
***INDUSTRIAL AND COMMERCIAL BANK OF
CHINA LIMITED, VIENTIANE BRANCH***

Financial Statements

Year ended December 31, 2023

Industrial and Commercial Bank of China Limited

Vientiane Branch

Branch Information

Branch	Industrial and Commercial Bank of China Limited Vientiane Branch	
Banking License	No. 18/BOL dated May 8, 2015 Business Registration Certificate No.0392 dated March 21, 2019	
Registered Office	Unit 12, Asean Road, Sibounheuang Village Chanthabouly District Vientiane Capital, Lao PDR	
Board of Management	Mr. Sun Fenglei Mr. Joxiong Bouasinengma Mr. Ruan Jing Mrs. Zhao Qiuran	General Manager Deputy General Manager Deputy General Manager Deputy General Manager
Auditor	Deloitte (Lao) Sole Company Limited	

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Management of Industrial and Commercial Bank of China Limited, Vientiane Branch (the "Branch") is responsible for ascertaining that the preparation of the financial statements are properly drawn up so as to give a true and fair view of the financial position of the 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's management is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) comply with the presentation and disclosure requirements of the International Financial Reporting Standards or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) take reasonable steps for safeguarding the assets of the Branch and for preventing and detecting fraud, error and other irregularities;
- v) prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Branch will continue operations in the foreseeable future; and
- vi) effectively control and direct the Branch and be involved in all material decisions affecting the Branch's operations and performance and ascertain that such have been properly reflected in the financial statements.

The Board of management confirms that they have complied with the above requirements in preparing the financial statements.

Signed on behalf of the Board of Management,



Sun Fenglei
General Manager
March 22, 2024

SUN FENG LEI



ບໍລິສັດ ດີລອຍ (ລາວ) ຈຳກັດຜູ້ດຽວ
ອາຄານຕະຫຼາດຫຼັກຊັບລາວ
ບ້ານໂພນທັນ, ຖະໜົນ T4
ເມືອງໄຊເສດຖາ
ຕູ້ໂປສະນີ 2017, ນະຄອນຫຼວງວຽງຈັນ
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REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF MANAGEMENT OF INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH

Opinion

We have audited the financial statements of Industrial and Commercial Bank of China 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 present fairly, in all material respects, the financial position of Industrial and Commercial Bank of China Limited, Vientiane Branch as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

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.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

VIENTIANE
March 22, 2024



Waraporn Kriengsuntornkij
Certified Public Accountant
DELOITTE (LAO) SOLE COMPANY LIMITED

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

UNIT : LAK

	Notes	2023	2022
ASSETS			
Cash	5	527,540,704,113	370,815,489,567
Interbank and money market items			
Amounts due from Head Office and other branches	25.1	6,655,608,048,861	10,057,209,540,947
Amounts due from other banks	6	40,895,128,402,859	28,136,608,589,821
Statutory deposits with Central Bank	7	2,911,755,924,532	568,457,657,610
Investments	8	6,047,686,017,470	5,767,173,334,854
Loans and advances	9	10,434,046,285,537	14,562,947,809,431
Derivative financial assets	10 (a)	-	3,713,879,161
Property and Equipment	11	138,359,867,590	146,600,710,973
Intangible assets	12	1,083,462,040	1,005,075,029
Deferred tax assets	13	456,687,627,570	299,573,717,963
Other assets	14	261,350,633,937	189,742,992,714
TOTAL ASSETS		68,329,246,974,509	60,103,848,798,070

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

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2023

UNIT : LAK

	Notes	2023	2022
LIABILITIES AND HEAD OFFICE ACCOUNT			
LIABILITIES			
Deposits from customers	15	19,979,300,884,386	15,251,318,683,102
Interbank and money market items			
Amounts due to other branches	25.1	38,607,075,575,809	32,700,171,054,619
Amounts due to other banks	16	2,542,179,262,985	644,281,230,885
Borrowings from other than Head Office and other branches	17, 25.2	2,877,790,000,000	8,314,845,000,000
Tax liabilities	18	11,500,170,890	46,135,457,270
Derivative financial liabilities	10 (b)	-	4,006,492,454
Other liabilities	19	647,801,062,253	656,214,746,606
		<u>64,665,646,956,323</u>	<u>57,616,972,664,936</u>
HEAD OFFICE ACCOUNT			
Head Office's capital contribution	20.1	300,000,000,000	300,000,000,000
Legal reserve	20.2	150,000,000,000	150,000,000,000
Retained earnings		3,213,600,018,186	2,036,876,133,134
TOTAL HEAD OFFICE ACCOUNT		<u>3,663,600,018,186</u>	<u>2,486,876,133,134</u>
TOTAL LIABILITIES AND HEAD OFFICE ACCOUNT		<u><u>68,329,246,974,509</u></u>	<u><u>60,103,848,798,070</u></u>

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

INDUSTRIAL AND COMMERCIAL BANK OF CHINA 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			
Interest from loans and advances		535,238,374,423	358,386,538,954
Interest from interbank and money market items		2,284,748,744,762	1,241,385,466,462
Interest from investment in bonds		460,062,835,690	304,689,861,493
Total interest income		3,280,049,954,875	1,904,461,866,909
Interest expenses			
Interest on deposits		(452,934,207,099)	(132,833,394,939)
Interest on interbank and money market items		(1,077,314,856,578)	(684,396,131,886)
Interest on borrowings from other than Head Office and other branches		(268,307,289,542)	(77,273,140,968)
Total interest expenses	21	(1,798,556,353,219)	(894,502,667,793)
Net interest income		1,481,493,601,656	1,009,959,199,116
Fee and commission income		444,715,343,518	316,866,460,639
Fee and commission expense		(7,894,429,632)	(6,075,341,366)
Net fee and commission income	22	436,820,913,886	310,791,119,273
Expected credit losses		(580,176,498,595)	(773,235,713,487)
Net income from interest after expected credit losses		1,338,138,016,947	547,514,604,902
Other income			
Gain on foreign exchange		553,673,667,044	805,490,658,611
Other income		264,173,336	525,472
Total other income		553,937,840,380	805,491,184,083
Income before non-interest expense and income tax expense		1,892,075,857,327	1,353,005,788,985

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

UNIT : LAK

	Notes	2023	2022
Operating expenses			
Personnel expenses	23	(161,477,873,423)	(125,531,104,919)
Depreciation and amortization expenses	11, 12	(10,830,900,584)	(10,525,546,599)
Other expenses		(54,172,517,370)	(37,805,181,033)
Total operating expenses		<u>(226,481,291,377)</u>	<u>(173,861,832,551)</u>
Profit before income tax expense		1,665,594,565,950	1,179,143,956,434
Income tax expense	24	(82,717,898,318)	(75,627,529,707)
Profit for the years		<u>1,582,876,667,632</u>	<u>1,103,516,426,727</u>
Other comprehensive income			
Other comprehensive income for the years, net of tax		-	-
Total comprehensive income for the years, net of tax		<u>1,582,876,667,632</u>	<u>1,103,516,426,727</u>

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

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH

STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2023

UNIT : LAK

	Notes	Head Office's capital contribution	Legal reserve	Retained earnings	Total Head Office account
Balance as at January 1, 2022		300,000,000,000	150,000,000,000	1,113,144,518,325	1,563,144,518,325
Profit for the year		-	-	1,103,516,426,727	1,103,516,426,727
Profit appropriation	20.3	-	-	(179,784,811,918)	(179,784,811,918)
Balance as at December 31, 2022		<u>300,000,000,000</u>	<u>150,000,000,000</u>	<u>2,036,876,133,134</u>	<u>2,486,876,133,134</u>
Balance as at January 1, 2023		300,000,000,000	150,000,000,000	2,036,876,133,134	2,486,876,133,134
Profit for the year		-	-	1,582,876,667,632	1,582,876,667,632
Profit appropriation	20.3	-	-	(406,152,782,580)	(406,152,782,580)
Balance as at December 31, 2023		<u>300,000,000,000</u>	<u>150,000,000,000</u>	<u>3,213,600,018,186</u>	<u>3,663,600,018,186</u>

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

INDUSTRIAL AND COMMERCIAL BANK OF CHINA 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 for the years		1,582,876,667,632	1,103,516,426,727
Adjustment for:			
Allowance for expected credit losses		580,176,498,595	773,235,713,487
Depreciation and amortization	11, 12	10,830,900,584	10,525,546,599
Interest income from investment in bonds		(460,062,835,690)	(304,689,861,493)
Interest expenses on borrowing from institutions other than Head Office and other branches		268,307,289,542	77,273,140,968
Gain on foreign exchange		(13,810,474,311,607)	(1,515,875,146,019)
Income tax expenses	24	82,717,898,318	75,627,529,707
		<u>(11,745,627,892,626)</u>	<u>219,613,349,976</u>
Change in operation assets / liabilities			
Change in interbank and money market assets		(253,879,623,915)	(7,479,832,707,704)
Change in statutory deposit		(2,343,298,266,922)	(58,845,198,790)
Change in loan and advance to customers		3,659,401,344,307	(323,893,235,497)
Change in derivative financial assets		3,713,879,161	(3,713,879,161)
Change in other assets excluding interest receivable investments		(66,650,743,106)	(468,449,536,183)
Change in deposit from customers		4,727,982,201,284	2,642,025,898,937
Change in interbank money market liabilities		7,804,802,553,290	4,904,276,170,802
Change in withholding tax liabilities		7,264,768,614	2,658,667,709
Change in derivative financial liabilities		(4,006,492,454)	4,006,492,454
Change in other liabilities		(12,950,196,951)	6,757,983,211,833
Income tax paid		(281,731,862,919)	(269,357,406,063)
Net cash provided by operating activities		<u>1,495,019,667,763</u>	<u>5,926,471,828,313</u>
Cash flow from investing activities			
Acquisition of property and equipment	11	(2,283,224,492)	(1,320,073,184)
Acquisition of intangible assets	12	(385,219,720)	(416,573,806)
Purchases of bond investments		(10,940,200,264,395)	(4,895,677,727,232)
Proceeds from sale and redemption of bonds investments		11,700,550,218,920	5,169,060,000,000
Interest income from investment in bonds		455,105,937,572	262,213,331,996
Net cash provided by investing activities		<u>1,212,787,447,885</u>	<u>533,858,957,774</u>

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2023

UNIT : LAK

	Notes	2023	2022
Cash flow from financing activities			
Proceeds from borrowings		23,575,196,000,000	18,491,630,000,000
Repayment of borrowings		(16,552,935,000,000)	(12,655,745,000,000)
Payment for interest		(268,307,289,542)	(6,631,107,859,032)
Payment for profit distribution	20.3	(406,152,782,580)	(179,784,811,918)
Net cash used in financing activities		<u>6,347,800,927,878</u>	<u>(975,007,670,950)</u>
Net change in cash and cash equivalents			
Cash and cash equivalents at January 1,		20,030,509,871,200	14,545,186,756,063
Cash and cash equivalent at December 31,		<u>29,086,117,914,726</u>	<u>20,030,509,871,200</u>
Cash and cash equivalents			
Cash	5	527,540,704,113	370,815,489,567
Deposits and placements with Head Office and other branches		6,237,484,644,561	7,038,529,753,023
Deposits and placements with other banks		22,321,092,566,052	12,621,164,628,610
		<u>29,086,117,914,726</u>	<u>20,030,509,871,200</u>

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

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

1. REPORTING ENTITY

The Industrial and Commercial Bank of China Limited, Vientiane Branch (the “Branch”) is a branch of the Industrial and Commercial Bank of China Limited which is incorporated in the People’s Republic of China. The Branch has its registered office at Unit 12, Asean Road, Sibounheuang Village, Chanthabouly District, Vientiane Capital, Lao People’s Democratic Republic (“Lao PDR”). The Branch commenced its operations on November 28, 2011 in accordance with investment license 180-11/MP13 dated August 2, 2011. It received approval from the Bank of the Lao PDR (“BOL”) to operate as a bank under Banking License 18/BOL dated May 8, 2015 and amendment Banking Business License in March 2019. The Branch is a part of Industrial and Commercial Bank of China Limited and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally. The Branch has significant transactions and balances with its Head Office and other branches.

The principal activities of the Branch consist of providing services in finance, commerce and banking to Lao, Chinese and Thai corporate investors and banking services to individuals.

As at December 31, 2023, the Branch had 100 employees (2022: 90).

BOL’s announcement number 338/BOL dated September 13, 2012 requested the branch in Lao PDR to prepare a separate set of financial statements in accordance with International Financial Reporting Standards (“IFRSs”). BOL’s announcement number 736/BOL dated October 10, 2022, the Branch received the approval from BOL to prepare only financial statements in accordance with IFRSs.

2. BASIS OF FINANCIAL STATEMENT PREPARATION AND PRESENTATION

The Branch’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretation. The Branch’s financial statements have been prepared on the historical cost convention except as disclosed in material accounting policy information (see Note 3).

The Branch maintains its accounting records in Lao KIP (“LAK”) in accordance with the Decree No. 02/PR issued by the Prime Minister of Lao PDR dated March 22, 2000 and the Accounting Law of Lao PDR, the regulations of Bank of the Lao PDR and the Bank’s principal accounting policies relevant to preparation and presentation of financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Branch’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Branch’s financial statements are disclosed in Note 4.

New amendments to IFRSs effective from annual periods beginning on or after January 1, 2023

In the current financial year, the Branch has adopted all new and revised standards and interpretations issued by the International Accounting Standards Board (“IASB”) that are relevant to its operations and effective for annual periods beginning on or after January 1, 2023.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

The Branch’s management has assessed the impact of these IFRSs and considered that these financial reporting standards are not applicable to preparation of the financial statements of the Branch.

New standards and amendments to standards and interpretations of IFRSs not yet adopted

Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted.

The Branch management is in the process to assess the impact of these IFRSs on the financial statements of the Branch in the period of initial application.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information set out below have been applied consistently to all periods presented in the financial statements.

3.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency at exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Foreign exchange differences arising from the translation are recognised in the profit or loss.

Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated into the functional currency at the exchange rate at the date of the transaction.

The applicable exchange rates for the LAK against foreign currencies as of December 31, were as follows:

	2023	2022
	LAK	LAK
United States Dollar (“USD”)	20,497.00	17,215.00
Thai Baht (“THB”)	635.42	497.50
Chinese Yuan (“CNY”)	2,886.00	2,469.00
Euro (“EUR”)	22,659.00	18,350.00
Hong Kong Dollar (“HKD”)	2,559.50	2,174.00
Japanese Yen (“JPY”)	145.58	129.15

3.2 Financial assets and financial liabilities

3.2.1 Recognition

The Branch initially recognises loans and advances, deposits and borrowings from other than Head Office and other branches on the date that they are originated. A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

3.2.2 Classification

The Branch’s accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets and are summarized below:

Financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”).

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within business model whose objective is to hold assets to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL;

- The asset is held within business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For an equity instrument that is not held for trading, the branch may elect at initial recognition to irrevocably designate those instruments under FVOCI. This election is made on an investment on investment basis. All other financial assets are classified as measured at FVTPL. Under FVOCI, fair value changes are recognised in other comprehensive income (“OCI”) while dividends are recognised in profit or loss. On disposal of the investment the capital gain/ loss is required to remain in OCI and is not recycled to profit or loss.

In addition, on initial recognition the Branch may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

IFRS 9 removes the requirement contained in IAS 39 relating to bifurcation of an embedded derivative from an asset host contract. However, entities are still required to separate derivatives embedded in financial liabilities where they are not closely related to the host contract.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognized in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Financial liabilities

The Branch classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

Business model assessment

The Branch's business model reflects how it manages the assets to generate cash flows. Whether it is solely to collect the contractual cash flows from the asset or both the contractual cash flows and from sale of asset. Factors considered by the Branch in determining the business models for group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed.

Assessment whether contractual cash flows are solely payments of principal and interest

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Branch assesses whether the financial instruments' cash flows represents solely payment of principal and interest. In making this assessment, the Branch considers whether the contractual cash flows are consistent with basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

3.2.3 Derecognition

Financial assets

The Branch derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Branch neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Branch is recognised as a separate asset or liability.

In transactions in which the Branch neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Branch continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Branch derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

3.2.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Branch currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.2.5 Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition, minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any impairment allowance.

3.2.6 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Branch has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Branch measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Branch uses valuation techniques that maximise the use of relevant observable inputs and minimise use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Branch determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Branch measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Branch on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Branch recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.2.7 Impairment

The Branch assesses on a forward-looking basis the expected credit losses ("ECL") associated with financial assets measured at amortised cost or FVOCI which mainly include loans and advances and financings, investments (other than equity investments), interbank placements, loan commitments and financial guarantees. The Branch recognises a loss allowance and provision for such losses at reporting date. The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Branch's approach leveraged the existing regulatory capital models and processes for Bank's loan portfolios that use the existing Internal Rating based and behavioural credit models. IFRS 9 considers the calculation of ECL by multiplying the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD").

The Branch measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

Measurement of ECL

Credit loss allowances are measured using a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 - Where there has not been a significant increase in credit risk ("SICR") since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 - When a financial instrument experiences an SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 - Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default ("PD");
- Loss given default ("LGD");
- Exposure at default ("EAD")

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

Details of these statistical parameters/inputs are as follows:

PD - The probability of default is an estimate of the likelihood of default over a given time horizon.

LGD - The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

EAD - The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

Macroeconomic Factors, Forward Looking Information ("FLI") and Multiple Scenarios

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and FLI are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a SICR since origination. The Branch is using three scenarios that is probability weighted to determine ECL.

The Branch's ECL allowance methodology, requires the Branch to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

Assessment of significant increase in credit risk

The expected credit loss model requires the recognition of credit losses based on 12 months of expected losses for performing loans and the recognition of lifetime expected losses on loans that have experienced a SICR since origination. The determination of a SICR takes into account many different macro-economic factors and will vary by product and risk segment. The main factors considered in making this determination are relative changes in probability-weighted probability of default since origination and certain criteria such as 30 day past due and watch list status. The assessment of SICR will require experienced credit judgement.

The Branch considers a financial instrument having a significant increase in credit risk based on the following factors:

- The assessment will be based on comparison of risk of default (and not the expected loss) occurring over the lifetime of the asset as at the reporting date and as at the origination i.e. which in turn is derived from the risk rating and expected life of the asset.
- The deterioration in credit quality will be judged as significant if the Distance to Default ("DD") on the reporting date has reduced by at least half as compared to the DD at initial recognition provided, however, that on the reporting date (i) the asset is not considered to be of low credit risk and (ii) the expected life of the asset has not increased since initial recognition. DD for any risk rating is defined as the number of notches separating it from default.
- The assessment of risk rating on each reporting date will be performed based on financial/non-financial data & conduct and performance of the related asset.

Definition of default

The Branch considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Branch in full, without recourse by the Branch to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation of the Branch.

Overdrafts are considered as being past due once the customer has breached and advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether the borrower is in default, the Branch considers indicators that are;

- qualitative - e.g. breaches of covenant
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Branch; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

3.3 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with original maturities of three months or less when purchased, and that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

3.4 Investments

Investments measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise expected credit gains or losses.

3.5 Derivatives

Derivative financial instruments are used to manage exposure to foreign exchange, interest rate arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of item being hedged.

The fair value of interest rate swaps is the estimated amount that the Branch would receive or pay to terminate the swap at the reporting date, taking into account current interest rates.

3.6 Loans and advances

Loans and advances in the statement of financial position are loans and advances measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

3.7 Deposits from customers

Deposits are the Branch's sources of debt funding. Deposits are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3.8 Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property comprises major components having different useful lives, the components are accounted for as separate items of property and equipment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation of property and equipment is charged to the profit or loss on a straight-line basis over the estimated useful lives of the individual asset at the following annual rates:

Buildings	5%
Leasehold improvement	10%
Electronic equipment	20%
Furniture, fitting and office equipment	20%
Vehicle	20%

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

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

Fully depreciated property and equipment is retained on the balance sheet until disposed of or written off.

3.9 Intangible assets

Software

Software acquired by the Branch is stated at cost less accumulated amortisation and any accumulated impairment loss, if any.

Subsequent expenditure on software is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of the software is 5 years.

3.10 Interest income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The “effective interest rate” is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Branch estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 3.2.1.

3.11 Fee and commission

Fees and commission income and expense that are integral to the effective interest rate on financial assets or financial liabilities are included in the measurement of the effective interest rate.

Other fees and commission income are recognised as the related services are performed. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

3.12 Income Tax

Income tax expense for the year comprises current and deferred tax. It is recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions of amounts payable to the tax authorities.

For each profitable year, the Branch is subject to the tax rate of 20% on taxable profit.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Branch expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

3.13 Provisions

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

3.14 Leases

At inception of a contract, the Branch assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use

As a lessee:

Where the contract contains lease component(s) and non-lease component(s), the Branch has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Branch recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Branch, are primarily laptops and office furniture. When the Branch enters into a lease in respect of a low-value asset, the Branch decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Land use rights is recognized as right-of-use asset that include costs incurred to purchase formal rights to use land and land compensation costs. The initial cost is based on the costs incurred and the value of land approved by the Government at the time of purchase. Depreciation is provided on a straight-line basis in profit or loss over the expected period of benefit from the land use rights.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Branch's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Branch will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In the statement of financial position, the Branch presents right-of-use assets within the same line item as similar underlying assets and presents lease liabilities separately.

3.15 Related parties

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Branch's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgments, which necessarily have to be made in the course of preparation of the financial statements.

The Branch makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and management's judgments for certain items are especially critical for the Branch's results and financial situation due to their materiality.

4.1 Calculation of allowance for expected credit loss

When measuring ECL, the Branch uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

4.2 Significant increase in credit risk

As explained in Note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Branch takes into account qualitative and quantitative reasonable and supportable forward-looking information.

4.3 Income taxes

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

The taxation system in the Lao PDR is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in the Lao PDR substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

5. CASH

Cash as at December 31, consists of the following:

	2023	2022
	LAK	LAK
Lao Kip (“LAK”)	19,944,129,000	13,839,436,000
United States Dollar (“USD”)	99,026,192,741	101,727,549,385
Thai Baht (“THB”)	3,221,884,402	6,958,696,675
Chinese Yuan (“CNY”)	405,348,497,970	248,289,807,507
	<u>527,540,704,113</u>	<u>370,815,489,567</u>

6. AMOUNTS DUE FROM OTHER BANKS

Amounts due from other banks as at December 31, consist of the following:

	2023	2022
	LAK	LAK
LAK	217,900,834,702	431,897,142,707
Other foreign items	41,500,175,731,350	28,543,555,820,356
	<u>41,718,076,566,052</u>	<u>28,975,452,963,063</u>
Less: Allowance for expected credit loss	(1,890,882,583,437)	(1,514,354,289,666)
	<u>39,827,193,982,615</u>	<u>27,461,098,673,397</u>
Accrued interest receivables	1,067,934,420,244	675,509,916,424
	<u>40,895,128,402,859</u>	<u>28,136,608,589,821</u>

(a) Domestic items

	2023	2022
	LAK	LAK
At call		
Bank of Lao PDR	206,512,335,253	373,621,369,983
Other commercial banks	11,388,499,449	58,275,772,724
	<u>217,900,834,702</u>	<u>431,897,142,707</u>

(b) Foreign items

	2023	2022
	LAK	LAK
At call		
USD	30,483,264,148,890	27,503,875,561,359
THB	174,678,383,349	117,383,427,465
CNY	10,842,228,656,895	922,292,973,443
HKD	4,542,216	3,858,089
	<u>41,500,175,731,350</u>	<u>28,543,555,820,356</u>

7. STATUTORY DEPOSITS WITH CENTRAL BANK

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

	2023 LAK	2022 LAK
Statutory deposit on:		
Registered capital reserve	5,000,000	5,000,000
Compulsory reserve	2,911,750,924,532	568,452,657,610
	<u>2,911,755,924,532</u>	<u>568,457,657,610</u>

Balances with the BOL include compulsory reserve and registered capital reserve. These balances earn no interest.

Under regulations of the BOL, the Branch is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 8% for LAK and 10% for foreign currencies (2022: 5% and 5%), on a bi-monthly basis, of customer deposits having original maturities of less than 12 months. During the year, the Branch maintained its compulsory deposits in compliance with the requirements by the BOL.

8. INVESTMENTS

Investments as at December 31, consist of the following:

	2023 LAK	2022 LAK
Government bonds	210,000,000,000	356,000,000,000
Financial bonds	5,821,148,000,000	5,405,510,000,000
Corporate bonds	409,032,842,749	343,067,727,232
	<u>6,440,180,842,749</u>	<u>6,104,577,727,232</u>
Less: Allowance for expected credit loss	(392,494,825,279)	(337,404,392,378)
	<u>6,047,686,017,470</u>	<u>5,767,173,334,854</u>

Investments represent investment measured at amortized cost in bonds. These bonds have maturities ranging from March 13, 2024 to July 12, 2025 (2022 : January 19, 2023 to July 12, 2025) and interest rates ranging from 3.95% to 8.20% (2022 : 4.10% to 8.20%).

For the years ended December 31, movements of the allowance for expected credit losses on financial investments measured at amortized cost are as follows:

	2023			LAK
	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2023	337,404,392,378	-	-	337,404,392,378
Acquired during the year	1,993,158,742	-	-	1,993,158,742
Foreign exchange translation	53,097,274,159	-	-	53,097,274,159
Balance as at December 31, 2023	<u>392,494,825,279</u>	<u>-</u>	<u>-</u>	<u>392,494,825,279</u>

	2022			LAK
	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2022	154,811,999,468	-	-	154,811,999,468
Acquired during the year	120,992,199,782	-	-	120,992,199,782
Foreign exchange translation	61,600,193,128	-	-	61,600,193,128
Balance as at December 31, 2022	<u>337,404,392,378</u>	<u>-</u>	<u>-</u>	<u>337,404,392,378</u>

9. LOANS AND ADVANCES

Loans and advances as at December 31, consist of the following:

	2023 LAK	2022 LAK
Overdrafts	1,485,439,404	1,324,525,821
Loans	10,873,860,668,618	14,544,519,286,387
	<u>10,875,346,108,022</u>	<u>14,545,843,812,208</u>
Less: Allowance for expected credit loss	(572,707,304,245)	(68,887,888,182)
	<u>10,302,638,803,777</u>	<u>14,476,955,924,026</u>
Accrued interest receivables	131,407,481,760	85,991,885,405
	<u>10,434,046,285,537</u>	<u>14,562,947,809,431</u>

(a) Classified by residual maturity

	2023 LAK	2022 LAK
Within 1 year	6,372,591,280,439	11,967,777,800,137
Over 1 year	4,502,754,827,583	2,578,066,012,071
	<u>10,875,346,108,022</u>	<u>14,545,843,812,208</u>

(b) Classified by currencies

	2023 LAK	2022 LAK
LAK	270,902,449,513	82,758,753,827
USD	3,660,540,286,468	4,151,127,463,750
CNY	6,567,287,072,706	9,833,751,970,806
EUR	376,462,195,809	477,962,475,690
THB	154,103,526	243,148,135
	<u>10,875,346,108,022</u>	<u>14,545,843,812,208</u>

(c) Classified by interest rate (per annum)

	2023	2022
	%	%
USD	1.54 - 12.86	0.89 - 10.39
CNY	2.10 - 3.80	2.35 - 3.50

(d) Classified by type of business

	2023	2022
	LAK	LAK
Industrial	2,671,475,612,867	4,989,435,664,949
Construction	234,410,149,435	200,862,909,085
Components Assembly and relevant technique	-	127,894,200,000
Agricultural and forestry	824,718,000,000	529,600,500,000
Commercial	2,292,612,434,023	2,141,066,312,431
Services	950,208,573,600	2,578,969,260,000
Personal	1,606,400,809	3,573,799,503
Others	3,900,314,937,288	3,974,441,166,240
	<u>10,875,346,108,022</u>	<u>14,545,843,812,208</u>

(e) Movements of allowance for expected credit losses of loans and advances to customers measured at amortised cost are as follows:

	2023			LAK
	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2023	68,887,888,182	-	-	68,887,888,182
Change from stage reclassification	(383,060,590,777)	383,060,590,777	-	-
Acquired during the year	140,445,315,392	-	-	140,445,315,392
Change from remeasurement of ECL	346,214,482,433	-	-	346,214,482,433
Foreign exchange translation	13,459,310,373	3,700,307,865	-	17,159,618,238
Balance as at December 31, 2023	<u>185,946,405,603</u>	<u>386,760,898,642</u>	<u>-</u>	<u>572,707,304,245</u>

	2022			LAK
	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2022	157,435,751,387	-	-	157,435,751,387
Change from stage reclassification	-	-	-	-
Acquired during the year	19,915,721,246	-	-	19,915,721,246
Change from remeasurement of ECL	(166,708,536,836)	-	-	(166,708,536,836)
Foreign exchange translation	58,244,952,385	-	-	58,244,952,385
Balance as at December 31, 2022	<u>68,887,888,182</u>	<u>-</u>	<u>-</u>	<u>68,887,888,182</u>

10. DERIVATIVES

(a) Derivative financial assets

Derivatives financial assets as at December 31, consist of the following:

	<u>2023</u> <u>LAK</u>	<u>2022</u> <u>LAK</u>
Foreign exchange rate forward	<u>-</u>	<u>3,713,879,161</u>

(b) Derivative financial liabilities

Derivatives financial liabilities as at December 31, consist of the following:

	<u>2023</u> <u>LAK</u>	<u>2022</u> <u>LAK</u>
Foreign exchange rate swap	<u>-</u>	<u>4,006,492,454</u>

11. PROPERTY AND EQUIPMENT

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

	Property LAK	Right-of-use assets LAK	Electronic equipment LAK	Furniture, fitting and office equipment LAK	Vehicle LAK	Total LAK
Cost						
Balance as at January 1, 2022	152,794,300,966	52,375,313,205	12,949,925,117	12,308,538,539	3,250,665,650	233,678,743,477
Addition	-	-	1,084,024,867	236,048,317	-	1,320,073,184
Write off	-	-	(186,977,858)	(257,113,360)	-	(444,091,218)
Balance as at December 31, 2022	152,794,300,966	52,375,313,205	13,846,972,126	12,287,473,496	3,250,665,650	234,554,725,443
and as at January 1, 2023	-	-	825,043,169	1,458,181,323	-	2,283,224,492
Addition	-	-	14,672,015,295	13,745,654,819	3,250,665,650	236,837,949,935
Balance as at December 31, 2023	152,794,300,966	52,375,313,205	28,518,987,421	26,032,628,315	6,501,331,300	274,263,583,206
Accumulated depreciation						
Balance as at January 1, 2022	(51,600,758,800)	(5,704,316,804)	(7,373,435,577)	(10,300,671,290)	(3,190,332,730)	(78,169,515,201)
Depreciation for the year	(7,634,486,000)	(575,892,985)	(1,392,367,283)	(565,511,299)	(60,332,920)	(10,228,590,487)
Write off	-	-	186,977,858	257,113,360	-	444,091,218
Balance as at December 31, 2022	(59,235,244,800)	(6,280,209,789)	(8,578,825,002)	(10,609,069,229)	(3,250,665,650)	(87,954,014,470)
and at January 1, 2023	(7,634,486,000)	(575,892,985)	(1,525,678,674)	(788,010,216)	-	(10,524,067,875)
Depreciation for the year	(66,869,730,800)	(6,856,102,774)	(10,104,503,676)	(11,397,079,445)	(3,250,665,650)	(98,478,082,345)
Balance as at December 31, 2023	(125,704,475,600)	(12,712,205,548)	(20,188,007,352)	(22,794,158,950)	(6,501,331,300)	(168,300,178,745)
Carrying amounts						
As at January 1, 2022	101,193,542,166	46,670,996,401	5,576,489,540	2,007,867,249	60,332,920	155,509,228,276
As at December 31, 2022	93,559,056,166	46,095,103,416	5,268,147,124	1,678,404,267	-	146,600,710,973
As at December 31, 2023	85,924,570,166	45,519,210,431	4,567,511,619	2,348,575,374	-	138,359,867,590

12. INTANGIBLE ASSETS

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

	Software LAK
Cost	
Balance as at January 1, 2022	1,417,033,112
Addition	416,573,806
Balance as at December 31, 2022 and as at January 1, 2023	1,833,606,918
Addition	385,219,720
Balance as at December 31, 2023	<u>2,218,826,638</u>
Accumulated amortisation	
Balance as at January 1, 2022	(531,575,777)
Amortisation for the year	(296,956,112)
Balance as at December 31, 2022 and as at January 1, 2023	(828,531,889)
Amortization for the year	(306,832,709)
Balance as at December 31, 2023	<u>(1,135,364,598)</u>
Carrying amounts	
As at January 1, 2022	885,457,335
As at December 31, 2022	<u>1,005,075,029</u>
As at December 31, 2023	<u>1,083,462,040</u>

13. DEFERRED TAX ASSETS

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

Deferred income taxes are calculated on all temporary differences using an effective tax rate of 20% (Note 24).

Deferred tax assets as at December 31, consist of the following:

	2023 LAK	2022 LAK
Deferred tax assets	456,687,627,570	299,573,717,963
Deferred tax liabilities	-	-
	<u>456,687,627,570</u>	<u>299,573,717,963</u>

Movements in deferred tax assets during the years are as follows:

	Balance as at	Transactions recognized in		Balance as at
	January 1, 2023	Increase	Utilized	December 31, 2023
	LAK	LAK	LAK	LAK
		(Note 24)		
Deferred tax assets				
Loan loss allowance (before 2020)	3,032,414,338	-	-	3,032,414,338
Non-loan impairment provision	296,541,303,625	157,113,909,607	-	453,655,213,232
Total	299,573,717,963	157,113,909,607	-	456,687,627,570

	Balance as at	Transactions recognized in		Balance as at
	January 1, 2022	Increase	Utilized	December 31, 2022
	LAK	LAK	LAK	LAK
		(Note 24)		
Deferred tax assets				
Loan loss allowance (before 2020)	3,032,414,338	-	-	3,032,414,338
Non-loan impairment provision	112,606,164,818	183,935,138,807	-	296,541,303,625
Total	115,638,579,156	183,935,138,807	-	299,573,717,963

14. OTHER ASSETS

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

	2023	2022
	LAK	LAK
Accrued interest receivables	88,485,630,448	83,528,732,331
Other receivables and prepayments	169,508,654,891	106,214,260,383
Tax receivables	3,356,348,598	-
	261,350,633,937	189,742,992,714

15. DEPOSITS FROM CUSTOMERS

Deposits from customers as at December 31, consist of the following:

(a) Classified by type of deposits

	2023	2022
	LAK	LAK
Current	12,714,860,561,453	10,770,844,622,156
Savings	1,298,510,789,296	1,117,724,594,447
Term (contractual maturity)		
Within 1 year	3,797,165,493,290	2,036,856,089,182
Over 1 year	1,600,358,788,578	663,356,130,337
Others	568,405,251,769	662,537,246,980
	<u>19,979,300,884,386</u>	<u>15,251,318,683,102</u>

(b) Classified by currencies

	2023	2022
	LAK	LAK
LAK	1,055,653,579,935	1,145,703,343,456
USD	11,167,292,979,816	9,203,760,283,670
THB	154,935,806,898	109,848,439,676
CNY	7,601,418,517,737	4,792,006,616,300
	<u>19,979,300,884,386</u>	<u>15,251,318,683,102</u>

(c) Interest rate (per annum)

	2023	2022
	%	%
Savings accounts		
LAK	1.65	1.65
USD	1.00	1.00
THB	0.50	0.50
CNY	0.90	0.90
Fixed deposits		
LAK	2.90 - 6.65	2.90 - 6.65
USD	1.65 - 5.00	1.65 - 5.00
THB	0.90 - 4.70	0.90 - 4.70
CNY	1.60 - 2.20	1.60 - 2.20

16. AMOUNTS DUE TO OTHER BANKS

Amounts due to other banks as at December 31, consist of the following:

(a) Classified by maturity

	2023 LAK	2022 LAK
	<hr/>	<hr/>
At Call	977,389,262,985	459,346,230,885
Within 3 months	1,564,790,000,000	184,935,000,000
	<hr/> <u>2,542,179,262,985</u>	<hr/> <u>644,281,230,885</u>

(b) Classified by residence

	2023 LAK	2022 LAK
	<hr/>	<hr/>
Foreign	<hr/> <u>2,542,179,262,985</u>	<hr/> <u>644,281,230,885</u>

(c) Classified by currencies

	2023 LAK	2022 LAK
	<hr/>	<hr/>
CNY	900,268,323,713	424,400,140,683
USD	1,477,665,691,420	182,441,007,356
LAK	155,131,685,668	30,304,649,296
THB	9,113,562,184	7,135,433,550
	<hr/> <u>2,542,179,262,985</u>	<hr/> <u>644,281,230,885</u>

17. BORROWINGS FROM OTHER THAN HEAD OFFICE AND OTHER BRANCHES

Borrowings from other than Head Office and other branches as at December 31, consist of the following:

(a) Classified by maturity

	2023 LAK	2022 LAK
	<hr/>	<hr/>
At Call	<hr/> <u>2,877,790,000,000</u>	<hr/> <u>8,314,845,000,000</u>

(b) Classified by residence

	2023 LAK	2022 LAK
Overseas	<u>2,877,790,000,000</u>	<u>8,314,845,000,000</u>

(c) Classified by currency

	2023 LAK	2022 LAK
USD	1,434,790,000,000	8,314,845,000,000
CNY	<u>1,443,000,000,000</u>	-
	<u>2,877,790,000,000</u>	<u>8,314,845,000,000</u>

(d) Interest rate (per annum)

	2023 %	2022 %
USD	6.10	3.95 - 5.70
CNY	3.53 - 3.55	-

18. TAX LIABILITIES

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

	2023 LAK	2022 LAK
Tax payable	-	41,900,054,994
Withholding personal income tax	1,258,603,105	1,049,224,121
Other withholding tax	<u>10,241,567,785</u>	<u>3,186,178,155</u>
	<u>11,500,170,890</u>	<u>46,135,457,270</u>

21. INTEREST EXPENSES

Interest expense for the years ended December 31, consist of the following:

	2023 LAK	2022 LAK
Deposits	452,934,207,099	132,833,394,939
Interbank and money market items	<u>1,345,622,146,120</u>	<u>761,669,272,854</u>
	<u>1,798,556,353,219</u>	<u>894,502,667,793</u>

22. NET FEE AND COMMISSION INCOME

Net fee and commission income for the years ended December 31, consist of the following:

	2023 LAK	2022 LAK
Fee and commission income		
Commission on bank cards	3,253,902,000	1,750,119,786
Commission on guarantees	229,128,751	4,184,917,230
Commission on letters of credit	769,557,298	10,388,899,835
Commission on fund transfers	11,860,690,286	12,174,951,589
Commission on foreign exchange trading	28,577,554,739	22,180,855,354
Commission on e-Banking	7,950,499,682	6,759,263,031
Fees on financial services	<u>392,074,010,762</u>	<u>259,427,453,814</u>
Total fee and commission income	<u>444,715,343,518</u>	<u>316,866,460,639</u>
Fee and commission expense		
Commission on bank cards	(1,113,262,963)	(683,035,714)
Commission on fund transfers	(5,725,058,993)	(5,219,551,698)
Other expenses	<u>(1,056,107,676)</u>	<u>(172,753,954)</u>
Total fee and commission expense	<u>(7,894,429,632)</u>	<u>(6,075,341,366)</u>
Net fee and commission income	<u>436,820,913,886</u>	<u>310,791,119,273</u>

Significant transactions with related parties for the years ended December 31, consist of the following:

	2023 LAK	2022 LAK
	<hr/>	<hr/>
Interest income from interbank and money market items	212,103,663,404	139,452,122,758
Interest expense on interbank and money market items	1,019,123,864,211	601,441,259,752

25.2 Other related parties

Other related parties balance as at December 31, consist of the following:

	2023 LAK	2022 LAK
	<hr/>	<hr/>
Due from banks and financial institutions	160,091,058,192	126,538,286,262
Borrowing from other than Head Office and other branches	2,877,790,000,000	8,314,845,000,000

Other related parties transactions for the years ended December 31, consist of the following:

	2023 LAK	2022 LAK
	<hr/>	<hr/>
Interest income from amount due from these banks and financial institutions	85,266,195,740	4,122,175,835
Interest expense on borrowings from other than Head Office and other branches	235,847,887,694	46,703,733,421

25.3 Key management personnel

Compensation of key management personnel for the years ended December 31, consists of the following:

	2023 LAK	2022 LAK
	<hr/>	<hr/>
Compensation	21,092,662,250	14,982,919,535

	2022		
	Financial instruments measured at FVTPL LAK	Financial instruments measured at amortised cost LAK	Total LAK
Financial assets			
Cash	-	370,815,489,567	370,815,489,567
Interbank and money market items			
Amounts due from Head Office and other branches	-	10,057,209,540,947	10,057,209,540,947
Amounts due from other banks	-	28,136,608,589,821	28,136,608,589,821
Statutory deposits with Central Bank	-	568,457,657,610	568,457,657,610
Investments	-	5,767,173,334,854	5,767,173,334,854
Loans and advances	-	14,562,947,809,431	14,562,947,809,431
Derivative financial assets	3,713,879,161	-	3,713,879,161
Total	3,713,879,161	59,463,212,422,230	59,466,926,301,391
Financial liabilities			
Deposits from customers	-	15,251,318,683,102	15,251,318,683,102
Interbank and money market items	-		
Amounts due to other branches	-	32,700,171,054,619	32,700,171,054,619
Amounts due to other banks	-	644,281,230,885	644,281,230,885
Borrowings from other than Head Office and other branches	-	8,314,845,000,000	8,314,845,000,000
Derivative financial liabilities	4,006,492,454	-	4,006,492,454
Total	4,006,492,454	56,910,615,968,606	56,914,622,461,060

28. FINANCIAL RISK MANAGEMENT

28.1 Introduction and overview

Risk is inherent in the Branch's activities, which is managed through a process of ongoing identification, measurement and monitoring and subject to risk limits and other controls. This process of risk management is critical to the Branch's continuing profitability and each individual within the Branch is accountable for the risk exposures relating to his or her responsibilities.

The Branch is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to various operating risks.

The Branch's policies are also to monitor business risks arising from changes in the environment, technology and industry through the Branch's strategic planning process.

Risk management framework

The Branch's risk management strategies and principles are approved by the Head Office, who is responsible for the overall risk management approach.

The Branch has appointed Risk Management Department which is in charge of monitoring the overall risk process within the Branch. This department has the overall responsibility for the development of the Branch's risk strategy as well as the implementation of principles, frameworks, policies and limits. It also manages decisions on risk, monitors risk levels and reports directly to the Head Office.

The Branch's risk management processes are annually audited by the Internal Audit function in terms of the adequacy of the designed processes as well as the compliance with the designed processes. The Internal Audit then discusses the results of the audit with the Branch's management and reports all findings and recommendation to the Group Internal Audit Department.

28.2 Credit risk

Credit risk refers to the risk that a counterparty or a borrower may default on its contractual obligations or agreements. Such defaults may be caused by counterparty's inability to pay due to financial encumbrances or intention not to abide by the contractual agreement, resulting in a loss to the Branch.

Loan portfolio management

The Branch sets and reviews loan targets, performs continuous monitoring of portfolio quality to better reflect changing economic situations, ensures consistency with the Branch's policies and risk appetite before submitting quarterly reports to the Risk Management Committee.

The Branch determines the target of loan growth and its desirable credit portfolio composition that strive for the highest possible risk-adjusted return within the acceptable risk levels under stress conditions, by taking into account the economic outlook, potential market opportunities, and the Branch's strategic direction. In assessing medium and large corporate customers' credit risk level, the Branch utilizes credit risk rating tools to enhance the quality of loans granted. The Branch has additional processes in place for regular reviewing of the customers' credit ratings and performance on all approved transactions.

Credit underwriting, approval process and monitoring

In the credit approval process, the Branch considers the customers' ability to repay and the loan objectives as key factors in the approval of credit and may obtain sufficient collateral or other securities, where appropriate, as a means of mitigating the risk of financial losses from defaults. To maximize the effectiveness of the credit approval process, credit analysis and approval functions are separated from the units responsible for maintaining customer relationship and undertaken by credit underwriters in ICBC Head Office. However, large loans will require additional acknowledgement by Board of Directors.

The Branch also has process for regularly reviewing customer's credit rating and performance establishes monitoring mechanism for continuous tracking of customer performance, taking into account the changing economic situation and other major events. Relationship managers will be assigned to monitor customers and prepare post-lending reports. Proper mitigation actions will be taken as soon as negative signals from customers are detected. Moreover, the Branch will monitor and control credit usages to ensure that borrowing objectives are strictly met.

Loan risks classification and provisioning

Loan classification and loan loss provisions have been completely established in compliance with regulatory and internal requirements. The Branch assesses the risk and classifies the loans based on the possibilities of repayment. Principle factors taken into consideration include: the borrower's repayment ability, repayment record and willingness to repay the loan, profitability of the loan project, the loan guarantees as well as the legal obligations relating to loan repayment.

During the reporting period, the Branch refines the loan risk classification mechanism and reinforces loan detection and monitoring for adjustment of the potential risk classifications to ensure that loan classifications are objective and prudent.

The provisioning must be set aside to offset any possible loss. The book value of assets shall be reduced via allowances for doubtful accounts. The amount of provisioning shall be determined by the number derived from the expected loss model.

Processes for measuring expected credit losses ("ECL") including initial approval, regular validation, back-testing of the models used, and incorporation of forward-looking information are also developed and maintained by Head Office credit committee. The approval process for granting credit must go through several management levels to ensure a credit facility is reviewed independently together with the limit applied to each competent level. In addition, the participation of Credit Council in the credit approval model also helps to ensure a highest quality and concentrated approval process.

Exposure to credit risk

As at December 31, 2023

	Loans and advances Million LAK	Investments Million LAK	Interbank and money market items Million LAK
Carrying amount	10,875,346	6,440,181	48,324,681
Assets at amortised cost			
Stage 1	9,986,601	6,440,181	48,324,681
Stage 2	888,745	-	-
Stage 3	-	-	-
Total	10,875,346	6,440,181	48,324,681

As at December 31, 2022

	Loans and advances Million LAK	Investments Million LAK	Interbank and money market items Million LAK
Carrying amount	14,545,844	6,104,578	39,000,977
Assets at amortised cost			
Stage 1	14,545,844	6,104,578	39,000,977
Stage 2	-	-	-
Stage 3	-	-	-
Total	<u>14,545,844</u>	<u>6,104,578</u>	<u>39,000,977</u>

For the definition of three stages, see Note 3.2.7.

Neither past due nor impaired: financial assets or the loans with interest or principal payments not yet past due and there is no evidence of impairment.

Past due but not impaired: financial assets with past due interest and principal payments but the Branch believes that these assets are not impaired as they are secured by collaterals and has confidence in the customer's credit worthiness and other credit enhancements.

Collateral held and other credit enhancements and their financial effect

The Branch holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	Principal type of collateral held for secured lending	Percentage of exposure that is subject to an arrangement that requires collateralisation	
		December 31, 2023	December 31, 2022
Derivative financial assets	None	-	-
Loans and advances	Land and building and LCS issued by other banks;	100%	100%
Corporate Loans	Guarantee	100%	100%
Participant loans	Financial Guarantee	100%	100%
Personal loans	Building	100%	100%
Credit cards	None	-	-
Investments	None	-	-

The Branch typically does not hold collateral against investments, and no such collateral was held at December 31, 2023 and 2022.

Loans and advances to corporate customers

The Branch's loans and advances to corporate customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Branch generally requests corporate borrowers to provide it. The Branch may take collateral in the form of a charge over real estate and guarantees.

Concentration of credit risk

The Branch monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances, lending commitments and investment is shown below:

Million LAK	Loan and advances		Investments		Interbank and money market items	
	2023	2022	2023	2022	2023	2022
Carrying amount	10,875,346	14,545,844	6,440,181	6,104,578	48,324,681	39,000,977
Concentration by sector						
Corporate:						
Industrial	2,671,476	4,989,436	-	-	-	-
Construction	234,410	200,863	-	-	-	-
Components assembly and relevant technique	-	127,894	-	-	-	-
Agricultural and forestry	824,718	529,601	-	-	-	-
Commercial	2,292,612	2,141,066	-	-	-	-
Service	950,209	2,578,969	-	-	-	-
Personal	1,606	3,574	-	-	-	-
Others	3,900,315	3,974,441	-	-	-	-
Government	-	-	210,000	356,000	-	-
Bank and financial institutions	-	-	5,821,148	5,405,510	48,324,681	39,000,977
Corporate	-	-	409,033	343,068	-	-
	10,875,346	14,545,844	6,440,181	6,104,578	48,324,681	39,000,977

28.3 Liquidity risk

Liquidity risk is the risk that the Branch will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

Liquidity risk arises because of the possibility that the Branch might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Branch has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The following assumptions and conditions are applied in the liquidity risk analysis of the Branch's financial assets and liabilities:

- Deposits at the BOL are classified as demand deposits which include compulsory deposits. The balance of compulsory deposits depends on the proportion and terms of the Branch's customer deposits.
- The maturity term of investment securities is calculated based on the maturity date of each kind of securities.
- The maturity term of loans to customers is determined on the maturity date as stipulated in contracts. The actual maturity term may be altered because loan contracts may be extended.
- The maturity term of deposits and borrowings from other than Head Office and other banks; and customer's deposits is determined based on features of these items or the maturity date as stipulated in contracts. Demand deposits are transacted as required by customers and therefore being classified as current accounts. The maturity term of borrowings from other than Head Office and other banks and term deposits is determined based on the maturity date in contracts. In fact, these amounts may be rotated and therefore they last beyond the original maturity date.
- The maturity of other borrowed funds in which the risks are borne by the Branch is calculated based on the actual maturity date of each fund borrowed and loans at the balance sheet date. The maturity term of other liabilities is determined based on the actual maturity term of each other liability.

Maturity analysis for financial assets and liabilities

The tables below set out the remaining contractual maturities of the Branch's financial assets and financial liabilities.

As at December 31, 2023

Million LAK	Carrying amount	On demand	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	No maturity
Assets								
Cash	527,541	527,541	-	-	-	-	-	-
Interbank and money market items								
- Amount due from Head Office and other branches	6,655,608	2,466,116	1,586,666	2,233,707	369,119	-	-	-
- Amounts due from other banks	42,786,011	2,463,741	14,962,810	5,962,476	7,098,784	12,298,200	-	-
Statutory deposits with Central Bank	2,911,756	-	-	-	-	-	-	2,911,756
Investments	6,440,181	-	-	1,229,820	4,801,328	409,033	-	-
Loans and advances	11,006,753	132,893	1,113,492	1,756,201	3,501,412	2,023,586	2,479,169	-
Other assets	261,351	261,351	-	-	-	-	-	-
	70,589,201	5,851,642	17,662,968	11,182,204	15,770,643	14,730,819	2,479,169	2,911,756
Liabilities								
Deposits from customers	(19,979,301)	(1,298,511)	(2,213,553)	(346,282)	(1,471,137)	(1,351,179)	(583,778)	(12,714,861)
Interbank and money market items								
- Amount due to other branches	(38,607,076)	(110,098)	(19,910,326)	(12,802,611)	(5,784,041)	-	-	-
- Amounts due to other banks	(2,542,179)	(977,389)	(1,154,850)	-	(409,940)	-	-	-
Borrowings from other than Head Office and other branches	(2,877,790)	-	-	(2,877,790)	-	-	-	-
Other liabilities	(647,801)	(647,801)	-	-	-	-	-	-
	(64,654,147)	(3,033,799)	(23,278,729)	(16,026,683)	(7,665,118)	(1,351,179)	(583,778)	(12,714,861)
Commitments	3,937,861	-	2,679,518	249,345	868,287	19,033	121,678	-
Liquidity exposure	9,872,915	2,817,843	(2,936,243)	(4,595,134)	8,973,812	13,398,673	2,017,069	(9,803,105)

As at December 31, 2022

Million LAK

	Carrying amount	On demand	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	No maturity
Assets								
Cash	370,815	370,815	-	-	-	-	-	-
Interbank and money market items								
- Amount due from Head Office and other branches	10,057,210	598,676	2,449,419	4,022,120	2,986,995	-	-	-
- Amounts due from other banks	29,650,963	1,790,300	6,341,875	5,164,500	6,025,250	10,329,000	-	38
Statutory deposits with Central Bank	568,458	-	-	-	-	-	-	568,458
Investments	6,104,578	-	1,032,900	50,000	4,678,610	343,068	-	-
Loans and advances	14,631,836	87,317	875,974	4,012,829	7,077,650	1,349,880	1,228,186	-
Other assets	189,743	189,743	-	-	-	-	-	-
	61,573,603	3,036,851	10,700,168	13,249,449	20,768,505	12,021,948	1,228,186	568,496
Liabilities								
Deposits from customers	(15,251,319)	(1,117,725)	(85,939)	(311,321)	(1,812,958)	(489,994)	(662,537)	(10,770,845)
Interbank and money market items								
- Amount due to other branches	(32,700,171)	(74,984)	(2,235,215)	(16,351,634)	(14,038,338)	-	-	-
- Amounts due to other banks	(644,281)	(459,346)	(184,935)	-	-	-	-	-
Borrowings from other than Head Office and other branches	(8,314,845)	-	(344,300)	(3,666,795)	(4,303,750)	-	-	-
Other liabilities	(656,215)	(656,215)	-	-	-	-	-	-
	(57,566,831)	(2,308,270)	(2,850,389)	(20,329,750)	(20,155,046)	(489,994)	(662,537)	(10,770,845)
Commitments	2,819,658	-	246,518	183,322	2,324,231	65,587	-	-
Liquidity exposure	6,826,430	728,581	8,096,297	(6,896,979)	2,937,690	11,597,541	565,649	(10,202,349)

28.4 Market risks

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Branch's income or the value of its holdings of financial instruments. Market risk arises from the open position of interest rates and currency which are also affected by the fluctuations in general market and in each particular market and by market variables such as interest rates and foreign exchange rates. The objective of the Branch's market risk management is to manage and control market risk exposures within acceptable parameters in order to ensure the solvency while optimising the return on risk.

Management of market risks

The Branch classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately. The market risk for the trading portfolio is managed and monitored based on a Value-at-Risk ("VaR") methodology that reflects the interdependency between risk variables. Non-trading positions are managed and monitored using other sensitivity analyses.

Exposure to interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Management has established limits on the non-trading interest rate gaps for stipulated periods. The Branch's policy is to monitor positions on a daily basis.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate non-trading financial assets and financial liabilities held as at December 31, 2023 and 2022. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

As at December 31, 2023

Million LAK

	Carrying amount	Non-interest bearing	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
Assets							
Cash	527,541	527,541	-	-	-	-	-
Interbank and money market items							
- Amount due from Head office and other branches	6,655,608	2,466,116	3,820,373	369,119	-	-	-
- Amount due from other banks	42,786,011	2,463,741	20,925,286	4,639,144	2,459,640	12,298,200	-
Statutory deposits with Central Bank	2,911,756	2,911,756	-	-	-	-	-
Investments	6,440,181	-	1,229,820	2,036,718	2,764,610	409,033	-
Loan and advances	11,006,753	132,893	2,869,693	3,355,683	145,729	2,023,586	2,479,169
Other assets	261,351	261,351	-	-	-	-	-
	70,589,201	8,763,398	28,845,172	10,400,664	5,369,979	14,730,819	2,479,169
Liabilities							
Deposit from customer	(19,979,301)	(14,596,503)	(2,560,482)	(1,151,131)	(320,006)	(1,351,179)	-
Interbank and money market items							
- Amount due to other branches	(38,607,076)	(110,098)	(32,712,936)	(3,475,242)	(2,308,800)	-	-
- Amount due to other banks	(2,542,179)	(977,389)	(1,154,850)	(409,940)	-	-	-
Borrowings from other than Head Office and other branches	(2,877,790)	-	(2,877,790)	-	-	-	-
Other liabilities	(647,801)	(647,801)	-	-	-	-	-
	(64,654,147)	(16,331,791)	(39,306,058)	(5,036,313)	(2,628,806)	(1,351,179)	-
Different of on-financial reporting items	5,935,054	(7,568,393)	(10,460,886)	5,364,351	2,741,173	13,379,640	2,479,169
Off-financial reporting items	3,937,861	3,937,861	-	-	-	-	-
Total interest sensitivity gap	9,872,915	(3,630,532)	(10,460,886)	5,364,351	2,741,173	13,379,640	2,479,169

As at December 31, 2022

Million LAK

	Carrying amount	Non-interest bearing	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
Assets							
Cash	370,815	370,815	-	-	-	-	-
Interbank and money market items							
- Amount due from Head office and other branches	10,057,210	598,676	6,471,539	2,539,405	447,590	-	-
- Amount due from other banks	29,650,963	1,790,338	11,506,375	3,959,450	2,065,800	10,329,000	-
Statutory deposits with Central Bank	568,458	568,458	-	-	-	-	-
Investments	6,104,578	-	1,082,900	1,718,210	2,960,400	343,068	-
Loan and advances	14,631,836	87,317	4,888,803	5,513,151	1,564,499	1,349,880	1,228,186
Other assets	189,743	189,743	-	-	-	-	-
	61,573,603	3,605,347	23,949,617	13,730,216	7,038,289	12,021,948	1,228,186
Liabilities							
Deposit from customer	(15,251,319)	(12,551,107)	(397,260)	(1,465,942)	(347,016)	(489,994)	-
Interbank and money market items							
- Amount due to other branches	(32,700,171)	(74,984)	(18,586,849)	(9,934,880)	(4,103,458)	-	-
- Amount due to other banks	(644,281)	(459,346)	(184,935)	-	-	-	-
Borrowings from other than Head Office and other branches	(8,314,845)	-	(4,011,095)	(4,303,750)	-	-	-
Other liabilities	(656,215)	(656,215)	-	-	-	-	-
	(57,566,831)	(13,741,652)	(23,180,139)	(15,704,572)	(4,450,474)	(489,994)	-
Different of on-financial reporting items	4,006,772	(10,136,305)	769,478	(1,974,356)	2,587,815	11,531,954	1,228,186
Off-financial reporting items	2,819,658	2,819,658	-	-	-	-	-
Total interest sensitivity gap	6,826,430	(7,316,647)	769,478	(1,974,356)	2,587,815	11,531,954	1,228,186

28.5 Market risks

Foreign currency transactions

The Branch monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the functional currency of the Branch. As at the reporting date net currency exposures representing more than 10 percent of the Branch's equity are as follows:

Foreign currency transactions

	2023	2022
	Million LAK	Million LAK
Net foreign currency exposure:		
USD	3,339,990	2,241,396
EUR	(2,391)	884
CNY	311,463	275,616
THB	(87,992)	(64,298)
JPY	244	217

28.6 Fair value of financial instruments

Methods and assumptions used by the Branch in estimating the fair values of financial assets and financial liabilities are as follows:

The fair values of cash, interbank and money market items, amounts due from related parties, deposits, accounts payable, accrued interest payable and advance from asset purchaser are approximately their carrying values at the reporting date due to their short-term duration.

The carrying values of investments and loans to customers approximated fair value at the date of initial recognition. Subsequent increases/ decreases in fair value arising from any changes to the net present value of expected future cash collections are recognised in income, only to the extent of cash receipts or impairment. The fair value of floating-rate loans and advances to customers that reprice within 1 year since the reporting date approximates carrying value at the reporting date. The fair value of other fixed-rate loans and advances to customers is estimated using discounted cash flow analysis and interest rates currently being offered for loans and advances to customers with similar credit quality.

Financial assets and financial liabilities not measured at fair value

Fair value of financial assets and financial liabilities which are not measured at fair value and their fair value hierarchy level classification as at December 31, 2023 and 2022 were summarized as follows:

	LAK	
	Carrying value/ Fair value	
	2023	2022
Financial assets		
Cash	527,540,704,113	370,815,489,567
Interbank and money market items		
Amounts due from Head Office and other branches	6,655,608,048,861	10,057,209,540,947
Amounts due from other banks	40,895,128,402,859	28,136,608,589,821
Statutory deposits with Central Bank	2,911,755,924,532	568,457,657,610
Loans and advances	10,434,046,285,537	14,562,947,809,431
Investment	6,047,686,017,470	5,767,173,334,854
Total	67,471,765,383,372	59,463,212,422,230
Financial liabilities		
Deposits from customers	19,979,300,884,386	15,251,318,683,102
Interbank and money market items		
Amounts due to other branches	38,607,075,575,809	32,700,171,054,619
Amounts due to other banks	2,542,179,262,985	644,281,230,885
Borrowings from other than Head Office and other branches	2,877,790,000,000	8,314,845,000,000
Total	64,006,345,723,180	56,910,615,968,606
Off-statement of financial instruments	3,937,861,726,403	2,819,657,632,094

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Branch uses market observable data as far as possible. Fair value measurements for assets and liabilities are categorised into different levels in the fair value hierarchy based on the inputs used in valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on unobservable market data (unobservable input).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Branch recognises transfers between levels of the fair value hierarchy as hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the years ended December 31, 2023 and 2022.

28.7 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Branch's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Branch's operations.

The Branch's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the reputation with overall cost effectiveness and innovation. In all cases, the Branch's policy requires compliance with all applicable legal and regulatory requirements.

The Head Office has delegated responsibility for operational risk to its management which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management, with summaries submitted to the Branch Internal Audit Department and senior management of the Branch.

28.8 Capital management

The Central Bank of the Lao PDR, the BOL, sets and monitors capital requirements for the Branch. In accordance with Regulation No. 135/BOL dated March 20, 2007, the Branch's capital comprises of tier 1 capital and tier 2 capital:

- Tier 1 capital is the core capital which is not allowed to be withdrawn as long as the Branch is still in operation, unless the Branch is under liquidation. It includes registered capital, share premium, statutory and surplus reserve, business expansion reserve and accumulated retained earnings.
- Tier 2 capital is the supplementary capital which can be adjusted or withdrawn. It includes gain or loss from re-evaluation, allowance for bad and doubtful loans and advances, supplementary liabilities, risk reserve, profit and loss for the year, unappropriated profit and allowance and fund distributed by the government.

Banking operations are categorised as either on-balance sheet items or off-balance sheet items, and risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognised in the statement of financial position. The BOL's regulation maintains a risk-weighted asset requirement in respect of operational risk.

The primary objectives of the Branch's capital management are to ensure that the Branch complies with externally imposed capital requirements by BOL. The Branch recognises the need to maintain effectiveness of assets and liabilities management to balance profit and capital adequacy.

The Branch has complied with all externally imposed capital requirements.

The Branch's regulatory capital position under BOL's regulation as at December 31, was as follows:

	2023	2022
	Million LAK	Million LAK
Tier 1 capital		
Branch capital	300,000	300,000
Retained earnings	3,213,600	2,036,876
Legal reserve	150,000	150,000
	<u>3,663,600</u>	<u>2,486,876</u>
Tier 2 capital		
Loan loss reserve (at the lower of loan loss reserve for the year or 1.25% of risk-weighted assets on the Branch's assets)	124,486	100,984
Profit for the years	1,582,877	1,103,516
	<u>1,707,363</u>	<u>1,204,500</u>
Total regulatory capital	<u>5,370,963</u>	<u>3,691,376</u>

Note: The regulatory capital position above is calculated based on the financial figures under Lao GAAP.

The BOL's approach to measurement of capital adequacy is primarily based on monitoring the relationship of the capital resources requirement to available capital resources.

Capital allocation

The amount of capital allocated to each operation or activity is based on primarily on the regulatory capital, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with difference activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Branch to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Branch's longer term strategic objectives.

29. OPERATING SEGMENTS

The major business of the Branch is providing financial services to the corporate customers. The rest of the business is not significant to overall financial statements. The management considers the business conducted in Lao PDR as one whole segment. The information reviewed by the General Manager is similar as presented in the statement of profit or loss. When taking into consideration the business location of the Branch, there is only one geographical segment as the business operates only in Lao PDR.

30. RECLASSIFICATIONS

Certain reclassifications have been made in the financial statements for the year ended December 31, 2022, to conform to the classification used in current period's financial statements. Such reclassifications have no effect to previously reported net profit, profit or loss and other comprehensive income and change in Head office account. The reclassifications are as follows:

Account	Previous presentation	Current presentation	Amount LAK
Accrued interest receivables - Amount due from Head office and other branches	Other assets	Amounts due from Head Office and other branches	31,685,027,885
Accrued interest receivables - Amount due from other branches	Other assets	Amounts due from other banks	675,509,916,424
Accrued interest receivables - Loan and advance	Other assets	Loan and advances	85,991,885,405
Land use right	Intangible assets	Property and equipment	46,095,103,416

31. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved for issuance by an authorized management of the Branch on March 22, 2024.