

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

Financial Statements

For the year ended 31 December 2024



# Bank of China (Hong Kong) Ltd., Vientiane Branch

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# Bank of China (Hong Kong) Ltd., Vientiane Branch

## GENERAL INFORMATION

### THE BRANCH

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

The initial registered capital of the Branch is LAK 405,100,000,000. The actual paid-up capital as at 31 December 2024 is LAK 405,100,000,000 (31 December 2023: 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 period from 1 January 2024 to 25 November 2024 is Mr. Li Zhiyong the General Manager.

The legal representative of the Branch during the period from 25 November 2024 to the date of this report is Mrs. Li Shuping, the General Manager.

### AUDITORS

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

# Bank of China (Hong Kong) Ltd., Vientiane Branch

## REPORT OF MANAGEMENT

Management of Bank of China (Hong Kong) 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 2024.

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

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

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgements 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 of financial statements.

For and on behalf of Management:



Mrs. Li Shuping  
General Manager

Vientiane, Lao PDR

31 March 2025

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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the accompanying financial statements of Bank of China (Hong Kong) Ltd., Vientiane Branch ("the Branch"), which comprise the statement of financial position as at 31 December 2024, 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 of financial statements.

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

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

### ***Emphasis of Matter***

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.

### ***Other matter***

The financial statements of the Company for the year ended 31 December 2023 were audited by another audit firm which expressed an unmodified opinion on those statements on 29 March 2024.

### ***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 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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

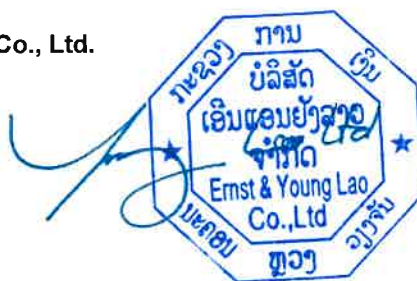
We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Ernst & Young Lao Co., Ltd.**



Vientiane, Lao PDR

31 March 2025



# Bank of China (Hong Kong) Ltd., Vientiane Branch

INCOME STATEMENT  
for the year ended 31 December 2024

Code	ITEMS	Notes	2024 LAKm	2023 LAKm
<b>A</b>	<b>OPERATING INCOME AND EXPENSES</b>			
<b>1</b>	<b>Interest and similar income</b>	<b>3</b>	<b>687,395</b>	<b>568,368</b>
<b>2</b>	<b>Interest and similar expense</b>	<b>3</b>	<b>(270,319)</b>	<b>(238,476)</b>
<b>I.</b>	<b>NET INTEREST AND SIMILAR INCOME</b>		<b>417,076</b>	<b>329,892</b>
<b>3</b>	<b>Fee and commission income</b>	<b>4</b>	<b>27,187</b>	<b>25,735</b>
<b>4</b>	<b>Fee and commission expense</b>	<b>4</b>	<b>(4,501)</b>	<b>(2,241)</b>
<b>5</b>	<b>Net gain from dealing in foreign currencies</b>	<b>5</b>	<b>175,479</b>	<b>228,619</b>
<b>II.</b>	<b>NET OPERATING INCOME</b>		<b>615,241</b>	<b>582,005</b>
<b>B</b>	<b>OTHER INCOME AND EXPENSES</b>			
<b>6</b>	<b>Other operating income</b>		<b>290</b>	<b>3,164</b>
<b>7</b>	<b>Administration expenses</b>			
7.1	Payroll and other staff costs	6	(70,298)	(60,645)
7.2	Other administration expenses	7	(23,940)	(17,861)
<b>8</b>	<b>Depreciation and amortization charges</b>	<b>15</b>	<b>(3,396)</b>	<b>(3,304)</b>
<b>9</b>	<b>Other operating expenses</b>	<b>8</b>	<b>(3,107)</b>	<b>(7,717)</b>
<b>10</b>	<b>Provision for credit losses</b>		<b>(27,323)</b>	<b>84,288</b>
<b>III.</b>	<b>TOTAL PROFIT BEFORE TAX</b>		<b>487,467</b>	<b>579,930</b>
<b>11</b>	<b>Current profit tax expense</b>	<b>22.2</b>	<b>(97,756)</b>	<b>(116,506)</b>
<b>IV.</b>	<b>PROFIT AFTER TAX</b>		<b>389,711</b>	<b>463,424</b>

Prepared by:



Mr. Zhou Junyu  
Financial Management and  
Operation Service Unit Manager

Reviewed by:



Mrs. Li Shuping  
General Manager



Vientiane, Lao PDR

31 March 2025

# Bank of China (Hong Kong) Ltd., Vientiane Branch

STATEMENT OF FINANCIAL POSITION (continue)  
as at 31 December 2024

Code	ASSETS	Notes	31/12/2024 LAKm	31/12/2023 LAKm
<b>I</b>	<b>Cash and balances with Bank of the Lao PDR ("the BOL")</b>		<b>7,166,823</b>	<b>6,849,100</b>
1	Cash on hand	9	52,887	103,497
2	Balances with the BOL	10	7,113,936	6,745,603
<b>II</b>	<b>Due from banks</b>		<b>529,709</b>	<b>1,458,401</b>
1	Demand deposits	11.1	529,709	1,458,401
<b>III</b>	<b>Investment in securities</b>		<b>163,000</b>	<b>31,000</b>
1	Held-to-maturity securities	12	163,000	31,000
<b>IV</b>	<b>Loans to customers, net of specific provision</b>	<b>13</b>	<b>4,743,888</b>	<b>2,266,582</b>
<b>V</b>	<b>Loan to parent company</b>	<b>14</b>	<b>3,740,533</b>	<b>4,745,348</b>
<b>VI</b>	<b>Fixed assets and Right-of-use assets</b>		<b>8,544</b>	<b>4,911</b>
1	Tangible fixed assets	15.1	2,641	2,618
2	Right-of-use assets	15.2	5,903	2,293
<b>VII</b>	<b>Other assets</b>		<b>84,544</b>	<b>90,079</b>
1	Accrued interest receivable	16	82,757	89,093
2	Other assets	17	1,787	986
	<b>TOTAL ASSETS</b>		<b>16,437,041</b>	<b>15,445,421</b>



# Bank of China (Hong Kong) Ltd., Vientiane Branch

STATEMENT OF FINANCIAL POSITION (continue)  
as at 31 December 2024


Code	LIABILITIES AND CAPITAL	Notes	31/12/2024 LAKm	31/12/2023 LAKm
<b>I</b>	<b>Due to banks</b>	<b>18</b>	<b>1,264,604</b>	<b>2,627,953</b>
1	Demand deposits		578,044	615,943
2	Term deposits		41,104	38,324
3	Borrowing		645,456	1,973,686
<b>II</b>	<b>Due to customers</b>	<b>19</b>	<b>12,595,508</b>	<b>10,641,881</b>
1	Demand deposits		4,612,731	3,589,688
2	Saving deposits		379,190	451,503
3	Term deposits		7,603,587	6,600,690
<b>III</b>	<b>Other liabilities</b>		<b>236,643</b>	<b>254,932</b>
1	Accrued interest payable	20	165,133	119,085
2	Taxes payable	22.1	32,397	16,613
3	Other liabilities	21	39,113	119,234
	<b>TOTAL LIABILITIES</b>		<b>14,096,755</b>	<b>13,524,766</b>
<b>IV</b>	<b>Capital and reserves</b>			
1	Paid-up capital	23	405,100	405,100
2	Statutory reserve		183,122	144,151
3	General provision for credit activities		104,123	74,203
4	Retained earnings		1,647,941	1,297,201
	<b>TOTAL CAPITAL</b>		<b>2,340,286</b>	<b>1,920,655</b>
	<b>TOTAL LIABILITIES AND CAPITAL</b>		<b>16,437,041</b>	<b>15,445,421</b>

# Bank of China (Hong Kong) Ltd., Vientiane Branch

STATEMENT OF FINANCIAL POSITION (continue)  
as at 31 December 2024

Code	OFF BALANCE SHEET ITEMS	31/12/2024 LAKm	31/12/2023 LAKm
<b>I</b>	<b>Commitments given</b>		
<b>A</b>	<b>Commitments for financing given</b>	<b>1,110,969</b>	<b>1,103,313</b>
1	Commitments for financing given to customers	1,110,969	1,103,313
<b>B</b>	<b>Commitments for guarantees given</b>	<b>85,517</b>	<b>15,571</b>
1	Commitments for guarantees given to customers	85,517	15,571
	<b>TOTAL COMMITMENTS GIVEN</b>	<b>1,196,486</b>	<b>1,118,884</b>
<b>II</b>	<b>Collaterals and Mortgages</b>	<b>747,014</b>	<b>1,775,547</b>
1	Collaterals and Mortgages for loans to customers	747,014	1,775,547
	<b>TOTAL COLLATERALS AND MORTGAGES</b>	<b>747,014</b>	<b>1,775,547</b>

Prepared by:



Mr. Zhou Junyu  
Financial Management and  
Operation Service Unit Manager

Reviewed by:



Mrs. Li Shuping  
General Manager



Vientiane, Lao PDR

31 March 2025

Bank of China (Hong Kong) Ltd., Vientiane Branch

STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 December 2024

ITEMS	Paid-up capital LAKm	Statutory reserve LAKm	General provision for credit activities LAKm	Retained earnings LAKm	Total LAKm
<b>Balance as at 1 January 2023</b>					
Net profit for the year	405,100	97,808	145,568	880,120	1,528,596
Appropriate to reserve for the year 2023	-	-	-	463,424	463,424
General provision charged during the year	-	46,343	-	(46,343)	-
Foreign exchange differences	-	-	(84,288)	-	(84,288)
	-	-	12,923	-	12,923
<b>Balance as at 31 December 2023</b>					
Net profit for the year	405,100	144,151	74,203	1,297,201	1,920,655
Appropriate to reserve for the year 2024	-	-	-	389,711	389,711
Provision for credit losses charged during the year	-	38,971	-	(38,971)	-
Foreign exchange differences	-	-	27,323	-	27,323
	-	-	2,597	-	2,597
<b>Balance as at 31 December 2024</b>					
	405,100	183,122	104,123	1,647,941	2,340,286

Prepared by:



Mr. Zhou Junyu  
Financial Management and Operation  
Service Unit Manager

Reviewed by:



Mrs. Li Shuping  
General Manager

Vientiane, Lao PDR

3 March 2025

# Bank of China (Hong Kong) Ltd., Vientiane Branch

## STATEMENT OF CASHFLOWS for the year ended 31 December 2024

ITEMS	Note	2024 LAKm	2023 LAKm
<b>OPERATING ACTIVITIES</b>			
<b>Net profit before tax</b>		<b>487,467</b>	<b>579,930</b>
<i>Adjustments for:</i>			
Depreciation and amortization charges		3,396	3,304
Loan loss provision expenses/(reversal)	13.2	27,323	(84,288)
Foreign exchange gains arising from revaluation of monetary accounts denominated in foreign currencies	5	(175,479)	(228,619)
Interest income		(687,395)	(568,368)
Interest expense		270,319	238,476
(Increase)/decrease in operating assets			
Due from banks		560,362	(1,045,511)
Loans to customers		(2,477,744)	(311,572)
Loans to parent company		1,004,815	475,552
Other assets		(803)	(1,216)
Increase/(decrease) in operating liabilities			
Due to banks		(1,398,468)	1,324,437
Due to customers		1,953,627	838,611
Other liabilities		(149,319)	161,341
Profit tax paid during the year	23.2	(81,972)	(115,190)
<b>Net cash flows from/(used in) operating activities</b>		<b>(663,871)</b>	<b>1,266,887</b>
<b>INVESTING ACTIVITIES</b>			
Payments to acquire property and equipment	16	(7,029)	(849)
Investment in securities		(132,000)	(17,000)
Interest received		727,747	552,116
<b>Net cash flows from/(used in) investing activities</b>		<b>588,718</b>	<b>534,267</b>
<b>FINANCING ACTIVITIES</b>			
Interest paid		(224,271)	(173,044)
<b>Net cash flows from financing activities</b>		<b>(224,271)</b>	<b>(173,044)</b>
<b>Net change in cash and cash equivalents</b>		<b>(299,424)</b>	<b>1,628,110</b>
Foreign exchange rate		-	243,493
<b>Cash and cash equivalents at the beginning of the year</b>		<b>2,637,841</b>	<b>766,238</b>
<b>Cash and cash equivalents at the end of the year</b>	25	<b>2,338,417</b>	<b>2,637,841</b>

Prepared by:



Mr. Zhou Junyu  
Financial Management and  
Operation Service Unit Manager

Reviewed by:



Mrs. Li Shuping  
General Manager

Vientiane, Lao PDR

31 March 2025

# Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS  
as at and for the year then ended 31 December 2024

## 1. CORPORATE INFORMATION

### *Establishment and operations*

Bank of China (Hong Kong) Ltd., Vientiane Branch (the "Branch"), a branch of Bank of China (Hong Kong) Ltd., was established in Lao PDR and operates under 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 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 2024 is LAK 405,100,000,000.

### *General Manager*

The Branch's General Manager during year ended 31 December 2024 and as at the date of these financial statements is Mrs. Li Shuping.

### *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 2024 were 67 people (31 December 2023: 65 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 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 of financial statements ("LAS").

The accompanying financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Lao PDR. Accordingly, statement of profit and loss, statement of finance position the statement of changes in equity, statement of cash flow 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.

# Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continue)  
as at and for the year then ended 31 December 2024

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

### 2.2. *Basis of preparation* (continued)

#### *Financial reporting in hyperinflationary economies*

As at 31 December 2024, the cumulative inflation rate in Lao P.D.R. over the past 36 months has exceeded 100%, categorizing the country as a hyperinflationary economy, according to the BOL report (<https://www.bol.gov.la/en/inflation>). On 26 March 2025, Bank of the Lao PDR has released official letter No. 0031/AFD, stating that the commercial banks that has fully adopted the International Financial Reporting Standard (IFRS) needs to apply IAS29 to address the effects of hyperinflation. However, the Branch has not implemented any accounting policies to address the effects of hyperinflation due to the absence of specific guidance from BOL for LAS.

#### *Fiscal year*

The Branch's fiscal years start on 1 January and end on 31 December.

### 2.3. *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.

#### *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.

When a financial asset becomes credit-impaired 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 (See Note 2.7 for the definition of non-performing loans) and is no longer credit-impaired, the Branch reverts to calculating interest income on a gross basis.

## Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continue)  
as at and for the year then ended 31 December 2024

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

#### **2.4. 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 into income statement on cash basis.

#### **2.5. Cash and cash equivalents**

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

#### **2.6. Loans to customers**

Loans to customers are recognized at cost and presented at outstanding balance less Specific provision for credit loss as at the year end.

#### **2.7. Provisions for credit losses**

The Branch sent out a letter to the BOL with reference BOC/2020/161 dated 25 February 2020 requesting for permission to apply the provision for its loans to customers in accordance with is the IFRS 9 as stated in its credit manual.

The Branch has received a response letter from the BOL. In accordance with the Notification Letter no.152/BSD ("BOL") dated 01 April 2020 from the Commercial Bank Supervision Department of Bank of Lao P.D.R, the Branch is allowed to apply loan provision in accordance to IFRS 9 for its loans to customers.

#### **2.7. Provisions for credit losses**

##### *Expected credit loss model ('ECL')*

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.

## Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

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

#### 2.7. Provisions for credit losses (continued)

##### *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 effective interest rate, i.e. the present value of all cash shortfalls.

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.

##### *Measurement*

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.



# Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

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

### 2.7. Provisions for credit losses (continued)

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

#### *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 classified into Special Mention category within five-category loan classification
- Be listed on the watch-list

#### *Backstop criteria*

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

# Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

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

### 2.7. Provisions for credit losses (continued)

#### *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-organization
- 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.

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 effective interest rate 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

# Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

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

### 2.7. Provisions for credit losses (continued)

#### *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.

### 2.8 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.

# Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

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

### 2.9. Fixed assets

Fixed assets include tangible assets consisting of buildings and improvements, furniture and fixtures, computer equipment and motor vehicles.

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.

### 2.10. Depreciation and amortization

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

Land use rights with indefinite life	No amortisation
Computer software	20%
Building improvements	20%
Furniture and fixtures	20%
Computer equipment	20%
Motor vehicles	20%

### 2.11. Statutory Reserves

Under the requirement of the Law on Commercial Bank dated 17 July 2023, commercial banks are required to appropriate net profit to following reserves:

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

In accordance with Article 154 (amended), Enterprise Law dated 29 December 2022, the Bank (after deduct accumulated losses) 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.

# Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

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

### 2.12. Leasing

#### 2.12.1. 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.

#### 2.12.2. 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 Bank 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.

#### 2.12.3. 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.

# Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

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

### 2.12. Leasing (continued)

#### 2.12.4. 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.

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.

### 2.13. 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 2024 and 2023 presented below:

	31 December 2024	31 December 2023
	LAK	LAK
United State Dollar ("USD")	20,552.00	19,162.00
Thai baht ("THB")	602.00	561.61
Chinese Yuan ("CNY")	2,812.00	2,702.00

# Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

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

### 2.14. Profit tax

#### *Current tax*

The Branch is obliged to pay profit tax at the rate of 20% of total profit before tax in accordance with the Tax Law No.67/NA dated 18 June 2019 which is effective on or after 01 January 2020. Accordingly, the Bank is subject to the tax rate of 20% for the year ended 31 December 2024 (2023: 20%). 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.

#### *Deferred tax*

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

Current and deferred taxes are recognized as income tax benefits or expenses in the income statement.

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

### 2.15. 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.

# Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

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

### 2.15. Employee benefits (continued)

#### 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 2024, 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.

## 3. NET INTEREST AND SIMILAR INCOME

	2024 LAKm	2023 LAKm
<b>Interest and similar income from:</b>		
Interbank transactions	507,770	434,177
Loans to customers	177,474	131,954
Held-to-maturity securities	2,151	2,237
	<b>687,395</b>	<b>568,368</b>
<b>Interest and similar expense for:</b>		
Interbank transactions	(41,097)	(77,152)
Customer deposits	(229,222)	(161,324)
	<b>(270,319)</b>	<b>(238,476)</b>
<b>Net interest and similar income</b>	<b>417,076</b>	<b>329,892</b>



## Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

### 4. NET FEES AND COMMISSION INCOME

	2024 LAKm	2023 LAKm
<b>Fees and commission income from:</b>		
Settlement activities	11,135	6,864
Treasury activities	3,010	1,740
Other	13,042	17,131
	<b>27,187</b>	<b>25,735</b>
<b>Fees and commission expenses for:</b>		
Financial enterprise fee	(3,388)	(2,070)
Clearing fee payable to central bank	(103)	(89)
Membership fee	(1,010)	(82)
	<b>(4,501)</b>	<b>(2,241)</b>
<b>Net fees and commission income</b>	<b>22,686</b>	<b>23,494</b>

### 5. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	2024 LAKm	2023 LAKm
Net gain from foreign exchange spot rate differences	50,012	23,757
Net gain from revaluation of monetary items	125,467	204,862
	<b>175,479</b>	<b>228,619</b>

### 6. PAYROLL AND OTHER STAFF COSTS

	2024 LAKm	2023 LAKm
Wages and allowances	66,536	58,575
Other staff costs	3,762	2,070
	<b>70,298</b>	<b>60,645</b>

### 7. OTHER ADMINISTRATION EXPENSES

	2024 LAKm	2023 LAKm
Office rental	571	448
External services	1,224	612
Repair and maintenance	1,451	1,167
Publication, marketing and promotion	3,606	186
Telecommunication	3,020	2,633
Training, meeting and seminar	5,891	5,209
Electricity and water	2,405	2,131
Others	5,772	5,475
	<b>23,940</b>	<b>17,861</b>

## Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

### 8. OTHER OPERATING EXPENSES

	2024 LAKm	2023 LAKm
Insurance fees for Depositor Protection Fund	641	6,770
Other expenses	2,466	947
	<b>3,107</b>	<b>7,717</b>

### 9. CASH ON HAND

	31/12/2024 LAKm	31/12/2023 LAKm
Cash on hand in LAK	5,512	7,578
Cash on hand in foreign currencies	47,375	95,919
	<b>52,887</b>	<b>103,497</b>

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

	31/12/2024 LAKm	31/12/2023 LAKm
Demand deposit	1,755,823	1,075,942
Term deposit (i)	5,338,000	4,790,500
Compulsory deposit (ii)	20,108	879,156
Registered capital reserve (iii)	5	5
	<b>7,113,936</b>	<b>6,745,603</b>

- (i) The term deposits at the BOL have terms ranging from 3 months to 5 years and earn interest at the fixed rates ranging from 6.33% to 11.54% per annum.
- (ii) Under regulations of the BOL, the Bank is required to maintain certain reserves with the BOL in the form of compulsory deposits, which are computed at 8.00% for LAK and 11.00% for foreign currencies (2023: 8.00% for LAK and 10.00% for foreign currency), on a bi-monthly basis, of customer deposits having original maturities of less than 12 months. During the period, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.
- (iii) According to Decision No. 721/BOL dated 22 September 2022, which was effective from 22 September 2022, commercial banks are required to maintain a positive balance at the BOL in the form of special deposit. The Branch was then approved by the BOL in Official Letter No. 201/BSD dated 03 April 2024, Official Letter No. 645/BSD dated 05 June 2023, Official Letter No. 176/BSD dated 18 March 2022, Official Letter No. 388/BSD dated 05 July 2021 and Official Letter No. 677/BSD dated 13 November 2020 to withdraw from this deposit account to supplement its working capital.

## Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

### 11. DUE FROM BANKS

#### 11.1 Demand deposits

	31/12/2024 LAKm	31/12/2023 LAKm
<b>Balances at domestic banks</b>		
Industrial and Commercial Bank of China Limited, Vientiane Branch	30,747	23,925
<b>Balances at overseas banks</b>		
Bank of China, Shanghai RMB Trading Unit	175,082	114,323
Bank of China (Hong Kong) Limited	281,841	1,194,587
Bank of China (Thai) Public Co., Ltd	6,034	59,392
Bank of China Frankfurt Branch	973	219
Bank of China, Head Office	34,888	65,819
Bank of China, Shanghai Branch	144	136
	<b>529,709</b>	<b>1,458,401</b>

### 12. HELD-TO-MATURITY SECURITIES

	31/12/2024 LAKm	31/12/2023 LAKm
Bonds issued by the BOL	163,000	31,000
	<b>163,000</b>	<b>31,000</b>

Details of bonds issued by the BOL as at 31 December 2024 are as follows:

Term	Purchase date	Maturity date	Face value OC	CCY	LAKm Equivalent	Interest rate % per annum
12 months	28-Mar-2024	28-Mar-2025	10,000	LAK	10,000	5.50
12 months	2-May-2024	2-May-2025	7,500	LAK	7,500	5.50
12 months	30-May-2024	30-May-2025	1,400	LAK	1,400	5.50
12 months	19-Sep-2024	19-Sep-2025	3,500	LAK	3,500	5.50
12 months	24-Dec-2024	24-Dec-2025	50	CNY	140,600	5.00
					<b>163,000</b>	

# Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

## 13. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION

	31/12/2024 LAKm	31/12/2023 LAKm
Loans to customers ( <i>Note 13.1</i> )	4,743,888	2,266,582
Less: allowance for credit losses for non-performing loan	-	-
	<b>4,743,888</b>	<b>2,266,582</b>

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

	2024 Interest rates (% per annum)	2023 Interest rates (% per annum)
Loans denominated in LAK	5.75 - 10.08	6.50 - 11.00
Loans denominated in USD	2.24 - 7.50	2.40 - 8.00
Loans denominated in CNY	2.20 - 4.80	3.50

*Analysis by currency*

	31/12/2024 LAKm	31/12/2023 LAKm
Loans in LAK	397,799	442,859
Loans in USD	1,921,473	1,572,197
Loans in CNY	2,424,616	251,526
	<b>4,743,888</b>	<b>2,266,582</b>

### 13.1 Analysis of loans to customers

*Analysis by original term*

	31/12/2024 LAKm	31/12/2023 LAKm
Short-term loans	893,535	371,010
Medium-term loans	3,244,973	1,160,926
Long-term loans	605,380	734,646
	<b>4,743,888</b>	<b>2,266,582</b>

# Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

## 13. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION (continued)

### 13.1 Analysis of loans to customers (continued)

*Analysis by economic sectors*

	31/12/2024 LAKm	31/12/2023 LAKm
Industrial services companies	2,808,951	954,750
Construction companies	948,177	1,090,598
Agriculture companies	163,320	-
Trading companies	12,028	10,024
Banking Industry	94,624	152,075
Others	716,788	59,135
	<b>4,743,888</b>	<b>2,266,582</b>

### 13.2 Provision for credit losses

#### *Impairment allowance for loans to customers*

The table below shows the credit quality and maximum exposure to credit risk based on the Branch's internal stage classification. The amounts presented are gross of allowances for ELC.

	31/12/2024 Stage 1 Collective LAKm	31/12/2023 Stage 1 Collective LAKm
Performing	104,787	74,203
	<b>104,787</b>	<b>74,203</b>

A reconciliation of changes in the corresponding ECL allowances is as follows:

	Stage 1 Collective LAKm
<b>ECL allowance as at 1 January 2024</b>	74,203
Provision for credit losses charged during the year	27,323
Foreign currency differences	2,597
<b>ECL allowance as at 31 December 2024</b>	<b>104,123</b>

## 14. LOANS TO PARENT COMPANY

	31/12/2024 LAKm	31/12/2023 LAKm
Loans to parent company (*)	3,740,533	4,745,348
	<b>3,740,533</b>	<b>4,745,348</b>

(\*) Loans to parent company have terms of ranging from 1 month to 12 months which earns interest at the rate of ranging from 1.60% to 4.77% per annum.

# Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

## 15. FIXED ASSETS AND RIGHT-OF-USE ASSETS

### 15.1 Tangible fixed assets

	<i>Building improvement LAKm</i>	<i>Furniture &amp; fixtures LAKm</i>	<i>Computer equipment LAKm</i>	<i>Motor vehicles LAKm</i>	<i>Total LAKm</i>
<b>Cost:</b>					
As at 1 January 2024	7,448	3,022	10,807	2,883	24,160
Additions	-	111	1,015	-	1,126
As at 31 December 2024	<b>7,448</b>	<b>3,133</b>	<b>11,822</b>	<b>2,883</b>	<b>25,286</b>
<b>Accumulated depreciation:</b>					
As at 1 January 2024	7,448	2,922	8,481	2,691	21,542
Charge for the year	-	58	853	192	1,103
As at 31 December 2024	<b>7,448</b>	<b>2,980</b>	<b>9,334</b>	<b>2,883</b>	<b>22,645</b>
<b>Net book value:</b>					
As at 1 January 2024	-	100	2,326	192	2,618
As at 31 December 2024	-	<b>153</b>	<b>2,488</b>	-	<b>2,641</b>

### 15.2 Right-of-use assets

	<i>Building LAKm</i>
<b>Cost:</b>	
As at 1 January 2024	13,062
Additions	5,903
As at 31 December 2024	<b>18,965</b>
<b>Accumulated depreciation</b>	
As at 1 January 2024	10,769
Charge for the year	2,293
As at 31 December 2024	<b>13,062</b>
<b>Net book value:</b>	
As at 1 January 2024	2,293
As at 31 December 2024	<b>5,903</b>

## 16. ACCRUED INTEREST RECEIVABLE

	<i>31/12/2024 LAKm</i>	<i>31/12/2023 LAKm</i>
<b>Accrued interest from:</b>		
Deposits at other banks	74,388	59,163
Loans to customers	7,421	29,092
Held-to-maturity securities	948	838
	<b>82,757</b>	<b>89,093</b>

## Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

### 17. OTHER ASSETS

	31/12/2024 LAKm	31/12/2023 LAKm
Others	1,788	986
	<b>1,788</b>	<b>986</b>

### 18. DUE TO BANKS

	31/12/2024 LAKm	31/12/2023 LAKm
<b>Demand deposits from domestic banks</b>	<b>578,044</b>	<b>615,942</b>
ANZ Bank (Laos) Limited	222,212	397,015
Canadia Bank Lao Limited	733	756
Banque Pour Le Commerce Exterieur Lao Public	183,308	147,261
Lao China Bank Limited	171,585	70,718
Banque Franco Lao Ltd	206	192
<b>Term deposits from domestic banks</b>	<b>41,104</b>	<b>38,325</b>
Canadia Bank Lao Limited	41,104	38,325
<b>Borrowing from financial institution</b>	<b>645,456</b>	<b>1,973,686</b>
Bank of China (Hong Kong) Limited (Note 24)	575,456	1,973,686
ANZ Bank (Laos) Limited	40,000	-
Lao China Bank Limited	30,000	-
	<b>1,264,604</b>	<b>2,627,953</b>

The term deposit from Canadia Bank Lao Limited has a term of 6 months and bears interest at the rate 3.50% 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.

The borrowing from ANZ Bank (Laos) Limited has a term of 1 month and bears interest at the rate of 7.50% per annum.

The borrowing from Lao China Bank Limited has a term of 1 month and bears interest at the rate of 11.00% per annum.

# Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

## 19. DUE TO CUSTOMERS

	31/12/2024 LAKm	31/12/2023 LAKm
<b>Demand deposits</b>	<b>4,612,731</b>	<b>3,589,688</b>
- in LAK	561,188	556,177
- in foreign currencies	4,051,543	3,033,511
<b>Saving deposits</b>	<b>379,190</b>	<b>451,503</b>
- in LAK	26,054	24,846
- in foreign currencies	353,136	426,657
<b>Term deposits</b>	<b>7,603,587</b>	<b>6,600,690</b>
- in LAK	4,604	4,343
- in foreign currencies	7,598,983	6,596,347
	<b>12,595,508</b>	<b>10,641,881</b>

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

	2024 Interest rate (% per annum)	2023 Interest rate (% per annum)
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

## 20. ACCRUED INTEREST PAYABLE

	31/12/2024 LAKm	31/12/2023 LAKm
<b>Interest payable to:</b>		
Other banks	764	2,859
Customers	164,369	116,226
	<b>165,133</b>	<b>119,085</b>

## 21. OTHER LIABILITIES

	31/12/2024 LAKm	31/12/2023 LAKm
Payable to Bank of China, Head Office	-	53,151
Payable to employee	14,973	17,214
Transaction waiting for settlement	9,585	30,319
Others	14,555	18,550
	<b>39,113</b>	<b>119,234</b>



## Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

### 22. TAXES PAYABLE

#### 22.1 Taxes payable

	31/12/2024 LAKm	31/12/2023 LAKm
Profit tax payable (Note 22.2)	32,397	16,613
	<b>32,397</b>	<b>16,613</b>

#### 22.2 Profit tax ("PT")

The Branch is obliged to pay profit tax at rate of 20% on total profit before tax of the year in accordance with Tax Law No.67/NA dated 18 June 2019 which is effective on or after 1 January 2020. Profit tax in 2024 is calculated as follows:

	2024 LAKm	2023 LAKm
Profit before tax	487,466	579,930
Non-taxable income	-	-
Non-deductible expenses	1,312	2,600
<b>Taxable income</b>	<b>488,778</b>	<b>582,530</b>
<b>Current PT expense, at the statutory rate of 20%</b>	<b>97,756</b>	<b>116,506</b>
PT payable at the beginning of the year	16,613	15,297
PT paid during the year	(81,972)	(115,190)
<b>PT payable/(recoverable) at the end of the year</b>	<b>32,397</b>	<b>16,613</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.

### 23. PAID-UP CAPITAL

	2024 LAKm	2023 LAKm
Opening balance	405,100	405,100
Changed during the year	-	-
<b>Closing balance</b>	<b>405,100</b>	<b>405,100</b>

In accordance with Law on Commercial Banks No. 89/NA issued by the National Assembly on 17 July 2023 with the effective date on 15 September 2023, all foreign branches in Lao PDR are required to increase their charter capital to meet the minimum charter capital of LAKm 600,000. The Branch is in the progress of getting further guidance from the BOL on the timeframe of additional capital contribution, which is expected to be released in 2025.

## Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

### 24. CASH AND CASH EQUIVALENTS

	31/12/2024 LAKm	31/12/2023 LAKm
Cash on hand	52,887	103,497
Current accounts with the BOL	1,755,823	1,075,942
Current accounts with other banks	529,707	1,458,402
	<b>2,338,417</b>	<b>2,637,841</b>

### 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.

## Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

### 25. RELATED PARTY TRANSACTIONS (continued)

Significant balances with related parties are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>31/12/2024 Receivable/ (Payable) LAKm</i>	<i>31/12/2023 Receivable/ (Payable) LAKm</i>
Bank of China (Hong Kong) Limited	Parent bank	Demand deposit	281,841	1,194,587
		Borrowing	(575,456)	(1,973,686)
		Accrued interest	(537)	(2,859)
		Lending	3,740,533	4,745,348
		Accrued interest	7,426	29,103
Bank of China, Head Office	Affiliate	Demand deposit	34,888	65,819
		Other payable	-	(53,151)
Bank of China Limited, Shanghai RMB Trading Unit	Affiliate	Demand deposit	175,080	114,323
Bank of China (Thai) Public Company Limited	Affiliate	Demand deposit	6,034	59,392
Bank of China Shanghai Branch	Affiliate	Demand deposit	144	136
Bank of China Frankfurt Branch	Affiliate	Demand deposit	973	219

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

	<i>2024 LAKm</i>	<i>2023 LAKm</i>
Net increase/(decrease) in deposit at other Bank of China branches:		
- Demand deposit at Bank of China (Hongkong) Limited	(912,746)	968,531
- Borrowing at Bank of China (Hongkong) Limited	1,398,230	(977,686)
- Accrued interest Bank of China (Hongkong) Limited	2,322	(1,313)
- Lending at Bank of China (Hongkong) Limited	(1,004,815)	(475,552)
- Accrued interest Bank of China (Hongkong) Limited	(21,677)	8,338
- Demand deposit at Bank of China, Head office	(30,931)	(8,900)
- Other payable at Bank of China, Head office	53,151	(6,959)
- Demand deposit at Bank of China, Shanghai RMB Trading Unit	60,757	102,303
- Demand deposit at Bank of China (Thai) Public Company Limited	(53,358)	(12,406)
- Demand deposit at Bank of China Shanghai Branch	7	18
- Demand deposit at Bank of China Frankfurt Branch	754	112

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

Remuneration to Management is as follows:

	<i>2024 LAKm</i>	<i>2023 LAKm</i>
Salaries and bonus	13,450	9,595
	<b>13,450</b>	<b>9,595</b>

## Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2024

### 26. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since the 31 December 2024 that requires adjustment or disclosure to be made in the financial statements of the Branch.

Prepared by:



Mr. Zhou Junyu  
Financial Management and  
Operation Service Unit Manager

Reviewed by:



Mrs. Li Shuping  
General Manager

Vientiane, Lao PDR

31 March 2025