

BANGKOK BANK PUBLIC COMPANY LIMITED
- VIENTIANE BRANCH

Financial Statements

Year ended December 31, 2023

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 Bangkok Bank Public Company Limited - Vientiane Branch as at December 31, 2023, 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.

The Branch's financial statements have been prepared in accordance with the accounting policies as described in Note 3 to the financial statements. These accounting policies are primarily based on International Financial Reporting Standards ("IFRSs") except for IFRS 9 "Financial Instruments" as following the guidance stipulated in Official Letter No. 1659/BoL dated December 14, 2018.

- 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 29, 2024



ບໍລິສັດ ດີລອຍ (ລາວ) ຈຳກັດ
ອາຄານຕະຫຼາດຫຼັກຊັບລາວ
ບ້ານໂພນທັນ, ຖະໜົນ T4
ເມືອງໄຊເສດຖາ
ຖິ່ນປະຕິບັດ, ນະຄອນຫຼວງວຽງຈັນ
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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, 2023, 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 material accounting policy information.

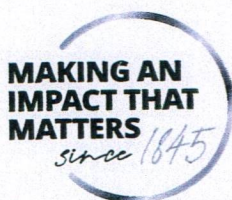
In our opinion, the accompanying financial statements of Bangkok Bank Public Company Limited - Vientiane Branch for the year ended December 31, 2023 are prepared, in all material respects, in accordance with the regulations of Bank of the Lao PDR and the Branch's accounting policies as described in Note 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 material accounting policy information. 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

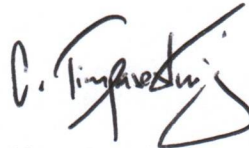
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.



Chavala Tienpasertkij
Certified Public Accountant

VIENTIANE
March 29, 2024

DELOITTE (LAO) SOLE COMPANY LIMITED

BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

UNIT : LAK

	Notes	2023	2022
ASSETS			
Cash on hand	11.1	23,619,389,535	16,185,204,333
Interbank and money market items, net	12	972,012,756,270	1,089,254,157,499
Due from Head Office and other branches	24	380,832,088,512	241,184,121,816
Statutory deposits	13	87,163,446,823	47,267,902,562
Loans to customers and accrued interest receivables, net	14		
Loans to customers		372,732,276,719	314,482,605,813
Accrued interest receivables		6,620,092,210	11,578,899,766
Total loans to customers and accrued interest receivables		379,352,368,929	326,061,505,579
Less Allowance for doubtful accounts		(4,472,787,254)	(3,773,791,214)
Total loans to customers and accrued interest receivables, net		374,879,581,675	322,287,714,365
Property and equipment	15	25,165,148,823	26,963,532,382
Intangible assets	16	35,552,026	45,721,688
Other assets	18	213,632,673	630,589,874
TOTAL ASSETS		1,863,921,596,337	1,743,818,944,519

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, 2023

UNIT : LAK

	Notes	2023	2022
Interest income	5	80,795,816,030	45,695,893,165
Interest expenses	5	(33,475,914,606)	(16,572,946,438)
Net interest income	5	47,319,901,424	29,122,946,727
Fees and service income	6	26,129,725,713	22,662,095,044
Fees and service expenses	6	(1,409,259,311)	(905,102,365)
Net fees and service income	6	24,720,466,402	21,756,992,679
Gain on foreign exchange transactions		22,225,422,634	25,380,645,772
Other operating income		1,156,016	6,203,108
Total operating income		94,266,946,476	76,266,788,286
Other operating expenses			
Employee's expenses	7	(11,273,510,754)	(7,924,965,158)
Depreciation and amortization expenses	8	(2,216,064,666)	(1,842,846,572)
Others		(8,086,270,667)	(5,201,905,407)
Total operating expenses		(21,575,846,087)	(14,969,717,137)
Impairment loss	9	(124,289,131)	(1,963,539,602)
Profit before income tax expenses		72,566,811,258	59,333,531,547
Income tax expenses	10	(9,345,964,691)	(12,025,283,254)
Net profit		63,220,846,567	47,308,248,293
Total comprehensive income		63,220,846,567	47,308,248,293

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, 2023

UNIT : LAK

	Notes	2023	2022
LIABILITIES AND HEAD OFFICE ACCOUNT			
Deposits	19	945,665,813,326	796,130,005,134
Interbank and money market items	20	166,136,979,608	285,429,500,392
Due to Head office and other branches	24	276,291,000,000	361,902,516,480
Tax payable	10	7,971,350,644	7,775,696,487
Other liabilities	21	39,421,791,423	30,999,927,737
TOTAL LIABILITIES		<u>1,435,486,935,001</u>	<u>1,482,237,646,230</u>
HEAD OFFICE ACCOUNT			
Branch capital	22	313,632,516,480	190,000,000,000
Retained earnings			
Appropriated			
Legal reserve	23	25,188,717,576	18,866,632,919
Unappropriated		89,613,427,280	52,714,665,370
TOTAL HEAD OFFICE ACCOUNT		<u>428,434,661,336</u>	<u>261,581,298,289</u>
TOTAL LIABILITIES AND HEAD OFFICE ACCOUNT		<u><u>1,863,921,596,337</u></u>	<u><u>1,743,818,944,519</u></u>

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, 2023

UNIT : LAK

	Notes	Branch Capital	Retained Earnings		Total Head Office Account
			Appropriated Legal Reserve	Unappropriated	
Beginning balance as at January 1, 2022		170,000,000,000	14,135,808,090	30,137,241,906	214,273,049,996
Capital increment	22	20,000,000,000	-	(20,000,000,000)	-
Total comprehensive income		-	-	47,308,248,293	47,308,248,293
Transfer to legal reserve	23	-	4,730,824,829	(4,730,824,829)	-
Ending balance as at December 31, 2022		<u>190,000,000,000</u>	<u>18,866,632,919</u>	<u>52,714,665,370</u>	<u>261,581,298,289</u>
Beginning balance as at January 1, 2023		190,000,000,000	18,866,632,919	52,714,665,370	261,581,298,289
Capital increment	22	123,632,516,480	-	(20,000,000,000)	103,632,516,480
Total comprehensive income		-	-	63,220,846,567	63,220,846,567
Transfer to legal reserve	23	-	6,322,084,657	(6,322,084,657)	-
Ending balance as at December 31, 2023		<u>313,632,516,480</u>	<u>25,188,717,576</u>	<u>89,613,427,280</u>	<u>428,434,661,336</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, 2023

UNIT : LAK

	Notes	2023	2022
Cash flows from operating activities			
Profit before income tax expenses		72,566,811,258	59,333,531,547
Adjustments to reconcile profit before income tax expenses for the year to cash received (paid) from operating activities:			
Depreciation and amortization	8	2,216,064,666	1,842,846,572
Impairment loss	9	124,289,131	1,963,539,602
Unrealized loss on exchange		3,860,318,909	7,509,122,195
Interest income	5	(80,795,816,030)	(45,695,893,165)
Interest expenses	5	33,475,914,606	16,572,946,438
Cash generated from operations		31,447,582,540	41,526,093,189
Interest received		86,490,622,207	35,504,371,248
Interest paid		(30,054,665,654)	(12,446,625,695)
Income tax paid	10	(9,150,310,534)	(11,288,054,920)
Profit from operating before changes in operating assets and liabilities		78,733,228,559	53,295,783,822
Changes in operating assets and liabilities:			
Decrease (increase) in operating assets:			
Interbank and money market items		(5,521,000,000)	(313,715,800,000)
Statutory deposits		(39,895,544,261)	(21,675,369,698)
Due from Head Office and other branches		(139,587,357,042)	55,858,377,363
Loans to customers		(58,249,670,906)	(54,129,734,688)
Other assets		416,957,201	(571,220,792)
Increase (decrease) in operating liabilities:			
Deposits		149,535,808,192	221,895,388,456
Interbank and money market items		(119,292,520,784)	242,556,462,974
Due to Head Office and other branches		(85,611,516,480)	279,441,755,722
Other liabilities		1,931,254,734	(339,489,677)
Net cash provided by (used in) operating activities		(217,540,360,787)	462,616,153,482

BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2023

UNIT : LAK

	Notes	2023	2022
Cash flows from investing activities			
Cash paid for purchases of property and equipment	11.2.1	(407,511,445)	(2,388,721,717)
Cash paid for purchases of intangible assets	11.2.1	-	(50,876,172)
Net cash used in investing activities		<u>(407,511,445)</u>	<u>(2,439,597,889)</u>
Cash flows from financing activities			
Cash received from capital increment		<u>103,632,516,480</u>	<u>-</u>
Net cash provided by investing activities		<u>103,632,516,480</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents		(114,315,355,752)	460,176,555,593
Cash and cash equivalents at beginning of the year		<u>687,986,438,678</u>	<u>227,809,883,085</u>
Cash and cash equivalents at end of the year		<u><u>573,671,082,926</u></u>	<u><u>687,986,438,678</u></u>
Cash and cash equivalents			
Cash on hand	11.1	23,619,389,535	16,185,204,333
Deposits within three months with other banks		<u>550,051,693,391</u>	<u>671,801,234,345</u>
		<u><u>573,671,082,926</u></u>	<u><u>687,986,438,678</u></u>

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, 2023

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.

On August 31, 2022, Bangkok Bank Public Company Limited - Pakse Branch discontinued branch banking operation and some operating assets and operating liabilities were transferred to the Branch during the period. BoL has agreed to approve the report and revoke the banking license of Bangkok Bank Public Company Limited, Pakse Branch dated August 1, 2023.

These financial statements were approved for issue by the Branch’s management on March 29, 2024.

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 regulations of Bank of the Lao PDR and the Branch’s accounting policies as described in Note 3. These accounting policies are primarily based on International Financial Reporting Standards (“IFRSs”). 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, 2023.

The Branch’s financial statements have been prepared on an accrual basis under the measurement basis of historical cost as disclosed in the material accounting policy information (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. MATERIAL ACCOUNTING POLICY INFORMATION

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 Loans to customers

Loans to customers are recognized at cost and presented at outstanding balance less allowance for doubtful accounts.

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.

3.5 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)
Performing loans			
Normal	1 to 30 days	0.50%	1.20%*
Special mentioned	31 to 90 days	3.00%	3.00%
Non-performing loans ("NPL")			
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 impairment loss or reversal impairment loss. 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.

3.6 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.

3.7 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	5 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.

3.8 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. Right-of-use assets is recorded in the statement of financial position under property and equipment and lease liabilities is recorded in the statement of financial position under other liabilities.

3.9 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 Head Office account, in which case it is recognized directly in Head Office account.

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.

3.10 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 statement 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.

3.11 Segment information

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

3.12 Foreign currency translation

Items included in the financial statements are measured using Lao Kip (“LAK”) which is the functional currency.

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 position date presented are translated into LAK using the reference rates of exchange of the Branch ruling at that date.

Gains or 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.

3.13 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.

However, the Branch 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:

	2023 LAK	2022 LAK
Loans to customers	372,732,276,719	314,482,605,813
Total	<u>372,732,276,719</u>	<u>314,482,605,813</u>

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

	2023 LAK	2022 LAK
Undrawn loan commitments	21,239,451,264	17,297,774,405
Letters of Guarantee	1,004,619,689,768	773,094,111,019
Bills sent for collection	14,113,743,273	14,651,900,907
Total	<u>1,039,972,884,305</u>	<u>805,043,786,331</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 at December 31, are as follows.

	2023 LAK	2022 LAK
Residents	<u>372,732,276,719</u>	<u>314,482,605,813</u>
Total	<u>372,732,276,719</u>	<u>314,482,605,813</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:

	2023 LAK	2022 LAK
Industrial service companies	85,886,273,849	119,777,609,988
Trading companies	208,297,956,250	109,228,184,207
Service companies	<u>78,548,046,620</u>	<u>85,476,811,618</u>
Total	<u>372,732,276,719</u>	<u>314,482,605,813</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:

2023							
	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
Financial assets							
Interbank and money market items	478,653,693,391	350,812,590,657	142,546,472,222	-	-	-	972,012,756,270
Due from Head Office and other branches	301,316,866,961	79,515,221,551	-	-	-	-	380,832,088,512
Statutory deposits	-	-	-	-	-	87,163,446,823	87,163,446,823
Loans to customers and accrued interest receivables	40,390,014,230	121,909,961,665	61,398,454,874	109,501,448,334	46,152,489,826	-	379,352,368,929
Financial liabilities							
Deposits	382,169,420,770	192,661,795,623	120,599,810,109	11,717,861,716	-	238,516,925,108	945,665,813,326
Interbank and money market items	51,136,979,608	25,000,000,000	90,000,000,000	-	-	-	166,136,979,608
Due to Head Office and other branches	276,291,000,000	-	-	-	-	-	276,291,000,000
2022							
	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
Financial assets							
Interbank and money market items	578,091,276,012	354,251,735,654	156,911,145,833	-	-	-	1,089,254,157,499
Due from Head Office and other branches	216,206,795,626	24,977,326,190	-	-	-	-	241,184,121,816
Statutory deposits	-	-	-	-	-	47,267,902,562	47,267,902,562
Loans to customers and accrued interest receivables	26,915,128,055	48,247,988,182	65,573,688,221	102,502,629,596	82,822,071,525	-	326,061,505,579
Financial liabilities							
Deposits	363,762,166,801	166,804,012,903	71,160,448,623	1,807,890,000	-	192,595,486,807	796,130,005,134
Interbank and money market items	285,429,500,392	-	-	-	-	-	285,429,500,392
Due to Head Office and other branches	361,902,516,480	-	-	-	-	-	361,902,516,480

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:

	2023				
	LAK	USD	THB	Others	Total
	LAK	LAK	LAK	LAK	LAK
Financial assets					
Cash on hand	5,136,255,500	14,920,880,562	3,562,253,473	-	23,619,389,535
Interbank and money market items	404,194,987,109	513,345,405,282	54,472,363,879	-	972,012,756,270
Due from Head Office and other branches	-	188,508,238,326	192,240,716,242	83,133,944	380,832,088,512
Statutory deposits	9,618,373,672	47,501,790,455	30,043,282,696	-	87,163,446,823
Loans to customers and accrued interest receivables	264,987,355,893	86,396,079,248	27,968,933,788	-	379,352,368,929
Financial liabilities					
Deposits	160,126,860,291	519,306,947,650	266,232,005,385	-	945,665,813,326
Interbank and money market items	115,002,500,000	18,136,760,447	32,997,719,161	-	166,136,979,608
Due to Head Office and other branches	-	276,291,000,000	-	-	276,291,000,000
	2022				
	LAK	USD	THB	Others	Total
	LAK	LAK	LAK	LAK	LAK
Financial assets					
Cash on hand	4,192,280,500	6,549,692,764	5,443,231,069	-	16,185,204,333
Interbank and money market items	581,433,327,150	368,411,104,660	139,409,725,689	-	1,089,254,157,499
Due from Head Office and other branches	-	156,032,558,421	85,097,357,975	54,205,420	241,184,121,816
Statutory deposits	12,457,373,672	20,146,379,243	14,664,149,647	-	47,267,902,562
Loans to customers and accrued interest receivables	178,184,963,307	134,416,282,478	13,460,259,794	-	326,061,505,579
Financial liabilities					
Deposits	190,642,373,290	376,655,866,479	228,831,765,365	-	796,130,005,134
Interbank and money market items	244,312,500,000	15,258,622,592	25,858,377,800	-	285,429,500,392
Due to Head Office and other branches	103,632,516,480	258,270,000,000	-	-	361,902,516,480

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:

	2023						
	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	478,653,693,391	-	215,257,588,126	278,101,474,753	-	-	972,012,756,270
Due from Head Office							
and other branches	253,576,757,109	127,255,331,403	-	-	-	-	380,832,088,512
Statutory deposits	87,163,446,823	-	-	-	-	-	87,163,446,823
Loans to customers and							
accrued interest receivables	4,463,510,126	126,442,430,118	62,530,255,558	2,602,290,712	183,313,882,415	-	379,352,368,929
Financial liabilities							
Deposits	611,185,412,589	15,665,310,284	304,948,298,737	13,866,791,716	-	-	945,665,813,326
Interbank and money							
market items	51,136,979,608	-	115,000,000,000	-	-	-	166,136,979,608
Due to Head Office							
and other branches	-	-	-	276,291,000,000	-	-	276,291,000,000

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:

	Carrying value/ Fair value	
	2023	2022
	LAK	LAK
Financial assets		
Cash on hand	23,619,389,535	16,185,204,333
Interbank and money market items, net	972,012,756,270	1,089,254,157,499
Due from Head Office and other branches	380,832,088,512	241,184,121,816
Statutory deposits	87,163,446,823	47,267,902,562
Loans to customers and accrued interest receivables, net	374,879,581,675	322,287,714,365
Financial liabilities		
Deposits	945,665,813,326	796,130,005,134
Interbank and money market	166,136,979,608	285,429,500,392
Due to Head Office and other branches	276,291,000,000	361,902,516,480
Off-balance sheet financial instruments		
Guarantees, acceptances and other financial facilities	1,039,972,884,305	805,043,786,331

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.
- 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 and accrued interest receivables, net is based on the carrying value of the loans to customers and interest receivables, 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.

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:

	2023 LAK	2022 LAK
Interest income		
Interest income - from interbanks	53,941,970,580	24,876,692,105
Interest income - from loan to customers	26,853,845,450	20,819,201,060
	<u>80,795,816,030</u>	<u>45,695,893,165</u>
Interest expenses		
Interest expenses - for interbanks	(24,152,174,227)	(10,094,001,712)
Interest expenses - for customers deposits	(9,323,740,379)	(6,478,944,726)
	<u>(33,475,914,606)</u>	<u>(16,572,946,438)</u>
Net interest income	<u>47,319,901,424</u>	<u>29,122,946,727</u>

6. NET FEES AND SERVICE INCOME

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

	2023 LAK	2022 LAK
Fees and service income		
Acceptance, aval and guarantee of loans	21,048,848,449	16,798,648,739
Others	5,080,877,264	5,863,446,305
Total fees and service income	26,129,725,713	22,662,095,044
Fees and service expenses	(1,409,259,311)	(905,102,365)
Net fees and service income	<u>24,720,466,402</u>	<u>21,756,992,679</u>

7. EMPLOYEE'S EXPENSES

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

	2023 LAK	2022 LAK
Wages and salaries	8,345,462,381	6,506,521,131
Bonuses	1,060,852,368	685,896,400
Other benefits	1,867,196,005	732,547,627
	<u>11,273,510,754</u>	<u>7,924,965,158</u>

8. DEPRECIATION AND AMORTIZATION EXPENSES

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

	2023 LAK	2022 LAK
Depreciation of property and equipment (see Note 15)	2,205,895,004	1,837,692,086
Amortization of computer software (see Note 16)	10,169,662	5,154,486
	<u>2,216,064,666</u>	<u>1,842,846,572</u>

9. IMPAIRMENT LOSS

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

	2023 LAK	2022 LAK
Interbank and money market items (reversal)	(301,680,000)	3,099,240,000
Loans to customers (reversal)	425,969,131	(1,135,700,398)
	<u>124,289,131</u>	<u>1,963,539,602</u>

10. INCOME TAX EXPENSES AND TAX PAYABLE

Tax payable as at December 31, are as follows:

	2023 LAK	2022 LAK
Tax payable at the beginning of the years	7,775,696,487	7,038,468,153
Income tax expenses for the years	9,345,964,691	12,025,283,254
Income tax paid during the years	(9,150,310,534)	(11,288,054,920)
Tax payable at the end of the year	<u>7,971,350,644</u>	<u>7,775,696,487</u>

Reconciliation of effective tax rate

	2023 LAK	2022 LAK
Profit before income tax expenses	72,566,811,258	59,333,531,547
Income tax at the domestic tax rate (20%)	14,513,362,252	11,866,706,309
Tax effect of income and expenses that are not taxable and not deductible for tax purposes	(5,167,397,561)	158,576,945
Income tax as per statement of profit or loss and other comprehensive income*	9,345,964,691	12,025,283,254
Effective tax rate*	12.88%	20.27%

* Income tax expense for the year 2023 was included tax adjustment of LAK 5.70 billion from finalization of tax interpretation in the current period. Effective tax rate before tax adjustment was 20.73%.

11. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

11.1 Cash on hand

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

	2023 LAK	2022 LAK
LAK	5,136,255,500	4,192,280,500
USD	14,920,880,562	6,549,692,764
THB	3,562,253,473	5,443,231,069
	23,619,389,535	16,185,204,333

11.2 Non-cash items

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

	2023 LAK	2022 LAK
Fixed asset payables at beginning of the years	-	-
<u>Add</u> Purchases of property and equipment	407,511,445	2,388,721,717
Purchases of intangible assets	-	50,876,172
<u>Less</u> Cash payments for property and equipment	(407,511,445)	(2,388,721,717)
Cash payments for intangible assets	-	(50,876,172)
Fixed asset payables at ending of the years	-	-

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

	Balance as at January 1, 2023 LAK	Cash flow from financing activities		Non-cash changes LAK	Balance as at December 31, 2023 LAK
		Cash received LAK	Cash paid LAK		
Lease liabilities	16,271,010,000	-	-	3,069,360,000	19,340,370,000
Total	16,271,010,000	-	-	3,069,360,000	19,340,370,000

	Balance as at January 1, 2022 LAK	Cash flow from financing activities		Non-cash changes LAK	Balance as at December 31, 2022 LAK
		Cash received LAK	Cash paid LAK		
Lease liabilities	10,547,145,000	-	-	5,723,865,000	16,271,010,000
Total	10,547,145,000	-	-	5,723,865,000	16,271,010,000

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

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

	2023 LAK	2022 LAK
Demand deposits at other banks		
Bank of the Lao PDR	426,925,283,233	446,314,489,261
Other domestic banks	18,649,386,477	23,784,272,110
Foreign banks	33,079,023,681	17,266,472,974
Total	478,653,693,391	487,365,234,345
Time deposits at other banks		
Domestic banks	211,398,000,000	336,936,000,000
Total	211,398,000,000	336,936,000,000
Loans and advance at other banks		
Bank of the Lao PDR	276,291,000,000	258,270,000,000
<u>Less</u> Allowance for doubtful accounts	(3,315,492,000)	(3,099,240,000)
Total	272,975,508,000	255,170,760,000
Accrued interest receivables	8,985,554,879	9,782,163,154
	972,012,756,270	1,089,254,157,499

13. STATUTORY DEPOSITS

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

	2023 LAK	2022 LAK
Customer deposits	86,579,939,255	46,791,878,790
Customer deposits - Dormant accounts	578,507,568	471,023,772
Branch capital	5,000,000	5,000,000
	<u>87,163,446,823</u>	<u>47,267,902,562</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. 8% on deposits of Lao Kip and 10% 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:

	2023 LAK	2022 LAK
Loans to customers	372,732,276,719	314,482,605,813
Accrued interest receivables	6,620,092,210	11,578,899,766
	<u>379,352,368,929</u>	<u>326,061,505,579</u>
<u>Less</u> Allowance for doubtful accounts	(4,472,787,254)	(3,773,791,214)
Loans to customers and accrued interest receivables, net	<u>374,879,581,675</u>	<u>322,287,714,365</u>

14.1 Loan to customers are classified as follows:

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

	2023 LAK	2022 LAK
Overdraft	4,463,510,126	4,063,480,126
Loans	368,268,766,593	310,419,125,687
	<u>372,732,276,719</u>	<u>314,482,605,813</u>

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

	2023	2022
	LAK	LAK
LAK	258,914,326,620	166,692,760,618
USD	85,886,273,849	134,344,037,988
THB	27,931,676,250	13,445,807,207
	<u>372,732,276,719</u>	<u>314,482,605,813</u>

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

	2023	2022
	LAK	LAK
Performing loans	372,732,276,719	314,482,605,813
Non-performing loans ("NPL")	-	-
	<u>372,732,276,719</u>	<u>314,482,605,813</u>

14.2 Allowance for doubtful accounts

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

	2023	2022
	LAK	LAK
Beginning balance	3,773,791,214	3,124,234,417
Doubtful accounts (reversal) during the years	425,969,131	(1,135,700,398)
Foreign exchange translation difference	273,026,909	1,785,257,195
Ending balance	<u>4,472,787,254</u>	<u>3,773,791,214</u>

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

	2023		2022	
	Loan balance	Allowance for doubtful accounts	Loan balance	Allowance for doubtful accounts
	LAK	LAK	LAK	LAK
Performing loans				
Normal	372,732,276,719	4,472,787,254	314,482,605,813	3,773,791,214
Special mentioned	-	-	-	-
Total	<u>372,732,276,719</u>	<u>4,472,787,254</u>	<u>314,482,605,813</u>	<u>3,773,791,214</u>
Non-performing loans				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>372,732,276,719</u>	<u>4,472,787,254</u>	<u>314,482,605,813</u>	<u>3,773,791,214</u>

15. PROPERTY AND EQUIPMENT

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

As at December 31, 2023

	Balances as at January 1, 2023 LAK	Additions LAK	Disposals LAK	Balances as at December 31, 2023 LAK
Cost:				
Leasehold improvements	9,540,648,957	-	-	9,540,648,957
Right-of-use assets	22,157,919,902	114,210,000	(90,012,000)	22,182,117,902
Furniture and fixtures	1,302,848,199	60,709,125	-	1,363,557,324
Computer equipment	2,463,915,637	232,592,320	-	2,696,507,957
Motor vehicles	1,270,696,236	-	-	1,270,696,236
Total cost	<u>36,736,028,931</u>	<u>407,511,445</u>	<u>(90,012,000)</u>	<u>37,053,528,376</u>
Accumulated depreciation:				
Leasehold improvements	(2,751,536,330)	(455,667,197)	-	(3,207,203,527)
Right-of-use assets	(2,937,373,694)	(1,387,351,382)	90,012,000	(4,234,713,076)
Furniture and fixtures	(1,051,587,760)	(64,451,660)	-	(1,116,039,420)
Computer equipment	(1,761,966,202)	(297,761,097)	-	(2,059,727,299)
Motor vehicles	(1,270,032,563)	(663,668)	-	(1,270,696,231)
Total accumulated depreciation	<u>(9,772,496,549)</u>	<u>(2,205,895,004)</u>	<u>90,012,000</u>	<u>(11,888,379,553)</u>
Property and equipment	<u>26,963,532,382</u>			<u>25,165,148,823</u>

As at December 31, 2022

	Balances as at January 1, 2022 LAK	Additions LAK	Disposals LAK	Balances as at December 31, 2022 LAK
Cost:				
Leasehold improvements	8,773,579,229	767,069,728	-	9,540,648,957
Right-of-use assets	20,980,650,196	1,310,259,706	(132,990,000)	22,157,919,902
Furniture and fixtures	1,073,122,122	229,726,077	-	1,302,848,199
Computer equipment	2,382,249,431	81,666,206	-	2,463,915,637
Motor vehicles	1,270,696,236	-	-	1,270,696,236
Total cost	<u>34,480,297,214</u>	<u>2,388,721,717</u>	<u>(132,990,000)</u>	<u>36,736,028,931</u>
Accumulated depreciation:				
Leasehold improvements	(2,371,483,884)	(380,052,446)	-	(2,751,536,330)
Right-of-use assets	(1,906,190,003)	(1,164,173,691)	132,990,000	(2,937,373,694)
Furniture and fixtures	(1,024,316,053)	(27,271,707)	-	(1,051,587,760)
Computer equipment	(1,498,838,280)	(263,127,922)	-	(1,761,966,202)
Motor vehicles	(1,266,966,243)	(3,066,320)	-	(1,270,032,563)
Total accumulated depreciation	<u>(8,067,794,463)</u>	<u>(1,837,692,086)</u>	<u>132,990,000</u>	<u>(9,772,496,549)</u>
Property and equipment	<u>26,412,502,751</u>			<u>26,963,532,382</u>

Depreciation for the years ended December 31,

2023

LAK 2,205,895,004

2022

LAK 1,837,692,086

16. INTANGIBLE ASSETS

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

As at December 31, 2023

	Balance as at January 1, 2023 LAK	Additions LAK	Disposals LAK	Balance as at December 31, 2023 LAK
Cost:				
Computer software	114,584,972	-	-	114,584,972
Total cost	114,584,972	-	-	114,584,972
Accumulated amortization:				
Computer software	(68,863,284)	(10,169,662)	-	(79,032,946)
Total accumulated amortization	(68,863,284)	(10,169,662)	-	(79,032,946)
Intangible assets	45,721,688			35,552,026

As at December 31, 2022

	Balance as at January 1, 2022 LAK	Additions LAK	Disposals LAK	Balance as at December 31, 2022 LAK
Cost:				
Computer software	63,708,800	50,876,172	-	114,584,972
Total cost	63,708,800	50,876,172	-	114,584,972
Accumulated amortization:				
Computer software	(63,708,798)	(5,154,486)	-	(68,863,284)
Total accumulated amortization	(63,708,798)	(5,154,486)	-	(68,863,284)
Intangible assets	2			45,721,688

Amortization for the years ended December 31,

2023

LAK 10,169,662

2022

LAK 5,154,486

17. OTHER ASSETS

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

	2023 LAK	2022 LAK
Prepaid expenses	126,740,760	413,608,912
Others	86,891,913	216,980,962
	213,632,673	630,589,874

18. DEPOSITS

Deposits as at December 31, consist of the following:

	2023 LAK	2022 LAK
Demand deposits		
Current deposits	238,516,925,108	192,595,486,807
Savings deposits	372,668,487,481	354,995,949,591
Total	<u>611,185,412,589</u>	<u>547,591,436,398</u>
Time deposits		
Time deposits	334,480,400,737	248,538,568,736
Total	<u>334,480,400,737</u>	<u>248,538,568,736</u>
	<u>945,665,813,326</u>	<u>796,130,005,134</u>

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

	2023 LAK	2022 LAK
LAK	160,126,860,291	190,642,373,290
USD	519,306,947,650	376,655,866,479
THB	266,232,005,385	228,831,765,365
	<u>945,665,813,326</u>	<u>796,130,005,134</u>

19. INTERBANK AND MONEY MARKET ITEMS (LIABILITIES)

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

	2023 LAK	2022 LAK
Demand deposits at other banks		
Domestic banks	51,136,979,608	285,429,500,392
Total	<u>51,136,979,608</u>	<u>285,429,500,392</u>
Time deposits at other banks		
Domestic banks	115,000,000,000	-
Total	<u>115,000,000,000</u>	<u>-</u>
	<u>166,136,979,608</u>	<u>285,429,500,392</u>

20. OTHER LIABILITIES

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

	2023 LAK	2022 LAK
Other payable	529,632,706	987,983,196
Accrued interest payable		
Deposits	5,488,253,755	4,637,323,742
Interbank and money market items	5,524,863,344	2,954,544,405
	<u>11,013,117,099</u>	<u>7,591,868,147</u>
Dormant accounts	605,717,668	471,608,495
Accrued expenses	983,942,379	1,059,434,110
Lease liabilities	19,340,370,000	16,271,010,000
Advance payment from customers	6,912,059,799	4,594,885,414
Value-added tax payable	36,951,772	23,138,375
	<u>39,421,791,423</u>	<u>30,999,927,737</u>

Lease liabilities consist of the following:

	2023 LAK Payment	2022 LAK Payment
Within one year	-	-
One year to five years	-	-
Over five years	19,340,370,000	16,271,010,000
	<u>19,340,370,000</u>	<u>16,271,010,000</u>

21. 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.

On April 18, 2022, the Branch injected the third capital injection to increase the registered branch capital in the amount of LAK 20 billion to LAK 190 billion by utilizing the Branch's retained earnings.

On March 27, 2023, the Branch injected the fourth capital injection to increase the registered branch capital in the amount of LAK 20 billion to LAK 210 billion by utilizing the Branch's retained earnings.

On October 27, 2023, the Branch injected the fifth capital injection to increase the registered branch capital in the amount of LAK 104 billion to LAK 314 billion by utilizing the Pakse branch's capital.

As at December 31, 2023 and 2022, the Branch has registered branch capital of LAK 314 billion and LAK 190 billion, respectively.

22. LEGAL RESERVE

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

As at December 31, 2023 and 2022, the Branch has legal reserve of LAK 25 billion and LAK 19 billion, respectively.

23. RELATED PARTY BALANCES AND TRANSACTIONS

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

	2023 LAK	2022 LAK
Due from Head Office and other branches		
Deposits	380,704,152,668	241,116,795,626
Accrued interest receivables	127,935,844	67,326,190
	<u>380,832,088,512</u>	<u>241,184,121,816</u>
Due from Head Office and other branches		
Due from Head Office	58,660,327,415	111,326,673,766
Due from other branches	322,043,825,253	129,790,121,860
	<u>380,704,152,668</u>	<u>241,116,795,626</u>
Accrued interest receivables	127,935,844	67,326,190
	<u>380,832,088,512</u>	<u>241,184,121,816</u>
Due to Head Office and other branches		
Deposits	-	103,632,516,480
Borrowings	276,291,000,000	258,270,000,000
	<u>276,291,000,000</u>	<u>361,902,516,480</u>

	2023 LAK	2022 LAK
Due to Head Office and other branches		
Due to Head Office	276,291,000,000	258,270,000,000
Due to other branches	-	103,632,516,480
	<u>276,291,000,000</u>	<u>361,902,516,480</u>

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

	2023 LAK	2022 LAK
a) By type:		
Demand deposits	202,694,152,668	216,206,795,626
Time deposits	178,010,000,000	24,910,000,000
	<u>380,704,152,668</u>	<u>241,116,795,626</u>
b) By currencies:		
USD	188,508,238,326	156,032,558,421
THB	192,112,780,398	85,030,031,785
EUR	83,133,944	54,205,420
	<u>380,704,152,668</u>	<u>241,116,795,626</u>

Interest rates on time deposits due from Head Office and other branches for the years ended December 31, 2023 and 2022 are 0.50% - 5.50% per annum and 0.20% - 10.00% per annum, respectively.

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

	2023 LAK	2022 LAK
a) By type:		
Demand deposits	-	103,632,516,480
Borrowings	276,291,000,000	258,270,000,000
	<u>276,291,000,000</u>	<u>361,902,516,480</u>
b) By currencies:		
LAK	-	103,632,516,480
USD	276,291,000,000	258,270,000,000
	<u>276,291,000,000</u>	<u>361,902,516,480</u>

Interest rates on deposits due to Head Office and other branches for the year ended December 31, 2022 at 0.30% - 5.50% per annum (2023: Nil).

Interest rates on borrowings due to Head Office for the years ended December 31, 2023 and 2022 are 3 months CME term SOFR +2.05% per annum and LIBOR 3 months + 2.05% per annum, respectively.

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

	2023 LAK	2022 LAK
Interest income		
Other branches	12,085,039,911	1,238,579,706
Interest expenses		
Head Office	18,818,253,376	8,706,284,111
Other branches	-	1,173,060,067

24. CONTINGENT LIABILITIES

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

	2023 LAK	2022 LAK
Undrawn loan commitments	21,239,451,264	17,297,774,405
Letter of guarantee	1,004,619,689,768	773,094,111,019
Bills for collection	14,113,743,273	14,651,900,907
	<u>1,039,972,884,305</u>	<u>805,043,786,331</u>