

LAO CHINA BANK CO., LTD.



FINANCIAL STATEMENTS

31 DECEMBER 2024





LAO CHINA BANK CO., LTD.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

CONTENTS	PAGES
General information	1
Independent auditors' report	2-4
Statement of income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8-9
Notes to the financial statements	10-36

LAO CHINA BANK CO., LTD

GENERAL INFORMATION

THE BANK

Lao China Bank Co., Ltd (the “Bank”) is a joint venture bank established in Lao People’s Democratic Republic (“Lao PDR”) between Banque Pour Le Commerce Exterieur Lao Public (31.35%) and Fudian Bank Co., Ltd (68.65%). The Bank operates under Banking License No. 20/BOL granted by Bank of the Lao PDR (“the BOL”) on 20 January 2014. The latest business license is no. 0839/ERO, dated 26 April 2022.

The Share capital as at 31 December 2024 is LAK 500,062,417,117 (31 December 2023: LAK 379,879,082,826).

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

The Bank is located at Lao China Bank Head Office Building, No. 268, Unit 12, Sibounheuang Village, Chanthabouly District, Vientiane Lao PDR. As at 31 December 2024, the Bank has 01 (one) Head Office and 01 (one) branch in Luangnamtha Province, Lao PDR.

BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report are:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/resignation</i>
Mr. Nanthalath Keopaseuth	Chairman	Appointed on 9 January 2024
Mr. Yang Yong	Vice chairman	Appointed on 8 April 2022 Resigned on 18 November 2024
Mr. Wan Zhiteng	Member	Appointed on 26 August 2021
Mr. Fu Zhiqian	Independence Member	Appointed on 26 August 2021
Mr. Bounlouane Ounlathavong	Member	Appointed on 7 November 2023

MANAGEMENT

Members of the Management during the year and at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Wan Zhiteng	General Director	Appointed on 08 October 2021
Mr. Xiao Wei	Deputy General Director	Appointed on 10 August 2022
Mr. Bounlath Soutisack	Deputy General Director	Appointed on 19 June 2019 Resigned on 11 July 2024
Mr. Anouphap Phounsavath	Deputy General Director	Appointed on 11 July 2024

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year and at the date of this report is Mr. Wan Zhiteng - General Director.

AUDITORS

The auditors of the Bank are PricewaterhouseCoopers (Lao) Sole Company Limited



INDEPENDENT AUDITORS' REPORT

To: Board of Director of Lao China Bank Co., Ltd.

Our opinion

In our opinion, the financial statements of Lao China Bank Co., Ltd. (the Bank) for the year ended 31 December 2024 are prepared, in all material respects, in accordance with the accounting policies described in Note 2 to the financial statements.

What we have audited

The Bank's financial statements comprise:

- the statement of income for the year then ended;
- the statement of financial position as at 31 December 2024;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of Matter - Basis of accounting and restriction on distribution and use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the Bank's accounting policies described in Note 2 to the financial statements. As a result, the financial statements may not be suitable for another purpose.

Our report is intended solely for the Bank and the Bank of Lao People's Democratic Republic and should not be distributed to or used by parties other than the Bank and the Bank of Lao People's Democratic Republic. Our opinion is not modified in respect to this matter.



Other matter

The financial statements of the Bank for the year ended 31 December 2023 were audited by another firm of auditors whose report, dated 7 May 2024, expressed an unmodified opinion on those statements.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and presentation of the financial statements in accordance with accounting policies described in Note 2 to the financial statements, and for such internal control as the directors determine 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, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank 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 scepticism throughout the audit. We also:

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



We communicate with the board of director 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.

For PricewaterhouseCoopers (Lao) Sole Company Limited



By Apisit Thientrongpinyo
Partner

Vientiane Capital, Lao PDR
Date: 30 April 2025

LAO CHINA BANK CO., LTD

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 LAK	2023 LAK
Interest income calculated using the effective interest method	5	138,411,045,502	109,091,545,530
Interest expense calculated using the effective interest method	6	(64,886,599,859)	(52,545,652,672)
Net interest and similar income		73,524,445,643	56,545,892,858
Fees and commission income	7	9,790,322,523	8,651,290,606
Fees and commission expenses	7	(228,385,976)	(297,950,448)
Net fees and commission income		9,561,936,547	8,353,340,158
Net gain/(loss) from dealing in foreign currencies	8	15,623,164,464	20,664,765,983
Other operating income		4,138,500,379	2,752,073,249
Total operating income		102,848,047,033	88,316,072,248
Credit loss (reversal)/expense	14	(1,632,986,027)	5,303,288,902
NET OPERATING INCOME		101,215,061,006	93,619,361,150
Personnel expenses	9	(26,704,015,373)	(22,634,812,501)
Depreciation and amortization		(5,951,186,427)	(8,227,324,949)
Other operating expenses	10	(18,806,692,904)	(21,290,132,949)
TOTAL OPERATING EXPENSES		(51,461,894,704)	(52,152,270,399)
PROFIT BEFORE TAX		49,753,166,302	41,467,090,751
Profit tax expense	22	(3,493,063,411)	(2,161,229,657)
Deferred profit tax (expense)/income	22	(57,218,626)	(211,044,623)
PROFIT FOR THE YEAR		46,202,884,265	39,094,816,471

Prepared by:



Mrs. YANG RONG
Head of Accounting and Finance Department
Date: 30 April 2025

Reviewed by:



Mr. WAN ZHITENG
General Director
Date: 30 April 2025

The accompanying notes on pages 10 to 36 form an integral part of these financial statements.

LAO CHINA BANK CO., LTD

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Notes	2024 LAK	2023 LAK
ASSETS			
Cash and balances with Bank of the Lao PDR	11	415,449,046,513	579,170,540,683
Due from banks	12	941,218,528,059	497,364,941,089
Loans to customers	13	1,167,417,750,479	1,127,383,404,849
Property and equipment	15	51,379,265,707	67,042,171,423
Intangible fixed assets	16	21,150,837,000	106,292,000
Right-of-use assets	17	19,440,563,933	1,027,616,162
Financial investments – Held to maturity	18	113,567,511,847	66,682,210,336
Tax advance	22	1,190,246,342	1,190,246,342
Deferred tax assets	22	-	916,650,959
Other assets	19	3,138,970,560	3,697,537,511
TOTAL ASSETS		2,733,952,720,440	2,344,581,611,354
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and financial institutions	20	151,754,253,749	221,871,902,808
Due to customers	21	1,833,549,828,409	1,383,026,155,522
Other borrowing funds	20	100,734,058,682	108,477,296,853
Current tax liabilities	22	1,587,355,441	330,362,495
Deferred tax liabilities	22	678,923,765	1,538,356,099
Lease liabilities	17	4,431,236,701	1,270,386,878
Other payables	23	33,376,664,717	150,670,470,574
TOTAL LIABILITIES		2,126,855,159,809	1,867,184,931,229
EQUITY			
Share capital	24	500,062,417,117	379,879,082,826
Regulatory reserve	26	16,130,876,487	11,443,688,127
Business expansion reserve	26	8,546,155,200	8,546,155,200
Retained earnings		83,100,950,172	77,527,753,972
TOTAL EQUITY		607,840,398,976	477,396,680,125
TOTAL LIABILITIES AND EQUITY		2,733,952,720,440	2,344,581,611,354

Prepared by:



Mrs. YANG RONG
Head of Accounting and Finance Department
Date : 30 April 2025

Reviewed by:



Mr. WAN ZHITENG
General Director
Date : 30 April 2025

The accompanying notes on pages 10 to 36 form an integral part of these financial statements.

LAO CHINA BANK CO., LTD

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Paid-up capital LAK	Regulatory reserves LAK	Business expansion reserves LAK	Retained earnings LAK	Total LAK
Opening balance at 1 January 2024	24	379,879,082,826	11,443,688,127	8,546,155,200	77,527,753,972	477,396,680,125
Paid up capital during the year	24	120,183,334,291	-	-	-	120,183,334,291
Net profit for the year		-	-	-	46,202,884,265	46,202,884,265
Appropriation to reserve for the year	26	-	4,687,188,360	-	(4,687,188,360)	-
Dividend payment	25	-	-	-	(35,942,499,705)	(35,942,499,705)
Closing balances as at 31 December 2024		500,062,417,117	16,130,876,487	8,546,155,200	83,100,950,172	607,840,398,976
Opening balance at 1 January 2023	24	379,879,082,826	7,554,644,000	8,546,155,200	42,321,981,628	438,301,863,654
Net profit for the year		-	-	-	39,094,816,471	39,094,816,471
Appropriation to reserve for the year	26	-	3,889,044,127	-	(3,889,044,127)	-
Dividend payment		-	-	-	-	-
Closing balances as at 31 December 2023	24	379,879,082,826	11,443,688,127	8,546,155,200	77,527,753,972	477,396,680,125

Prepared by:



Mrs. YANG RONG
Head of Accounting and Finance Department
Date: 30 April 2025



Reviewed by:

Mr. WAN ZHITENG
General Director
Date: 30 April 2025

LAO CHINA BANK CO., LTD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 LAK	2023 LAK
OPERATING ACTIVITIES			
Net profit before tax		49,753,166,302	41,467,090,751
<i>Adjustments for:</i>			
Depreciation and amortization charges	15,17	5,951,186,428	8,196,691,407
Credit loss expense/(reversal)	14	1,632,986,027	8,894,809,302
Interest Income		(138,411,045,502)	(108,919,890,351)
Interest Expense		64,886,599,859	50,826,112,452
Cash flows from operating profit before changing in operating assets and liabilities		(16,187,106,886)	464,813,561
Changes in working capital:			
Due from banks		7,585,423,937	36,970,912,275
Loans to customers		(44,779,351,017)	(242,149,927,081)
Other assets		538,513,105	3,678,025,827
Due to banks and borrowing funds		(69,363,915,662)	86,273,583,970
Due to customers		463,706,316,573	275,316,155,121
Other liabilities		(140,512,677,921)	123,948,940,984
Cash generated from (used in) operations			
Profit tax paid during the year	22	(2,236,070,465)	(2,161,229,657)
Interest received		136,103,424,684	113,543,283,498
Interest paid		(81,010,959,638)	(31,075,501,062)
Net cash generated from operating activities		253,843,596,710	364,809,057,436
INVESTING ACTIVITIES			
Payments to acquires property and equipment	15	(4,718,403,649)	(2,759,189,297)
Purchase of acquires Intangible asset		(21,150,837,000)	(2,444,605,334)
Purchase of right of use		(281,627,500)	-
Payments for investment in bonds		(2,031,000,000,000)	(5,000,000,000)
Proceed from maturity of debt instruments		1,983,240,000,000	32,088,000,000
Net cash flows used in investing activities		(73,910,868,149)	21,884,205,369

Prepared by:



Mrs. YANG RONG
Head of Accounting and Finance Department
Date: 30 April 2025



Reviewed by:
Mr. WAN ZHITENG
General Director
Date: 30 April 2025

The accompanying notes on pages 10 to 36 form an integral part of these financial statements.

LAO CHINA BANK CO., LTD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 LAK	2023 LAK
FINANCING ACTIVITIES			
Proceeds from paid-up shares capital	24	120,183,334,291	-
Dividends paid to the shareholders	25	(12,501,689,028)	-
Drawdown of borrowings		4,400,000,000	-
Repayment of borrowing		(9,840,000,000)	(40,317,461,330)
Payment on lease payment		(771,249,600)	-
Net cash flows from financing activities		101,470,395,663	(40,317,461,330)
Net change in cash and cash equivalents		281,403,124,224	346,375,801,475
Cash and cash equivalents at the beginning of the year	27	800,601,967,731	453,609,777,734
Difference from foreign exchange		2,398,628,154	616,388,522
Cash and cash equivalents at the end of the year	27	1,084,403,720,109	800,601,967,731
Non-cash items			
Acquisition of right-of-use asset but not paid		3,594,905,334	-
Dividend payable	23	23,440,810,677	-

Prepared by:



Mrs. YANG RONG
Head of Accounting and Finance Department
Date: 30 April 2025

Reviewed by:



Mr. WAN ZHITENG
General Director
Date: 30 April 2025

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

1. CORPORATE INFORMATION

Lao China Bank Co., Ltd (the “Bank”) is a joint venture bank established in Lao People’s Democratic Republic (“Lao PDR”) between Banque Pour Le Commerce Exterieur Lao Public (31.35%) and Fudian Bank Co., Ltd (68.65%). The Bank operates under Banking License No. 20/BOL granted by Bank of the Lao PDR (“the BOL”) on 20 January 2014. Its latest business license No. 0839/ERO is granted on 26 April 2022 by the BOL.

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

The Bank’s head office is located at Lao China Bank Head Office Building, No. 268, Unit 12, Sibounheuang Village, Chanthabouly District, Vientiane Lao PDR. As at 31 December 2024, the Bank has 01 (one) branch in Luangnamtha Province, Lao PDR.

The financial information was authorised for issue by the Board of Directors on 30 April 2025.

2. BASIC OF PREPARATION

According to BoL’s notification no. 99/Bol, dated 14 July 2021, state the extended time for banks to prepare the summary difference between the existing accounting practice and IFRS and implementation plan submit to Bol for their monitoring. The deadline of implementation is 31 December 2025. Banks must fully adopt IFRS as of 1 January 2026 onwards.

The financial statements have been prepared in accordance with the Bank’s accounting policies as described in the notes to the financial statements. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are not intended to present the financial position and financial performance in accordance with other jurisdictions.

Consequently, these financial statements are addressed only to those who are informed about the Bank’s accounting policies and the relevant accounting regulations and notifications of BOL.

The preparation of financial statements require management to make estimates and assumptions affecting the amounts reported as assets and liabilities, the disclosure of any contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

The financial statements have been prepared under the historical cost convention.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

3. SUMMARY OF ACCOUNTING POLICIES

3.1 Foreign currency translation

The financial statements are presented in Lao Kip (LAK).

Monetary assets and liabilities denominated in currencies other than LAK at year-end are translated into LAK at the exchange rate ruling on the financial report date. Income and expenses arising in foreign currencies during the period are converted into LAK using the exchange rate ruling on the financial report date.

3.2 Financial instruments - initial recognition and subsequent measurement

3.2.1 Date of recognition

All financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes "regular way trades" - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' account. The Bank recognises balances due to customer when funds are transferred to the Bank.

3.2.2 Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the EIR.

3.2.3 Due from banks and loans and advances to customers

Due from banks' and 'Loans and advances to customers' include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- ▶ Those that the Bank intends to sell immediately or in the near term;
- ▶ Those that the Bank, upon initial recognition, designates as at fair value through profit or loss as available-for-sale;
- ▶ Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available for sale.

After initial measurement, amounts 'Due from banks' and 'Loans and advances to customers' are subsequently measured at amortized cost using the EIR method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Therefore, the Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of the loan, hence, recognising the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (prepayments, penalty interest and charges). If expectations are revised the adjustment is booked a positive or negative adjustment to the carrying amount in the balance sheet with an increase or reduction in interest income.

The adjustment is subsequently amortised through Interest and similar income in the statement of income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments - initial recognition and subsequent measurement (continued)

3.2.4 Due to other banks and customers and other borrowed funds

“Due to other banks and customers and other borrowed funds” include arrangements where the substance of the contractual arrangements result in the Bank having an obligation either to deliver cash or another financial asset to the holder.

After initial measurement, “Due to other banks and customers and other borrowed funds” are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

3.3 Impairment of financial assets (loans and advances to customers)

The Bank assesses at each reporting date, whether there is any objective evidence that a financial asset – loans and advances to customers is impaired. A financial asset – loans and advances to customers is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.3.1 Financial assets carried at amortized cost

Specific impairment losses

For financial assets – loans and advances to customers carried at amortised cost, the Bank first assesses whether objective evidence of impairment exists for financial assets that are individually significant or are already under specific work out by management.

An impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). An estimate of future cash flow of loans and advances to customers under Performing Loan classification are from the expected of collection of loan principal and interest throughout contractual period together with taking consideration of the expected recoverable rate using the rate for grade A at 95% and grade B at 80%) plus 40% of collateral value.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.3 Impairment of financial assets (loans and advances to customers) (continued)

3.3.1 Financial assets carried at amortized cost (continued)

Specific impairment losses

the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from selling the collateral, whether or not foreclosure is probable.

3.3.2 Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The value of collateral is generally assessed, at a minimum, at inception and based on the Bank's annually reporting schedule.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties (if available) such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

3.4 Recognition of income and expense

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

3.4.1 Interest and similar income and expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the statement of income for both interest income and interest expense to provide symmetrical and comparable information.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.4 Recognition of income and expense (continued)

3.4.1 Interest and similar income and expense

When the recorded value of a financial asset or a group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.4.2 Fees and commission income

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Branch's revenue contracts do not typically include multiple performance obligations, as explained further in Note 3.4.2.1 below.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time (unless otherwise specified in Note 3.4.2.1 below).

The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

3.4.2.1 *Fee and commission income from services where performance obligations are satisfied over time*

Performance obligations satisfied over time include services where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs.

The Bank's fee and commission income from services where performance obligations are satisfied over time include loan commitment fees: These are fixed annual fees paid by customers for loan and other credit facilities with the Bank, but where it is unlikely that a specific lending arrangement will be entered into with the customer and the loan commitment is not measured at fair value. The Bank promises to provide a loan facility for a specified period. As the benefit of the services is transferred to the customer evenly over the period of entitlement, the fees are recognised as revenue on a straight-line basis. Payment of the fees is due and received monthly in arrears.

Services provided where the Bank's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance,

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.4 Recognition of income and expense (continued)

3.4.2 Fees and commission income

3.4.2.1 Fee and commission income from services where performance obligations are satisfied over time (continued)

after fulfilling the corresponding performance criteria. These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, or the purchase or sale of businesses, brokerage and underwriting fees.

The Bank typically has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

3.5 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, non-restricted current accounts with the BOL and amounts due from banks on demand or with an original maturity of three months or less.

3.6 Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The following are annual rates used:

Office equipment	20%
Furniture and fixtures	20%
Building improvements	5% - 10%
Motor vehicles	20%

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' in the statement of income in the year the asset is derecognized.

3.7. Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.7. Leases (continued)

3.7.1. Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

Right-of-use before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. Right-of-use assets are subject to impairment assessment.

3.7.2. Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

This year, the management has reviewed the rental contract and reclassified it appropriately. Consequently, the bank has adjusted its accounting records to recognize the lease as a right-of-use asset, with depreciation calculated starting January 1, 2024, based on the net book value and the remaining term of the contract.

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

The Bank applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.7. Leases (continued)

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

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

3.8 Employee benefits

Post-employment benefits

Post-employment benefits are paid to retired employees of the Bank by the Social Security Fund Department which belongs to the Ministry of Labor and Social Welfare. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 6.00% of employee's basic salary on a monthly basis. The Bank has no further obligation concerning post-employment benefits for its employees other than this.

Termination benefits

In accordance with Article 82 of the Amended Labour Law No. 43/NA approved by the President of the Lao People's Democratic Republic on 28 January 2014, the Bank has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work multiplied by the total number of months worked.

As at 31 December 2024, there is no employee of the Bank who was dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.9 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Bank determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the statement of income net of any reimbursement in other operating expenses.

3.10 Profit tax

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Bank operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

4.1 Effective Interest Rate (EIR) method

The Bank's EIR methodology, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well as expected changes to other fee income/expense that are integral parts of the instrument.

4.2 Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of income

The Bank's impairment methodology for assets carried at amortised cost results in the recording of provisions for:

- ▶ Specific impairment losses;
- ▶ Collective impairment

The detailed approach for each category is further explained in Note 3.3.1. All categories include an element of management's judgement, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the changing of which can result in different levels of allowances.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.3 Determination of lease terms

Critical judgement in determining the lease term, the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the most relevant factors are historical lease durations, the costs and conditions of leased assets.

Most extension options on offices and land leases have not been included in the lease liability, because the Bank considers i) the underlying asset condition and/or ii) insignificant cost to replace the leased assets.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstance affecting this assessment occur, and that it is within the control of the Bank.

4.4 Estimating the incremental borrowing rate for a lease

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments

LAO CHINA BANK CO., LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

5. INTEREST AND SIMILAR INCOME

	2024 LAK	2023 LAK
Interest revenue calculated using the effective interest method from:		
Due from banks	39,509,450,924	82,164,536,597
Loans and advances to customers	93,061,678,783	22,482,399,319
Held-to-maturity financial investments	5,839,915,795	4,444,609,614
	<u>138,411,045,502</u>	<u>109,091,545,530</u>

6. INTEREST AND SIMILAR EXPENSES

	2024 LAK	2023 LAK
Interest expense calculated using the effective interest method for:		
Due to banks	22,282,896,604	34,483,544,404
Due to customers	42,488,447,780	18,001,176,848
Lease liabilities (Note 17)	115,255,475	60,931,420
	<u>64,886,599,859</u>	<u>52,545,652,672</u>

7. NET FEES AND COMMISSION INCOME

	2024 LAK	2023 LAK
Fees and commission income from:		
Credit activities	9,789,240,791	8,650,364,471
Other activities	1,081,732	926,135
	<u>9,790,322,523</u>	<u>8,651,290,606</u>
Fees and commission expense for:		
Other activities	(228,385,976)	(297,950,448)
	<u>(228,385,976)</u>	<u>(297,950,448)</u>
Net fee and commission income	<u>9,561,936,547</u>	<u>8,353,340,158</u>

8. NET GAIN/(LOSS) FROM DEALING IN FOREIGN CURRENCIES

	2024 LAK	2023 LAK
Gain from dealing in foreign currencies	49,478,760,974	44,317,563,110
Loss from dealing in foreign currencies	(33,855,596,510)	(23,652,797,127)
	<u>15,623,164,464</u>	<u>20,664,765,983</u>

LAO CHINA BANK CO., LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

9. PERSONNEL EXPENSES

	2024 LAK	2023 LAK
Wages and allowances	25,421,548,627	21,891,154,870
Other staff costs	1,282,466,746	743,657,631
	26,704,015,373	22,634,812,501

10. OTHER OPERATING EXPENSES

	2024 LAK	2023 LAK
External services and Consultant fees	1,239,065,816	4,211,598,146
Audit fee	561,587,926	508,854,920
Electricity and water	1,136,056,744	1,057,760,654
Business trip expenses	1,528,476,249	1,495,361,029
Expenses on travels and guest welcoming	159,939,739	195,457,999
Repair and maintenance	4,759,794,189	5,573,044,361
Rental fee	1,530,283,103	1,659,216,400
Other equipment	107,588,390	102,854,437
Telecommunication	344,514,959	322,074,797
Insurance	1,359,329,050	1,120,703,156
Marketing expense	127,076,040	996,176,600
Office supplies	289,200,652	816,417,052
Uniform	527,119,200	414,682,466
Deposit Insurance paid to Depositor Protection Fund	1,579,496,557	1,141,945,651
Others	3,557,164,290	1,673,985,281
	18,806,692,904	21,290,132,949

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

11. CASH AND BALANCES WITH BANK OF THE LAO PDR (“THE BOL”)

	2024 LAK	2023 LAK
Cash on hand in LAK	6,052,633,500	9,693,197,000
Cash on hand in foreign currencies (“FC”)	65,971,894,187	96,125,749,222
Balances with the BOL	343,424,518,826	473,351,594,461
- <i>Compulsory deposit</i>	148,034,005,094	92,463,592,562
- <i>Demand deposit</i>	195,385,513,732	380,883,001,899
- <i>Registered capital reserve</i>	5,000,000	5,000,000
	415,449,046,513	579,170,540,683

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

Under regulations of the BOL, the Bank is required to maintain certain reserves with the BOL in the form of compulsory deposits, which are computed at 8.00% per annum for LAK and 11.00% per annum for foreign currencies, on a bi-monthly basis, (2023: 8.00% for LAK and 10.00% for foreign currencies) of customer deposits having original maturities of less than 12 months. During the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

12. DUE FROM BANKS

	2024 LAK	2023 LAK
Demand deposits at domestic banks	322,005,826,301	156,710,452,830
Demand deposits at foreign banks	96,225,480,296	113,664,922,657
Saving deposits at domestic banks	48,180,685	-
Saving deposits at foreign banks	6,493,710,816	-
Term deposits at domestic banks	281,242,802,883	183,464,921,480
Term deposit at foreign bank	235,202,527,078	43,524,644,122
	941,218,528,059	497,364,941,089

Nominal Interest rates for amounts due from other banks during the year are as follows:

	2024 % Per annum	2023 % Per annum
Demand deposits	0.05%-1.96%	0.05%-1.96%
Saving deposits	0.85%	-
Term deposits	1.90%-12.50%	1.88%-7.20%

LAO CHINA BANK CO., LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

13. LOANS TO CUSTOMERS

	2024 LAK	2023 LAK
Gross loans to customers	1,180,344,173,963	1,136,278,214,151
Less: Allowance for impairment losses (Note 14)	(12,926,423,484)	(8,894,809,302)
	1,167,417,750,479	1,127,383,404,849

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

	2024 Interest rate % per annum	2023 Interest rate % per annum
Loans denominated in LAK	5.50%-14.00%	5.00% - 14.00%
Loans denominated in USD	4.00%-11.00%	4.00% - 11.00%
Loans denominated in CNY	4.00%-10.00%	8.00% - 10.00%

Analysis of loans to customers by currency

	2024 LAK	2023 LAK
Loans and advances denominated in LAK	250,241,887,446	286,673,528,302
Loans and advances denominated in USD	743,951,652,798	745,936,142,210
Loans and advances denominated in CNY	186,150,633,719	103,668,543,639
	1,180,344,173,963	1,136,278,214,151

Analysis of loans to customers by economic sectors

	2024 LAK	2023 LAK
Construction companies	463,568,127,910	417,294,646,698
Commercial	454,394,857,214	424,517,050,872
Agricultural and forestry	215,833,834,037	223,380,579,014
Industrial and services	19,371,047,750	18,753,083,194
Others	27,176,307,052	52,332,854,373
	1,180,344,173,963	1,136,278,214,151

Analysis by original term

	2024 LAK	2023 LAK
Short-term loans	501,506,851,839	472,859,917,091
Medium-term loans	678,837,322,124	663,018,885,864
Long-term loans	-	399,411,196
	1,180,344,173,963	1,136,278,214,151

14. ALLOWANCE FOR IMPAIRMENT LOSSES

	2024 LAK	2023 LAK
Opening balance	8,894,809,302	16,402,549,131
Credit loss (reversal)/expense	1,632,986,027	(5,303,288,902)
Non-performing loans written-off	-	(4,485,111,624)
Foreign exchange difference	2,398,628,155	2,280,660,697
Closing balance	12,926,423,484	8,894,809,302

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

15. PROPERTY AND EQUIPMENT

Movements of property and equipment for the year ended 31 December 2024 are as follows:

	Building improvements LAK	Office equipment LAK	Furniture & Fixtures LAK	Motor vehicles LAK	Construction in progress LAK	Total LAK
At 1 January 2024						
Cost	102,068,912,643	23,103,109,439	2,115,290,738	1,386,780,026	-	128,674,092,846
Accumulated depreciation amortization	(41,167,240,146)	(17,078,220,432)	(1,999,680,819)	(1,386,780,026)	-	(61,631,921,423)
Net book amount at 1 January 2024	60,901,672,497	6,024,889,007	115,609,919	-	-	67,042,171,423
Year ended 31 December 2024						
Opening net book amount	60,901,672,699	6,024,888,805	115,609,919	-	-	67,042,171,423
Additions	-	1,065,502,609	27,640,796	-	3,625,260,244	4,718,403,649
Reclassify from intangible asset	106,292,000	-	-	-	-	106,292,000
Reclassify to right of use	(15,381,156,024)	-	-	-	-	(15,381,156,024)
(Note 17) (*)	(3,328,775,876)	(1,744,014,900)	(33,654,565)	-	-	(5,106,445,341)
Depreciation						
Closing net book amount	42,298,032,597	5,346,376,716	109,596,150	-	3,625,260,244	51,379,265,707
At 31 December 2024						
Cost	63,610,196,161	23,438,945,374	1,886,680,215	1,386,780,026	3,625,260,244	93,947,862,020
Less: Accumulated depreciation	(21,312,163,564)	(18,092,568,658)	(1,777,084,065)	(1,386,780,026)	-	(42,568,596,313)
Net book value at 31 December 2024	42,298,032,597	5,346,376,716	109,596,150	-	3,625,260,244	51,379,265,707

(*) This year, the management has reviewed the rental contract and reclassified it appropriately.

LAO CHINA BANK CO., LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

15. PROPERTY AND EQUIPMENT (CONTINUED)

Movements of property and equipment for the year ended 31 December 2023 are as follows:

	Building improvements LAK	Office equipment LAK	Furniture & Fixtures LAK	Motor vehicles LAK	Construction in progress LAK	Total LAK
At 1 January 2023						
Cost	100,735,751,176	21,755,480,081	2,036,892,266	1,386,780,026	68,940,000	125,983,843,549
Accumulated depreciation amortization	(35,274,816,020)	(15,281,295,618)	(1,903,384,857)	(1,386,780,026)	-	(53,846,276,521)
Net book amount at 1 January 2023	65,460,935,156	6,474,184,463	133,507,409	-	68,940,000	72,137,567,028
Year ended 31 December 2023						
Opening net book amount	65,460,935,156	6,474,184,463	133,507,409	-	68,940,000	72,137,567,028
Additions	78,398,472	425,565,294	38,269,200	-	2,338,313,331	2,880,546,297
Transferred from construction in progress	1,333,161,669	883,794,662	-	-	(2,407,253,331)	(190,297,000)
Cost - Reclassified	(78,398,674)	38,269,402	40,129,272	-	-	-
Depreciation	(5,892,424,126)	(1,764,060,392)	(129,160,384)	-	-	(7,785,644,902)
Depreciation - Reclassified	-	(32,864,422)	32,864,422	-	-	-
Closing net book amount	60,901,672,497	6,024,889,007	115,609,919	-	-	67,042,171,423
At 31 December 2023						
Cost	102,068,912,643	23,103,109,439	2,115,290,738	1,386,780,026	-	128,674,092,846
Less: Accumulated depreciation	(41,167,240,146)	(17,078,220,432)	(1,999,680,819)	(1,386,780,026)	-	(61,631,921,423)
Net book value at 31 December 2023	60,901,672,497	6,024,889,007	115,609,919	-	-	67,042,171,423

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

16 INTANGIBLE FIXED ASSETS

Movements of the balance of intangible fixed assets during the 2024 are as follows:

	Designing LAK	Software under development LAK	Total LAK
At 1 January 2024			
Cost	106,292,000	-	106,292,000
Accumulated amortisation	-	-	-
Net book amount at 1 January 2024	106,292,000	-	106,292,000
Year ended 31 December 2024			
Opening net book amount	106,292,000	-	106,292,000
Addition (*)	-	21,150,837,000	21,150,837,000
Reclassify to tangible asset	(106,292,000)	-	(106,292,000)
Amortisation	-	-	-
Closing net book amount	-	21,150,837,000	21,150,837,000
At 31 December 2024			
Cost	-	21,150,837,000	21,150,837,000
Accumulated amortisation	-	-	-
Net book amount at 31 December 2024	-	21,150,837,000	21,150,837,000

(*) This fiscal year, the majority of additions to fixed assets under purchasing or constructing are primarily due to purchase of the core banking software system.

Movements of the balance of intangible fixed assets during the 2023 are as follows

	Designing LAK
At 1 January 2023	
Cost	-
Transferred from construction in progress	-
Accumulated amortisation	-
Net book amount at 1 January 2023	-
Year ended 31 December 2023	
Opening net book amount	-
Transferred from construction in progress	106,292,000
Amortisation	-
Closing net book amount	106,292,000
At 31 December 2023	
Cost	106,292,000
Accumulated amortisation	-
Net book amount at 31 December 2023	106,292,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

17. RIGHT-OF-USE ASSETS

Movements of the balance of right of use assets for the year 2024 and 2023 are as follows:

	Land and Buildings LAK
Balance as at 1 January 2023	1,438,662,667
Additions	-
Written-off, net book value	-
Amortization	(411,046,505)
Balance as at 31 December 2023	1,027,616,162
Balance as at 1 January 2024	1,027,616,162
Additions	3,876,532,834
Reclassify from tangible asset, net (Note 15) (*)	15,381,156,024
Amortization	(844,741,087)
Balance as at 31 December 2024	19,440,563,933

(*) This year, the management has reviewed the rental contract and reclassified it appropriately.

Set out below are the carrying amounts of lease liabilities and the movements for the year ended 31 December 2023 and 31 December 2024:

	2024 LAK	2023 LAK
As at 1 January	1,270,386,878	1,480,559,902
Additions	3,876,532,834	-
Accretion of interest	115,255,475	60,931,420
Payment	(771,249,600)	(535,920,000)
Exchange differences	(59,688,886)	264,815,556
As at 31 December	4,431,236,701	1,270,386,878

18. FINANCIAL INVESTMENTS - HELD TO MATURITY

	2024 LAK	2023 LAK
Investment in bonds	113,567,511,847	66,682,210,336
	113,567,511,847	66,682,210,336

Nominal Interest rates of bonds as at 31 December 2024 are:

	2024 % Per annum	2023 % Per annum
Within 1 year	5.8%-10.50%	5.00%
1 to 5 years	-	6.00%-6.80%

LAO CHINA BANK CO., LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

19. OTHER ASSETS

	2024 LAK	2023 LAK
Prepaid expenses	1,925,045,360	2,577,398,640
Others	1,213,925,200	1,120,138,871
	3,138,970,560	3,697,537,511

20. DUE TO BANKS AND FINANCIAL INSTITUTIONS AND OTHER BORROWED FUNDS

	2024 LAK	2023 LAK
Current Deposit	32,148,094,014	37,512,009,675
Term deposits	119,606,159,735	184,359,893,133
Borrowed funds	100,734,058,682	108,477,296,853
	252,488,312,431	330,349,199,661

The term deposits from other banks have term of 1 to 12 months at the interest rate of 2.25% to 4.50% per annum.

The borrowing from Department of Small and Medium Enterprise Promotion has a term of 8 years and 6 years bear interest at rate of 2.50% and 6.80% per annum.

The borrowing from Bank of Lao PDR has a term of 6 years and bear interest at rate of 3.00% per annum.

21. DUE TO CUSTOMERS

	2024 LAK	2023 LAK
Demand deposits	720,225,215,838	347,881,623,519
Demand deposits in LAK	90,425,880,826	48,683,269,127
Demand deposits in FC	629,799,335,012	299,198,354,392
Daily deposits	1,173,426,299	47,082,913,800
Daily deposits in LAK	-	-
Daily deposits in FC	1,173,426,299	47,082,913,800
Saving deposits	138,918,404,945	124,009,179,953
Saving deposits in LAK	13,985,283,322	13,837,704,130
Saving deposits in FC	124,933,121,623	110,171,475,823
Margin Deposit	4,320,000,000	4,024,000,000
Saving deposits in LAK	-	-
Saving deposits in FC	4,320,000,000	4,024,000,000
Fixed term deposits	968,912,781,327	860,028,438,250
Fixed term deposits in LAK	82,157,293,021	47,032,564,469
Fixed term deposits in FC	886,755,488,306	812,995,873,781
	1,833,549,828,409	1,383,026,155,522

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

21. DUE TO CUSTOMERS (CONTINUED)

The interest rates for these deposits are as follows:

	2024	2023
	<u>Interest rate % p.a.</u>	<u>Interest rate % p.a.</u>
Demand deposits in LAK	No interest	No interest
Demand deposits in foreign currencies	No interest	No interest
Daily deposits in LAK	0.80%-1.89%	0.80% - 1.00%
Daily deposits in foreign currencies	0.30%-1.40%	0.30% - 0.85%
Saving deposits in LAK	0.50%-1.65%	0.50% - 1.65%
Saving deposits in foreign currencies	0.20%-1.20%	0.20% - 1.20%
Term deposits in LAK	2.15%-6.90%	2.15% - 6.50%
Term deposits in foreign currencies	0.70%-7.00%	0.90% - 7.00%
Margin deposits in LAK	No interest	No interest
Margin deposits in foreign currencies	No interest	No interest

22. TAXATION

	2024	2023
	<u>LAK</u>	<u>LAK</u>
Profit tax of HQ prepaid	(1,190,246,342)	(1,190,246,342)
Profit tax of Boten Branch payable	1,587,355,441	330,362,495
	<u>397,109,099</u>	<u>(859,883,847)</u>

Profit tax ("PT")

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

22. TAXATION (CONTINUED)

Detail of taxation of the Bank as at 31 December 2024 as below:

	2024 Head Office LAK	2024 Boten Branch LAK	2024 Total LAK
Profit before tax	14,822,532,192	34,930,634,110	49,753,166,302
Adjustment for difference between the relevant regulations and notifications of the Bank of Lao and Special purpose	611,780,713		611,780,713
Less non-taxable income	(22,589,738,949)	-	(22,589,738,949)
Add non-deductible expense	7,684,535,845	-	7,684,535,845
Less Utilized tax loss carried forward	(529,109,801)	-	(529,109,801)
Taxable income	-	34,930,634,110	34,930,634,110
Current PT expense, at the statutory rate of the bank (*)	-	3,493,063,411	3,493,063,411
PT (recoverable)/payable at the beginning of the year	(1,190,246,342)	330,362,495	(859,883,847)
PT paid during the year	-	(2,236,070,465)	(2,236,070,465)
PT (recoverable)/payable at the end of the year	(1,190,246,342)	1,587,355,441	397,109,099

Detail of taxation of the Bank as at 31 December 2023 as below:

	2023 Head Office LAK	2023 Boten Branch LAK	2023 Total LAK
Profit before tax	19,854,794,181	21,612,296,570	41,467,090,751
Adjustment for difference between the relevant regulations and notifications of the Bank of Lao and Special purpose	(3,926,423,842)	-	(3,926,423,842)
Less non-taxable income	(48,931,339,392)	-	(48,931,339,392)
Add non-deductible expense	34,046,130,039	-	34,046,130,039
Utilized tax loss carried forward	(1,043,160,986)	-	(1,043,160,986)
Taxable income	-	21,612,296,570	21,612,296,570
Current PT expense, at the statutory rate of the bank (*)	-	2,161,229,657	2,161,229,657
PT(recoverable)/payable at the beginning of the year	(1,190,246,342)	-	(1,190,246,342)
PT paid during the year	-	(1,830,867,162)	(1,830,867,162)
PT(recoverable)/payable at the end of the year	(1,190,246,342)	330,362,495	(859,883,847)

(*) Lao China Bank Limited – Head office is obliged to pay profit tax at rate of 20% (2023: 20%) on total profit before tax of the period in accordance with Tax Law No.67/NA for Head Office. Lao China Bank Limited - Boten Branch which is under special economic zone of Luangnamtha Province and under the Decree of special economic zone no. 073/PM dated 28 September 2015. Current profit tax rate of the Lao China Bank Limited - Boten Branch is 10% (2023 :10%).

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

22. TAXATION (CONTINUED)

Tax losses carried forward

The Bank incurred tax losses for the year 2024. Under the current Tax Law, the Bank is entitled to carry each individual tax loss forward to offset against taxable profits arising within 5 years subsequent to the year in which the loss is incurred. Upon expiration of this period, any remaining losses may not be further carried forward to be deducted from profit. The detailed tax losses carried forward as at 31 December 2024 were as follows:

Year (*)	Can be utilized up to	Tax loss amount LAK	Utilized up to 31 December	Forfeied LAK	Unutilized at 31 December
			2024 LAK		2024 LAK
2020	2025	4,974,986,321	(1,572,270,787)	-	3,402,695,534
2021	2026	24,735,705,685	-	-	24,735,705,685
Total		29,710,692,006	(1,572,270,787)	-	28,138,401,214

(*) The Bank have been inspected financial statement and finalised by the tax authority until 31 December 2021.

Deferred tax assets/(liabilities)

	Statement of financial position		Statement of income	
	2024 LAK	2023 LAK	2024 LAK	2023 LAK
Deferred tax assets	742,838,345	916,650,959	(173,812,614)	959,113,296
Deferred tax liabilities	(1,421,762,110)	(1,538,356,099)	116,593,989	(931,590,345)
Deferred tax assets, net	(678,923,765)	(621,705,140)		
Net deferred tax charged to the statement of income			(57,218,625)	27,522,951

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

22. TAXATION (CONTINUED)

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

	2024 LAK	2023 LAK
Deductible temporary differences	3,714,191,724	4,583,254,797
<i>In which:</i>		
Difference between carrying value of due from bank under LAS and their amortized cost under special purpose framework	138,506,899	(29,970,715)
Difference between carrying value of loan under LAS and their amortized cost under special purpose framework	3,565,774,333	4,154,261,669
Difference between Investment in a lease under LAS and their amortized cost under special purpose framework	9,910,492	-
Difference between carrying value of due to customers under LAS and their amortized cost under special purpose framework	-	458,963,843
Deferred tax assets at tax rate 20%	742,838,345	916,650,959
Taxable temporary differences	(7,108,810,552)	(7,691,780,497)
<i>In which:</i>		
Difference between carrying value of due to customers under LAS and their amortized cost under special purpose framework	(1,493,503,768)	-
Difference between carrying value of due to bank under LAS and their amortized cost under special purpose framework	(16,450,129)	1,233,049,520
Difference between carrying value of borrowing under LAS and their amortized cost under special purpose framework	(100,980,232)	-
Difference between Loans impairment under LAS and their amortized cost under special purpose framework	(5,497,876,423)	(8,924,830,017)
Deferred tax liabilities at tax rate 20%	(1,421,762,110)	(1,538,356,099)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

23. OTHER PAYABLES

	2024 LAK	2023 LAK
Dividend payable (Note 25)	23,440,810,677	-
Payable to suppliers	7,515,765,191	149,131,086,228
Payable to employees	2,420,088,849	1,539,384,346
	33,376,664,717	150,670,470,574

24. SHARE CAPITAL

The movement of share capital during the year is presented below:

	2024 LAK	2023 LAK
Opening balance	379,879,082,826	379,879,082,826
Capital contribution in the year (*)	120,183,334,291	-
Closing balance	500,062,417,117	379,879,082,826

(*) According to official letter No. 259/BOL, dated 27 February 2024, the Bank of Laos (BOL) approved an additional capital registration of LAK 120,183,334,291, utilising funds from Fudian Bank, a shareholder. This increased the bank's capital from LAK 379,879,082,826 to LAK 500,062,417,117, in compliance with regulations. However, as of 31 December 2024, the bank is in the process of issuing a new business license.

25. DIVIDENDS

At the meeting held on 27 November 2024, the board of directors approved a dividend for the fiscal years ending 31 December 2022 and 2023, totalling LAK 35,942 million. A portion of this dividend, amounting to LAK 11,268 million, was distributed on 17 December 2024. The remaining balance, after deducting a 5% dividend tax, is recognized as an "other payable" in the financial statements, as detailed in Note 23.

26. STATUTORY RESERVES

	Regulatory reserve fund LAK	Business expansion fund LAK	Total LAK
As at 31 December 2023	7,554,644,000	8,546,155,200	16,100,799,200
Appropriation to reserves for the year 2023	3,889,044,127	-	3,889,044,127
As at 31 December 2023	11,443,688,127	8,546,155,200	19,989,843,327
Appropriation to reserves for the year 2024	4,687,188,360	-	4,687,188,360
As at 31 December 2024	16,130,876,487	8,546,155,200	24,677,031,687

LAO CHINA BANK CO., LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

27. ADDITIONAL CASH FLOW INFORMATION

Cash and cash equivalents

	2024 LAK	2023 LAK
Cash on hand	72,024,527,687	105,818,946,222
Current accounts with the BOL	195,385,513,732	380,883,001,899
Current accounts with other banks	424,773,198,097	270,375,375,488
Term deposits due within three months	392,220,480,593	43,524,644,122
	1,084,403,720,109	800,601,967,731

28. TRANSACTIONS WITH RELATED PARTIES

Significant transactions with related parties during the year 2024 are as follows:

1) Parent entities

The bank is controlled by the following entity:

Name	Type	Place of incorporation
Fudian Bank Co., Ltd	Owner	China
Banque Pour Le Commerce Exterieur Lao Public	Owner	Lao PDR

2) Transactions with related parties

Transactions with related parties are as follows:

	2024 LAK	2023 LAK
Interest and similar incomes		
Owner	150,109,154	341,536,537
Interest and similar expenses		
Owner	-	533,040,280

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

28. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

3) Outstanding balances of significant related party

The outstanding balances at the end of the period ended in relation to transactions with related parties are as follows:

	2024 LAK	2023 LAK
Due from other banks		
Owner	114,393,866,331	87,580,584,540
Due to other banks and financial institutions		
Owner	24,767,280,000	76,061,500,000
Other liabilities		
Owner	-	321,250,000

Transactions with key management personnel of the Bank

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

	2024 LAK	2023 LAK
Salaries	3,300,931,557	2,022,953,439
Bonus and other benefits	1,099,548,071	848,859,013
	4,400,479,628	2,871,812,452

29. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST LAK AT REPORTING DATE

	2024 LAK	2023 LAK
United State Dollar ("USD")	21,600.00	20,120.00
Thai baht ("THB")	622.95	635.32
Chinese Yuan ("CNY")	2,952.00	2,900.00

30. SUBSEQUENT EVENTS

There is no matter or circumstance that has arisen after 31 December 2024 that require disclosure or adjustment to be made in the financial statements of the Bank.



