

**Lao China Bank Co., Ltd**

Financial Statements

For the year ended 31 December 2023



# Lao China Bank Co., Ltd

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# 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 (39.87%) and Fudian Bank Co., Ltd (60.13%). 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 initial registered capital of the Bank is LAK 300,000,000,000. The actual paid-up capital as at 31 December 2023 is LAK 379,879,082,826 (31 December 2022: LAK 379,879,082,826).

The current 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 2023, 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. Viengsouk Chounthavong	Chairman	Appointed on 26 August 2021
Mr. Yang Yong	Vice chairman	Appointed on 08 April 2022
Mr. Bounlouane Ounlathavong	Member	Appointed on 07 November 2023
Mr. Fu Zhiqian	Independent member	Appointed on 26 August 2021
Mr. Wan Zhiteng	Member	Appointed on 26 August 2021
Mr. Kith Sangsinsay	Member	Resigned on 06 November 2023

### MANAGEMENT

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

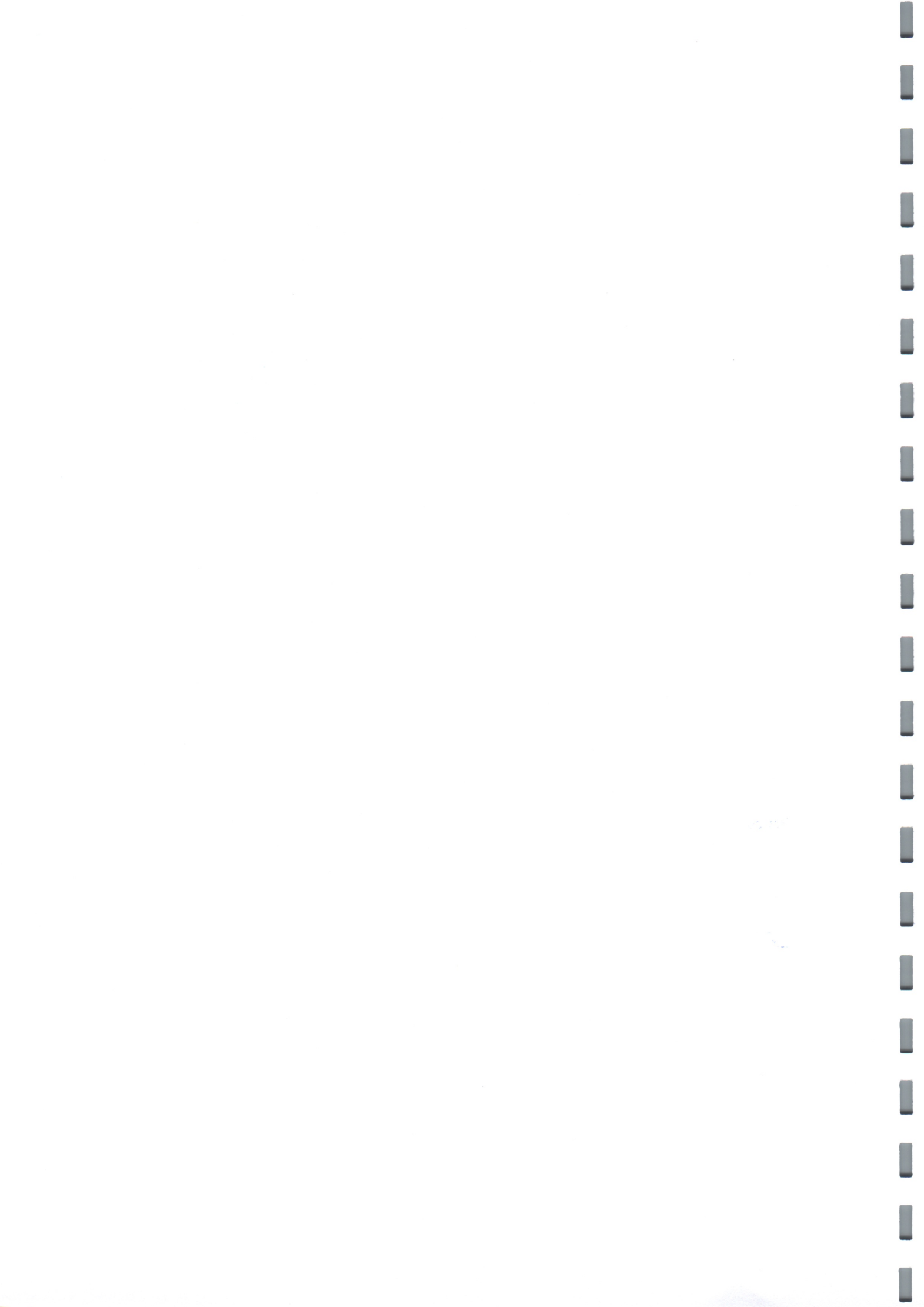
<i>Name</i>	<i>Position</i>	<i>Date of appointment/resignation</i>
Mr. Wan Zhiteng	General Director	Appointed on 08 October 2021
Mr. Bounlath Soutisack	Deputy General Director	Appointed on 19 June 2019
Mr. Xiao Wei	Deputy General Director	Appointed on 10 August 2022

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



# Lao China Bank Co., Ltd

## REPORT OF MANAGEMENT

Management of Lao China Bank Co., Ltd (“the Bank”) is pleased to present this report and the Bank’s financial statements for the year ended 31 December 2023.

### MANAGEMENT’S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible for the preparation of the financial statements of each financial year in accordance with the Accounting Law of the Lao PDR and the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements. In preparing those financial statements, management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ▶ Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Bank and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### STATEMENT BY MANAGEMENT

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

For and on behalf of Management:



Mr. WAN ZHITENG  
General Director

Vientiane, Lao PDR

27 March 2024

Reference: 11487079/68086518-LAS

## **INDEPENDENT AUDITORS' REPORT**

**To: The Owners of Lao China Bank Co., Ltd**

### ***Opinion***

We have audited the financial statements of Lao China Bank Co., Ltd ("the Bank"), which comprise the statement of financial position as at 31 December 2023, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank are prepared, in all material respects, in accordance with the Accounting Law of Lao PDR and with the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements.

### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Lao PDR, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Emphasis of Matter – Basis of Accounting***

We draw attention to Note 2 to the financial statements, which describes the accounting policies adopted by the Bank. These accounting policies are not intended to present the financial position, the results of operations and cash flows of the Bank in accordance with international generally accepted accounting principles. Our opinion is not modified in respect of this matter.

### ***Responsibilities of the Bank's Management and Board of Directors for the Financial Statements***

The Bank's management is responsible for the preparation and presentation of the financial statements in accordance with the Accounting Law of Lao PDR and with the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

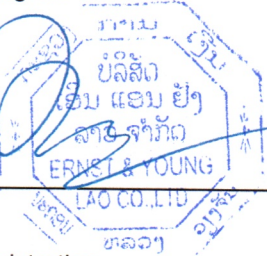

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with the Board of Directors 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.



Ha Phuong Dang  
Partner  
Audit Practising Registration  
Certificate No. 038/LCPAA-APT-2021

Vientiane, Lao PDR

27 March 2024

# Lao China Bank Co., Ltd

INCOME STATEMENT  
for the year ended 31 December 2023

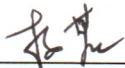
Code	ITEMS	Notes	2023 LAK	2022 LAK
<b>A.</b>	<b>OPERATING INCOME AND EXPENSES</b>			
1.	Interest and similar income	3	108,999,381,511	95,727,383,131
2.	Interest and similar expense	3	(50,826,112,452)	(48,585,352,776)
I.	<b>NET INTEREST AND SIMILAR INCOME</b>		58,173,269,059	47,142,030,355
3	Fee and commission income	4	12,443,870,006	4,987,362,095
4	Fee and commission expense	4	(297,950,448)	(321,642,619)
5	Net gain from dealing in foreign currencies	5	20,664,765,983	48,987,105,427
II.	<b>NET OPERATING INCOME</b>		90,983,954,600	100,794,855,258
<b>B</b>	<b>OTHER INCOME AND EXPENSES</b>			
6	Other operating income	6	2,752,073,249	5,884,200
7	Administration expenses		(42,825,473,588)	(40,390,231,972)
7.1	Payroll and other staff costs	7	(22,634,812,501)	(17,014,037,286)
7.2	Other administration expenses	8	(20,190,661,087)	(23,376,194,686)
8	Depreciation and amortization charges		(8,227,324,949)	(8,553,227,372)
9	Other operating expenses	9	(1,731,446,756)	(2,861,633,868)
10	Net provision charges for non-performing loans	14.2	99,888,376	(11,775,000,000)

# Lao China Bank Co., Ltd

INCOME STATEMENT (continued)  
for the year ended 31 December 2023

Code	ITEMS	Notes	2023 LAK	2022 LAK
III.	PROFIT BEFORE TAX		41,051,670,932	37,220,646,246
11	Current profit tax	19	(2,161,229,657)	(8,616,607,557)
IV.	PROFIT AFTER TAX		38,890,441,275	28,604,038,689

Prepared by:



Mrs. YANG RONG  
Head of Accounting and Finance  
Department

Reviewed by:



Mr. WAN ZHITENG  
General Director

Vientiane, Lao PDR

27 March 2024

# Lao China Bank Co., Ltd

## STATEMENT OF FINANCIAL POSITION as at 31 December 2023

Code	ASSETS	Notes	31/12/2023 LAK	31/12/2022 LAK
<b>I</b>	<b>Cash and balances with Bank of the Lao PDR (“the BOL”)</b>		<b>579,170,540,683</b>	<b>247,086,736,575</b>
1	Cash on hand	10	105,818,946,222	62,576,072,422
2	Balance with the BOL	11	473,351,594,461	184,510,664,153
<b>II</b>	<b>Due from other banks</b>		<b>493,875,375,488</b>	<b>516,109,557,052</b>
1	Demand deposits	12.1	270,375,375,488	130,889,557,052
2	Term deposits	12.2	223,500,000,000	385,220,000,000
<b>III</b>	<b>Investment in securities</b>	<b>13</b>	<b>65,240,000,000</b>	<b>92,328,000,000</b>
<b>IV</b>	<b>Loans to customers, net of specific provision for credit activities</b>	<b>14</b>	<b>1,127,998,800,927</b>	<b>894,639,525,483</b>
<b>V</b>	<b>Property, equipment and right of use assets</b>		<b>68,176,079,585</b>	<b>73,576,229,694</b>
1	Fixed assets under purchasing or constructing	15.1	-	68,940,000
2	Tangible fixed assets	15.2	67,042,171,423	72,068,627,028
3	Intangible fixed assets	15.3	106,292,000	-
4	Right of use assets	15.4	1,027,616,162	1,438,662,667
<b>VI</b>	<b>Other assets</b>		<b>12,578,808,512</b>	<b>17,166,380,041</b>
1	Accrued interests		7,691,024,659	12,234,926,645
2	Tax advance	19	1,190,246,342	1,190,246,342
3	Other assets	16	3,697,537,511	3,741,207,054
	<b>TOTAL ASSETS</b>		<b>2,347,039,605,195</b>	<b>1,840,906,428,845</b>

# Lao China Bank Co., Ltd

STATEMENT OF FINANCIAL POSITION (continued)  
as at 31 December 2023

Code	LIABILITIES AND CAPITAL	Notes	31/12/2023 LAK	31/12/2022 LAK
<b>I</b>	<b>Due to other banks and other entities</b>	<b>17</b>	<b>326,415,991,485</b>	<b>293,392,481,810</b>
1	Demand deposit		37,512,009,675	13,370,100,000
2	Term deposits		182,800,000,000	131,289,600,000
3	Borrowings		106,103,981,810	148,732,781,810
<b>II</b>	<b>Due to customers</b>	<b>18</b>	<b>1,337,693,936,987</b>	<b>1,051,103,777,704</b>
1	Demand and daily deposits		394,964,537,319	247,978,035,509
2	Saving deposits		124,009,179,953	145,005,121,031
3	Term deposits		814,696,219,715	654,600,561,836
4	Margin deposit		4,024,000,000	3,520,059,328
<b>III</b>	<b>Other liabilities</b>		<b>200,762,560,980</b>	<b>55,219,517,130</b>
1	Accrued interest		48,491,341,033	28,740,729,644
2	Tax and other payable to the state budget	19	330,362,495	595,805,586
3	Other payables	20	150,670,470,574	24,402,421,998
4	Lease liabilities	15.3	1,270,386,878	1,480,559,902
	<b>TOTAL LIABILITIES</b>		<b>1,864,872,489,451</b>	<b>1,399,715,776,644</b>
<b>IV</b>	<b>Capital and reserves</b>			
1	Paid-up capital	21	379,879,082,826	379,879,082,826
2	Regulatory reserve		11,443,688,127	7,554,644,000
3	Business expansion reserve		8,546,155,200	8,546,155,200
4	General provision for credit activities	14.2	8,155,130,017	6,069,107,749
5	Retained earnings		74,143,059,573	39,141,662,426
	<b>TOTAL CAPITAL</b>		<b>482,167,115,743</b>	<b>441,190,652,201</b>
	<b>TOTAL LIABILITES AND CAPITAL</b>		<b>2,347,039,605,195</b>	<b>1,840,906,428,845</b>

# Lao China Bank Co., Ltd

STATEMENT OF FINANCIAL POSITION (continued)  
as at 31 December 2023

Code	OFF BALANCE SHEET ITEMS	Notes	31/12/2023 LAK	31/12/2022 LAK
<b>I</b>	<b>Commitments</b>			
1	Commitments for financing given to customers		3,138,000,000	3,520,059,328
	<b>TOTAL COMMITMENTS GIVEN</b>		<b>3,138,000,000</b>	<b>3,520,059,328</b>
<b>II</b>	<b>Collaterals and Mortgages</b>			
<b>A</b>	<b>Collaterals and Mortgages for loans</b>			
1	Collaterals and Mortgages for loans to customers		6,160,566,752,692	5,327,841,875,582
<b>B</b>	<b>Collaterals and Mortgages for guarantees</b>			
1	Collaterals and Mortgages for guarantees given to customers		18,510,400,000	-
	<b>TOTAL COLLATERALS AND MORTGAGES</b>		<b>6,179,077,152,692</b>	<b>5,331,361,934,910</b>

Prepared by:



Mrs. YANG RONG  
Head of Accounting and Finance  
Department

Reviewed by:



Mr. WAN ZHITENG  
General Director

Vientiane, Lao PDR

27 March 2024

# Lao China Bank Co., Ltd

STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 December 2023

ITEMS	Paid-up capital LAK	Regulatory reserves LAK	General provision for credit activities LAK	Business expansion reserves LAK	Retained earnings LAK	Total LAK
<b>Balance as at 31/12/2021</b>	<b>379,879,082,826</b>	<b>4,694,240,131</b>	<b>2,841,687,235</b>	<b>8,546,155,200</b>	<b>26,796,053,606</b>	<b>422,757,218,998</b>
Paid up capital during the year	-	-	-	-	-	-
Net profit for the year	-	-	-	-	28,604,038,689	28,604,038,689
Appropriation to regulatory reserves	-	2,860,403,869	-	-	(2,860,403,869)	-
Net provision charged during the year	-	-	2,649,474,336	-	-	2,649,474,336
Foreign exchange difference	-	-	577,946,178	-	-	577,946,178
Dividend payment	-	-	-	-	(13,398,026,000)	(13,398,026,000)
<b>Balance as at 31/12/2022</b>	<b>379,879,082,826</b>	<b>7,554,644,000</b>	<b>6,069,107,749</b>	<b>8,546,155,200</b>	<b>39,141,662,426</b>	<b>441,190,652,201</b>
Paid up capital during the year	-	-	-	-	-	-
Net profit for the year	-	-	-	-	38,890,441,274	38,890,441,274
Appropriation to regulatory reserves	-	3,889,044,127	-	-	(3,889,044,127)	-
Net provision charged during the year	-	-	1,469,633,745	-	-	1,469,633,745
Foreign exchange difference	-	-	616,388,523	-	-	616,388,523
<b>Balance as at 31/12/2023</b>	<b>379,879,082,826</b>	<b>11,443,688,127</b>	<b>8,155,130,017</b>	<b>8,546,155,200</b>	<b>74,143,059,573</b>	<b>482,167,115,743</b>

Prepared by:



Mrs. YANG RONG  
Head of Accounting and Finance Department  
Vientiane, Lao PDR



27 March 2024

# Lao China Bank Co., Ltd

## STATEMENT OF CASH FLOWS for the year ended 31 December 2023

ITEMS	Notes	2023 LAK	2022 LAK
<b>OPERATING ACTIVITIES</b>			
<b>Net profit before tax</b>		<b>41,051,670,932</b>	<b>37,220,646,246</b>
<i>Adjustments for:</i>			
Depreciation and amortization charges	15	8,196,691,408	8,553,227,372
Loan loss provision expenses	14	(2,106,757,014)	13,553,311,136
Interest Income		(108,999,381,511)	(95,727,383,131)
Interest Expense		50,826,112,451	48,585,352,776
<b>Operating profit before changing in operating assets and liabilities</b>		<b>(11,031,663,734)</b>	<b>12,185,154,399</b>
(Increase)/Decrease in operating assets			
Balances with other banks		116,723,668,654	(82,598,923,831)
Loans and advances to customers		(229,782,884,685)	(417,841,513,648)
Other assets		4,346,709,440	8,020,375,949
Increase/(Decrease) in operating liabilities			
Deposits and borrowings from other banks		75,652,309,675	109,957,826,850
Customer deposits and other amounts due to customers		286,590,159,283	158,038,896,641
Other liabilities		123,896,645,894	9,494,038,865
Profit tax paid during the year	19	(2,161,229,657)	(11,423,632,140)
Interest received		113,543,283,498	91,661,025,650
Interest paid		(31,075,501,062)	(38,268,369,028)
<b>Net cash flows from/(used in) operating activities</b>		<b>446,701,497,306</b>	<b>(160,775,120,293)</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property and equipment		(5,203,794,631)	(2,801,112,491)
Proceeds from disposals of property and equipment		-	-
Payment for investment in bonds		(5,000,000,000)	(22,748,000,000)
Proceeds from maturity of debt instruments		32,088,000,000	-
<b>Net cash flows from/(used in) investing activities</b>		<b>21,884,205,369</b>	<b>(25,549,112,491)</b>
<b>FINANCING ACTIVITIES</b>			
Dividend payment		-	(13,398,026,000)
Drawdown of borrowings		-	34,735,581,810
Repayment of borrowing		(42,628,800,000)	-
<b>Net cash flows (used in)/from financing activities</b>		<b>(42,628,800,000)</b>	<b>21,337,555,810</b>
Difference from foreign exchange		616,388,523	537,795,588
<b>Net change in cash and cash equivalents</b>		<b>426,573,291,198</b>	<b>(164,448,881,386)</b>

# Lao China Bank Co., Ltd

STATEMENT OF CASH FLOWS (continued)  
for the year ended 31 December 2023

ITEMS	Notes	2023 LAK	2022 LAK
Cash and cash equivalents at the beginning of the year		374,004,032,411	538,452,913,796
Cash and cash equivalents at the end of the year	22	800,577,323,609	374,004,032,411

Prepared by:



Mrs. YANG RONG  
Head of Accounting and  
Finance Department

Reviewed by:



Mr. WAN ZHITENG  
General Director

Vientiane, Lao PDR

27 March 2024

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS  
as at and for the year ended 31 December 2023

## 1. CORPORATE INFORMATION

### *Establishment and operations*

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 (39.87%) and Fudian Bank Co., Ltd (60.13%). 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.

### *Paid-up capital*

The initial registered capital of the Bank is LAK 300,000,000,000. Its actual paid-up capital as at 31 December 2023 is LAK 379,879,082,826 (31 December 2022: LAK 379,879,082,826).

### *Location*

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 2023, the Bank has 01 (one) branch in Luangnamtha Province, Lao PDR.

### *Employees*

Total employees of the Bank as at 31 December 2023 is 54 people (31 December 2022: 53 people).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1. *Statement of compliance*

Management of the Bank states that the accompanying financial statements have been prepared in compliance with the Accounting Law of Lao PDR and the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements.

### 2.2. *Basis of preparation*

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

The accompanying financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Lao PDR. Accordingly, the income statement, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes thereto are not designed for those who are not informed about Lao PDR's accounting principles, procedures and practices and furthermore are not intended to present the financial position of the Bank and its results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Lao PDR.

### *Fiscal year*

The Bank's fiscal years applicable for the preparation of its financial statements start on 1 January and end on 31 December.

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3. *Changes in accounting policies*

The accounting policies adopted by the Bank in preparation of these financial statements are consistent with those used in preparation of the Bank's financial statements for the year ended 31 December 2022.

### 2.4. *Recognition of interest income and expense*

Interest income and expense are recognized in the income statement on an accrual basis using straight-line method and the interest rates stipulated in the lending/depositing contracts with customers.

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

### 2.5. *Recognition of fee and commission*

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

Fee and commission income is recognized in the income statement on cash basis.

### 2.6. *Cash and cash equivalents*

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

### 2.7. *Loans to customers*

Loans to customers are recognized at cost and presented at outstanding balance less specific provision for credit activities.

### 2.8. *Classification of and provision for credit activities*

#### *Loan classification*

In accordance with Regulation 512/BOL ("BOL512") dated 29 June 2018, Official Letter No. 898/CBSD ("OL898") dated 14 November 2018 and the Official Letter No. 818/CBMD ("OL818") dated 16 October 2018, the Bank has classified loans into 5 groups based on the payment arrears status and other qualitative factors. Loans classified as either Normal or Pass (Group A) or Watch or Special Mention (Group B) are considered as performing loans. Loans classified as either Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered Non-performing loans ("NPL").

The Bank also applies the Regulation 238/BOL dated 26 March 2020, Guidance 249/BOL dated 11 May 2020 and the extension Notice 254/CAD dated 5 May 2021 by the BOL on loan restructuring, extension and retention of loan classification group to assist the borrowers affected by Covid-19 pandemic. Accordingly, the Bank has restructured the loans qualified and retained their classification groups as before 01 January 2021.

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.8. Classification of and provision for credit activities (continued)

#### Provision

In accordance with BOL512, OL898 and OL818, the Bank creates provision for loans based on their classification groups as follows:

Group	Provision rate	Provision type (i)	Accounting for provision balance (ii)	Accounting for changes in provision balance (iii)
<i>Performing loans</i>				
A	1.0%	General	In equity	Other expense/ income
B	3.0%	Specific	Deducted to loan balance	Other expense/ income
<i>Non-performing loans</i>				
C	20.0%	Specific	Deducted to loan balance	Net provision for NPL
D	50.0%	Specific	Deducted to loan balance	Net provision for NPL
E	100.0%	Specific	Deducted to loan balance	Net provision for NPL

- (i) Provision amount is calculated by the following formulas:
- General provision = Provision rate x Loan outstanding balance
  - Specific provision = Provision rate x (Loan outstanding balance – discounted value of collateral)
- (ii) The balance of provision for *loans classified into Group A* is recorded in the balance sheet in “General provision for credit activities” under capital and reserves of the Bank.
- Accumulated balance of provision for *other loans* is recorded on the balance sheet in “Loans to customers, net of specific provision for credit activities”.
- (iii) Changes in provision for *performing loans* are recorded to the income statement as “Other operating expenses” for provision expense and “Other operating income” for reversal of provision expense.
- Changes in provision for *other loans* are recorded to the income statement as “Net provision charges for non-performing loans”.

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.9. Fixed assets

Fixed asset includes tangible fixed assets and intangible fixed assets. Tangible fixed assets consist of office equipment, furniture and fixtures, building improvements, and motor vehicles. Intangible fixed assets consist of designing.

Fixed assets are stated at cost less accumulated depreciation, if any.

The cost of an asset comprises its purchase price plus any directly attributable costs of bringing the asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are capitalized and expenditures for maintenance and repairs are charged to the income statement.

When assets are sold or disposed, their cost and accumulated depreciation are removed from the statement of financial position and any gains or losses resulting from their disposal are posted to the income statement.

### 2.10. Depreciation

Depreciation of fixed assets are provided on the straight-line basis at prescribed rates over their estimated useful life in accordance with the Tax Law No.67/NA dated 18 June 2019 which is effective on or after 1 January 2020 stipulated by the President of the National Assembly. The following are the annual depreciation and amortization rates used:

*Tangible fixed assets:*

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

*Intangible fixed assets:*

Designing	50%
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### 2.11. Statutory reserves

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

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

In accordance with Article 154 (amended), Enterprise Law dated 29 December 2022, the Bank is required to appropriate 10% of profit after tax each year into regulatory reserve fund. When this reserve fund reaches 50% of the registered capital, the Bank may suspend such provision, unless otherwise provided by the laws.

The Business expansion fund and other funds shall be created upon decision of the Board of Management.

Accordingly, the Bank has appropriated the following reserves for the year 2023:

	<i>% of profit after tax</i>
Regulatory reserves	10%

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.12 Leases

#### 2.12.1. Right-of-use assets

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Bank combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment.

#### 2.12.2. Lease liabilities

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

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is premeasured 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.

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.12. Leases (continued)

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

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

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

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

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

### 2.13. Foreign currency transactions

Transactions in original currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at year end are translated into LAK at exchange rates ruling on the statement of financial position date (see the list of exchange rates of applicable foreign currencies against LAK on 31 December 2023 as presented below). All foreign exchange differences are taken into "Net gain/(loss) from dealing in foreign currencies" in the income statement.

	31/12/2023	31/12/2022
	<u>LAK</u>	<u>LAK</u>
United State Dollar ("USD")	20,120.00	16,832.00
Thai baht ("THB")	635.32	498.16
Chinese Yuan ("CNY")	2,900.00	2,460.00

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.14. Profit tax

Provision is made for Profit Tax on the current year's profits, based on the Tax Law governing taxation within Lao PDR. The Bank is obliged to pay profit tax at rate of 20% of total profit before tax in accordance with the Tax Law No. 67/NA dated 18 June 2019 which is effective on or after 1 January 2020. Accordingly, the Bank is subject to the tax rate of 20% for the year ended 31 December 2023. 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.

#### *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 recognized directly in equity is recognized in equity and not in the statement of profit or loss. 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 utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Current and deferred taxes are recognized as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of available-for-sale assets, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to Other comprehensive income ("OCI"). These exceptions are subsequently reclassified from OCI to the income statement together with the respective deferred loss or gain. The Bank also recognized the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

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.

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.15. *Employee benefit*

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

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work for the worker who has worked for less than three years. As at 31 December 2023, there are no employees of the Bank who were dismissed under the above-mentioned grounds; therefore, the Bank has not made a provision for termination allowance in the financial statements.

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 3. NET INTEREST AND SIMILAR INCOME

	2023 LAK	2022 LAK
<b>Interest and similar income from:</b>		
Interbank transactions	22,310,744,141	28,760,642,755
Loans to customers	82,223,973,910	61,351,435,170
Interest income from held-to-maturity securities	4,464,663,460	5,615,305,206
	<b>108,999,381,511</b>	<b>95,727,383,131</b>
<b>Interest and similar expense for:</b>		
Interbank transactions	(16,625,374,022)	(17,878,143,246)
Customer deposits	(34,200,738,430)	(30,707,209,530)
	<b>(50,826,112,452)</b>	<b>(48,585,352,776)</b>
<b>Net interest and similar income</b>	<b>58,173,269,059</b>	<b>47,142,030,355</b>

## 4. NET FEES AND COMMISSION INCOME

	2023 LAK	2022 LAK
<b>Fees and commission income from:</b>		
Settlement activities	12,442,943,871	4,986,623,851
Other fees and commissions	926,135	738,244
	12,443,870,006	4,987,362,095
<b>Fees and commission expense for:</b>		
Trade finance and settlement activities	(297,950,448)	(321,642,619)
	<b>(297,950,448)</b>	<b>(321,642,619)</b>
<b>Net fees and commission income</b>	<b>12,145,919,558</b>	<b>4,665,719,476</b>

## 5. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	2023 LAK	2022 LAK
Gain from dealing in foreign currencies	44,317,563,110	105,283,133,713
Loss from dealing in foreign currencies	(23,652,797,127)	(56,296,028,286)
	<b>20,664,765,983</b>	<b>48,987,105,427</b>

## 6. OTHER OPERATING INCOME

	2023 LAK	2022 LAK
Other income	2,752,073,249	5,884,200
	<b>2,752,073,249</b>	<b>5,884,200</b>

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 7. PAYROLL AND OTHER STAFF COSTS

	2023 LAK	2022 LAK
Wages and allowances	21,891,154,870	16,528,472,214
Other staff costs	743,657,631	485,565,072
	<b>22,634,812,501</b>	<b>17,014,037,286</b>

## 8. OTHER ADMINISTRATION EXPENSES

	2023 LAK	2022 LAK
External services	2,048,697,945	3,136,544,406
Consultant fees	2,162,900,201	1,809,439,832
Audit fee	508,854,920	975,733,632
Electricity and water	1,057,760,654	725,246,489
Business trip expenses	1,495,361,029	868,869,346
Expenses on travels and guest welcoming	195,457,999	119,316,604
Repair and maintenance	5,573,044,361	9,319,363,825
Office rental	1,659,216,400	2,714,147,264
Other equipment	102,854,437	177,618,521
Telecommunication	322,074,797	326,748,966
Insurance	1,120,703,156	959,689,211
Marketing expense	996,176,600	248,385,814
Office supplies	816,417,052	522,601,152
Uniform	414,682,466	398,868,460
Others	1,716,459,070	1,073,621,164
	<b>20,190,661,087</b>	<b>23,376,194,686</b>

## 9. OTHER OPERATING EXPENSES

	2023 LAK	2022 LAK
Provision for performing loans ( <i>Note 14.2</i> )	571,043,475	1,778,311,136
Depositor Protection Fund expense	1,141,945,651	1,083,322,732
Other expenses	18,457,630	-
	<b>1,731,446,756</b>	<b>2,861,633,868</b>

## 10. CASH ON HAND

	31/12/2023 LAK	31/12/2022 LAK
Cash on hand in LAK	9,693,197,000	8,380,878,500
Cash on hand in foreign currencies	96,125,749,222	54,195,193,922
	<b>105,818,946,222</b>	<b>62,576,072,422</b>

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 11. BALANCES WITH THE BOL

	31/12/2023 LAK	31/12/2022 LAK'
Demand deposits	380,883,001,899	138,638,402,937
Compulsory reserve	92,463,592,562	45,867,261,216
Registered capital reserve	5,000,000	5,000,000
	<b>473,351,594,461</b>	<b>184,510,664,153</b>

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% for LAK and 10.00% for foreign currencies, on a bi-monthly basis, (2022: 5.00% for both LAK and other 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.

According to Decision No. 721/BOL issued by BOL dated 22 September 2022, which was effective from 22 September 2022, commercial banks are required to maintain a positive balance at the BOL in the form of special deposit.

## 12. DUE FROM OTHER BANKS

### 12.1. Demand deposits

	31/12/2023 LAK	31/12/2022 LAK
Demand deposits at domestic banks	156,710,452,830	103,694,349,145
Demand deposits at foreign banks	113,664,922,658	27,195,207,907
	<b>270,375,375,488</b>	<b>130,889,557,052</b>

### 12.2. Term deposits

	31/12/2023 LAK	31/12/2022 LAK
Term deposit at domestic bank	180,000,000,000	348,320,000,000
Term deposit at foreign bank	43,500,000,000	36,900,000,000
	<b>223,500,000,000</b>	<b>385,220,000,000</b>

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 12. DUE FROM OTHER BANKS (continued)

The term and interest rates of term deposits at other banks as at 31 December 2023:

	<i>Interest rate (% per annum)</i>	<i>Term</i>
<b>Term deposits at domestic banks</b>		
Term deposits in LAK	4.00 - 7.20	3 - 36 months
Term deposits in foreign currencies	-	-
<b>Term deposit at foreign bank</b>		
Term deposit in LAK	-	-
Term deposits in foreign currencies	1.88	Less than 1 month

## 13. INVESTMENT IN SECURITIES

	<i>31/12/2023 LAK</i>	<i>31/12/2022 LAK</i>
Government bonds	65,240,000,000	92,328,000,000
	<b>65,240,000,000</b>	<b>92,328,000,000</b>

Interest rates of bonds as at 31 December 2023 are:

	<i>Interest rate (% per annum)</i>	
	<i>31/12/2023</i>	<i>31/12/2022</i>
1 year bonds	5.00	5.00
2 years bonds	-	5.50
3 years bonds	6.00 - 6.80	6.00 - 6.80

## 14. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION FOR CREDIT ACTIVITIES

	<i>31/12/2023 LAK</i>	<i>31/12/2022 LAK</i>
Loans to customers ( <i>Note 14.1</i> )	1,137,663,310,230	908,123,352,883
Less specific provision for credit activities ( <i>Note 14.2</i> )	(9,664,509,303)	(13,483,827,400)
<i>In which:</i>		
<i>Special mention loans</i>	(9,664,509,303)	(8,898,827,400)
<i>Non-performing loans</i>	-	(4,585,000,000)
	<b>1,127,998,800,927</b>	<b>894,639,525,483</b>
	<i>2023 Interest rate % per annum</i>	<i>2022 Interest rate % per annum</i>
Loans denominated in LAK	5.00 - 14.00	5.00 - 14.00
Loans denominated in USD	4.00 - 11.00	4.00 - 11.00
Loans denominated in CNY	8.00 - 10.00	8.00 - 10.00

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 14. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION FOR CREDIT ACTIVITIES (continued)

### 14.1 Analysis of loans to customers

#### Analysis by currency

	31/12/2023 LAK	31/12/2022 LAK
Loans denominated in LAK	289,802,862,335	231,017,835,099
Loans denominated in USD	744,435,814,436	616,678,897,776
Loans denominated in CNY	103,424,633,459	60,426,620,008
	<b>1,137,663,310,230</b>	<b>908,123,352,883</b>

#### Analysis by status of loans

	31/12/2023 LAK	31/12/2022 LAK
Performing loans	1,137,663,310,230	903,538,352,883
Non-performing loans	-	4,585,000,000
	<b>1,137,663,310,230</b>	<b>908,123,352,883</b>

#### Analysis by original term

	31/12/2023 LAK	31/12/2022 LAK
Short-term loans	472,760,000,000	269,312,000,000
Medium-term loans	664,505,095,794	637,678,695,117
Long-term loans	398,214,436	1,132,657,766
	<b>1,137,663,310,230</b>	<b>908,123,352,883</b>

#### Analysis by industrial sectors

	31/12/2023 LAK	31/12/2022 LAK
Construction	420,806,554,739	241,516,500,279
Commercial	424,525,344,984	257,432,800,000
Industrial	19,017,628,101	136,660,706,374
Others	273,313,782,406	272,513,346,230
	<b>1,137,663,310,230</b>	<b>908,123,352,883</b>

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 14. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION FOR CREDIT ACTIVITIES (continued)

### 14.2 Provision for credit losses

Changes in provision for credit losses of the Bank during the year ended 31 December 2023 is as follows:

	Specific provision		General provision		Total
	Non-performing loan LAK	Special mention loans LAK	Normal loans LAK	LAK	
<b>Balance as at 1/1/2023</b>	4,585,000,000	8,898,827,400	6,069,107,749	19,552,935,149	
Provision charged/(reversed) from expense in the year	(99,888,376)	(898,590,299)	1,469,633,745	471,155,070	
Write off during the year	(4,485,111,624)	-	-	(4,485,111,624)	
Foreign exchange difference	-	1,664,272,203	616,388,523	2,280,660,726	
<b>Balance as at 31/12/2023</b>	-	<b>9,664,509,304</b>	<b>8,155,130,017</b>	<b>17,819,639,321</b>	

The breakdown of loan classification and provision as required by the BOL as at 31 December 2023 are as follows:

Classification	Loan balance LAK	Specific provision		General provision		Total provision LAK
		NPL LAK	Special mention LAK	Normal LAK	LAK	
Performing loan						
- Normal or Pass	815,513,000,119	-	-	8,155,130,017	8,155,130,017	
- Watch or Special Mention	322,150,310,111	-	9,664,509,304	-	9,664,509,304	
Non-performing loans						
- Sub-standard	-	-	-	-	-	
- Doubtful	-	-	-	-	-	
- Loss	-	-	-	-	-	
<b>Total</b>	<b>1,137,663,310,230</b>	-	<b>9,664,509,304</b>	<b>8,155,130,017</b>	<b>17,819,639,321</b>	

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 15. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS

### 15.1 Construction in progress and fixed assets

Movements of Construction in progress and fixed assets in transit for the year ended 31 December 2023 are as follows:

Cost	Office equipment LAK	Building improvements LAK	Total LAK
As at 1/1/2023	-	68,940,000	68,940,000
Additions	883,794,662	1,454,518,669	2,338,313,331
Transfer to fixed assets	(883,794,662)	(1,523,458,669)	(2,407,253,331)
As at 31/12/2023	-	-	-

## Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

### 15. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS (continued)

#### 15.2 Tangible fixed assets

Movements of tangible fixed assets for the year ended 31 December 2023 are as follows:

	Office equipment LAK	Furniture & fixtures LAK	Building improvements LAK	Motor vehicles LAK	Total LAK
<b>Cost:</b>					
As at 1/1/2023	21,755,480,081	2,036,892,266	100,735,751,176	1,386,780,026	125,914,903,549
Transfer from CIP	883,794,662	-	1,333,161,669	-	2,216,956,331
Additions	425,565,294	38,269,200	78,398,472	-	542,232,966
As at 31/12/2023	23,064,840,037	2,075,161,466	102,147,311,317	1,386,780,026	128,674,092,846
As at 1/1/2023	15,281,295,618	1,903,384,857	35,274,816,020	1,386,780,026	53,846,276,521
Charge for the year	1,764,060,392	129,160,384	5,892,424,127	-	7,785,644,903
Disposal	-	-	-	-	-
As at 31/12/2023	17,045,356,010	2,032,545,241	41,167,240,146	1,386,780,026	61,631,921,423
<b>Net book value:</b>					
As at 1/1/2023	6,474,184,463	133,507,409	65,460,935,156	-	72,068,627,028
As at 31/12/2023	6,019,484,027	42,616,225	60,980,071,171	-	67,042,171,423

## Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

### 15. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS (continued)

#### 15.2 Tangible fixed assets (continued)

Movements of tangible fixed assets for the year ended 31 December 2022 are as follows:

	Office equipment LAK	Furniture & fixtures LAK	Building improvements LAK	Motor vehicles LAK	Total LAK
<b>Cost:</b>					
As at 1/1/2022	15,649,454,000	1,971,714,006	100,716,879,000	1,386,780,026	119,724,827,032
Transfer from CIP	5,634,671,988	-	-	-	5,634,671,988
Reclassified	(18,872,176)	-	18,872,176	-	-
Additions	490,226,269	65,178,260.00	-	-	555,404,529
Disposal	-	-	-	-	-
As at 31/12/2022	21,755,480,081	2,036,892,266	100,735,751,176	1,386,780,026	125,914,903,549
<b>Accumulated depreciation:</b>					
As at 1/1/2022	13,271,495,000	1,722,033,000	29,382,342,977	1,328,224,689	45,704,095,666
Reclassified	141,878,578	(141,927,495)	48,917	-	-
Charge for the year	1,867,922,040	323,279,352	5,892,424,126	58,555,337	8,142,180,855
Disposal	-	-	-	-	-
As at 31/12/2022	15,281,295,618	1,903,384,857	35,274,816,020	1,386,780,026	53,846,276,521
<b>Net book value:</b>					
As at 1/1/2022	2,377,959,000	249,681,006	71,334,536,023	58,555,337	74,020,731,366
As at 31/12/2022	6,474,184,463	133,507,409	65,460,935,156	-	72,068,627,028

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 15. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS (continued)

### 15.3 *Intangible fixed assets*

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

	<i>Designing</i> <i>LAK</i>
<b>Cost:</b>	
As at 1 January 2023	-
Transfer from CIP	106,292,000
As at 31 December 2023	<u>106,292,000</u>
<b>Accumulated amortization:</b>	
As at 1 January 2023	-
Charge for the year	-
As at 31 December 2023	<u>-</u>
<b>Net book value:</b>	
As at 1 January 2023	<u>-</u>
As at 31 December 2023	<u>106,292,000</u>

### 15.4 *Right of use asset*

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

	<i>Building</i> <i>LAK</i>
<b>Cost:</b>	
As at 1 January 2023	2,055,232,396
Additions	-
As at 31 December 2023	<u>2,055,232,396</u>
<b>Accumulated amortization:</b>	
As at 1 January 2023	616,569,729
Charge for the year	411,046,505
Write off	-
As at 31 December 2023	<u>1,027,616,234</u>
<b>Net book value:</b>	
As at 1 January 2023	<u>1,438,662,667</u>
As at 31 December 2023	<u>1,027,616,162</u>

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 15. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS (continued)

### 15.4 *Right of use asset* (continued)

Set out below are the carrying amounts of lease liabilities and the movements for the year ended 31 December 2022 and 31 December 2023:

	2023 <i>LAK</i>	2022 <i>LAK</i>
<b>As at 1 January</b>	<b>1,480,559,902</b>	<b>1,318,591,848</b>
Additions	-	-
Received from advance payment	-	-
Accretion of interest	60,931,420	67,183,628
Payment	(535,920,000)	(409,082,520)
Exchange differences	264,815,556	503,866,946
<b>As at 31 December</b>	<b>1,270,386,878</b>	<b>1,480,559,902</b>

## 16. OTHER ASSETS

	31/12/2023 <i>LAK</i>	31/12/2022 <i>LAK</i>
Prepaid expenses	2,577,398,640	2,598,408,221
Others	1,120,138,871	1,142,798,833
	<b>3,697,537,511</b>	<b>3,741,207,054</b>

## 17. DUE TO OTHER BANKS

	31/12/2023 <i>LAK</i>	31/12/2022 <i>LAK</i>
Demand deposit	37,512,009,675	13,370,100,000
Term deposits	182,800,000,000	131,289,600,000
Borrowings	106,103,981,810	148,732,781,810
	<b>326,415,991,485</b>	<b>293,392,481,810</b>

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 bear interest at rate of 2.50% 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.

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 18. DUE TO CUSTOMERS

Details of amounts due to customers as at 31 December 2023 are as follows:

	31/12/2023 LAK	31/12/2022 LAK
<b>Demand deposits</b>	<b>347,881,623,519</b>	<b>247,977,783,029</b>
Demand deposits in LAK	48,683,269,127	22,862,182,048
Demand deposits in FC	299,198,354,392	225,115,600,981
<b>Daily deposits</b>	<b>47,082,913,800</b>	<b>252,480</b>
Daily deposits in LAK	-	-
Daily deposits in FC	47,082,913,800	252,480
<b>Saving deposits</b>	<b>124,009,179,953</b>	<b>145,005,121,031</b>
Saving deposits in LAK	13,837,704,130	24,137,790,540
Saving deposits in FC	110,171,475,823	120,867,330,491
<b>Term deposits</b>	<b>814,696,219,715</b>	<b>654,600,561,836</b>
Term deposits in LAK	45,767,965,246	29,433,032,616
Term deposits in FC	768,928,254,469	625,167,529,220
<b>Margin deposits</b>	<b>4,024,000,000</b>	<b>3,520,059,328</b>
Margin deposits in LAK	-	-
Margin deposits in FC	4,024,000,000	3,520,059,328
	<b><u>1,337,693,936,987</u></b>	<b><u>1,051,103,777,704</u></b>

The interest rates for these deposits are as follows:

	2023 <i>Interest rate % p.a.</i>	2022 <i>Interest rate % p.a.</i>
Demand deposits in LAK	No interest	No interest
Demand deposits in foreign currencies	No interest	No interest
Daily deposits in LAK	0.80 - 1.00	0.80 - 1.00
Daily deposits in FC	0.30 - 0.85	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 - 6.50	2.15 - 6.50
Term deposits in foreign currencies	0.90 - 7.00	0.90 - 7.00
Margin deposits in LAK	No interest	No interest
Margin deposits in FC	No interest	No interest

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 19. TAXATION

	31/12/2023 LAK	31/12/2022 LAK
Profit tax of HQ prepaid	(1,190,246,342)	(1,190,246,342)
Profit tax of Boten Branch payable	-	595,805,586
Other tax payable	330,362,495	-
	<b>(859,883,847)</b>	<b>(594,440,756)</b>

### 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.

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

	2023 Head Office LAK	2023 Boten Branch LAK	2023 Total LAK
<b>Profit before tax</b>	15,928,370,339	21,612,296,570	37,540,666,909
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)
<b>Taxable income</b>	-	<b>21,612,296,570</b>	<b>21,612,296,570</b>
<b>Current PT expense, at the statutory rate of the bank (*)</b>	-	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	-	(2,161,229,657)	(2,161,229,657)
<b>PT(recoverable)/payable at the end of the year</b>	<b>(1,190,246,342)</b>	-	<b>(1,190,246,342)</b>

(\*) Lao China Bank Limited – Head office is obliged to pay profit tax at rate of 20% (2022: 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% (2022:10%).

# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 19. TAXATION (continued)

Detail of taxation of the Bank as at 31 December 2022 as below:

	2022 Head Office LAK	2022 Boten Branch LAK	2022 Total LAK
<b>Profit before tax</b>	<b>(48,945,429,320)</b>	<b>86,166,075,566</b>	<b>37,220,646,246</b>
Less non-taxable income	-	-	-
Add non-deductible expense	1,333,959,026	-	1,333,959,026
<b>Taxable (loss)/ income</b>	<b>(47,611,470,294)</b>	<b>86,166,075,566</b>	<b>38,554,605,272</b>
<b>Current PT expense, at the statutory rate of the bank (*)</b>	-	<b>8,616,607,557</b>	<b>8,616,607,557</b>
PT (recoverable)/payable at the beginning of the year	(1,190,246,342)	3,402,830,169	2,212,583,827
PT paid during the year	-	(11,423,632,140)	(11,423,632,140)
<b>PT(recoverable)/payable at the end of the year</b>	<b>(1,190,246,342)</b>	<b>595,805,586</b>	<b>(594,440,756)</b>

(\*) 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.

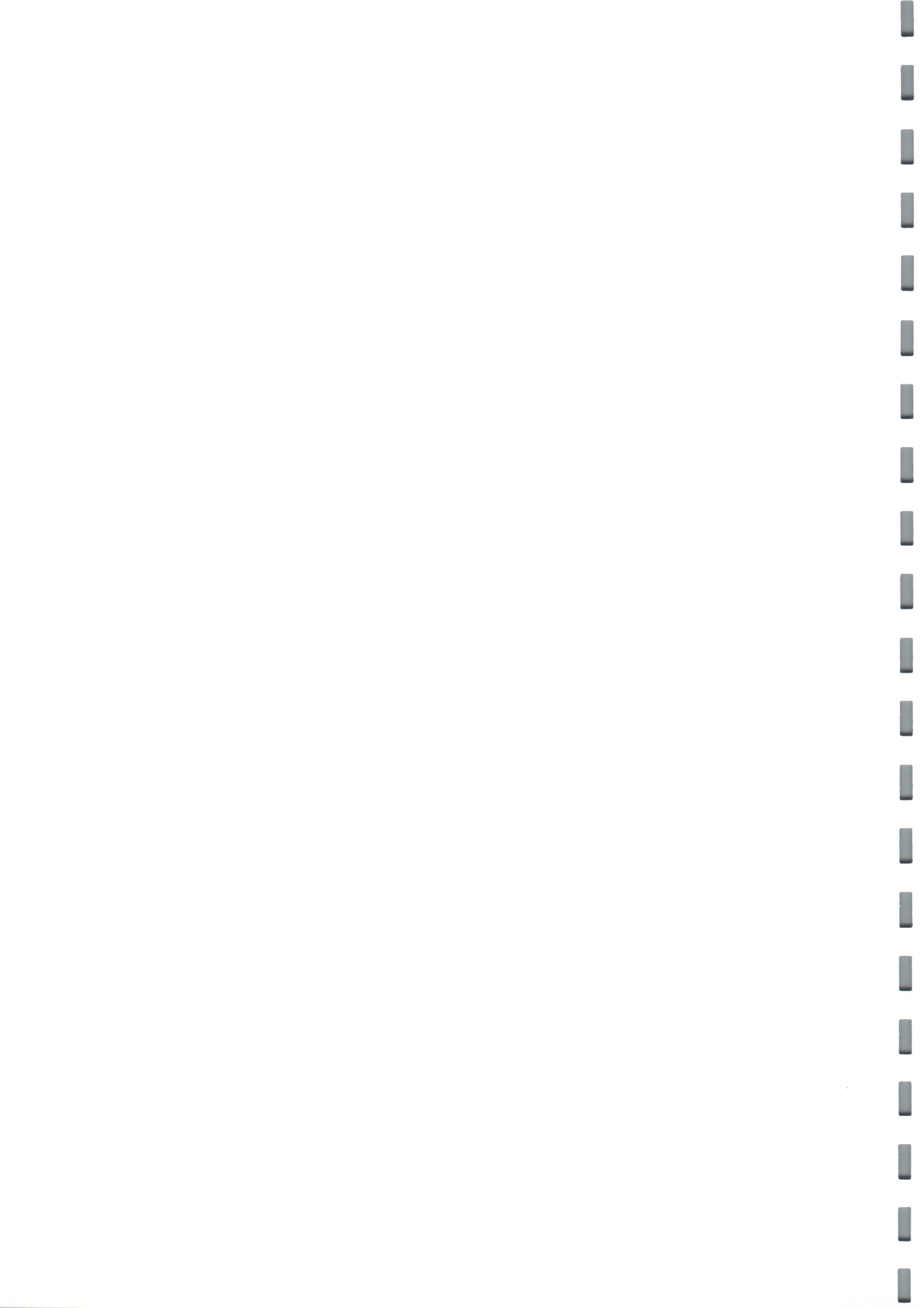
### *Tax losses carried forward*

The Bank incurred tax losses for the year 2023. 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 2023 were as follows:

Year (*)	Additional losses incurred for the year LAK	Utilized up to the end of the year LAK	Amount unused but is not eligible for next year's use LAK	Eligible unused tax loss at the end of the year LAK
2021	-	1,043,160,986	(24,363,182,667)	(23,320,021,681)
2022	(47,611,470,295)	-	-	(47,611,470,295)
2023	-	-	-	-
<b>Total</b>	<b>(47,611,470,295)</b>	<b>1,043,160,986</b>	<b>(24,363,182,667)</b>	<b>(70,931,491,976)</b>

(\*) Since the bank has loss up until 31 December 2022, financial statements of the Bank have not been inspected and finalised by the tax authority.

(\*\*) No deferred tax assets were recognised in respect of the remaining LAK 70,931,491,976 because future taxable income cannot be ascertained at this stage.



# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 20. OTHER PAYABLES

	31/12/2023 LAK	31/12/2022 LAK
Payable to suppliers (*)	149,131,086,228	14,499,562,750
Payable to employees	1,539,384,346	2,339,414,148
Dividend payable	-	7,563,445,100
	<b>150,670,470,574</b>	<b>24,402,421,998</b>

(\*) The balance as at 31 December 2023 includes an amount of LAK 132,157,101,992 in the account at the Bank of the Lao PDR for the purpose of waiting to injection capital. The respective amount is recognized as a other payable as presented in Note 22.

## 21. PAID-UP CAPITAL

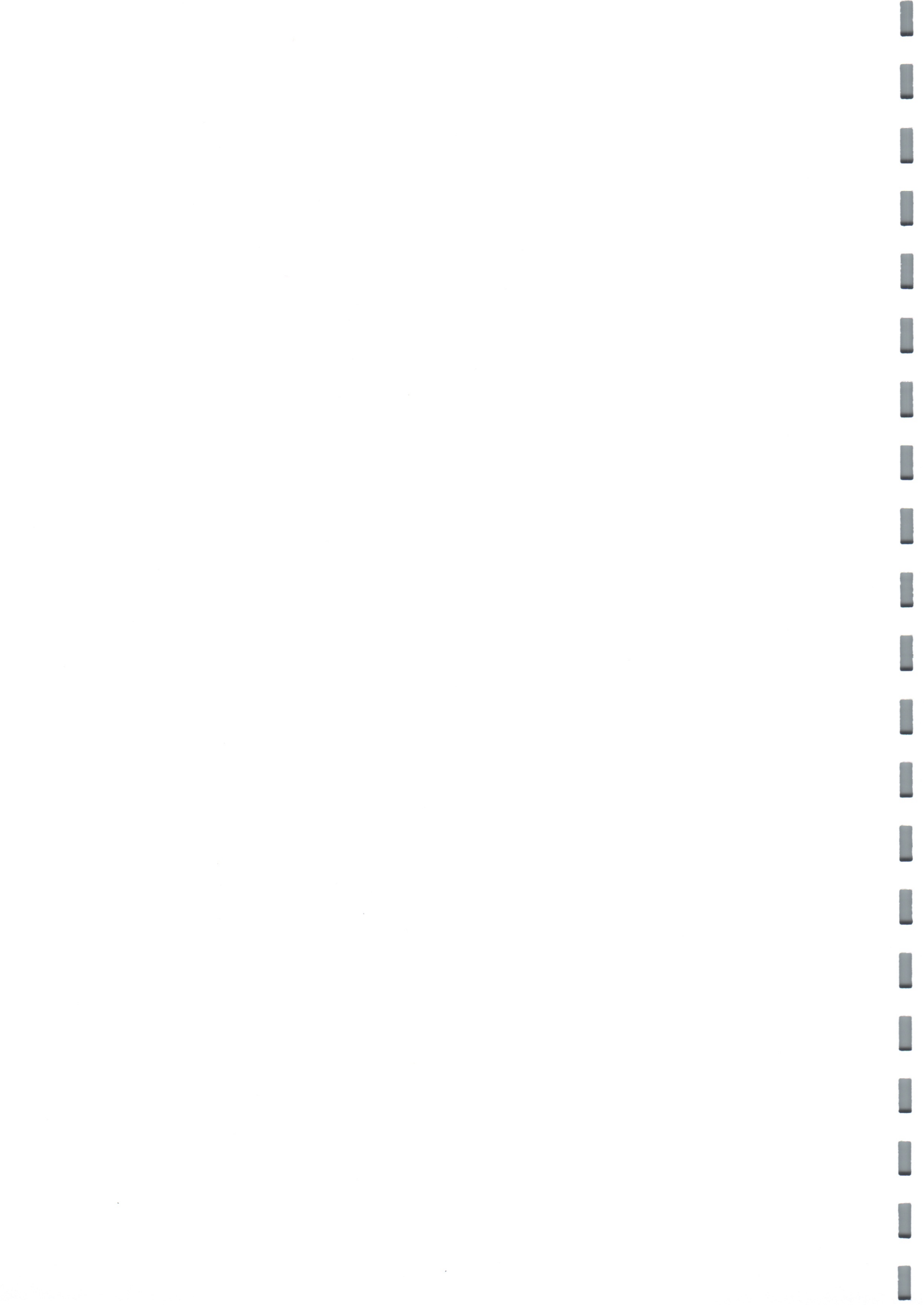
The movement of paid up capital during the year is presented below:

	2023 LAK	2022 LAK
Opening balance	379,879,082,826	379,879,082,826
Capital contribution in the year	-	-
<b>Closing balance</b>	<b>379,879,082,826</b>	<b>379,879,082,826</b>

## 22. CASH AND CASH EQUIVALENTS

	31/12/2023 LAK	31/12/2022 LAK
Cash on hand	105,818,946,222	62,576,072,422
Current accounts with the BOL (*)	380,883,001,899	138,638,402,937
Current accounts with other banks	270,375,375,488	130,889,557,052
Term deposit at other banks due within 30 days	43,500,000,000	41,900,000,000
	<b>800,577,323,609</b>	<b>374,004,032,411</b>

(\*) The balance as at 31 December 2023 includes an amount of LAK 132,157,101,992 in the account at the Bank of the Lao PDR for the purpose of waiting to injection capital. The respective amount is recognized as a other payable as presented in Note 20.



# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

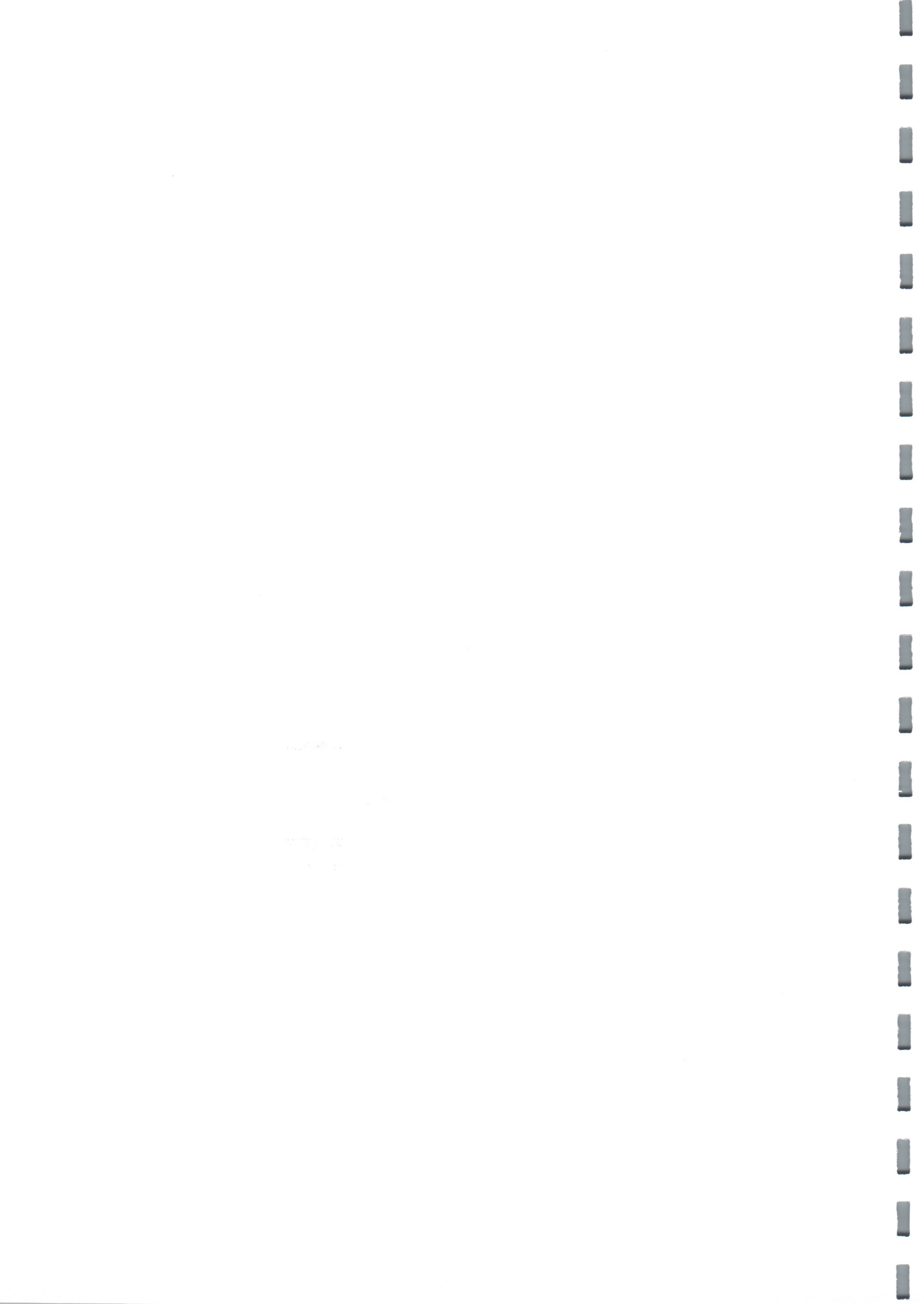
## 23. RELATED PARTY TRANSACTIONS

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

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

Balances with related parties as at 31 December 2023 are as follows:

Related party	Relationship	Transactions	31/12/2023 Receivable/ (payable) LAK	31/12/2022 Receivable/ (payable) LAK
BCEL	Owner	Demand deposits	17,890,960,504	27,167,839,948
		Term deposits	40,000,000,000	-
		Interest payable	321,250,000	-
		Demand deposits	(76,061,500,000)	(13,370,100,000)
Fudian Bank Co., Ltd	Owner	Demand Deposits	69,689,624,036	12,433,780,540
		Borrow funds	-	(33,664,000,000)
Fudian bank co.,ltd xishuangbanna mohan sub branch	Fellow subsidiaries	Demand Deposits	716,747,472	1,189,709,894
Banque Franco Lao Limited	Fellow subsidiaries	Demand Deposits	2,987,659,261	703,539,095
		Term Deposit	-	10,000,000,000



# Lao China Bank Co., Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2023

## 23. RELATED PARTY TRANSACTIONS (continued)

Significant transactions with related parties during the period were as follows:

	2023 LAK	2022 LAK
Interest income from Banque Franco-Lao Ltd	210,665,648	81,110,153
Interest income from deposit from Fudian bank co.,Ltd xishuangbanna mohan sub branch	130,870,889	197,028,118
Interest expenses from borrowing from Fudian Bank Co., Ltd	533,040,280	663,538,209

### *Transactions with key management personnel of the Bank*

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

	2023 LAK	2022 LAK
Salaries	2,022,953,439	1,522,091,127
Bonus and other benefits	848,859,013	543,640,841
	<b>2,871,812,452</b>	<b>2,065,731,968</b>

## 24. EVENTS AFTER THE BALANCE SHEET DATE

There is no matter or circumstance that has arisen since 31 December 2023 that requires adjustment or disclosure to be made in the financial statements of the Bank.

Prepared by:



Mrs. YANG RONG  
Head of Accounting and  
Finance Department

Reviewed by:



Mr. WAN ZHITENG  
General Director

Vientiane, Lao PDR

27 March 2024

