,000	9,891,032,222	17,982,005,196	-	42,873,037,418
Due to Head Office and other branches	40,030,213,758	23,257,731,320	19,172,815,680	-	82,460,760,758
	2020				
	LAK	USD	THB	Others	Total
	LAK	LAK	LAK	LAK	LAK
<b>Financial assets</b>					
Cash on hand	4,313,806,000	6,279,489,570	4,517,376,791	-	15,110,672,361
Interbank and money market items	152,484,438,089	192,400,422,141	98,644,949,567	-	443,529,809,797
Due from Head Office and other branches	50,690,000	38,390,909,766	41,697,708,327	4,705,571	80,144,013,664
Statutory deposits	3,602,160,000	15,533,227,600	11,531,868,480	-	30,667,256,080
Loans to customers and accrued interest receivables	144,093,038,008	118,407,537,400	12,253,721,841	-	274,754,297,249
<b>Financial liabilities</b>					
Deposits	76,625,710,079	184,882,244,791	141,868,348,151	-	403,376,303,021
Interbank and money market items	20,000,000,000	8,871,881,528	17,213,831,789	-	46,085,713,317
Due to Head Office and other branches	49,673,839,490	153,830,737,098	2,080,387,323	-	205,584,963,911

#### 4.4 Liquidity risk

Liquidity risk arises from failure to pay debts and contingent liabilities by the due date because of an inability to convert assets into cash; it also relates to failure to obtain sufficient funds, or finding that this comes at a higher cost, thus adversely affecting income and capital funds.

The Branch manages liquidity risk in accordance with policies and guidelines established by ALCO and the liquidity reserve requirement as well as other relevant regulatory requirements. Treasury Division is in charge of managing the Bank's liquidity, while the Market Risk unit of the Risk Management unit is responsible for identifying, assessing, monitoring, reporting and controlling risks to be within the specified limits and reports to ALCO on a regular basis.

The Branch has diversified funding sources. Its major funding source is customer deposits which are well-diversified in different deposit types and maturities. Moreover, the Branch manages its liquidity through domestic money and through international money in currencies such as US dollar and Thai Baht. The Branch aims to balance the cost of liquidity against liquidity risks as deemed appropriate based on market conditions and acceptable risk levels. The Branch also closely manages short-term and long-term liquidity positions. In addition to funding diversification, the Branch maintains high-quality liquid assets which can be liquidated or realized as needed in order to meet its financial obligations under both business-as-usual and crisis situations.



The Branch has financial assets and financial liabilities categorized by maturity profile as at December 31, as follows:

		2021						
		Call to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
		LAK	LAK	LAK	LAK	LAK	LAK	LAK
Financial Assets								
Interbank and money								
market items	195,322,538,939	16,769,821,038	98,869,241,369	-	-	-	-	310,961,601,346
Due from Head Office								
and other branches	276,232,095,137	20,863,623,186	-	-	-	-	-	297,095,718,323
Statutory deposits	25,592,532,864	-	-	-	-	-	-	25,592,532,864
Loans to customers and								
accrued interest receivables	-	-	-	46,249,575,880	223,376,254,697	-	-	269,625,830,577
Financial liabilities								
Deposits	425,305,317,760	19,799,643,010	120,841,885,850	8,287,770,058	-	-	-	574,234,616,678
Interbank and money								
market items	27,873,037,418	5,000,000,000	10,000,000,000	-	-	-	-	42,873,037,418
Due to Head Office								
and other branches	25,138,760,758	27,322,000,000	30,000,000,000	-	-	-	-	82,460,760,758
		2020						
		Call to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
		LAK	LAK	LAK	LAK	LAK	LAK	LAK
Financial Assets								
Interbank and money								
market items	263,336,281,531	-	43,754,635,417	-	136,438,892,849	-	-	443,529,809,797
Due from Head Office								
and other branches	74,503,478,597	5,640,535,067	-	-	-	-	-	80,144,013,664
Statutory deposits	30,667,256,080	-	-	-	-	-	-	30,667,256,080
Loans to customers and								
accrued interest receivables	12,262,745,311	22,577,555,957	25,928,907,458	20,910,528,916	193,074,559,607	-	-	274,754,297,249
Financial liabilities								
Deposits	278,289,260,553	13,694,770,704	104,625,471,764	6,766,800,000	-	-	-	403,376,303,021
Interbank and money								
market items	26,085,713,317	-	20,000,000,000	-	-	-	-	46,085,713,317
Due to Head Office								
and other branches	32,150,038,911	20,000,000,000	153,434,925,000	-	-	-	-	205,584,963,911

#### 4.5 Fair value of financial assets and liabilities

Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

### **Fair values of financial instrument not carried at fair value**

For financial assets and liabilities not carried at fair value on the financial statement as follows, the carrying amount is a reasonable approximation of fair value because, for example, they are short-term in nature or reprice to current market rates frequently:

	<b>Carrying value/ Fair value</b>	
	<b>2021</b>	<b>2020</b>
	<b>LAK</b>	<b>LAK</b>
<b>Financial assets</b>		
Cash on hand	15,745,844,146	15,110,672,361
Interbank and money market items, net	310,961,601,346	441,893,170,597
Due from Head Office and other branches	297,095,718,323	80,144,013,664
Statutory deposits	25,592,532,864	30,667,256,080
Loans to customers and accrued interest receivables, net	266,501,596,160	271,514,665,455
<b>Financial liabilities</b>		
Deposits	574,234,616,678	403,376,303,021
Interbank and money market	42,873,037,418	46,085,713,317
Due to Head Office and other branches	82,460,760,758	205,584,963,911
<b>Off-balance sheet financial instruments</b>		
Guarantees, acceptances and other financial facilities	696,071,991,260	595,785,675,385

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

- For financial assets (excluding statutory deposits and loans to customers) and financial liabilities, the carrying amounts in the statement of financial position approximate the fair value of the items as they are short-term.
- For statutory deposits, the carrying amounts in the statement of financial position approximate the fair value of the items as there is no interest earning.
- The fair value for loans to customers is based on the carrying value of the loans to customers, net of the allowance for doubtful accounts as presented in the statement of financial position. The carrying amount is considered to approximate their fair value since financial instruments are predominately subject to market interest rate.
- The fair value for investments, the value quoted by reliable international financial institutions will be used.



#### 4.6 Capital management

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

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

#### 5. NET INTEREST INCOME

Net interest income for the years ended December 31, are as follows:

	<b>2021</b> <b>LAK</b>	<b>2020</b> <b>LAK</b>
<b>Interest income</b>		
Interest income - from interbanks	11,453,506,724	14,070,294,551
Interest income - from customers	18,674,277,964	19,966,413,196
	<u>30,127,784,688</u>	<u>34,036,707,747</u>
<b>Interest expenses</b>		
Interest expenses - for interbanks	(4,867,199,210)	(6,535,445,761)
Interest expenses - for customers	(5,350,251,918)	(5,059,711,674)
	<u>(10,217,451,128)</u>	<u>(11,595,157,435)</u>
Net interest income	<u>19,910,333,560</u>	<u>22,441,550,312</u>

#### 6. NET FEES AND SERVICE INCOME

Net fees and service income for the years ended December 31, are as follows:

	<b>2021</b> <b>LAK</b>	<b>2020</b> <b>LAK</b>
Fees and service income		
Acceptance, aval and guarantee of loans	11,392,021,010	9,472,354,296
Others	3,282,194,929	3,127,833,168
Total fees and service income	<u>14,674,215,939</u>	<u>12,600,187,464</u>
Fees and service expenses	<u>(622,372,982)</u>	<u>(503,749,972)</u>
Net fees and service income	<u>14,051,842,957</u>	<u>12,096,437,492</u>

**7. EMPLOYEE'S EXPENSES**

Employee's expenses for the years ended December 31, are as follows:

	<b>2021 LAK</b>	<b>2020 LAK</b>
Wages and salaries	5,213,881,204	4,938,158,333
Bonuses	847,236,896	660,000,000
Other benefits	651,299,181	615,408,247
	<u>6,712,417,281</u>	<u>6,213,566,580</u>

**8. DEPRECIATION AND AMORTIZATION EXPENSES**

Depreciation and amortization expenses for the years ended December 31, are as follows:

	<b>2021 LAK</b>	<b>2020 LAK</b>
Depreciation of property and equipment (see Note 15)	1,718,937,561	1,671,169,146
Amortization of computer software (see Note 16)	-	-
	<u>1,718,937,561</u>	<u>1,671,169,146</u>

**9. IMPAIRMENT LOSS REVERSAL**

Impairment loss reversal for the years ended December 31, are as follows:

	<b>2021 LAK</b>	<b>2020 LAK</b>
Interbank and money market items	1,968,800,400	818,319,600
Loans to customers	825,652,224	703,710
	<u>2,794,452,624</u>	<u>819,023,310</u>

**10. INCOME TAX EXPENSES AND TAX PAYABLE**

Income tax expenses for the years ended December 31, are as follows:

	<b>2021 LAK</b>	<b>2020 LAK</b>
Current tax expenses for the years	7,117,415,716	5,983,697,296
Net deferred tax expenses for the years (see Note 17)	-	1,320,391,408
	<u>7,117,415,716</u>	<u>7,304,088,704</u>



Tax payable as at December 31, are as follows:

	2021 LAK	2020 LAK
Tax payable at the beginning of the years	8,359,636,165	6,933,554,682
Income tax expenses for the years	7,117,415,716	5,983,697,296
Income tax paid during the years	(8,438,583,728)	(4,557,615,813)
Tax payable at the end of the year	<u>7,038,468,153</u>	<u>8,359,636,165</u>

#### Reconciliation of effective tax rate

	2021 LAK	2020 LAK
Profit before income tax expenses	34,935,547,971	29,703,558,785
Income tax at the domestic tax rate (20%)	6,987,109,594	5,940,711,757
Tax effect of income and expenses that are not taxable and not deductible for tax purposes	130,306,122	1,363,376,947
Income tax as per statement of profit or loss and other comprehensive income	<u>7,117,415,716</u>	<u>7,304,088,704</u>
Effective tax rate	20.37%	24.59%

## 11. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

### 11.1 Cash on hand

Cash on hand as at December 31, consists of the following:

	2021 LAK	2020 LAK
Cash on hand in LAK	2,963,478,000	4,313,806,000
Cash on hand in USD	6,761,880,689	6,279,489,570
Cash on hand in THB	6,020,485,457	4,517,376,791
	<u>15,745,844,146</u>	<u>15,110,672,361</u>

### 11.2 Non-cash items

11.2.1 Non-cash items for the years ended December 31, are as follows:

	2021 LAK	2020 LAK
Fixed asset payables at beginning of the year	-	-
Add Purchases of tangible assets	60,302,945	1,055,105,224
Purchases of intangible assets	-	-
Unrealized gain on exchange rate	-	-
Less Cash payments for tangible assets	(60,302,945)	(1,055,105,224)
Cash payments for intangible assets	-	-
Fixed asset payables at ending of the year	<u>-</u>	<u>-</u>

11.2.2 Changes in liabilities from financing activities for the years ended December 31, are as follows:

	Balance as at January 1, 2021 LAK	Cash received LAK	Cash flow from financing activities Cash paid LAK	Non-cash changes LAK	Balance as at December 31, 2021 LAK
Lease liabilities	8,851,212,000	-	(83,502,000)	1,779,435,000	10,547,145,000
Total	<u>8,851,212,000</u>	<u>-</u>	<u>(83,502,000)</u>	<u>1,779,435,000</u>	<u>10,547,145,000</u>

  

	Balance as at January 1, 2020 LAK	Cash received LAK	Cash flow from financing activities Cash paid LAK	Non-cash changes LAK	Balance as at December 31, 2020 LAK
Lease liabilities	8,484,762,000	-	-	366,450,000	8,851,212,000
Total	<u>8,484,762,000</u>	<u>-</u>	<u>-</u>	<u>366,450,000</u>	<u>8,851,212,000</u>

## 12. INTERBANK AND MONEY MARKET ITEMS, NET (ASSETS)

Interbank and money market items, net (assets) as at December 31, consist of the following:

	2021 LAK	2020 LAK
Demand deposits at other banks		
Bank of the Lao PDR	173,022,996,481	241,216,964,705
Other domestic banks	10,759,630,972	8,927,407,835
Foreign banks	<u>11,539,911,486</u>	<u>13,191,908,991</u>
Total	195,322,538,939	263,336,281,531
Time deposits at other banks		
Domestic banks	<u>113,795,700,000</u>	<u>42,500,000,000</u>
Total	113,795,700,000	42,500,000,000
Loans and advance		
Bank of the Lao PDR	-	136,386,600,000
<u>Less</u> Allowance for doubtful accounts	<u>-</u>	<u>(1,636,639,200)</u>
Total	-	134,749,960,800
Accrued interest receivables	<u>1,843,362,407</u>	<u>1,306,928,266</u>
	<u>310,961,601,346</u>	<u>441,893,170,597</u>



### 13. STATUTORY DEPOSITS

Statutory deposits as at December 31, consist of the following:

	2021 LAK	2020 LAK
Customer deposits	25,264,602,547	30,662,256,080
Customer deposits - Dormant accounts	322,930,317	-
Branch capital	5,000,000	5,000,000
	<u>25,592,532,864</u>	<u>30,667,256,080</u>

Statutory deposits on customers deposits with BoL are maintained in compliance with applicable BoL regulations, the amounts of which are determined as a defined percentage of customers' deposits with the Branch, i.e. 3% on deposits of Lao Kip and 5% on deposits of foreign currencies. These deposits do not earn interest.

For dormant customer deposits which are inactive more than six years continuously, those accounts must be closed and transferred to maintain at BoL as following the guidance stipulated in Official Letter No. 525/Kor Kor Tor dated September 11, 2020.

Statutory deposits on branch capital is maintained with the BoL in compliance with BoL regulations. These deposits do not earn interest.

### 14. LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET

Loans to customers and accrued interest receivables, net as at December 31, are as follows:

	2021 LAK	2020 LAK
Loans to customers	260,352,871,125	269,969,318,791
Accrued interest receivables	9,272,959,452	4,784,978,458
	<u>269,625,830,577</u>	<u>274,754,297,249</u>
<u>Less</u> Allowance for doubtful accounts	<u>(3,124,234,417)</u>	<u>(3,239,631,794)</u>
Loans to customers and accrued interest receivables, net	<u>266,501,596,160</u>	<u>271,514,665,455</u>

#### 14.1 Loan to customers are classified as follows:

##### 14.1.1 Classified by product type as at December 31, are as follows:

	2021 LAK	2020 LAK
Overdraft	3,983,730,126	4,982,593,054
Loans	256,369,140,999	264,151,795,737
Bills	-	834,930,000
	<u>260,352,871,125</u>	<u>269,969,318,791</u>

14.1.2 Classified by currency as at December 31, are as follows:

	2021 LAK	2020 LAK
LAK	142,048,511,605	139,398,191,911
USD	109,294,476,885	118,331,931,534
THB	9,009,882,635	12,239,195,346
	<u>260,352,871,125</u>	<u>269,969,318,791</u>

14.1.3 Classified by performance as at December 31, are as follows:

	2021 LAK	2020 LAK
Performing loans	260,352,871,125	269,969,318,791
Non-performing loans ("NPL")	-	-
	<u>260,352,871,125</u>	<u>269,969,318,791</u>

14.2 Allowance for doubtful accounts

Allowance for doubtful accounts as at December 31, consist of the following:

	2021 LAK	2020 LAK
Beginning balance	3,239,631,794	3,155,687,265
Doubtful accounts (reversal) during the years	(825,652,224)	(703,710)
Foreign exchange translation difference	710,254,847	84,648,239
Ending balance	<u>3,124,234,417</u>	<u>3,239,631,794</u>

The breakdown of loan classification and allowance for doubtful accounts as at December 31, are as follows:

	2021		2020	
	Loan balance LAK	Allowance for doubtful accounts LAK	Loan balance LAK	Allowance for doubtful accounts LAK
<b>Performing loans</b>				
Normal	260,352,871,125	3,124,234,417	269,969,318,791	3,239,631,794
Special mentioned	-	-	-	-
Total	<u>260,352,871,125</u>	<u>3,124,234,417</u>	<u>269,969,318,791</u>	<u>3,239,631,794</u>
<b>Non-performing loans</b>				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>260,352,871,125</u>	<u>3,124,234,417</u>	<u>269,969,318,791</u>	<u>3,239,631,794</u>

As at December 31, 2021 and 2020, the Branch has allowance for doubtful accounts in the statement of financial position as allowance for doubtful accounts of LAK 3,124,234,417 and LAK 3,239,631,794, respectively.



## 15. PROPERTY AND EQUIPMENT

Property and equipment as at December 31, consist of the following:

As at December 31, 2021

	Balances as at January 1, 2021 LAK	Additions LAK	Disposals LAK	Balances as at December 31, 2021 LAK
Cost:				
Leasehold improvements	8,773,579,229	-	-	8,773,579,229
Right-of-use assets	20,980,650,196	-	-	20,980,650,196
Furniture and fixtures	1,023,731,177	49,390,945	-	1,073,122,122
Computer equipment	2,625,933,448	10,912,000	(254,596,017)	2,382,249,431
Motor vehicles	1,270,696,236	-	-	1,270,696,236
Total cost	<u>34,674,590,286</u>	<u>60,302,945</u>	<u>(254,596,017)</u>	<u>34,480,297,214</u>
Accumulated depreciation:				
Leasehold improvements	(2,069,146,607)	(302,337,277)	-	(2,371,483,884)
Right-of-use assets	(953,095,001)	(953,095,002)	-	(1,906,190,003)
Furniture and fixtures	(1,011,512,638)	(12,803,415)	-	(1,024,316,053)
Computer equipment	(1,427,433,740)	(326,000,532)	254,595,992	(1,498,838,280)
Motor vehicles	(1,142,264,908)	(124,701,335)	-	(1,266,966,243)
Total accumulated depreciation	<u>(6,603,452,894)</u>	<u>(1,718,937,561)</u>	<u>254,595,992</u>	<u>(8,067,794,463)</u>
Property and equipment	<u>28,071,137,392</u>			<u>26,412,502,751</u>

As at December 31, 2020

	Balances as at January 1, 2020 LAK	Adjustment of beginning balance LAK	Additions LAK	Disposals LAK	Balances as at December 31, 2020 LAK
Cost:					
Leasehold improvements	8,773,579,229	-	-	-	8,773,579,229
Right-of-use assets	-	20,980,650,196	-	-	20,980,650,196
Furniture and fixtures	1,023,731,177	-	-	-	1,023,731,177
Computer equipment	1,570,828,224	-	1,055,105,224	-	2,625,933,448
Motor vehicles	1,270,696,236	-	-	-	1,270,696,236
Total cost	<u>12,638,834,866</u>	<u>20,980,650,196</u>	<u>1,055,105,224</u>	<u>-</u>	<u>34,674,590,286</u>
Accumulated depreciation:					
Leasehold improvements	(1,765,981,007)	-	(303,165,600)	-	(2,069,146,607)
Right-of-use assets	-	-	(953,095,001)	-	(953,095,001)
Furniture and fixtures	(1,001,050,492)	-	(10,462,146)	-	(1,011,512,638)
Computer equipment	(1,183,816,465)	-	(243,617,275)	-	(1,427,433,740)
Motor vehicles	(981,435,784)	-	(160,829,124)	-	(1,142,264,908)
Total accumulated depreciation	<u>(4,932,283,748)</u>	<u>-</u>	<u>(1,671,169,146)</u>	<u>-</u>	<u>(6,603,452,894)</u>
Property and equipment	<u>7,706,551,118</u>				<u>28,071,137,392</u>

Depreciation for the years ended December 31,

2021

2020

LAK 1,718,937,561  
LAK 1,671,169,146

# 16. INTANGIBLE ASSETS

Intangible assets as at December 31, consist of the following:

As at December 31, 2021

	Balance as at January 1, 2021 LAK	Additions LAK	Disposals LAK	Balance as at December 31, 2021 LAK
Cost:				
Computer software	63,708,800	-	-	63,708,800
Total cost	63,708,800	-	-	63,708,800
Accumulated amortization:				
Computer software	(63,708,798)	-	-	(63,708,798)
Total accumulated amortization	(63,708,798)	-	-	(63,708,798)
<b>Intangible assets</b>	<b>2</b>			<b>2</b>

As at December 31, 2020

	Balance as at January 1, 2020 LAK	Additions LAK	Disposals LAK	Balance as at December 31, 2020 LAK
Cost:				
Computer software	63,708,800	-	-	63,708,800
Total cost	63,708,800	-	-	63,708,800
Accumulated amortization:				
Computer software	(63,708,798)	-	-	(63,708,798)
Total accumulated amortization	(63,708,798)	-	-	(63,708,798)
<b>Intangible assets</b>	<b>2</b>			<b>2</b>

Amortization for the years ended December 31,  
2021  
2020

LAK	-
LAK	-

# 17. DEFERRED TAX ASSETS

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred income taxes are calculated on all temporary differences using an effective tax rate of 20%.

Deferred tax assets as at December 31, are as follows:

	2021 LAK	2020 LAK
Deferred tax assets	-	-



Movement in deferred tax assets during the year ended December 31, 2020 is as follows:

	2020			
	Balance as at January 1, 2020	Items as recognized in profit and loss	Item as recognized in other comprehensive income	Balance as at December 31, 2020
	LAK	LAK	LAK	LAK
Deferred tax assets				
Loans to customers	1,320,391,408	(1,320,391,408)	-	-
Total	<u>1,320,391,408</u>	<u>(1,320,391,408)</u>	<u>-</u>	<u>-</u>

#### 18. OTHER ASSETS

Other assets as at December 31, consist of the following:

	2021 LAK	2020 LAK
Prepaid expenses	59,369,082	35,856,153
Others	-	174,500
	<u>59,369,082</u>	<u>36,030,653</u>

#### 19. DEPOSITS

Deposits as at December 31, consist of the following:

	2021 LAK	2020 LAK
Demand deposits		
Current deposits	168,078,396,664	100,225,262,282
Savings deposits	257,226,921,096	178,063,998,271
Total	<u>425,305,317,760</u>	<u>278,289,260,553</u>
Time deposits		
Fixed deposits	148,929,298,918	125,087,042,468
Total	<u>148,929,298,918</u>	<u>125,087,042,468</u>
	<u>574,234,616,678</u>	<u>403,376,303,021</u>

Deposits classified by currency as at December 31, are as follows:

	2021 LAK	2020 LAK
LAK	64,199,620,329	76,625,710,079
USD	274,087,399,382	184,882,244,791
THB	235,947,596,967	141,868,348,151
	<u>574,234,616,678</u>	<u>403,376,303,021</u>

## 20. INTERBANK AND MONEY MARKET ITEMS (LIABILITIES)

Interbank and money market items (liabilities) as at December 31, consist of the following:

	2021 LAK	2020 LAK
Demand deposits at other banks		
Domestic banks	<u>27,873,037,418</u>	<u>26,085,713,317</u>
Total	<u>27,873,037,418</u>	<u>26,085,713,317</u>
Time deposits at other banks		
Domestic banks	<u>15,000,000,000</u>	<u>20,000,000,000</u>
Total	<u>15,000,000,000</u>	<u>20,000,000,000</u>
	<u>42,873,037,418</u>	<u>46,085,713,317</u>

## 21. OTHER LIABILITIES

Other liabilities as at December 31, consist of the following:

	2021 LAK	2020 LAK
Other payable	909,014,321	899,670,000
Accrued interest payable		
Deposits	2,839,832,950	3,128,318,850
Interbank and money market items	<u>625,714,454</u>	<u>147,071,046</u>
	<u>3,465,547,404</u>	<u>3,275,389,896</u>
Dormant accounts	322,930,317	-
Cashier cheque	-	920,000
Accrued expenses	734,949,746	659,906,511
Lease liabilities	10,547,145,000	8,851,212,000
Advance payment from customers	5,488,176,063	3,871,953,476
Value-added tax payable	<u>21,468,820</u>	<u>16,360,166</u>
	<u>21,489,231,671</u>	<u>17,575,412,049</u>



Lease liabilities consist of the following:

	2021 LAK Payment	2020 LAK Payment
Within one year	-	83,502,000
One year to five years	-	-
Over five years	10,547,145,000	8,767,710,000
	<u>10,547,145,000</u>	<u>8,851,212,000</u>

## 22. BRANCH CAPITAL

The Branch has an initial registered branch capital in amount of USD 5 million. In accordance with the Agreement on Increasing Minimum Registered Capital and Investment Capital of Commercial Bank No.141/PM dated September 24, 2009 by the BoL, the branch of foreign bank in the Lao PDR should maintain the minimum registered capital of LAK 100 billion by 2012.

According to Amended Law on Commercial Bank No. 56/NA dated on December 7, 2018 which was published in Lao Official Gazette on June 7, 2019 and in effective on June 21, 2019, the branch of foreign commercial bank in the Lao PDR should maintain the minimum registered capital of LAK 300 billion. The BoL allowed the Branch to increase capital either on a one-time basis or in phases over the five-year period, and the Branch considered to increase capital over the five-year period. On January 2, 2020, the Branch injected the first capital injection to increase the registered branch capital in the amount of LAK 40 billion to LAK 140 billion by utilizing the Branch's retained earnings. On July 26, 2021, the Branch injected the second capital injection to increase the registered branch capital in the amount of LAK 30 billion to LAK 170 billion by utilizing the Branch's retained earnings.

As at December 31, 2021 and 2020, the Branch has registered branch capital of LAK 170 billion and LAK 140 billion, respectively.

## 23. LEGAL RESERVE

A legal reserve shall be maintained in accordance with the BoL regulations, comprising annual appropriation of 10% of net income.

## 24. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances as at December 31, are as follows:

	2021 LAK	2020 LAK
Due from Head Office and other branches		
Deposits	296,975,172,989	80,141,528,597
Accrued interest receivables	120,545,334	2,485,067
	<u>297,095,718,323</u>	<u>80,144,013,664</u>
Due from Head Office and other branches		
Due from Head Office	166,193,052,341	64,742,731,621
Due from other branches	130,782,120,648	15,398,796,976
	<u>296,975,172,989</u>	<u>80,141,528,597</u>
Accrued interest receivables	120,545,334	2,485,067
	<u>297,095,718,323</u>	<u>80,144,013,664</u>
	2021 LAK	2020 LAK
Due to Head Office and other branches		
Deposits	82,460,760,758	52,150,038,911
Borrowings	-	153,434,925,000
	<u>82,460,760,758</u>	<u>205,584,963,911</u>
Due to Head Office and other branches		
Due to Head Office	-	153,434,925,000
Due to other branches	82,460,760,758	52,150,038,911
	<u>82,460,760,758</u>	<u>205,584,963,911</u>

Due from Head Office and other branches as at December 31, are classified as follows:

	2021 LAK	2020 LAK
a) By type:		
Demand deposits	172,253,172,989	74,503,478,597
Time deposits	124,722,000,000	5,638,050,000
	<u>296,975,172,989</u>	<u>80,141,528,597</u>
b) By currencies:		
LAK	-	50,690,000
USD	124,738,251,476	38,390,909,766
THB	172,146,989,419	41,695,223,260
EUR	89,932,094	4,705,571
	<u>296,975,172,989</u>	<u>80,141,528,597</u>

Interest rates on deposits due from Head Office and other branches for the years ended December 31, 2021 and 2020 are 0.20% - 3.25% and 0.50% - 3.25% per annum, respectively.



Due to Head Office and other branches as at December 31, are classified as follows:

	<b>2021 LAK</b>	<b>2020 LAK</b>
a) By type:		
Demand deposits	25,138,760,758	32,150,038,911
Time deposits	57,322,000,000	20,000,000,000
Borrowings	-	153,434,925,000
	<u>82,460,760,758</u>	<u>205,584,963,911</u>
b) By currencies:		
LAK	40,030,213,758	49,673,839,490
USD	23,257,731,320	153,830,737,098
THB	19,172,815,680	2,080,387,323
	<u>82,460,760,758</u>	<u>205,584,963,911</u>

Interest rates on deposits due to Head Office and other branches for the years ended December 31, 2021 and 2020 are 0.18% - 5.50% and 0.15% - 3.60% per annum, respectively.

Interest rates on borrowings due to Head Office for the years ended December 31, 2021 and 2020 are LIBOR 3 months + 1.75% and LIBOR 3 months + 1.75% per annum, respectively.

Significant transactions with related parties for the years ended December 31, are conducted on normal commercial terms as follows:

	<b>2021 LAK</b>	<b>2020 LAK</b>
Interest income		
Other branches	1,363,141,842	612,886,115
Interest expenses		
Head Office	3,117,458,321	5,464,517,419
Other branches	1,012,973,742	377,260,274

## 25. CONTINGENT LIABILITIES

Contingent liabilities as at December 31, consists of the following:

	<b>2021 LAK</b>	<b>2020 LAK</b>
Undrawn loan commitments	12,212,017,529	10,535,349,332
Letters of credit	-	593,792,000
Letter of guarantee	675,426,546,234	573,470,933,553
Bills for collection	8,433,427,497	11,185,600,500
	<u>696,071,991,260</u>	<u>595,785,675,385</u>

**26. CORONAVIRUS DISEASE 2019 PANDEMIC**

The Coronavirus disease 2019 (“COVID-19”) pandemic is continuing to evolve, resulting in an economic slowdown and adversely impacting most businesses and industries. This situation may bring uncertainties and have an impact on the environment in which the Branch operates. Nevertheless, the Branch’s management will continue to monitor the ongoing development and regularly assess the financial impact in respect of valuation of assets, provisions and contingent liabilities.