

# BANK OF CHINA (HONG KONG) LTD., VIENTIANE BRANCH

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## **INDEPENDENT AUDITORS' REPORT**

**To The Shareholder of Bank of China (Hong Kong) Ltd., Vientiane Branch**

### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bank of China (Hong Kong) Ltd., Vientiane Branch (the Branch) as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### **What we have audited**

The Branch's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- 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. 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We are independent of the Branch 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.

### **Other Matter**

The financial statements of the Branch for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 31 May 2021.

### **Responsibilities of the management for the financial statements**

The management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of 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 Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.



### Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For PricewaterhouseCoopers (Lao) Sole Company Limited



Apisit Thientrongpinyo  
Partner

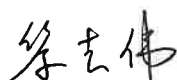
Vientiane, Lao P.D.R.  
29 April 2022

**BANK OF CHINA (HONG KONG) LTD., VIENTIANE BRANCH**

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 LAKm	2020 LAKm
Interest income	9	231,992	212,568
Interest expense	9	(44,078)	(36,588)
<b>NET INTEREST INCOME</b>		<b>187,914</b>	<b>175,980</b>
Fees and commission income	10	21,161	12,759
Fees and commission expenses	10	(1,178)	(1,304)
<b>NET FEES AND COMMISSION INCOME</b>		<b>19,983</b>	<b>11,455</b>
Net gain from dealing in foreign currencies	11	116,835	33,815
<b>TOTAL OPERATING INCOME</b>		<b>324,732</b>	<b>221,250</b>
Credit loss expense	12	(44,276)	(17,486)
<b>NET OPERATING INCOME</b>		<b>280,456</b>	<b>203,764</b>
Personnel expenses	13	(31,165)	(24,076)
Depreciation and amortisation	20	(3,617)	(4,646)
Other operating expenses	14	(18,228)	(11,368)
<b>TOTAL OPERATING EXPENSES</b>		<b>(53,010)</b>	<b>(40,090)</b>
<b>PROFIT BEFORE TAX</b>		<b>227,446</b>	<b>163,674</b>
Profit tax expense	24	(49,664)	(27,009)
<b>PROFIT FOR THE YEAR</b>		<b>177,782</b>	<b>136,665</b>

Prepared by:



Mr. Li Zhiwei  
Financial Management and Operation  
Service Unit Manager

Reviewed by:



Mr. Li Zhiyong  
General Manager

Vientiane, Lao PDR

29 April 2022

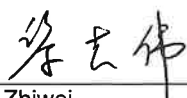
The accompanying notes on pages 8 to 47 form an integral part of these financial statements.  
Independent auditor's report – pages 1 to 2.

**BANK OF CHINA (HONG KONG) LTD., VIENTIANE BRANCH**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 LAKm	2020 LAKm
<b>PROFIT FOR THE YEAR</b>	<b>177,782</b>	<b>136,665</b>
OTHER COMPREHENSIVE INCOME, NET OF TAX	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>177,782</b>	<b>136,665</b>

Prepared by:



Mr. Li Zhiwei  
Financial Management and Operation  
Service Unit Manager

Reviewed by:



Mr. Li Zhiyong  
General Manager

Vientiane, Lao PDR

29 April 2022

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**BANK OF CHINA (HONG KONG) LTD., VIENTIANE BRANCH**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021**

	Note	31 December 2021 LAKm	31 December 2020 LAKm
<b>ASSETS</b>			
Cash and balances with the Bank of Lao PDR (the BOL)	15	2,948,910	3,201,898
Due from banks	16	163,011	899,337
Debt instruments measured at amortised cost	17	553,116	464,561
Loans to customers	18	1,411,362	1,149,228
Loans to parent company	19	3,352,111	377,763
Property and equipment and rights-of-use assets	20	10,256	13,966
Deferred tax assets	24	248	3,850
Other assets		23,824	10,450
<b>TOTAL ASSETS</b>		<b>8,462,838</b>	<b>6,121,053</b>
<b>LIABILITIES</b>			
Due to banks	21	1,103,383	435,400
Due to customers	22	6,359,271	4,879,472
Current tax liabilities	24	13,511	3,995
Other liabilities	23	42,621	35,916
<b>TOTAL LIABILITIES</b>		<b>7,518,786</b>	<b>5,354,783</b>
<b>EQUITY</b>			
Paid up capital		405,100	405,100
Statutory reserve		54,393	37,658
Retained earnings		484,559	323,512
<b>TOTAL EQUITY</b>		<b>944,052</b>	<b>766,270</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,462,838</b>	<b>6,121,053</b>

Prepared by:

李智伟

Mr. Li Zhiwei  
Financial Management and Operation  
Service Unit Manager

Reviewed by:



Mr. Li Zhiyong  
General Manager

Vientiane, Lao PDR

29 April 2022

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**BANK OF CHINA (HONG KONG) LTD., VIENTIANE BRANCH**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Paid-up capital LAKm	Statutory reserve LAKm	Retained earnings LAKm	Total LAKm
At 1 January 2020	405,100	22,886	201,619	629,605
Net profit during the year	-	-	136,665	136,665
Appropriate to reserve for the year	-	14,772	(14,772)	-
<b>Balance as at 31 December 2020</b>	<b>405,100</b>	<b>37,658</b>	<b>323,512</b>	<b>766,270</b>
Net profit during the year	-	-	177,782	177,782
Appropriate to reserve for the year	-	16,735	(16,735)	-
<b>Balance as at 31 December 2021</b>	<b>405,100</b>	<b>54,393</b>	<b>484,559</b>	<b>944,052</b>

Prepared by:



Mr. Li Zhiwei  
Financial Management and Operation Service  
Unit Manager

Reviewed by:



Mr. Li Zhiyong  
General Manager

Vientiane, Lao PDR

29 April 2022

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**BANK OF CHINA (HONG KONG) LTD., VIENTIANE BRANCH**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 LAKm	2020 LAKm
<b>OPERATING ACTIVITIES</b>			
<b>Net profit before tax</b>		<b>227,446</b>	<b>163,674</b>
<i>Adjustments for:</i>			
Depreciation and amortisation charges	20	3,617	4,646
Credit loss expense	12	44,276	17,486
Foreign exchange gains arising from revaluation of monetary accounts denominated in foreign currencies		(105,332)	(24,285)
Interest income	9	(231,992)	(212,568)
Interest expense	9	44,078	36,588
(Increase)/decrease in operating assets			
Balances with the BOL		(274,929)	(1,087,729)
Due from banks		-	178,130
Loans to customers		(306,870)	(631,299)
Loans to parent company		(2,965,020)	(199,841)
Other assets		(13,374)	(8,658)
Increase/(decrease) in operating liabilities			
Due to banks		667,983	(75,593)
Due to customers		1,479,799	1,666,301
Other liabilities		5,705	23,827
<b>Cash used in operating activities</b>		<b>(1,424,613)</b>	<b>(149,321)</b>
Interest received		220,435	201,550
Interest paid		(29,661)	(37,893)
Profit tax paid during the year	24	(36,546)	(26,913)
<b>Net cash flows used in operating activities</b>		<b>(1,270,385)</b>	<b>(12,577)</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property and equipment		(800)	(2,796)
Proceeds from maturity of debt instruments measured at amortised cost		-	428,189
<b>Net cash flows (used in)/from investing activities</b>		<b>(800)</b>	<b>425,393</b>
<b>FINANCING ACTIVITIES</b>			
<b>Net cash flows from financing activities</b>		-	-
<b>Net increase in cash and cash equivalents</b>		<b>(1,271,185)</b>	<b>412,816</b>
Cash and cash equivalents at the beginning of the year		1,913,104	1,499,266
Effects of exchange rates on cash and cash equivalents		2,920	1,022
<b>Cash and cash equivalents at the end of the year</b>	<b>25</b>	<b>644,839</b>	<b>1,913,104</b>

Prepared by:



Mr. Li Zhiwei  
Financial Management and Operation  
Service Unit Manager

Reviewed by:



Mr. Li Zhiyong  
General Manager

Vientiane, Lao PDR

29 April 2022

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Independent auditor's report – pages 1 to 2.



# **BANK OF CHINA (HONG KONG) LTD., VIENTIANE BRANCH**

## **NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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### **1. CORPORATE INFORMATION**

Bank of China (Hong Kong) Ltd., Vientiane Branch (the Branch), a branch of Bank of China (Hong Kong) Ltd., was established in Lao PDR in 2015 and is currently operating under the latest Banking License No. 01/BOL granted by Bank of the Lao PDR (the BOL) on 13 January 2020.

The principal activities of the Branch are to mobilise capital and provide loans for improving and strengthening the Lao economy.

The initial registered capital of the Branch is LAK 405,100,000,000. The actual paid-up capital as at 31 December 2021 is LAK 405,100,000,000 (31 December 2020: LAK 405,100,000,000). The Branch is 100% fully owned by Bank of China (Hong Kong) Ltd.

The Branch is located at Building Vientiane Center, Khouvieng Road, Ban Nongchanh, Sisattanak District, Vientiane Capital, Lao PDR.

Total employees of the Branch as at 31 December 2021 were 62 people (31 December 2020: 57 people).

The Branch's General Manager during the year ended 31 December 2021 and as at the date of these financial statements is Mr. Li Zhiyong. The Branch's General Manager has reviewed these financial statements and approved for their issuance on 29 April 2022.

### **2. BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis, except as disclosed in other notes.

The Branch maintains its accounting records in Lao Kip (LAK) which is the Branch's functional currency and presents its financial statements in millions of Lao Kip (LAKm). Except otherwise stated, financial information presented in LAK has been rounded to the nearest million.

The Branch's fiscal year starts on 1 January and ends on 31 December.

### **3. STATEMENT OF COMPLIANCE**

The financial statements of the Branch have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS International Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRSs as issued by the International Accounting Standards Board (IASB).

According to BOL's number 35/Tor.Aor.Tor dated 21 January 2011 banks in Lao PDR are required to prepare a separate set of financial statements in accordance with IFRS. Apart from this set, the Branch has prepared the financial statements in accordance with the accounting policies of the Branch and the relevant accounting regulations and notifications of the BOL.

### **4. PRESENTATION OF FINANCIAL STATEMENTS**

The Branch presents its statement of financial position in order of liquidity. Financial assets and financial liabilities are generally reported gross in the statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Branch and/or its counterparties

**NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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**5. AMENDED STANDARDS AND INTERPRETATIONS**

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the Branch's financial statements. The Branch has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

(a) Amended standards that are effective and adopted by the Branch for the first time for periods on or after 1 January 2021 are as follows:

- *Covid-19-related Rent Concessions Amendments to IFRS 16* - As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. This provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022. The revisions are effective on 1 April 2021.
- *Interest Rate Benchmark Reform Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16* - In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The revisions are effective on 1 January 2021. The Phase 2 amendments provide the following reliefs:
  - When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.
  - The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.
  - Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition.

As of 31 December 2021, the Branch is still expecting communication from the counterparties regarding the new benchmark of interest rates. The Branch does not expect to have a significant impact from this reform.

(b) Amended standards and interpretations that had been issued but were not effective for annual reporting periods beginning 1 January 2021

Certain new accounting standards and interpretations have been published that are not effective for period beginning on 1 January 2021 reporting periods and have not been early adopted by the Branch. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. The following are applicable amended standards and interpretations to the Branch:

- *Property, Plant and Equipment: Proceeds before intended use Amendments to IAS 16* - The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. The revisions are effective on 1 January 2022.
- *Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37* - The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. The revisions are effective on 1 January 2022.

NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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5. AMENDED STANDARDS AND INTERPRETATIONS

- (b) Amended standards and interpretations that had been issued but were not effective for annual reporting periods beginning 1 January 2021
- *Annual Improvements to IFRS Standards 2018–2020* – includes improvements on IFRS 9 Financial Instruments and IFRS 16 Leases which were finalised in May 2020. IFRS 9 Financial Instruments clarifies which fees should be included in the 10% test for derecognition of financial liabilities. IFRS 16 leases amends the illustrative example 13 to remove the illustration of payments the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. The revisions are effective on 1 January 2022.
  - *Disclosure of Accounting Policies Amendments to IAS 1 and IFRS Practice Statement 2* - The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. The revisions are effective on 1 January 2023.
  - *Definition of Accounting Estimates Amendments to IAS 8* - The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The revisions are effective on 1 January 2023.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 *Foreign currency translation*

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date. Unrealised exchange differences arising from the translation of monetary assets and liabilities on the balance date are recognised in the income statement.

6.2 *Recognition of interest income and interest expense*

*Effective interest rate (EIR) method*

The amortised cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses (ECL) and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the EIR, such as origination fees. When calculating the EIR, the Branch estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

When the Branch revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original EIR. Any changes are recognised in the income statement.

The Branch calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.2 *Recognition of interest income and interest expense*

*Effective interest rate (EIR) method*

When a financial asset becomes credit-impaired (as set out in Note 6.10.1 and is therefore regarded as 'Stage 3', the Branch calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures (as outlined in Note 6.10.1) and is no longer credit-impaired, the Branch reverts to calculating interest income on a gross basis.

6.3 *Fee and commission income*

The Branch earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

*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 Branch's performance as the Branch performs.

The Branch'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 Branch, 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 Branch 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.

*Fee and commission income from services where performance obligations are satisfied at a point in time*

Services provided where the Branch'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, 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 Branch typically has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

*Contract balances*

The following are recognised in the statement of financial position arising from revenue from contracts with customers:

- 'Fees and commissions receivables' included under 'Other assets', which represent the Branch's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortised cost and subject to the impairment provisions of IFRS 9.
- 'Unearned fees and commissions' included under 'Other liabilities', which represent the Branch's obligation to transfer services to a customer for which the Branch has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognised when the payment is made or the payment is due (whichever is earlier). Unearned fees and commissions are recognised as revenue when (or as) the Branch performs.

**NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*6.4 Financial assets*

*Initial recognition and measurement*

At initial recognition, the Branch measures a financial asset at fair value plus transaction costs that are directly attributable to acquisition of the financial asset in the case of a financial asset not FVTPL. Transaction costs of financial assets carried at FVTPL are expensed in the income statement. Financial assets are recognised when the entity becomes a party to the contractual provisions of the instrument.

*Classification and subsequent measurement*

The Branch classify its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

Classification and subsequent measurement of debt instruments depend on:

- the Branch's business model for managing the asset; and
- the cash flow characteristics of the asset.

Business model

The Branch's business model refers to how the Branch manages its financial assets in order to generate cash flows. For example, financial assets are held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. If above two situations are not applicable, the business model of the financial assets is "other". The Branch's assessment of the business model is performed on a financial asset portfolio basis, and determined on the basis of scenarios which are reasonably expected to occur, taking into account: how cash flows were realised in the past, how the performance are evaluated and reported to the entity's key management personnel; the risks that affect the performance and the way in which those risks are assessed and managed; and how managers of the business are compensated, etc.

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to determine whether the asset's contractual cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However, the principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

Financial assets at amortised cost

The Branch measures its 'Due from banks', 'Loans to customers', 'Loans to parent company', and other financial investments at amortised cost if both of the following conditions are met:

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

Based on these factors, the Branch classified all of its debt instruments at amortised cost.

Such financial assets that the Branch holds are subsequently measured at amortised cost. That is, the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

**NOTES TO THE FINANCIAL STATEMENTS  
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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**6.5 Financial liabilities**

Financial liabilities are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using EIR. Financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

**6.6 Determination of fair value**

The Branch uses the valuation techniques commonly used by market participants to price financial instruments and techniques which have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Branch accesses to at the measurement date. The Branch considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available at the reporting date.
- Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Branch will classify the instruments as Level 3.
- Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

The Branch evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassify instruments when necessary based on the facts at the end of the reporting period.

**6.7 Financial guarantees, letters of credit and undrawn loan commitments**

The Branch issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. The premium received is recognised in the income statement in "Net fee and commission income" on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Branch is required to provide a loan with pre-specified terms to the customer.

Under IFRS 9, both financial guarantees, letters of credit and undrawn loan commitments are in the scope of the ECL requirements. The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 23.

**6.8 Reclassification of financial assets and liabilities**

The Branch does not reclassify its financial assets subsequent to their initial recognition apart from the exceptional circumstances in which the Branch acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

**NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*6.9 Derecognition of financial assets and financial liabilities*

Financial assets are derecognised when the rights to receive cash flows from the investments have expired, or when a financial asset is transferred, the Branch has transferred substantially all risks and rewards of ownership, or when the Branch neither transfers nor retains substantially all risks or rewards of ownership of the financial asset but has not retained control of the financial asset.

Financial liabilities are derecognised when they are extinguished — that is, when the obligation is discharged, cancelled or expires.

Modification of contractual cash flows may lead to derecognition of financial asset and financial liability if the terms are substantially different. When derecognised, a new asset or liability is recognised at fair value and recalculates a new EIR. For financial assets, the date of modification is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in risk has occurred. However, the Branch also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Branch records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

*6.10 Impairment of financial assets*

The Branch records the allowance for ECL for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

*6.10.1 Expected credit losses*

The Branch assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instruments carried at amortised cost. The Branch recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

*Measurement*

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all contractual cash flows that are due to the Branch in accordance with the contract and all cash flows expected to be received by the Branch discounted at the original EIR, i.e. the present value of all cash shortfalls.

NOTES TO THE FINANCIAL STATEMENTS  
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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.10 *Impairment of financial assets*

6.10.1 *Expected credit losses*

According to the changes of credit risk of financial instruments since the initial recognition, the Branch calculates the ECL by three stages:

- Stage 1: The financial instruments without significant increases in credit risk since initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;
- Stage 3: Financial assets with objective evidence of impairment at the financial reporting date are included in Stage 3, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments.

Where, in the previous accounting period, the impairment allowance of a financial instrument was measured based on the ECL of the instrument over the entire lifetime, and while, at the current financial reporting date, such financial instrument is no longer regarded as experiencing a significant increase in credit risk since its initial recognition, the Branch measures the impairment allowance of the financial instrument on the financial reporting date using the ECL of the instrument over the next 12 months.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Branch considers the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Branch conducted an assessment of ECL according to forward-looking information and used a number of models and assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Branch uses judgements, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for determining significant increases in credit risk
- Definition of default and credit-impaired financial assets
- Parameters for measuring ECL
- Forward-looking information
- Modification of contractual cash flows
- Grouping of financial instruments for losses measured on a collective basis



NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.10 Impairment of financial assets

6.10.1 Expected credit losses

*Criteria for determining significant increases in credit risk*

The Branch assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each financial reporting date. While determining whether the credit risk has significantly increased since initial recognition or not, the Branch takes into account the reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis based on the historical data of the Branch, external credit risk rating, and forward-looking information. Based on an individual financial instrument or a group of financial instruments shared credit risk characteristics, the Branch compares the risk of default of financial instruments at the financial reporting date with that at the date of initial recognition in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Branch considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

*Quantitative criteria*

- At the reporting date, the increase in remaining lifetime probability of default is considered significant, comparing with the one at initial recognition

*Qualitative criteria*

- Significant adverse change in debtor's operation or financial status
- Be listed on the watch-list

*Backstop criteria*

- The debtor's contractual payments (including principal and interest) are more than 30 days past due

*Definition of default and credit-impaired financial asset*

The Branch considers a financial instrument as default when it is credit-impaired. The standard adopted by the Branch to determine whether a financial asset is credit-impaired is consistent with the internal credit risk management objectives, taking into account quantitative and qualitative criteria. When the Branch assesses whether the credit impairment occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Branch granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- It becoming probable that the borrower will enter into bankruptcy or other financial re-organisation;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- The debtor is more than 90 days overdue for any of the principal, advances, interest or investments in corporate bonds of the Branch.

NOTES TO THE FINANCIAL STATEMENTS  
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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.10 Impairment of financial assets

6.10.1 Expected credit losses

- A financial asset becoming credit-impaired may be caused by the combined effect of several events, but not a single discrete event. For credit-impaired financial assets, the Branch mainly evaluate the future cash flow (including the recoverable value of the collateral held) in different circumstances on an individual basis. Expected credit losses are measured as the differences between the present value of estimated cash flows discounted at the original EIR and the asset's gross carrying amount. Any adjustment is recognised in profit or loss as an impairment gain or loss.

*Parameters of ECL measurement*

According to whether the credit risk has significantly increased and whether the asset is credit-impaired, the Branch measures the impairment allowance for different assets with ECL of 12 months or the entire lifetime respectively. The key parameters in ECL measurement include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Branch takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the models for estimating PD, LGD and EAD.

*Relative definitions are listed as follows:*

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime.
- LGD refers to the Branch's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies;
- EAD is the amount that the Branch should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime

The concept of each is further explained in Note 28.

*Forward-looking information*

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Based on the analysis of historical data, the Branch identifies the key macroeconomic indicators that affect the credit risk and ECL of various business types, such as GDP, Investment in fixed assets, PPI, Home price index, CPI.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Branch applied experts' judgement in this analysis, according to the result of experts' judgement, the Branch predicts these economic indicators on a quarterly basis and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In addition to a base economic scenario, the Branch conducts statistical analysis with experts' judgement to determine other possible scenarios and their weights. The Branch measures the weighted average ECL of 12 months (Stage 1) or life time (Stage 2 and Stage 3).

The Branch conducts sensitivity analysis on the main economic indicators used in forward-looking information. When the predicted value of the main economic indicators changes by 10%, the difference between the hypothetical expected credit loss and the current expected credit loss measurement does not exceed 5%.

*Grouping of financial instruments for losses measured on a collective basis*

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. The Branch uses credit rating, product types and client types, etc., for grouping the personal loans and advances to calculate the losses measured on a collective basis.

**NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*6.11 Credit enhancements: collateral valuation and financial guarantees*

To mitigate its credit risks on financial assets, the Branch seeks to use collateral, where possible. 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. Collateral, unless repossessed, is not recorded on the Branch's statement of financial position.

Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECLs. Collateral is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Branch uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

If a loan, as part of its contractual terms, is guaranteed by a third party the Branch estimates the corresponding ECLs based on the combined credit risk of the guarantor and the guaranteed party, by reflecting the guarantee in the measurement of the loss given default (LGD). The Branch considers the financial guarantee integral to the contractual terms' of the guaranteed loan, when the guarantee was entered into at the same time, or within a short time, after the loan is advanced.

*6.12 Collateral repossessed*

The Branch's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Branch's policy.

*6.13 Write-offs*

Financial assets are written off either partially or in their entirety only when the Branch has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

*6.14 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.

*6.15 Leases*

The Branch 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 Branch applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Branch recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

NOTES TO THE FINANCIAL STATEMENTS  
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6. SUMMARY OF SIGNIFICANT accounting policies

6.15 Leases

*Right-of-use assets*

The Branch 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 remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right-of-use assets are presented within Note 20 *Property and equipment and right-of-use assets* and are subject to impairment in line with the Branch's policy as described in Note 6.17 *Impairment of non-financial assets*.

*Lease liabilities*

At the commencement date of the lease, the Branch recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include 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 Branch and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

6.16 *Property and equipment and right-of-use assets*

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 as changes in accounting estimates. Right-of-use assets are presented together with property and equipment in the statement of financial position. Right-of-use assets are depreciated on a straight-line basis over the lease term.

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:

Building improvements	5%
Furniture and fixtures	20%
Computer equipment	20%
Motor vehicles	20%

Property and equipment is derecognised 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 recognised in 'Other operating income' in the income statement in the year the asset is derecognised.

Right-of-use assets mainly include building which are depreciated on a straight-line basis subsequently by the Branch. The Branch depreciates the asset from the commencement date to the end of the lease term.

6.17 *Impairment of non-financial assets*

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**NOTES TO THE FINANCIAL STATEMENTS  
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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*6.18 Employee benefits*

*Post-employment benefits*

Post-employment benefits are paid to retired employees of the Branch by the Social Security Fund Department which belongs to the Ministry of Labor and Social Welfare. The Branch 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 but the amount shall not exceed LAK 270,000 per staff per month. The Branch has no further obligation concerning post-employment benefits for its employees other than this and is limited to the contributions. The contributions are recognised as employee benefit expense when they are due.

*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 Branch 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 last salary or wage multiplied by the total number of months worked. As at 31 December 2021, there is no employee of the Branch who was dismissed under the above-mentioned grounds; therefore, the Branch has not made a provision for termination allowance in the financial statements.

*6.19 Provisions*

Provisions are recognized when the Branch 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 Branch 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 under 'Other operating expenses' in the income statement.

*6.20 Profit tax*

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

*Current tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in which it operates. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Branch measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

*Deferred tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from asset impairment allowances.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

**NOTES TO THE FINANCIAL STATEMENTS  
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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*6.20 Profit tax*

*Deferred tax*

Deferred tax liabilities shall be recognised for all taxable temporary differences.

The tax effects of income tax losses available for carrying forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The Branch makes estimates and judgements that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Branch has taken into consideration the impact of the economic environment in which the Branch operates when determining critical accounting estimates and judgements in applying accounting policies. Areas susceptible to changes in critical estimates and judgements, which affect the carrying value of assets and liabilities, are set out below. It is possible that actual results may be materially different from the estimates and judgements referred below.

*7.1 Impairment losses on financial assets*

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Branch's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Branch's internal credit grading model, which assigns PDs to the individual grades;
- The Branch's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Branch's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

*7.2 Taxes*

Management exercises judgement in determining the provision for income taxes and whether deferred taxes should be recognised or temporary differences arising from credit loss allowances since the taxation system in the Lao PDR can be subject to interpretations by different relevant authorities. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Management also exercises judgement with regards to deferred tax assets. Where the possibility exists that no future taxable income may flow against which these assets can be offset, the deferred tax assets are not recognised.

**BANK OF CHINA (HONG KONG) LTD., VIENTIANE BRANCH**

**NOTES TO THE FINANCIAL STATEMENTS  
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**8. RECLASSIFICATION**

(i) *Reclassification of amounts lent to Bank of China (Hongkong) Limited*

Amounts lent to the parent company were previously presented as 'Loans to customers' in the statement of financial position. However, management considers it to be more relevant if loans to parent bank are presented in one separate line item in the statement of financial position.

(ii) *Reclassification of other tax payable and allowance for credit losses on financial commitments*

Management has decided to group other tax payable and allowance for credit losses on financial commitments together with 'Other liabilities' as it may be more relevant to group these liabilities under 'Other liabilities'.

Item in the Statement of Financial Position (extract)	Note	As previously reported (LAKm)	Reclassification (LAKm)	As newly reported (LAKm)
<b>As at 31 December 2020</b>				
<b>ASSETS</b>				
Loans to customers	(i)	1,526,991	(377,763)	1,149,228
Loans to parent company	(i)	-	377,763	377,763
<b>LIABILITIES</b>				
Current tax liabilities	(ii)	4,761	(766)	3,995
Allowance for credit losses on financial commitments	(ii)	292	(292)	-
Other liabilities	(ii)	34,858	1,058	35,916
<b>As at 1 January 2020</b>				
<b>ASSETS</b>				
Loans to customers	(i)	702,980	(178,130)	524,850
Loans to parent company	(i)	-	178,130	178,130
<b>LIABILITIES</b>				
Allowance for credit losses on financial commitments	(ii)	275	(275)	-
Other liabilities	(ii)	34,661	275	34,936

**9. NET INTEREST INCOME**

	2021 LAKm	2020 LAKm
<b>Interest income</b>		
Due from banks	148,571	93,214
Loans to customers and parent company	61,474	75,903
Bonds	21,947	43,451
	<b>231,992</b>	<b>212,568</b>
<b>Interest expenses</b>		
Due to banks	(1,174)	(7,223)
Due to customers	(42,904)	(29,365)
	<b>(44,078)</b>	<b>(36,588)</b>
<b>Net interest income</b>	<b>187,914</b>	<b>175,980</b>

**BANK OF CHINA (HONG KONG) LTD., VIENTIANE BRANCH**

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**10. NET FEES AND COMMISSION INCOME**

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
<b>Fees and commission income</b>		
Settlement services	4,292	3,981
Credit services	12,189	5,604
Other activities	4,680	3,174
	<b>21,161</b>	<b>12,759</b>
<b>Fees and commission expense</b>		
Financial enterprise fee	(1,045)	(1,145)
Clearing fee payable to central bank	(81)	(59)
Membership fee	(52)	(100)
	<b>(1,178)</b>	<b>(1,304)</b>
<b>Net fees and commission income</b>	<b>19,983</b>	<b>11,455</b>

**11. NET GAIN FROM DEALING IN FOREIGN CURRENCIES**

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
Net gain from foreign exchange spot rate differences	11,503	10,454
Net gain from revaluation of monetary items	105,332	23,361
	<b>116,835</b>	<b>33,815</b>

**12. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS**

The table below shows the ECL charges on financial instruments under IFRS 9 for the year ended 31 December 2021 and 2020:

		<b>2021</b>		<b>2020</b>	
	<b>Note</b>	<b>Stage 1 Individual LAKm</b>	<b>Total LAKm</b>	<b>Stage 1 Individual LAKm</b>	<b>Total LAKm</b>
Cash and balance with the BOL	15	74	74	121	121
Due from banks	16	(6)	(6)	(4)	(4)
Debt instruments measured at amortised cost	17	(41)	(41)	(92)	(92)
Loans to customers	18	43,687	43,687	17,456	17,456
Loans to parent company	19	116	116	2	2
Off-balance sheet items	23	446	446	3	3
		<b>44,276</b>	<b>44,276</b>	<b>17,486</b>	<b>17,486</b>

**13. PERSONNEL EXPENSES**

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
Wages and allowances	29,126	23,005
Other staff costs	2,039	1,071
	<b>31,165</b>	<b>24,076</b>



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**14. OTHER OPERATING EXPENSES**

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
Rental	2,558	975
External services	570	538
Repair and maintenance	661	664
Publication, marketing and promotion	196	174
Telecommunication	1,858	1,449
Training, meeting and seminar	186	231
Electricity and water	1,119	1,046
Insurance fee for depositor protection fund	5,812	2,739
Others	5,268	3,552
	<b>18,228</b>	<b>11,368</b>

**15. CASH AND BALANCES WITH BANK OF THE LAO PDR (“the BOL”)**

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
Cash on hand in LAK	8,215	8,280
Cash on hand in foreign currencies	53,120	33,784
Balances with the BOL (Note 15.1)	2,887,919	3,160,145
	<b>2,949,254</b>	<b>3,202,209</b>
Less: allowance for expected credit losses (Note 15.2)	(344)	(311)
	<b>2,948,910</b>	<b>3,201,898</b>

**15.1 BALANCES WITH THE BOL**

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
Demand deposit	420,492	971,693
Term deposit (i)	2,234,647	1,877,200
Compulsory deposit (ii)	232,775	311,247
Registered capital reserve (iii)	5	5
	<b>2,887,919</b>	<b>3,160,145</b>

- (i) The term deposits at the BOL have terms of 3 years and 5 years and earn interest at the rate of 3.00% + Libor 6-months rate per annum and 4.30% + Libor 6-months rate per annum respectively.
- (ii) Under regulations of the BOL, the Branch is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 3.00% for LAK and 5.00% for foreign currencies, on a bi-monthly basis, (2020: 4.00% and 8.00%) of customer deposits having original maturities of less than 12 months. During the year, the Branch maintained its compulsory deposits in compliance with the requirements of the BOL.
- (iii) According to Decree No. 02/PR of the BOL, foreign bank branches are required to maintain a minimum balance of special deposit at the BOL (registered capital reserve) which is equivalent to 25% of their paid-up capital to secure for their operational continuance. The Branch was then approved by the BOL in Official Letters No. 194/BOL dated 18 May 2015, 239/BOL dated 18 June 2015 and 334/BOL dated 19 August 2016 to withdraw from this deposit account to supplement its working capital. As at 31 December 2021, the balance of the special deposit of the Branch is 5 LAKm.

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**15. CASH AND BALANCES WITH BANK OF THE LAO PDR (“the BOL”)**

**15.2 ALLOWANCES FOR EXPECTED CREDIT LOSSES**

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

The table below shows the credit quality and maximum exposure to credit risk based on the Branch’s internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Branch’s internal grading system are explained in Note 28.

	31 December 2021			
	Stage 1 Individual LAKm	Stage 2 Individual LAKm	Stage 3 LAKm	Total LAKm
Performing	2,887,919	-	-	2,887,919
<i>In which:</i>				
- <i>Unrated/Overall</i>	2,887,919	-	-	2,887,919
Non-performing	-	-	-	-
	<b>2,887,919</b>	<b>-</b>	<b>-</b>	<b>2,887,919</b>

	31 December 2020			
	Stage 1 Individual LAKm	Stage 2 Individual LAKm	Stage 3 LAKm	Total LAKm
Performing	3,160,145	-	-	3,160,145
<i>In which:</i>				
- <i>Unrated/Overall</i>	3,160,145	-	-	3,160,145
Non-performing	-	-	-	-
	<b>3,160,145</b>	<b>-</b>	<b>-</b>	<b>3,160,145</b>

An analysis of changes in the corresponding ECL allowances is as follows:

	Stage 1 Individual 2021 LAKm	Stage 1 Individual 2020 LAKm
ECL allowance as at 1 January	311	182
Credit loss expense	74	121
Foreign exchange adjustment	(41)	8
<b>As at 31 December</b>	<b>344</b>	<b>311</b>

**16. DUE FROM BANKS**

	2021 LAKm	2020 LAKm
<b>Demand deposits with domestic banks</b>		
Industrial and Commercial Bank of China Limited, Vientiane Branch	1,374	9,802
	<b>1,374</b>	<b>9,802</b>
<b>Demand deposits with foreign banks</b>		
Bank of China, Shanghai RMB Trading Unit	22,846	53,243
Bank of China (Hong Kong) Limited	90,999	103,205
Bank of China (Thai) Public Co., Ltd.,	34,214	18,562
Bank of China, Frankfurt Branch	37	152
Bank of China, Head Office	13,452	113,361
Bank of China, Shanghai Branch	91	73
	<b>161,639</b>	<b>288,596</b>
<b>Term deposit with foreign banks</b>		
Bank of China, Shanghai RMB Trading Unit	-	600,949
	-	<b>600,949</b>
	<b>163,013</b>	<b>899,347</b>
Less: allowances for expected credit losses (Note 16.1)	(2)	(10)
<b>At 31 December</b>	<b>163,011</b>	<b>899,337</b>

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**16. DUE FROM BANKS**

Term deposits at Bank of China, Shanghai RMB Trading Unit earn interest at rates ranging from 2.54% - 3.33% per annum and with maturity of 1 month to 3 months.

The table below shows the credit quality and maximum exposure to credit risk based on the Branch's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Branch's internal grading system are explained in Note 28.

<b>31 December 2021</b>				
	<b>Stage 1 Individual LAKm</b>	<b>Stage 2 Individual LAKm</b>	<b>Stage 3 LAKm</b>	<b>Total LAKm</b>
Performing	163,013	-	-	163,013
<i>in which:</i>				
- Risk class 1 to 3	163,013	-	-	163,013
Non-performing	-	-	-	-
	<b>163,013</b>	<b>-</b>	<b>-</b>	<b>163,013</b>

<b>31 December 2020</b>				
	<b>Stage 1 Individual LAKm</b>	<b>Stage 2 Individual LAKm</b>	<b>Stage 3 LAKm</b>	<b>Total LAKm</b>
Performing	899,347	-	-	899,347
<i>in which:</i>				
- Risk class 1 to 3	899,347	-	-	899,347
Non-performing	-	-	-	-
	<b>899,347</b>	<b>-</b>	<b>-</b>	<b>899,347</b>

**16.1 ALLOWANCES FOR EXPECTED CREDIT LOSSES**

An analysis of changes in the corresponding ECL allowances is as follows:

	<b>Stage 1 Individual 2021 LAKm</b>	<b>Stage 1 Individual 2020 LAKm</b>
ECL allowance as at 1 January	10	14
Credit loss reversal	(6)	(4)
Foreign exchange adjustment	(2)	-
<b>As at 31 December</b>	<b>2</b>	<b>10</b>

**17. DEBT INSTRUMENTS MEASURED AT AMORTISED COST**

	<b>2021 LAKm</b>	<b>2020 LAKm</b>
Bonds issued by the BOL	553,166	464,639
Less: allowance for expected credit losses (Note 17.1)	(50)	(78)
	<b>553,116</b>	<b>464,561</b>

Bonds issued by the BOL as at 31 December 2021 and 2020 include:

<b>Term</b>	<b>Purchase date</b>	<b>Maturity date</b>	<b>Face value USD</b>	<b>Interest rate % per annum</b>
5 years	16 June 2017	16 June 2022	50,000,000	4,30% + Libor 6 months
			<b>50,000,000</b>	

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**17. DEBT INSTRUMENTS MEASURED AT AMORTISED COST**

**17.1 ALLOWANCES FOR EXPECTED CREDIT LOSSES**

The table below shows the credit quality and maximum exposure to credit risk based on the Branch's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Branch's internal grading system are explained in Note 28.

	31 December 2021			
	Stage 1 Individual LAKm	Stage 2 Individual LAKm	Stage 3 LAKm	Total LAKm
Performing	553,166	-	-	553,166
<i>in which:</i>				
- <i>Unrated/Overall</i>	553,166	-	-	553,166
Non-performing	-	-	-	-
	<b>553,166</b>	<b>-</b>	<b>-</b>	<b>553,166</b>

	31 December 2020			
	Stage 1 Individual LAKm	Stage 2 Individual LAKm	Stage 3 LAKm	Total LAKm
Performing	464,639	-	-	464,639
<i>in which:</i>				
- <i>Unrated/Overall</i>	464,639	-	-	464,639
Non-performing	-	-	-	-
	<b>464,639</b>	<b>-</b>	<b>-</b>	<b>464,639</b>

An analysis of changes in the corresponding ECL allowances is as follows:

	Stage 1 Individual 2021 LAKm	Stage 1 Individual 2020 LAKm
ECL allowance as at 1 January	78	166
Credit loss reversal	(41)	(92)
Foreign currency difference	13	4
<b>As at 31 December</b>	<b>50</b>	<b>78</b>

**18. LOANS TO CUSTOMERS**

	2021 LAKm	2020 LAKm
Gross loans to customers	1,486,563	1,175,528
Less: allowances for expected credit losses (Note 18.1)	(75,201)	(26,300)
	<b>1,411,362</b>	<b>1,149,228</b>

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

	2021 Interest rate (% per annum)	2020 Interest rate (% per annum)
Loans denominated in LAK	6.80 - 11.00	6.80 - 11.00
Loans denominated in USD	2.70 - 7.00	2.70 - 7.00
Loans denominated in CNY	2.00 - 6.50	2.00 - 6.50

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**18. LOANS TO CUSTOMERS**

*Analysis by original term*

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
Short-term loans (less than 1 year)	86,966	87,248
Medium-term loans (1 to 3 years)	781,016	460,790
Long-term loans (more than 3 years)	618,581	627,490
	<b>1,486,563</b>	<b>1,175,528</b>

*Analysis by economic sectors*

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
Industrial services companies	278,995	350,152
Construction companies	791,012	698,387
Agriculture companies	88,503	55,976
Trading companies	24,044	5,597
Service companies	221,407	-
Other loans	82,602	65,416
	<b>1,486,563</b>	<b>1,175,528</b>

*Analysis by number of days past due*

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
Within due date	1,486,563	1,175,528
Past due for 1 to 29 days	-	-
Past due for 30 to 89 days	-	-
	<b>1,486,563</b>	<b>1,175,528</b>

The table below shows the credit quality and maximum exposure to credit risk based on the Branch's internal credit rating system and stage classification. The amounts presented are gross of impairment allowances. Details of the Branch's internal grading system are explained in Note 28.

	<b>31 December 2021</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>Individual</b>	<b>Individual</b>	<b>Individual</b>	<b>Individual</b>
	<b>LAKm</b>	<b>LAKm</b>	<b>LAKm</b>	<b>LAKm</b>
Performing	1,486,563	-	-	1,486,563
<i>in which:</i>				
- Unrated/Overall	35,861	-	-	35,861
- Risk class 1 to 3	-	-	-	-
- Lower than risk class 3	1,450,702	-	-	1,450,702
Non-performing	-	-	-	-
	<b>1,486,563</b>	<b>-</b>	<b>-</b>	<b>1,486,563</b>
	<b>31 December 2020</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>Individual</b>	<b>Individual</b>	<b>Individual</b>	<b>Individual</b>
	<b>LAKm</b>	<b>LAKm</b>	<b>LAKm</b>	<b>LAKm</b>
Performing	1,175,528	-	-	1,175,528
<i>in which:</i>				
- Unrated/Overall	28,026	-	-	28,026
- Risk class 1 to 3	229,465	-	-	229,465
- Lower than risk class 3	918,037	-	-	918,037
Non-performing	-	-	-	-
	<b>1,175,528</b>	<b>-</b>	<b>-</b>	<b>1,175,528</b>

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**18. LOANS TO CUSTOMERS**

**18.1 ALLOWANCES FOR EXPECTED CREDIT LOSSES**

An analysis of changes in the corresponding ECL allowances is as follows:

	<b>Stage 1 Individual 2021 LAKm</b>	<b>Total Individual 2021 LAKm</b>
ECL allowance as at 1 January	26,300	26,300
Impairment charge during the year	43,687	43,687
Foreign currency differences	5,214	5,214
<b>As at 31 December</b>	<b>75,201</b>	<b>75,201</b>

	<b>Stage 1 Individual 2020 LAKm</b>	<b>Total Individual 2020 LAKm</b>
ECL allowance as at 1 January	8,153	8,153
Credit loss expense	17,456	17,456
Foreign currency differences	691	691
<b>As at 31 December</b>	<b>26,300</b>	<b>26,300</b>

**19. LOANS TO PARENT COMPANY**

	<b>Stage 1 Individual 2021 LAKm</b>	<b>Stage 1 Individual 2020 LAKm</b>
Gross loans to parent company	3,352,226	377,765
Less: allowances for expected credit losses (Note 19.1)	(115)	(2)
<b>As at 31 December</b>	<b>3,352,111</b>	<b>377,763</b>

Loans to parent company have terms of ranging from 1 month to 3 months which earns interest at the rate of ranging from 1.35% to 5.00% per annum.

The table below shows the credit quality and maximum exposure to credit risk based on the Branch's internal credit rating system and stage classification. The amounts presented are gross of impairment allowances. Details of the Branch's internal grading system are explained in Note 28.

	<b>31 December 2021</b>			
	<b>Stage 1 Individual LAKm</b>	<b>Stage 2 Individual LAKm</b>	<b>Stage 3 LAKm</b>	<b>Total LAKm</b>
Performing	3,352,226	-	-	3,352,226
<i>in which:</i>				
- Risk class 1 to 3	3,352,226	-	-	3,352,226
Non-performing	-	-	-	-
	<b>3,352,226</b>	<b>-</b>	<b>-</b>	<b>3,352,226</b>

	<b>31 December 2020</b>			
	<b>Stage 1 Individual LAKm</b>	<b>Stage 2 Individual LAKm</b>	<b>Stage 3 LAKm</b>	<b>Total LAKm</b>
Performing	377,765	-	-	377,765
<i>in which:</i>				
- Risk class 1 to 3	377,765	-	-	377,765
Non-performing	-	-	-	-
	<b>377,765</b>	<b>-</b>	<b>-</b>	<b>377,765</b>

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**19. LOANS TO PARENT COMPANY**

**19.1 ALLOWANCES FOR EXPECTED CREDIT LOSSES**

An analysis of changes in the corresponding ECL allowances is as follows:

	Stage 1 Individual 2021 LAKm	Stage 1 Individual 2020 LAKm
ECL allowance as at 1 January	2	-
Credit loss expense during the year	116	2
Foreign currency differences	(3)	-
<b>As at 31 December</b>	<b>115</b>	<b>2</b>

**20. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS**

Movement for the year ended 31 December 2021 is as follows:

	Property and equipment				Right-of-use assets	
	Building improvement LAKm	Furniture & fixtures LAKm	Computer equipment LAKm	Motor vehicles LAKm	Building LAKm	Total LAKm
<b>Cost</b>						
At 1 January 2021	7,448	2,994	8,443	2,883	13,954	35,722
Additions	-	-	800	-	-	800
Adjustments	-	-	-	-	(893)	(893)
<b>At 31 December 2021</b>	<b>7,448</b>	<b>2,994</b>	<b>9,243</b>	<b>2,883</b>	<b>13,061</b>	<b>35,629</b>
<b>Accumulated depreciation</b>						
At 1 January 2021	7,448	2,685	5,780	1,629	4,214	21,756
Charge for the year	-	49	1,030	353	2,185	3,617
<b>At 31 December 2021</b>	<b>7,448</b>	<b>2,734</b>	<b>6,810</b>	<b>1,982</b>	<b>6,399</b>	<b>25,373</b>
<b>Net book value</b>						
<b>As at 31 December 2021</b>	<b>-</b>	<b>260</b>	<b>2,433</b>	<b>901</b>	<b>6,662</b>	<b>10,256</b>

Movement for the year ended 31 December 2020 is as follows:

	Property and equipment				Right-of-use assets	
	Building improvement LAKm	Furniture & fixtures LAKm	Computer equipment LAKm	Motor vehicles LAKm	Building LAKm	Total LAKm
<b>Cost</b>						
At 1 January 2020	7,448	2,795	6,844	2,883	12,956	32,926
Additions	-	199	1,599	-	998	2,796
<b>At 31 December 2020</b>	<b>7,448</b>	<b>2,994</b>	<b>8,443</b>	<b>2,883</b>	<b>13,954</b>	<b>35,722</b>
<b>Accumulated depreciation</b>						
At 1 January 2020	6,331	2,550	4,994	1,206	2,029	17,110
Charge for the year	1,117	135	786	423	2,185	4,646
<b>At 31 December 2020</b>	<b>7,448</b>	<b>2,685</b>	<b>5,780</b>	<b>1,629</b>	<b>4,214</b>	<b>21,756</b>
<b>Net book value</b>						
At 1 January 2020	1,117	245	1,850	1,677	10,927	15,816
<b>As at 31 December 2020</b>	<b>-</b>	<b>309</b>	<b>2,663</b>	<b>1,254</b>	<b>9,740</b>	<b>13,966</b>

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**21. DUE TO BANKS**

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
<b>Demand deposits from domestic banks</b>		
ANZ Bank (Laos) Limited	151,332	226,134
Canadia Bank Lao Limited	112	1,517
Banque Pour Le Commerce Exterieur Lao Public	94,510	19,785
Lao China Bank Limited	24,325	16,100
Banque Franco Lao Ltd.	110	-
	<b>270,389</b>	<b>263,536</b>
<b>Term deposit from domestic banks</b>		
Canadia Bank Lao Limited	22,168	18,624
	<b>22,168</b>	<b>18,624</b>
<b>Borrowing from financial institution</b>		
Bank of China (Hong Kong) Limited	783,946	139,112
	<b>783,946</b>	<b>139,112</b>
<b>Other payables to other financial institutions</b>	<b>26,880</b>	<b>14,128</b>
<b>At 31 December</b>	<b>1,103,383</b>	<b>435,400</b>

The term deposit from Canadia Bank Lao Limited has a term of 6 months and bears interest at the rate 1.00% per annum.

The borrowing from Bank of China (Hong Kong) Limited has a term of 1 month and bears interest at the rate of 0.22% per annum.

**22. DUE TO CUSTOMERS**

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
Demand deposits	1,888,099	3,217,104
Saving deposits	406,793	322,642
Term deposits	4,064,379	1,339,726
	<b>6,359,271</b>	<b>4,879,472</b>

The interest rates at the year-end for amounts due to customers are as follows:

	<b>2021</b>	<b>2020</b>
	<b>Interest rate</b>	<b>Interest rate</b>
	<b>(% per annum)</b>	<b>(% per annum)</b>
Demand deposits in LAK	No interest	No interest
Demand deposits in foreign currencies	No interest	No interest
Saving deposits in LAK	1.11	1.11
Saving deposits in USD	1.25	1.25
Saving deposits in THB	0.50	0.50
Saving deposits in CNY	0.90	0.90
Term deposits in LAK	3.00 - 6.25	3.00 - 6.25
Term deposits in USD	1.75 - 5.75	1.75 - 5.75
Term deposits in THB	0.90 - 4.50	0.90 - 4.50
Term deposits in CNY	1.60 - 2.20	1.60 - 2.20



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**23. OTHER LIABILITIES**

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
Payable to Bank of China, Head Office	30,691	26,037
Payable to employee	7,923	7,467
Allowance for credit losses on financial commitments (i)	841	292
Others	3,166	2,120
	<b>42,621</b>	<b>35,916</b>

- (i) To meet the financial needs of customers, the Branch enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees and letters of credit. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Branch.

Letters of credit and guarantees commit the Branch to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. The nominal values of such commitments are listed below:

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
Financial guarantees	1,687,035	2,885,270
	<b>1,687,035</b>	<b>2,885,270</b>

The table below shows the credit quality and maximum exposure to credit risk based on the Branch's internal credit rating system and stage classification. The amounts presented are gross of impairment allowances. Details of the Branch's internal grading system are explained in Note 28.

	<b>31 December 2021</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>Individual</b>	<b>Individual</b>	<b>Individual</b>	<b>Individual</b>
	<b>LAKm</b>	<b>LAKm</b>	<b>LAKm</b>	<b>LAKm</b>
Performing	1,687,035	-	-	1,687,035
<i>in which:</i>				
- Lower than risk class 3	1,687,035	-	-	1,687,035
Non-performing	-	-	-	-
	<b>1,687,035</b>	<b>-</b>	<b>-</b>	<b>1,687,035</b>

	<b>31 December 2020</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>Individual</b>	<b>Individual</b>	<b>Individual</b>	<b>Individual</b>
	<b>LAKm</b>	<b>LAKm</b>	<b>LAKm</b>	<b>LAKm</b>
Performing	2,885,270	-	-	2,885,270
<i>in which:</i>				
- Risk class 1 to 3	2,880,872	-	-	2,880,872
- Lower than risk class 3	4,398	-	-	4,398
Non-performing	-	-	-	-
	<b>2,885,270</b>	<b>-</b>	<b>-</b>	<b>2,885,270</b>

An analysis of changes in the corresponding ECL allowances is as follows:

	<b>Stage 1</b>	<b>Stage 1</b>
	<b>Individual</b>	<b>Individual</b>
	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
ECL allowance as at 1 January	292	275
Impairment charge during the year	446	3
Foreign exchange difference	103	14
<b>As at 31 December</b>	<b>841</b>	<b>292</b>

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**24. TAXATION**

The Branch is obliged to pay tax on 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.

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
Current income tax expense	46,062	30,859
Deferred tax expense/(income)	3,602	(3,850)
	<b>49,664</b>	<b>27,009</b>

Presented below is the numerical reconciliation between current tax expense and income benefit:

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
Profit before tax	227,446	163,674
Tax rate 20% (2020: 20%)	45,489	32,735
Tax effects of expenses not deductible for tax purposes	4,452	-
Tax effects of income not taxable for tax purposes	(277)	(5,726)
<b>Income tax expense</b>	<b>49,664</b>	<b>27,009</b>

Analysis of the income tax payable is as follows:

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
At 1 January	3,995	49
Current income tax	46,062	30,859
Tax paid during the year	(36,546)	(26,913)
<b>As at 31 December</b>	<b>13,511</b>	<b>3,995</b>

The Branch'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.

Movements of deferred tax assets in 2021 is as follows:

	<b>Deferred tax assets</b>	<b>Credited/(charged) to</b>		<b>Deferred tax asset</b>
		<b>Profit or loss</b>	<b>Other comprehensive income</b>	
	<b>At 1 January 2021</b>	<b>Profit or loss</b>	<b>Other comprehensive income</b>	<b>As at 31 December 2021</b>
<b>Temporary differences</b>	<b>LAKm</b>	<b>LAKm</b>	<b>LAKm</b>	<b>LAKm</b>
Deposits at the BOL and others banks	62	8	-	70
Debt instrument at amortised cost	16	(6)	-	10
Loan to customers	3,714	(3,714)	-	-
Financial commitments	58	110	-	168
<b>Total</b>	<b>3,850</b>	<b>(3,602)</b>	<b>-</b>	<b>248</b>

Movements of deferred tax assets in 2020 is as follows:

	<b>Deferred tax assets</b>	<b>Credited/(charged) to</b>		<b>Deferred tax asset</b>
		<b>Profit or loss</b>	<b>Other comprehensive income</b>	
	<b>At 1 January 2020</b>	<b>Profit or loss</b>	<b>Other comprehensive income</b>	<b>As at 31 December 2020</b>
<b>Temporary differences</b>	<b>LAKm</b>	<b>LAKm</b>	<b>LAKm</b>	<b>LAKm</b>
Deposits at the BOL and others banks	-	62	-	62
Debt instrument at amortised cost	-	16	-	16
Loan to customers	-	3,714	-	3,714
Financial commitments	-	58	-	58
<b>Total</b>	<b>-</b>	<b>3,850</b>	<b>-</b>	<b>3,850</b>

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**25. ADDITIONAL CASH FLOW INFORMATION**

Cash and cash equivalents included in the statement of cash flows comprise the followings:

	2021 LAKm	2020 LAKm
Cash on hand	61,335	42,064
Current accounts with the BOL	420,492	971,693
Current accounts with other banks	163,012	298,398
Term deposit with other banks with maturity of 90 days or less	-	600,949
	<b>644,839</b>	<b>1,913,104</b>

**26. RELATED PARTY TRANSACTIONS**

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

- (a) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the Branch (this includes parents, subsidiaries and fellow subsidiaries);
  - has an interest in the Branch that gives it significant influence over the Branch; or
  - has joint control over the Branch.
- (b) the party is a joint venture in which the Branch is a venture;
- (c) the party is a member of the key management personnel of the Branch 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 Branch, or of any entity that is a related party of the Branch.

The Branch's ultimate controlling party is Central Hujin Investment Limited.

Balances with related parties as at 31 December 2021 are as follows:

Related party	Relationship	Balances	Note	2021 Receivable/ (Payable) LAKm	2020 Receivable/ (Payable) LAKm
Bank of China (Hong Kong) Limited	Parent company	Demand deposit	16	90,997	103,204
		Borrowing	21	(783,946)	(139,112)
		Loans	19	3,352,111	377,763
Bank of China (BOC), Head Office	Intermediate parent company	Demand deposit	16	13,452	113,360
		Other payable	23	(30,691)	(26,037)
Bank of China Limited, Shanghai RMB Trading Unit	Affiliate	Demand deposit	16	22,846	53,242
		Term deposit	16	-	600,942
Bank of China (Thai) Public Company Limited	Affiliate	Demand deposit	16	34,214	18,562
Bank of China Shanghai Branch	Affiliate	Demand deposit	16	91	73
Bank of China Frankfurt Branch	Affiliate	Demand deposit	16	37	152

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**26. RELATED PARTY TRANSACTIONS**

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

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
Interest income from deposits at Bank of China, Shanghai RMB Trading Unit	4,023	9,636
Interest income from loan to Bank of China (Hong Kong) Limited	38,499	10,294
Interest expense from borrowing from Bank of China (Hong Kong) Limited	(984)	(6,009)

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

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
Salaries and bonus	<b>3,897</b>	<b>5,951</b>

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**27. RISK MANAGEMENT POLICIES**

*Introduction*

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

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

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Branch's policy is to monitor those business risks through the Branch's strategic planning process.

*Risk management structure*

The Branch's risk management governance structure is designed to cover all business process and ensure various risks are properly managed and controlled in the course of conducting the business. It has a robust risk management organisational structure with a comprehensive set of policies and procedures to identify, measure, monitor and control various risks that may arise. These risk management policies and procedures are regularly reviewed and updated to reflect changes in markets and business strategies. Various groups of risk takers assume their respective responsibilities for risk management.

The Board of Directors of Bank of China (Hong Kong) Ltd., representing the interests of shareholders, is the highest decision-making authority and has the ultimate responsibility for risk management. The Board, with the assistance of its committees, has the primary responsibility for the formulation of risk management strategies and ensuring that the Branch has an effective risk management system to implement these strategies.

The Risk Management Committee, a standing committee established by the Board of Directors of Bank of China (Hong Kong) Ltd., is responsible for overseeing the Branch's various types of risks, approving risk management policies and monitoring their implementation, and approving significant or high risk exposures or transactions. The Audit Committee assists the Board in fulfilling its role in overseeing the internal control system.

Various units of the Branch have their respective risk management responsibilities. Business units act as the first line of defense while risk management units, which are independent from the business units, are responsible for the day-to-day management of different kinds of risks. Risk management units have the primary responsibility for drafting, reviewing and updating various risk management policies and procedures.

The Branch has put in place appropriate internal control systems, including the establishment of an organisation structure that sets clear lines of authority and responsibility for monitoring compliance with policies, procedures and limits. Proper reporting lines also provide sufficient independence of the control functions from the business areas, as well as adequate segregation of duties throughout the organisation which helps to promote an appropriate internal control environment.

**28. CREDIT RISK**

Credit risk is the risk that the Branch incurs a loss because its customers or counterparties fail to discharge their contractual obligations. The Branch manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Branch has established credit quality review processes to provide early identification of possible changes in the creditworthiness of counterparties. Counterparty limits are established through the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to monthly revision. The credit quality review process aims to allow the Branch to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

*28.1 Credit quality and credit risk*

Currently, the Branch has applied the Group's internal credit ratings model to score corporate customers, commercial bank and other credit institutions based on risk level. The Branch has not applied it for central banks and personal customers based on their risk level, instead they applies the Group's overall rate for Sovereign and retail customers.

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**28. CREDIT RISK**

*28.2 Credit-related commitments risks*

The Branch makes available to its customers guarantees that may require that the Branch make payments on their behalf and enter into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees commit the Branch to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Branch to similar risks to loans and are mitigated by the same control processes and policies.

*28.3 Impairment assessment*

For the purpose of presenting the financial statements under IFRS, the Branch uses an expected loss model for the recognition of losses on impaired financial assets. This means that the Branch always accounts for ECLs and updates the loss allowance for change in these ECLs at each reporting date to reflect changes in credit risk since initial recognition. Consequently, the Branch needs to take into account the following information:

- The probability-weighted outcome;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort.

*28.3.1 Definition of default and cure*

The Branch considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Branch considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Branch carefully consider whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default;
- The borrower requesting emergency funding from the Branch;
- The borrower having past due liabilities to public creditors or employees;
- The borrower is deceased;
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral;
- A material decrease in the borrower's turnover or the loss of a major customer;
- A covenant breach not waived by the Branch;
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection;
- Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties.

It is the Branch's policy to consider a financial instrument as "cured" and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least one month for short term debts or three consecutive months for middle and long-term debts since the day begins full repayment of the overdue principals and interests. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

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**28. CREDIT RISK**

*28.3 Impairment assessment*

*28.3.2 The Branch's internal rating and probability of default estimation process*

The Branch operates its internal rating models which incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behavior. These information sources are first used to determine the PDs within the Branch's Basel II framework. The internal credit grades are assigned based on these Basel II grades. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenarios as appropriate.

*Treasury, trading and interbank relationships*

The Branch's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Branch's credit risk department analyses publicly available information such as financial information and other external data, e.g., the rating of Moody's, S&P, Fitch, and assigns the internal rating, as shown in the table below.

*Corporate lending*

For corporate loans, the borrowers are assessed by specialised credit risk employees of the Branch. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Branch and the complexity and size of the customer.

NOTES TO THE FINANCIAL STATEMENTS  
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28. CREDIT RISK

28.3 Impairment assessment

28.3.2 The Branch's internal rating and probability of default estimation process

<b>Internal rating grade</b>	<b>Internal rating grade</b>
Risk class 1	An obligor has extremely strong capacity to meet its financial commitment
Risk class 2	An obligor has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree
Risk class 3	An obligor has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories
Risk class 4	An obligor has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.
Risk class 5	An obligor is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.
Risk class 6	An obligor is more vulnerable than the obligors rated in risk class 5, but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.
Risk class 7	An obligor is currently vulnerable, and is dependent upon favourable business, financial, and economic conditions to meet its financial commitments.
Unrated/Overall	Weighted average all overall all risk classes

The probability of default percentages are factored by the internal rating grade as described above.



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**28. CREDIT RISK***28.3 Impairment assessment**28.3.3 Exposure at default*

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Branch assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Branch determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Branch's models.

*28.3.4 Loss given default*

For corporate and investment banking financial instruments, LGD values are assessed periodically by account managers and reviewed and approved by the Branch's specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group. The Branch estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

*28.3.5 Significant increase in credit risk*

The Branch continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Branch assesses whether there has been a significant increase in credit risk since initial recognition. The Branch considers an exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition and has increased by more than 20 bps a year.

The Branch also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Branch may also consider that events explained in Note 28.3.1 are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

*28.4 Collateral management*

The following table shows the total fair value of collaterals as at 31 December 2021:

	<b>2021</b>	<b>2020</b>
	<b>LAKm</b>	<b>LAKm</b>
Real estates	6,290,787	5,330,143
Securities	441,640	572,499
Term deposits	97,202	47,524
Others	4,492,302	-
	<b>11,321,931</b>	<b>5,950,166</b>

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**29. INTEREST RATE RISK**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Management has established limits on the non-trading interest rate gaps for stipulated periods. The Branch's policy is to monitor positions on a daily basis. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rates of non-trading financial assets and financial liabilities held at 31 December 2021. The total sensitivity is based on the assumption that there are parallel shifts in the yield curve. The table below analyses the interest rate risk for financial assets and financial liabilities of the Branch presented at the gross carrying amount and classified by the repricing date or maturity, whichever is earlier.

<b>31 December 2021</b>	<b>Non re- pricing</b>	<b>Up to 1 month</b>	<b>1 - 3 months</b>	<b>3 - 6 months</b>	<b>6 - 12 months</b>	<b>1 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial assets</b>								<b>Unit: LAKm</b>
Cash and balances with the BOL (*)	714,609	-	556,099	547,703	-	1,130,843	-	2,949,254
Due from banks (*)	163,013	-	-	-	-	-	-	163,013
Debt instruments at amortised cost (*)	-	-	-	553,166	-	-	-	553,166
Loans to customers (*)	-	-	-	-	86,966	485,911	913,686	1,486,563
Loans to parent company (*)	-	-	-	3,352,226	-	-	-	3,352,226
<b>Total financial assets</b>	<b>877,622</b>	<b>-</b>	<b>556,099</b>	<b>4,453,095</b>	<b>86,966</b>	<b>1,616,754</b>	<b>913,686</b>	<b>8,504,222</b>
<b>Financial liabilities</b>								
Due to banks	1,081,215	-	22,168	-	-	-	-	1,103,383
Due to customers	2,299,281	130,798	2,127,940	1,326,743	311,770	162,739	-	6,359,271
<b>Total financial liabilities</b>	<b>3,380,496</b>	<b>130,798</b>	<b>2,150,108</b>	<b>1,326,743</b>	<b>311,770</b>	<b>162,739</b>	<b>-</b>	<b>7,462,654</b>
<b>Net interest rate exposure</b>	<b>(2,502,874)</b>	<b>(130,798)</b>	<b>(1,594,009)</b>	<b>3,126,352</b>	<b>(224,804)</b>	<b>1,454,015</b>	<b>913,686</b>	<b>1,041,568</b>
<b>31 December 2020</b>	<b>Non re- pricing</b>	<b>Up to 1 month</b>	<b>1 - 3 months</b>	<b>3 - 6 months</b>	<b>6 - 12 months</b>	<b>1 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial assets</b>								
Cash and balances with the BOL (*)	1,325,009	-	463,842	455,891	-	957,467	-	3,202,209
Due from banks (*)	298,398	343,774	257,175	-	-	-	-	899,347
Debt instruments at amortised cost (*)	-	-	-	-	-	464,639	-	464,639
Loans to customers (*)	-	7,996	6,854	25,034	134,929	603,524	397,191	1,175,528
Loans to parent company (*)	-	377,765	-	-	-	-	-	377,765
<b>Total financial assets</b>	<b>1,623,407</b>	<b>729,535</b>	<b>727,871</b>	<b>480,925</b>	<b>134,929</b>	<b>2,025,630</b>	<b>397,191</b>	<b>6,119,488</b>
<b>Financial liabilities</b>								
Due to banks	416,776	-	18,624	-	-	-	-	435,400
Due to customers	3,539,746	67,310	778,268	38,917	278,052	177,179	-	4,879,472
<b>Total financial liabilities</b>	<b>3,956,522</b>	<b>67,310</b>	<b>796,892</b>	<b>38,917</b>	<b>278,052</b>	<b>177,179</b>	<b>-</b>	<b>5,314,872</b>
<b>Net interest rate exposure</b>	<b>(2,333,115)</b>	<b>662,225</b>	<b>(69,021)</b>	<b>442,008</b>	<b>(143,123)</b>	<b>1,848,451</b>	<b>397,191</b>	<b>804,616</b>

(\*) Excluding allowance for impairment losses

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**29. INTEREST RATE RISK**

Assuming that all other variables unchanged, the fluctuation in interest rates as at 31 December 2021 and 31 December 2020 that affect the pre-tax profit over the next 12 months period of the Branch as at reporting date are as following:

<b>Increase/(decrease) in basis points</b>	<b>2021 LAKm</b>	<b>2020 LAKm</b>
+ 100 bps	7,337	8,176
- 100 bps	(7,337)	(8,176)

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**30. LIQUIDITY RISK AND FUNDING MANAGEMENT**

Liquidity risk is defined as the risk that the Branch might be unable to meet their payment obligations when they fall due under both normal and stress circumstances. To limit this risk, the Branch has arranged for diversified funding sources in addition to their core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Branch has developed internal control processes and contingency plans for managing liquidity risk. In addition, the Branch maintain a compulsory reserve at the BOL based on deposits from customers. The table below summarises the maturity profile of the undiscounted cash flows of the Branch's financial assets and liabilities as at 31 December 2021 and 31 December 2020.

	31 December 2021					31 December 2020								
	On demand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	On demand	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
<b>Financial assets</b>														
Cash and balances with the BOL	714,609	-	567,024	589,681	-	1,130,843	3,002,157	-	-	-	-	-	-	3,002,157
Due from banks	163,013	-	-	-	-	-	163,013	-	-	-	-	-	-	163,013
Debt instruments at amortised cost	-	-	-	565,035	-	-	565,035	-	-	-	-	-	-	565,035
Loans to customers	-	-	-	87,328	-	986,781	1,596,463	-	-	-	-	-	-	1,596,463
Loans to parent company	-	3,352,111	-	-	-	-	3,352,111	-	-	-	-	-	-	3,352,111
<b>Total financial assets</b>	<b>877,622</b>	<b>3,352,111</b>	<b>567,024</b>	<b>1,242,044</b>	<b>522,354</b>	<b>2,117,624</b>	<b>8,678,779</b>							
<b>Financial liabilities</b>														
Due to banks	1,081,215	-	22,168	-	-	-	1,103,383							1,103,383
Due to customers	2,301,553	130,798	2,127,940	1,638,513	162,739	-	6,361,543							6,361,543
Other liabilities	38,614	-	-	-	-	-	38,614							38,614
<b>Total financial liabilities</b>	<b>3,421,382</b>	<b>130,798</b>	<b>2,150,108</b>	<b>1,638,513</b>	<b>162,739</b>	<b>-</b>	<b>7,503,540</b>							<b>7,503,540</b>
<b>Net liquidity gap</b>	<b>(2,543,760)</b>	<b>3,221,313</b>	<b>(1,583,084)</b>	<b>(396,469)</b>	<b>359,615</b>	<b>2,117,624</b>	<b>1,175,239</b>							<b>1,175,239</b>
<b>31 December 2020</b>														
<b>Financial assets</b>														
Cash and balances with the BOL	1,013,759	-	-	-	2,188,788	-	3,202,547							3,202,547
Due from banks	298,398	344,347	258,461	-	-	-	901,206							901,206
Debt instruments at amortised cost	-	-	-	-	485,548	-	485,548							485,548
Loans to customers	-	-	394,248	172,761	633,700	397,191	1,597,900							1,597,900
Loans to parent company	-	377,763	-	-	-	-	377,763							377,763
<b>Total financial assets</b>	<b>1,312,157</b>	<b>722,110</b>	<b>652,709</b>	<b>172,761</b>	<b>3,308,036</b>	<b>397,191</b>	<b>6,564,964</b>							<b>6,564,964</b>
<b>Financial liabilities</b>														
Due to banks	416,776	-	18,624	-	-	-	435,400							435,400
Due to customers	3,539,746	67,518	807,842	329,648	182,494	-	4,927,248							4,927,248
Other liabilities	33,504	-	-	-	-	-	33,504							33,504
<b>Total financial liabilities</b>	<b>3,990,026</b>	<b>67,518</b>	<b>826,466</b>	<b>329,648</b>	<b>182,494</b>	<b>-</b>	<b>5,396,152</b>							<b>5,396,152</b>
<b>Net liquidity gap</b>	<b>(2,677,869)</b>	<b>654,592</b>	<b>(173,757)</b>	<b>(156,887)</b>	<b>3,125,542</b>	<b>397,191</b>	<b>1,168,812</b>							<b>1,168,812</b>

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**31. CURRENCY RISK**

Currency risk is the risk exposed to the Branch due to changes in foreign exchange rates which adversely impact the Branch's foreign currency positions. The Branch has set limits on positions by currency, based on its internal risk assessment system and the BOL's regulations. Positions are monitored on a daily basis to ensure positions are maintained within the established limits.

Breakdown of assets and liabilities which has been converted into LAKm 31 December 2021 is as follows:

	LAK in LAKm	USD in LAKm equivalent	CNY in LAKm equivalent	Other in LAKm equivalent	Total in LAKm equivalent
<b>ASSETS</b>					
Cash and balance with Bank of the Lao PDR	286,706	2,519,927	132,285	10,336	2,949,254
Due from banks	-	51,005	77,428	34,580	163,013
Debt instrument at amortized cost	-	553,116	-	-	553,116
Loans to customers	260,907	1,188,014	37,642	-	1,486,563
Loans to parent company	-	-	3,352,226	-	3,352,226
<b>TOTAL ASSETS</b>	<b>547,613</b>	<b>4,312,062</b>	<b>3,599,581</b>	<b>44,916</b>	<b>8,504,172</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
Due to banks	86,673	903,846	112,864	-	1,103,383
Due to customers	174,502	2,703,677	3,435,579	45,513	6,359,271
Other liabilities	8,159	30,455	-	-	38,614
<b>TOTAL LIABILITIES</b>	<b>269,334</b>	<b>3,637,978</b>	<b>3,548,443</b>	<b>45,513</b>	<b>7,501,268</b>
<b>NET EXPOSURE</b>	<b>278,279</b>	<b>674,084</b>	<b>51,138</b>	<b>(597)</b>	<b>1,002,904</b>

Breakdown of assets and liabilities which has been converted into LAKm 31 December 2020 is as follows:

	LAK in LAKm	USD in LAKm equivalent	CNY in LAKm equivalent	Other in LAKm equivalent	Total in LAKm equivalent
<b>ASSETS</b>					
Cash and balance with Bank of the Lao PDR	398,139	2,687,936	110,591	5,543	3,202,209
Due from banks	-	178,533	702,278	18,536	899,347
Debt instrument at amortized cost	-	464,639	-	-	464,639
Loans to customers	290,564	568,932	316,032	-	1,175,528
Loans to parent company	-	-	377,740	-	377,740
<b>TOTAL ASSETS</b>	<b>688,703</b>	<b>3,900,040</b>	<b>1,506,641</b>	<b>24,079</b>	<b>6,119,463</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
Due to banks	158,962	243,825	32,613	-	435,400
Due to customers	229,412	3,557,991	1,067,873	24,196	4,879,472
Other liabilities	7,692	25,812	-	-	33,504
<b>TOTAL LIABILITIES</b>	<b>396,066</b>	<b>3,827,628</b>	<b>1,100,486</b>	<b>24,196</b>	<b>5,348,376</b>
<b>NET EXPOSURE</b>	<b>292,637</b>	<b>72,412</b>	<b>406,155</b>	<b>(117)</b>	<b>771,087</b>

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**31. CURRENCY RISK**

**Currency risk sensitivity analysis**

The table below indicates the currencies to which the Branch had significant exposure at 31 December 2021 and 31 December 2020 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the exchange rate against the Lao Kip, with all other variables held constant, on the income statement (due to the fair value of currency sensitive monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in the income statement, while a positive amount reflects a net potential increase.

	Impact on profit before tax		Impact on profit after tax	
	Exchange rate	Exchange rate	Exchange rate	Exchange rate
	increase 10%	decrease 10%	increase 10%	decrease 10%
<b>2021</b>				
USD	11,745	(11,745)	9,396	(9,396)
CNY	4,152	(4,152)	3,322	(3,322)
<b>Total</b>	<b>15,897</b>	<b>(15,897)</b>	<b>12,718</b>	<b>(12,718)</b>
	Impact on profit before tax		Impact on profit after tax	
	Exchange rate	Exchange rate	Exchange rate	Exchange rate
	increase 10%	decrease 10%	increase 10%	decrease 10%
<b>2020</b>				
USD	8,799	(8,799)	7,039	(7,039)
CNY	2,825	(2,825)	2,260	(2,260)
<b>Total</b>	<b>11,624</b>	<b>(11,624)</b>	<b>9,299</b>	<b>(9,299)</b>

Unit: LAKm

**32. CAPITAL MANAGEMENT**

The Branch maintains minimum regulatory capital in accordance with Regulation No. 536/BFSD/BOL dated 14 October 2009 on commercial Branch's capital adequacy and other detailed guidance. The primary objectives of the Branch's capital management are to ensure that the Branch complies with externally imposed capital requirements by the BOL. The Branch recognizes the need to maintain effectiveness of assets and liabilities management to balance profit and capital adequacy.

In accordance with Regulation No. 536/BFSD/BOL, the Branch's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes chartered capital, regulatory reserve fund, business expansion fund and other funds, and retained earnings;
- Tier 2 capital, which includes qualifying subordinated liabilities, general provisions and the element of fair value reserve relating to unrealized gains/losses on equity instruments classified as available for sale.

Various limits are applied to elements of the capital base: qualifying tier 2 cannot exceed tier 1 capital, and qualifying subordinated liabilities may not exceed 50 percent of tier 1 capital.

An analysis of the Branch's capital based on financial information deprived from IFRS financial statements is as follows:

Items	31 December 2021	31 December 2020
	Under IFRS LAKm	under IFRS LAKm
Tier 1 capital	980,756	766,270
Tier 2 capital	-	-
<b>Total capital</b>	<b>980,756</b>	<b>766,270</b>
Less: Deductions from capital (Investments in other credit and financial institutions)	-	-
<b>Capital for CAR calculation (A)</b>	<b>980,756</b>	<b>766,270</b>
Risk weighted balance sheet items	1,741,366	1,220,368
Risk weighted off balance sheet items	1,686,398	1,350,641
<b>Total risk weighted assets (B)</b>	<b>3,427,764</b>	<b>2,571,009</b>
<b>Capital Adequacy Ratio (A/B)</b>	<b>29%</b>	<b>30%</b>

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**33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES*****Determination of fair value and fair value hierarchy***

The Branch uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices/(unadjusted) in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

***Fair value of financial assets and liabilities carried at fair value***

The Branch has no financial assets and liabilities carried at fair value as at 31 December 2021. Therefore, there is no analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

***Fair value of financial assets and liabilities not carried at fair value***

The Branch uses the following methodologies and assumptions to determine fair value for financial assets and liabilities not carried at fair value on the financial statements:

***Assets for which fair value approximates carrying value***

For financial assets and financial liabilities that have a short-term maturity (less than one year) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits.

***Fixed rate financial instruments***

The fair value is determined using discounted cash flows using interest at year end of financial instruments in the market with similar risk and maturity. In addition, the Branch assumes that loans to customers are held to maturity. Fair values of loans to customers are determined as the carrying value less impairment losses. For Due to customers, fair value is approximated based on the carrying value of deposits, except for the fair value of fixed rate items with remaining maturity period greater than 1 year which is calculated based on the present value of future cash flows of principal and interest, discounted at interest rates currently being offered on such deposits.

The table below summarises the fair values of those financial assets and liabilities which are materially different with its carrying value.

	31 December 2021		31 December 2020	
	Carrying value	Fair value Level 3	Carrying value	Fair value Level 3
<b>Financial assets</b>				
Loans to customers	1,411,362	1,293,541	1,149,228	1,055,222
<b>As at 31 December 2021</b>	<b>1,411,362</b>	<b>1,293,541</b>	<b>1,149,228</b>	<b>1,055,222</b>

Unit: LAKm

For the following financial instruments which are predominantly short-term the carrying value represents a reasonable estimate of the fair value:

**Assets**

Cash and balances at the BOL  
Due from banks  
Debt instruments measured at amortised cost  
Loans to parent company

**Liabilities**

Due to banks  
Due to customers

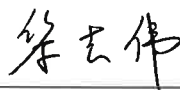
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**NOTES TO THE FINANCIAL STATEMENTS  
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**34. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST LAK AT REPORTING DATE**

	31 December 2021	31 December 2020
	LAK	LAK
United State Dollar ("USD")	11,041	9,274
Thai baht ("THB")	330.67	309.86
Chinese Yuan ("CNY")	1,732	1,425

Prepared by:



Mr. Li Zhiwei  
Financial Management and Operation  
Service Unit Manager

Vientiane, Lao PDR

29 April 2022

Reviewed by:



Mr. Li Zhiyong  
General Manager





