

Bank of China Ltd., Vientiane Branch

Financial Statements

For the year ended 31 December 2019

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Bank of China Ltd., Vientiane Branch

GENERAL INFORMATION

THE BRANCH

Bank of China Ltd., Vientiane Branch (the "Branch"), a branch of Bank of China Ltd., was established in Lao PDR and operates under Banking License No. 06/BOL granted by Bank of the Lao PDR ("the BOL") on 19 February 2015.

The initial registered capital of the Branch is LAK 405,100,000,000. The actual paid-up capital as at 31 December 2019 is LAK 405,100,000,000 (31 December 2018: LAK 405,100,000,000).

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

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

GENERAL MANAGER AND LEGAL REPRESENTATIVE

The legal representative of the Branch during the year ended 31 December 2019 and as at the date of these financial statements is Mr. Li Zhiyong, the General Manager.

AUDITORS

The auditor of the Branch is Ernst & Young Lao Co., Ltd.

Bank of China Ltd., Vientiane Branch

REPORT OF MANAGEMENT

Management of Bank of China Ltd., Vientiane Branch (the "Branch") is pleased to present this report and the Branch's financial statements as at and for the year ended 31 December 2019.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Branch's Management is responsible for the financial statements of each financial year which give a true and fair view of the financial position of the Branch and of the results of its operations and its cash flows for the year. In preparing those financial statements, Management is required to:

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

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

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

STATEMENT BY MANAGEMENT

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

For and on behalf of Management:



Mr. Li Zhiyong
General Manager

Vientiane, Lao PDR

27 May 2020

Reference: 61245636/21504443-LAS

INDEPENDENT AUDITORS' REPORT

To: The Management of Bank of China Ltd., Vientiane Branch

Opinion

We have audited the financial statements of Bank of China Ltd., Vientiane Branch ("the Branch"), which comprise the statement of financial position as at 31 December 2019, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

Responsibilities of the Branch's Management for the Financial Statements

The Branch's management is responsible for the preparation of the financial statements in accordance with the Accounting Law of Lao PDR and the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements, 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- ▶ 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Branch management.

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

Ernst & Young Lao (LLP)
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ERNST & YOUNG
LAO CO., LTD
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Vientiane, Lao PDR

27 May 2020

Bank of China Ltd., Vientiane Branch

INCOME STATEMENT
for the year ended 31 December 2019

Code	ITEMS	Notes	2019 LAKm	2018 LAKm
A	OPERATING INCOME AND EXPENSES			
1	Interest and similar income	3	192,192	140,490
2	Interest and similar expense	3	(39,032)	(24,973)
I.	NET INTEREST AND SIMILAR INCOME		153,160	115,517
3	Fee and commission income	4	18,374	5,610
4	Fee and commission expense	4	(424)	(273)
5	Net gain from dealing in foreign currencies	5	26,095	13,317
II.	NET OPERATING INCOME		197,205	134,171
B	OTHER INCOME AND EXPENSES			
6	Other operating income	6	2	1,255
7	Administration expenses		(32,698)	(24,318)
7.1	Payroll and other staff costs	7	(25,043)	(15,981)
7.2	Other administration expenses	8	(7,655)	(8,337)
8	Depreciation and amortization charges		(5,143)	(3,033)
9	Other operating expenses	9	(4,002)	(1,075)
10	Provision for non-performing loans		-	-
III.	TOTAL PROFIT BEFORE TAX		155,364	107,000
11	Current profit tax expense	22.2	(35,094)	(25,777)
IV.	PROFIT AFTER TAX		120,270	81,223

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

27 May 2020

Bank of China Ltd., Vientiane Branch

STATEMENT OF FINANCIAL POSITION as at 31 December 2019

Code	ASSETS	Notes	31 December 2019 LAKm	31 December 2018 LAKm
I	Cash and balances with Bank of the Lao PDR ("the BOL")		1,500,647	961,619
1	Cash on hand	10	17,325	25,986
2	Balances with the BOL	11	1,483,322	935,633
II	Due from banks		1,086,929	982,436
1	Demand deposits	12.1	236,029	536,036
2	Term deposit	12.2	850,900	446,400
III	Investment in securities		886,100	853,000
1	Held-to-maturity securities	13	886,100	853,000
IV	Loans to customers, net of specific provision		886,657	574,656
V	Fixed assets and Right-of-use assets		15,816	5,577
1	Tangible fixed assets	15.1	4,889	5,577
2	Right-of-use assets	15.2	10,927	-
VI	Other assets		23,539	26,678
1	Accrued interest receivable	16	21,746	13,304
2	Other assets	17	1,793	13,374
	TOTAL ASSETS		4,399,688	3,403,966

Bank of China Ltd., Vientiane Branch

STATEMENT OF FINANCIAL POSITION (continued)
as at 31 December 2019

Code	LIABILITIES AND CAPITAL	Notes	31 December 2019 LAKm	31 December 2018 LAKm
I	Due to banks	18	510,049	224,149
1	Demand deposits		228,410	188,284
2	Term deposits		98,310	30,000
3	Borrowing		177,220	-
4	Other payables		6,109	5,865
II	Due to customers	19	3,194,550	2,638,829
1	Demand deposits		2,230,600	1,753,074
2	Saving deposits		250,669	193,314
3	Term deposits		713,281	692,441
III	Other liabilities		56,694	24,423
1	Accrued interest payable	20	20,871	10,083
2	Taxes payable	22.1	1,162	8,683
3	Other liabilities	21	34,661	5,657
	TOTAL LIABILITIES		3,761,293	2,887,401
IV	Capital and reserves			
1	Paid-up capital	23	405,100	405,100
2	Statutory reserve		22,886	10,859
3	General provision for credit activities	14.2	4,433	2,873
4	Retained earnings		205,976	97,733
	TOTAL CAPITAL		638,395	516,565
	TOTAL LIABILITES AND CAPITAL		4,399,688	3,403,966

Bank of China Ltd., Vientiane Branch

STATEMENT OF FINANCIAL POSITION (continued)
as at 31 December 2019

Code	OFF BALANCE SHEET ITEMS	31 December 2019 LAKm	31 December 2018 LAKm
I	Commitments given		
A	Commitments for financing given	-	-
1	Commitments for financing given to customers	-	-
B	Commitments for guarantees given	2,735,689	2,525,781
1	Commitments for guarantees given to customers	2,735,689	2,525,781
	TOTAL COMMITMENTS GIVEN	2,735,689	2,525,781
II	Collaterals and Mortgages	2,853,752	755,702
1	Collaterals and Mortgages for loans to customers	2,853,752	755,702
	TOTAL COLLATERALS AND MORTGAGES	2,853,752	755,702

Prepared by:



Mr. Li Zhiwei
Financial Management and
Operation Service Unit Manager

Reviewed by



Mr. Li Zhiyong
General Manager

Vientiane, Lao PDR

27 May 2020

Bank of China Ltd., Vientiane Branch

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

ITEMS	Paid-up capital LAKm	Statutory reserve LAKm	General provision LAKm	Retained earnings LAKm	Total LAKm
Balance as at 1 January 2018	405,100	2,737.00	4,103	24,632	436,572
Net profit for the year	-	-	-	81,223	81,223
Appropriate to reserve for the year 2018	-	8,122	-	(8,122)	-
Net provision for performing loans	-	-	(1,253)	-	(1,253)
Foreign exchange differences	-	-	23	-	23
Balance as at 31 December 2018	405,100	10,859	2,873	97,733	516,565
Net profit for the year	-	-	-	120,270	120,270
Appropriate to reserve for the year 2019	-	12,027	-	(12,027)	-
General provision charged during the year	-	-	1,460	-	1,460
Foreign exchange differences	-	-	100	-	100
Balance as at 31 December 2019	405,100	22,886	4,433	205,976	638,395

Prepared by:



Mr. Li Zhiwei
Financial Management and Operation
Service Unit Manager

Reviewed by:



Mr. Li Zhiyong
General Manager



Vientiane, Lao PDR

27 May 2020

Bank of China Ltd., Vientiane Branch

STATEMENT OF CASHFLOWS
for the year ended 31 December 2019

ITEMS	Note	2019 LAKm	2018 LAKm
OPERATING ACTIVITIES			
Net profit before tax		155,364	107,000
<i>Adjustments for:</i>			
Depreciation and amortization charges	15	5,143	3,033
Loan loss provision expenses/(reversal)	14.2	1,460	(1,253)
Foreign exchange gains arising from revaluation of monetary accounts denominated in foreign currencies	5	(9,139)	-
Interest income		(192,192)	(140,490)
Interest expense		39,032	24,973
Cash flows from/(use in) operations before changing in operating assets and liabilities		(332)	(6,737)
(Increase)/decrease in operating assets			
Due from banks		(1,108,380)	(626,037)
Loans to customers		(312,001)	(164,351)
Other assets		(25,393)	(21,495)
Increase/(decrease) in operating liabilities			
Due to banks		108,680	84,419
Due to customers		555,721	660,717
Borrowing fund		177,220	-
Other liabilities		30,086	(2,179)
Interest received		183,750	134,940
Interest paid		(28,244)	(17,043)
Profit tax paid during the year	22.2	(43,697)	(20,288)
Net cash flows from operating activities		(462,590)	21,946
INVESTING ACTIVITIES			
Payments to acquire property and equipment	15	(2,269)	(1,145)
Investment in securities		-	-
Net cash flows used in investing activities		(2,269)	(1,145)
FINANCING ACTIVITIES			
Net cash flows from financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		(464,859)	20,801
Cash and cash equivalents at the beginning of the year		1,110,353	1,089,552
Cash and cash equivalents at the end of the year	24	645,494	1,110,353

Prepared by:


Mr. Li Zhiwei
Financial Management and
Operation Service Unit Manager

Vientiane, Lao PDR

27 May 2020

Reviewed by:


Mr. Li Zhiyong
General Manager

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS
as at and for the year then ended 31 December 2019

1. CORPORATE INFORMATION

Establishment and operations

Bank of China Ltd., Vientiane Branch (the "Branch"), a branch of Bank of China Ltd., was established in Lao PDR and operates under Banking License No. 06/BOL granted by Bank of the Lao PDR ("the BOL") on 19 February 2015.

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

Paid-up capital

The initial registered capital of the Branch is LAK 405,100,000,000. The actual paid-up capital as at 31 December 2019 is LAK 405,100,000,000.

General Manager

The Branch's General Manager during year ended 31 December 2019 and as at the date of these financial statements is Mr. Li Zhiyong.

Location

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

Employees

Total employees of the Branch as at 31 December 2019 were 52 people (31 December 2018: 33 people)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. *Statement of compliance*

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

2.2. *Basis of preparation*

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

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

Fiscal year

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

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Changes in accounting policies

The accounting policies adopted by the Branch in preparation of these financial statements are consistent with those used in preparation of the Branch's financial statements for the year ended 31 December 2018, except for the changes in the accounting policies and notes in relation to the following.

2.3.1. IFRS 16-Leases

In 2019, the Branch's accounting policy on Leases contracts was changed in accordance with the Notification No. 1433/BOL dated 24 October 2019 that requests commercial banks to apply IFRS 16 for preparation and presentation of financial statements

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Branch adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Branch elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying the previous accounting policy at the date of initial application. The Branch also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Branch has a lease contract for office building. Before the adoption of IFRS 16, the Branch classified the lease as prepaid expense. Upon adoption of IFRS 16, the Branch applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

The Branch recognised right-of-use assets and lease liabilities for those leases previously classified as finance lease or operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Branch also applied the available practical expedients wherein it:

- ▶ Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- ▶ Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- ▶ Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- ▶ Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- ▶ Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. *Changes in accounting policies* (continued)

2.3.1. *IFRS 16-Leases* (continued)

Based on the above, as at 1 January 2019:

- ▶ Right-of-use assets of LAK 13,113 million were reclassified from the prepaid expenses and presented in the statement of financial position as "Right-of-use assets".
- ▶ No additional lease liabilities were recognised due to the fact that the Branch already paid in full of the lease contracts;
- ▶ The adoption of IFRS 16 had no impact on the Bank's retained earnings.

2.3.2. *Provision on loans classified in Special Mention*

In accordance with Official Letter No. 334/AFD issued by the Governor of Bank of the Lao PDR dated 11 March 2019, the presentation of provision on loans classified as special mention is presented as specific provision which is net off against "Loans to customers" rather than "provision for performing loans" in equity in the Branch's statement of financial position (as disclosed in Note 2.8).

As the Branch does not have loans classified as special mention as at 31 December 2018 and as at 31 December 2019. Hence such change does not impact the financial statements of the Branch.

2.4. *Recognition of interest income and expense*

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

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

2.5. *Recognition of fee and commission*

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

Fee and commissions are recognized in to income statement on cash basis.

2.6. *Cash and cash equivalents*

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

2.7. *Loans to customers*

Loans to customers are recognized at cost and presented at outstanding balance less provision for non-performing loans as at the year end.

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8. Classification of and provision for credit activities

Loan classification

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

Provision

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

Group	Provision rate	Provision type (i)	Accounting for provision balance (ii)	Accounting for changes in provision balance (iii)
<i>Performing loans</i>				
A	0.5%	General	In equity	Other expense/ income
B	3.0%	Specific	Deducted to loan balance	Other expense/ income
<i>NPLs</i>				
C	20.0%	Specific	Deducted to loan balance	Net provision for NPL
D	50.0%	Specific	Deducted to loan balance	Net provision for NPL
E	100.0%	Specific	Deducted to loan balance	Net provision for NPL

- (i) Provision amount is calculated by the following formulas:
- General provision = Provision rate x Loan outstanding balance
 - Specific provision = Provision rate x Loan outstanding balance
where the Branch has opted to not include the discounted value of collateral in the provision calculation as allowed by BOL512 and OL898.
- (ii) The balance of provision for *performing loans classified in group A* is recorded in the statement of financial position in "General provision for credit activities" under capital and reserves.
- Accumulated balance of provision for *NPLs and performing loans classified in group B* is recorded in the statement of financial position in "Loans to customers, net of specific provision".
- (iii) Changes in provision for *performing loans* are recorded to the income statement as "Other operating expenses" for provision expense and "Other operating income" for reversal of provision expense.
- Changes in provision for *NPLs* are recorded to the income statement as "Net provision for NPLs charged to/(reversed out of) expense".

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 *Held-to-maturity securities*

Held-to-maturity investment securities are debt securities with fixed or determinable payments and maturities, which the Branch has intention and ability to hold to maturity to earn interest. When a significant part of the securities is sold before maturity date, the remaining balance will be reclassified as trading securities or available-for-sale securities.

Held-to-maturity securities are initially recognized at cost and subsequently presented at cost. Premiums and discounts arising from securities purchases are amortized in the income statement using the straight-line method over the year from the acquisition dates to the maturity dates.

Periodically, the held-to-maturity securities are subject to review for impairment. Provision for impairment of these securities is made when there has been a significant or prolonged decline in the fair value below their cost. Provision for impairment is recognized as "Net gain/(loss) from securities investment" in the income statement.

2.10. *Fixed assets*

Fixed assets include tangible fixed assets and intangible fixed assets. Tangible fixed assets consist of building improvements, furniture and fixtures, computer equipment and motor vehicles. Intangible fixed assets consist of start-up cost.

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

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

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

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

2.11. *Depreciation and amortization*

Depreciation and amortization of fixed assets are made on the straight-line basis at prescribed rates over their estimated useful life in accordance with the Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016 stipulated by the President of the National Assembly. The following are the annual depreciation and amortization rates used:

<i>Tangible fixed assets:</i>	
Building improvements	5%
Furniture and fixtures	20%
Computer equipment	20%
Motor vehicles	20%
<i>Intangible fixed assets:</i>	
Start-up costs	50%

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12. Statutory Reserves

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

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

In accordance with Article 156, Enterprise Law dated 26 December 2013, the Bank is required to appropriate 10% of profit after tax each year into regulatory reserve fund. When this reserve fund reaches 50% of the registered capital, the Bank may suspend such provision, unless otherwise provided by the laws.

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

Accordingly, the Branch has provided the following reserves for the year 2019:

<i>Reserve</i>	<i>% of profit after tax (less accumulated losses, if any)</i>
Regulatory reserve fund	10.00%
Business expansion fund	0.00%

2.13. Leasing (applicable from 1 January 2019)

2.13.1. Right-of-use assets

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

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

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13. Leasing (applicable from 1 January 2019) (continued)

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

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

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

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

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

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

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

2.14. Leasing (applicable before 1 January 2019)

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Branch as a lessee

Leases, where all the risks and benefits of ownership of the leased items are not transferred substantially to the Branch are operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which they are incurred.

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15. Foreign currency transactions

The Branch maintains its accounting system and records all transactions in original currencies. Income and expenses arising in foreign currencies during the year are converted into LAK at rates ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies at year end are translated into LAK at exchange rates ruling on the balance sheet date. Foreign exchange differences arising from the transaction of monetary assets and liabilities on the balance sheet date are recognized into the income statement. The list of applicable foreign currencies against LAK on 31 December 2019 and 2018 presented below:

	31 December 2019	31 December 2018
	LAK	LAK
United State Dollar ("USD")	8,861	8,530
Thai baht ("THB")	296.26	261.90
Chinese Yuan ("CNY")	1,270	1,240

2.16. Profit tax

The Branch is obliged to pay profit tax at the rate of 24% of total profit before tax for the year ended 31 December 2019 in accordance with the Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016. 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.

2.17. 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.

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 employee 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 2019, there are no employees of the Branch who were dismissed under the above-mentioned grounds; therefore, the Branch has not made a provision for termination allowance in the financial statements.

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

3. NET INTEREST AND SIMILAR INCOME

	2019 LAKm	2018 LAKm
Interest and similar income from:		
Interbank transactions	70,580	37,098
Loans to customers	61,695	47,233
Held-to-maturity securities	59,917	56,159
	<u>192,192</u>	<u>140,490</u>
Interest and similar expense for:		
Interbank transactions	(11,242)	(2,869)
Customer deposits	(27,790)	(22,104)
	<u>(39,032)</u>	<u>(24,973)</u>
Net interest and similar income	<u>153,160</u>	<u>115,517</u>

4. NET FEES AND COMMISSION INCOME

	2019 LAKm	2018 LAKm
Fees and commission income from:		
Settlement activities	5,301	3,369
Treasury activities	9,648	1,204
Other activities	3,425	1,037
	<u>18,374</u>	<u>5,610</u>
Fees and commission expenses for:		
Financial enterprise fee	(277)	(236)
Clearing fee payable to central bank	(40)	(6)
Membership fee	(107)	(31)
	<u>(424)</u>	<u>(273)</u>
Net fees and commission income	<u>17,950</u>	<u>5,337</u>

5. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	2019 LAKm	2018 LAKm
Net gain from foreign exchange spot rate differences	16,956	10,168
Net gain from revaluation of monetary items	9,139	3,149
	<u>26,095</u>	<u>13,317</u>

6. OTHER OPERATING INCOME

	2019 LAKm	2018 LAKm
Reversal of provision for performing loans (Note 14.2)	-	1,253
Others	2	2
	<u>2</u>	<u>1,255</u>

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

7. PAYROLL AND OTHER STAFF COSTS

	2019 LAKm	2018 LAKm
Wages and allowances	23,754	14,699
Other staff costs	1,289	1,282
	25,043	15,981

8. OTHER ADMINISTRATION EXPENSES

	2019 LAKm	2018 LAKm
Office rental	-	2,185
External services	557	338
Repair and maintenance	603	410
Publication, marketing and promotion	281	165
Telecommunication	930	1,120
Training, meeting and seminar	1,558	1,912
Electricity and water	1,020	909
Others	2,706	1,298
	7,655	8,337

9. OTHER OPERATING EXPENSES

	2019 LAKm	2018 LAKm
Provision for performing loans (Note 14.2)	1,460	-
Insurance fees for Depositor Protection Fund	1,082	1,022
Other expenses	1,460	53
	4,002	1,075

10. CASH ON HAND

	31 December 2019 LAKm	31 December 2018 LAKm
Cash on hand in LAK	6,739	8,384
Cash on hand in foreign currencies	10,586	17,602
	17,325	25,986

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

11. BALANCES WITH BANK OF THE LAO PDR ("the BOL")

	<i>31 December 2019</i> <i>LAKm</i>	<i>31 December 2018</i> <i>LAKm</i>
Demand deposit	392,140	326,331
Term deposit (i)	886,100	426,500
Compulsory deposit (ii)	205,077	182,797
Registered capital reserve (iii)	5	5
	1,483,322	935,633

- (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-month 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 5.00% for LAK and 10.00% for foreign currencies, on a bi-monthly basis, (2018: 5.00% and 10.00%) 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) Under the regulation of 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 2019, the balance of the special deposit of the Branch is LAKm 5.

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

12. DUE FROM BANKS

12.1 Demand deposits

	<i>31 December 2019</i> <i>LAKm</i>	<i>31 December 2018</i> <i>LAKm</i>
Balances at domestic banks		
Industrial and Commercial Bank of China Limited, Vientiane Branch	10,244	10,474
Balances at foreign banks		
Bank of China, Shanghai RMB Trading Unit	42,045	114,484
Bank of China (Hong Kong) Limited	83,578	20,418
Bank of China (Thai) Public Co., Ltd	8,266	2,220
Bank of China Frankfurt Branch	792	-
Bank of China, Head Office	91,041	225,132
Bank of China, New York Branch	-	163,245
Bank of China, Shanghai Branch	63	63
	236,029	536,036

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

12. DUE FROM BANKS (continued)

12.2 Term deposits

	31 December 2019 LAKm	31 December 2018 LAKm
Term deposits at foreign banks		
Bank of China, Shanghai RMB Trading Unit	850,900	446,400
	850,900	446,400

Term deposits at Bank of China, Shanghai RMB Trading Unit have terms of 3 months or less and earn interest at rates ranging from 2.80% - 3.13% per annum.

13. HELD-TO-MATURITY SECURITIES

	31 December 2019 LAKm	31 December 2018 LAKm
Bonds issued by the BOL	886,100	853,000
	886,100	853,000

Details of bonds issued by the BOL as at 31 December 2019 are as follows:

Term	Purchase date	Maturity date	Face value USD	LAKm Equivalent	Interest rate % per annum
5-years	21-Oct-15	21-Oct-20	50,000,000	443,050	4,30% + Libor 6 months
5-years	16-Jun-17	16-Jun-22	50,000,000	443,050	4,30% + Libor 6 months
			100,000,000	886,100	

14. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION

	31 December 2019 LAKm	31 December 2018 LAKm
Loans to customers (Note 14.1)	886,657	574,656
Loans to Parent Bank (Note 25)	177,800	-
Loans to corporate and individuals	708,857	574,656
Less specific provision	-	-
	886,657	574,656

Loans to Bank of China (Hong Kong) Limited have terms of 3 months or less and earn interest at rates ranging from 2.80% - 3.10% per annum.

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

	2019 Interest rates % per annum	2018 Interest rates % per annum
Loans denominated in LAK	8.00% - 11.00%	8.00% - 11.00%
Loans denominated in USD	4.50% - 8.54%	6.95% - 9.03%
Loans denominated in CNY	2.80% - 6.50%	5.50% - 6.50%

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

14. LOANS TO CUSTOMERS, NET OF PROVISION FOR NON-PERFORMING LOANS (continued)

14.1 Analysis of loans to customers

Analysis by currency

	31 December 2019 LAKm	31 December 2018 LAKm
Loans denominated in LAK	332,755	355,500
Loans denominated in USD	348,162	81,888
Loans denominated in CNY	205,740	137,268
	886,657	574,656

Analysis by status of loans

	31 December 2019 LAKm	31 December 2018 LAKm
Performing loans	886,657	574,656
Non-performing loans	-	-
	886,657	574,656

Analysis by original term

	31 December 2019 LAKm	31 December 2018 LAKm
Short-term loans	198,117	142,230
Medium-term loans	380,915	132,426
Long-term loans	307,625	300,000
	886,657	574,656

Analysis by economic sectors

	31 December 2019 LAKm	31 December 2018 LAKm
Industrial services companies	360,695	365,588
Construction companies	265,830	145,870
Agriculture companies	53,166	51,180
Trading companies	5,317	12,018
Banking Industry	177,800	-
Others	23,849	-
	886,657	574,656

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

14. LOANS TO CUSTOMERS, NET OF PROVISION FOR NON-PERFORMING LOANS (continued)

14.2 Provision for performing loans

Movement of provision for performing loans of the Branch during the year is as follows:

	2019 LAKm	2018 LAKm
As at 1 January 2019	2,873	4,103
Provision charged/(reversed) in the year	1,460	(1,253)
Foreign currency differences	100	23
As at 31 December 2019	4,433	2,873

The breakdown of loan classification and provision as required by the BOL as at 31 December 2019 are as follows:

<i>Classification</i>	<i>Loan balance LAKm</i>	<i>General provision LAKm</i>	<i>Total provision LAKm</i>
Current	886,657	4,433	4,433
Special Mention	-	-	-
Sub-standard	-	-	-
Doubtful	-	-	-
Loss	-	-	-
Total	886,657	4,433	4,433

15. FIXED ASSETS AND RIGHT-OF-USE ASSETS

15.1 Tangible fixed assets

	<i>Building improvement LAKm</i>	<i>Furniture & fixtures LAKm</i>	<i>Computer equipment LAKm</i>	<i>Motor vehicles LAKm</i>	<i>Total LAKm</i>
Cost:					
As at 1 January 2019	7,448	2,754	5,892	1,607	17,701
Additions	-	41	952	1,276	2,269
As at 31 December 2019	7,448	2,795	6,844	2,883	19,970
Accumulated depreciation:					
As at 1 January 2019	5,586	1,999	3,739	800	12,124
Charge for the year	745	551	1,255	406	2,957
As at 31 December 2019	6,331	2,550	4,994	1,206	15,081
Net book value:					
As at 1 January 2019	1,862	755	2,153	807	5,577
As at 31 December 2019	1,117	245	1,850	1,677	4,889

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

15. FIXED ASSETS AND RIGHT-OF-USE ASSETS (continued)

15.2. Right-of-use assets

	<u>Building</u>
Cost:	
As at 1 January 2019	13,113
Additions	-
As at 31 December 2019	<u>13,113</u>
Accumulated depreciation	
As at 1 January 2019	-
Charge for the year	2,186
As at 31 December 2019	<u>2,186</u>
Net book value:	
As at 1 January 2019	<u>13,113</u>
As at 31 December 2019	<u>10,927</u>

16. ACCRUED INTEREST RECEIVABLE

	<u>31 December 2019</u>	<u>31 December 2018</u>
	<u>LAKm</u>	<u>LAKm</u>
Accrued interest from:		
Deposits at other banks	12,743	4,344
Loans to customers	2,276	1,617
Held-to-maturity securities	6,727	7,343
	<u>21,746</u>	<u>13,304</u>

17. OTHER ASSETS

	<u>31 December 2019</u>	<u>31 December 2018</u>
	<u>LAKm</u>	<u>LAKm</u>
Prepaid expenses	168	13,263
Others	1,625	111
	<u>1,793</u>	<u>13,374</u>

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

18. DUE TO BANKS

	<i>31 December 2019</i> LAKm	<i>31 December 2018</i> LAKm
Demand deposits from domestic banks		
ANZ Bank (Laos) Limited	176,790	166,617
Canadia Bank Lao Limited	589	-
Banque Pour Le Commerce Exterieur Lao Public	15,402	2,064
Lao China Bank Limited	35,629	19,603
Term deposits from domestic banks		
ANZ Bank (Laos) Limited	50,000	-
Canadia Bank Lao Limited	48,310	30,000
Borrowing from financial institution		
Bank of China (Hong Kong) Limited (Note 25)	177,220	-
Other payables to other financial institutions	6,109	5,865
	510,049	224,149

The term deposit from Canadia Bank Lao Limited has a term of 6 months and bears interest at the rate ranging from 2.00% to 3.5% per annum.

The term deposit from ANZ Bank (Lao) Limited has a term of 3 months and bears interest at the rate of 3.00% per annum.

The borrowing from Bank of China (Hong Kong) Limited has a term of 1 month and bears interest at the rate of 2.00% per annum.

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

19. DUE TO CUSTOMERS

	31 December 2019 LAKm	31 December 2018 LAKm
Demand deposits	2,230,600	1,753,074
- in LAK	147,335	101,163
- in foreign currencies	2,083,265	1,651,911
Saving deposits	250,669	193,314
- in LAK	10,309	17,115
- in foreign currencies	240,360	176,199
Term deposits	713,281	692,441
- in LAK	6,621	4,522
- in foreign currencies	706,660	687,919
	3,194,550	2,638,829

The interest rates during the year for these deposits are as follows:

	2019 <i>Interest rate</i>	2018 <i>Interest rate</i>
Demand deposits in LAK	No interest	No interest
Demand deposits in foreign currencies	No interest	No interest
Saving deposits in LAK	1.10%	1.00%
Saving deposits in USD	1.25%	1.25%
Saving deposits in THB	0.50%	0.50%
Saving deposits in CNY	0.90%	0.20%
Term deposits in LAK	3.00% - 6.25%	3.00% - 9.00%
Term deposits in USD	1.7% - 6.75%	2.00% - 6.75%
Term deposits in THB	0.9% - 4.5%	0.75% - 4.50%
Term deposits in CNY	0.4% - 2.2%	0.25% - 0.40%

20. ACCRUED INTEREST PAYABLE

	31 December 2019 LAKm	31 December 2018 LAKm
Interest payable to:		
Other banks	945	377
Customers	19,926	9,706
	20,871	10,083

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

21. OTHER LIABILITIES

	31 December 2019 LAKm	31 December 2018 LAKm
Payable to Bank of China, Head Office	24,708	950
Payable to employee	9,528	4,457
Others	425	250
	34,661	5,657

22. TAXES PAYABLE

22.1 Taxes payable

	31 December 2019 LAKm	31 December 2018 LAKm
Profit tax payable	(49)	8,554
Personal income tax payable	189	129
Other taxes	1,022	-
	1,162	8,683

22.2 Profit tax ("PT")

The Branch is obliged to pay profit tax at the rate of 24% of total profit before tax for the year ended 31 December 2019 in accordance with the new Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016.

	2019 LAKm	2018 LAKm
Profit before tax	155,364	107,000
Non-taxable expense	(9,139)	-
Non-deductible expenses	-	269
Tax reconciling item arising from difference between accounting practice and Tax Law	-	135
Taxable income	146,225	107,404
Current PT expense, at the statutory rate of 24%	35,094	25,777
PT payable at the beginning of the year	8,554	3,065
PT paid during the year	(43,697)	(20,288)
PT (recoverable)/payable at the end of the year	(49)	8,554

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.

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

23. PAID-UP CAPITAL

	<i>2019</i> <i>LAKm</i>	<i>2018</i> <i>LAKm</i>
Opening balance	405,100	405,100
Changed during the year	-	-
Closing balance	405,100	405,100

24. CASH AND CASH EQUIVALENTS

	<i>31 December 2019</i> <i>LAKm</i>	<i>31 December 2018</i> <i>LAKm</i>
Cash on hand	17,325	25,986
Current accounts with the BOL	392,140	326,331
Current accounts with other banks	236,029	536,036
Term deposits with original maturity term of 30 days or less	-	222,000
	645,494	1,110,353

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

25. 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.

Significant balances with related parties are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>31 December</i>	<i>31 December</i>
			<i>2019</i>	<i>2018</i>
			<i>Receivable/ (Payable)</i>	<i>Receivable/ (Payable)</i>
			<i>LAKm</i>	<i>LAKm</i>
Bank of China (Hong Kong) Limited	Parent bank	Demand deposit	83,578	20,418
		Borrowing	(177,220)	-
		Accrued interest	(292)	-
		Lending	177,800	-
		Accrued interest	330	-
Bank of China, Head Office	Affiliate	Demand deposit	91,041	225,132
		Other payable	(24,708)	(950)
		Term deposit	-	-
		Accrued interest	-	-
Bank of China Limited, Shanghai RMB Trading Unit	Affiliate	Demand deposit	42,045	114,484
		Term deposit	850,900	446,400
		Accrued interest	2,851	609
Bank of China (Thai) Public Company Limited	Affiliate	Demand deposit	8,266	2,220
Bank of China, New York Branch	Affiliate	Demand deposit	-	163,245
Bank of China Shanghai Branch	Affiliate	Demand deposit	63	63
Bank of China Frankfurt Branch	Affiliate	Demand deposit	792	-

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2019

25. RELATED PARTY TRANSACTIONS (continued)

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

	2019 LAKm	2018 LAKm
Net increase/(decrease) in deposit at other Bank of China branches:		
- Demand deposit at Bank of China, Head Office	(134,091)	166,931
- Term deposit at Bank of China, Head Office	-	(331,720)
- Demand deposit at Bank of China Limited, Shanghai RMB Trading Unit	(72,439)	105,705
- Term deposit at Bank of China Limited, Shanghai RMB Trading Unit	404,500	217,440
- Demand deposit at Bank of China (Hong Kong) Limited	63,160	18,446
- Demand deposit at Bank of China (Thai) Public Company Limited	6,046	(5,140)
- Demand deposit at Bank of China, New York Branch	(163,245)	(66,288)
- Demand deposit at Bank of China, Frankfurt Branch	792	-
(Increase) in borrowing from Bank of China (Hong Kong) Limited	(177,220)	-
(Increase) in other payable to Bank of China, Head Office	(23,758)	(138)
Increase in loan to Bank of China (Hong Kong) Limited	177,800	-
Interest income from deposits at Bank of China, Shanghai RMB Trading Unit	17,688	18,662
Interest income from loan to Bank of China (Hong Kong) Limited	4,493	-
Interest expense from borrowing from Bank of China (Hong Kong) Limited	(8,495)	-

Transactions with key management personnel of the Branch

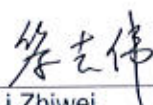
Remuneration to Management is as follows:

	2019 LAKm	2018 LAKm
Salaries and bonus	3,353	2,805
	3,353	2,805

26. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since the 31 December 2019 that requires adjustment or disclosure to be made in the financial statements of the Branch.

Prepared by:



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Reviewed by:



Mr. Li Zhiyong
General Manager

Vientiane, Lao PDR

27 May 2020