

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

Financial Statements

For the year ended 31 December 2025



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 2025 is LAK 405,100,000,000 (31 December 2024: 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 2025 and as at 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 2025.

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

9 April 2026

Reference: 69205848/11729910 -LAS

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 2025, 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 (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We 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) (IESBA Code) as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities in Lao PDR. We have also 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.

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

9 April 2026

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


INCOME STATEMENT
for the year ended 31 December 2025

Code	ITEMS	Notes	2025 LAKm	2024 LAKm
A	OPERATING INCOME AND EXPENSES			
1	Interest and similar income	3	740,099	687,395
2	Interest and similar expense	3	(249,458)	(270,319)
I.	NET INTEREST AND SIMILAR INCOME		490,641	417,076
3	Fee and commission income	4	36,115	27,187
4	Fee and commission expense	4	(4,696)	(4,501)
5	Net gain from dealing in foreign currencies	5	106,722	175,479
II.	NET OPERATING INCOME		628,782	615,241
B	OTHER INCOME AND EXPENSES			
6	Other operating income		3,379	290
7	Administration expenses			
7.1	Payroll and other staff costs	6	(87,193)	(70,298)
7.2	Other administration expenses	7	(24,725)	(23,940)
8	Depreciation and amortization charges	15	(7,329)	(3,396)
9	Other operating expenses	8	(12,896)	(3,107)
10	Reversal/(charge) of credit losses provision	13.2	24,470	(27,323)
III.	TOTAL PROFIT BEFORE TAX		524,488	487,467
11	Current profit tax expense	22.2	(105,538)	(97,756)
IV.	PROFIT AFTER TAX		418,950	389,711

Prepared by:


Mr. Zhou Junyu
Financial Management and
Operation Service Unit Manager

Reviewed by:


Mrs. Li Shuping
General Manager

Vientiane, Lao PDR

9 April 2026

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

STATEMENT OF FINANCIAL POSITION (continue)
as at 31 December 2025

<i>Code</i>	<i>ASSETS</i>	<i>Notes</i>	<i>31/12/2025 LAKm</i>	<i>31/12/2024 LAKm</i>
I	Cash and balances with Bank of the Lao PDR (“the BOL”)		9,801,959	7,166,823
1	Cash on hand	9	33,677	52,887
2	Balances with the BOL	10	9,768,282	7,113,936
II	Due from banks		789,105	529,709
1	Demand deposits	11.1	789,105	529,709
III	Investment in securities		626,567	163,000
1	Held-to-maturity securities	12	626,567	163,000
IV	Loans to customers, net of specific provision	13	5,280,203	4,743,888
V	Loan to parent company	14	405,907	3,740,533
VI	Fixed assets and Right-of-use assets		16,221	8,544
1	Tangible fixed assets	15.1	9,735	2,641
2	Right-of-use assets	15.2	6,486	5,903
VII	Other assets		85,357	84,544
1	Accrued interest receivable	16	83,550	82,757
2	Other assets	17	1,807	1,787
	TOTAL ASSETS		17,005,319	16,437,041

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

STATEMENT OF FINANCIAL POSITION (continue)
as at 31 December 2025

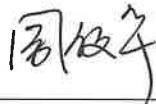
Code	LIABILITIES AND CAPITAL	Notes	31/12/2025 LAKm	31/12/2024 LAKm
I	Due to banks	18	515,135	1,264,604
1	Demand deposits		443,770	578,044
2	Term deposits		50,975	41,104
3	Borrowing		20,390	645,456
II	Due to customers	19	13,467,770	12,595,508
1	Demand deposits		4,677,380	4,612,731
2	Saving deposits		568,942	379,190
3	Term deposits		8,221,448	7,603,587
III	Other liabilities		285,259	236,643
1	Accrued interest payable	20	146,633	165,133
2	Taxes payable	22.1	65,871	32,397
3	Other liabilities	21	72,755	39,113
	TOTAL LIABILITIES		14,268,164	14,096,755
IV	Capital and reserves			
1	Paid-up capital	23	405,100	405,100
2	Statutory reserve		225,017	183,122
3	General provision for credit activities		82,042	104,123
4	Retained earnings		2,024,996	1,647,941
	TOTAL CAPITAL		2,737,155	2,340,286
	TOTAL LIABILITES AND CAPITAL		17,005,319	16,437,041

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

STATEMENT OF FINANCIAL POSITION (continue)
as at 31 December 2025

Code	OFF BALANCE SHEET ITEMS	31/12/2025 LAKm	31/12/2024 LAKm
I	Commitments given		
A	Commitments for financing given	1,466,604	1,110,969
1	Commitments for financing given to customers	1,466,604	1,110,969
B	Commitments for guarantees given	31,455	85,517
1	Commitments for guarantees given to customers	31,455	85,517
	TOTAL COMMITMENTS GIVEN	1,498,059	1,196,486
II	Collaterals and Mortgages	747,093	747,014
1	Collaterals and Mortgages for loans to customers	747,093	747,014
	TOTAL COLLATERALS AND MORTGAGES	747,093	747,014

Prepared by:



Mr. Zhou Junyu
Financial Management and
Operation Service Unit Manager



Reviewed by:

Mrs. Li Shuping
General Manager

Vientiane, Lao PDR


9 April 2026

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

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2025

ITEMS	Paid-up capital LAKm	Statutory reserve LAKm	General provision for credit activities LAKm	Retained earnings LAKm	Total LAKm
Balance as at 1 January 2024	405,100	144,151	74,203	1,297,201	1,920,655
Net profit for the year	-	-	-	389,711	389,711
Appropriate to reserve for the year 2024	-	38,971	-	(38,971)	-
General provision charged during the year	-	-	27,323	-	27,323
Foreign exchange differences	-	-	2,597	-	2,597
Balance as at 31 December 2024	405,100	183,122	104,123	1,647,941	2,340,286
Net profit for the year	-	-	-	418,950	418,950
Appropriate to reserve for the year 2025	-	41,895	-	(41,895)	-
Provision for credit losses charged during the year	-	-	(24,470)	-	(24,470)
Foreign exchange differences	-	-	2,389	-	2,389
Balance as at 31 December 2025	405,100	225,017	82,042	2,024,996	2,737,155

Prepared by:



Mr. Zhou Junyu
Financial Management and Operation
Service Unit Manager

Reviewed by:



Mrs. Li Shuping
General Manager

Vientiane, Lao PDR

9 April 2026

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

STATEMENT OF CASHFLOWS
for the year ended 31 December 2025

ITEMS	Note	2025 LAKm	2024 LAKm
OPERATING ACTIVITIES			
Net profit before tax		524,488	487,467
<i>Adjustments for:</i>			
Depreciation and amortization charges		7,329	3,396
Loan loss provision (reversal)/expenses	13.2	(24,470)	27,323
Foreign exchange gains arising from revaluation of monetary accounts denominated in foreign currencies	5	(106,722)	(175,479)
Interest income		(740,099)	(687,395)
Interest expense		249,458	270,319
(Increase)/decrease in operating assets			
Due from banks		(2,913,747)	560,362
Loans to customers		(536,315)	(2,477,744)
Loans to parent company		3,334,626	1,004,815
Other assets		(17)	(803)
Increase/(decrease) in operating liabilities			
Due to banks		(873,872)	(1,398,468)
Due to customers		872,262	1,953,627
Other liabilities		(96,271)	(149,319)
Profit tax paid during the year	22.2	(72,064)	(81,972)
Interest received		862,605	727,747
Interest paid		(267,960)	(224,271)
Net cash flows used in operating activities		219,231	(160,395)
INVESTING ACTIVITIES			
Payments to acquire property and equipment	16	(15,006)	(7,029)
Investment in securities		(463,567)	(132,000)
Net cash flows from investing activities		(478,573)	(139,029)
FINANCING ACTIVITIES			
Net cash flows from financing activities		-	-
Net change in cash and cash equivalents		(259,342)	(299,424)
Cash and cash equivalents at the beginning of the year		2,338,417	2,637,841
Cash and cash equivalents at the end of the year	25	2,079,075	2,338,417

Prepared by:



Mr. Zhou Junyu
Financial Management and
Operation Service Unit Manager

Vientiane, Lao PDR

9 April 2026



Mrs. Li Shuping
General Manager

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

NOTE TO THE FINANCIAL STATEMENTS
as at and for the year then ended 31 December 2025

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 2025 is LAK 405,100,000,000.

General Manager

The Branch's General Manager during year ended 31 December 2025 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 2025 were 72 people (31 December 2024: 67 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 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2. *Basis of preparation* (continued)

Financial reporting in hyperinflationary economies

In 2024 the economy of Lao People's Democratic Republic (Laos) was recognised as hyperinflationary since meeting of criteria, stipulated in IAS 29 "Financial Reporting in Hyperinflationary Economies". This standard requires that financial statements of the entity, whose functional currency is the currency of a hyperinflationary economy, shall be stated in prices, which present purchasing power as at the end of the reporting period. From 1 January 2025 the economy of Laos has been no more considered as hyperinflationary. In addition, opening balances of non-cash assets, liabilities and capital of the Bank as at 1 January 2025 are presented in prices being effective as at 31 December 2024.

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 2025

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 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.

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 2025

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 2025

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 2025

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 2025

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 2025

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 2025

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 2025

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 2025 and 2024 presented below:

	<i>31 December 2025</i>	<i>31 December 2024</i>
	<i>LAK</i>	<i>LAK</i>
United State Dollar ("USD")	20,390.00	20,552.00
Thai baht ("THB")	648.12	602.17
Chinese Yuan ("CNY")	2,917.00	2,812.00

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

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2025

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 (2024: 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 2025

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 2025, 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

	2025 <i>LAKm</i>	2024 <i>LAKm</i>
Interest and similar income from:		
Interbank transactions	481,471	507,770
Loans to customers	225,646	177,474
Held-to-maturity securities	32,982	2,151
	740,099	687,395
Interest and similar expense for:		
Interbank transactions	(4,943)	(41,097)
Customer deposits	(244,515)	(229,222)
	(249,458)	(270,319)
Net interest and similar income	490,641	417,076

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

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2025

4. NET FEES AND COMMISSION INCOME

	2025 <i>LAKm</i>	2024 <i>LAKm</i>
Fees and commission income from:		
Settlement activities	14,981	11,135
Treasury activities	7,764	3,010
Other	13,370	13,042
	36,115	27,187
Fees and commission expenses for:		
Financial enterprise fee	(4,514)	(3,388)
Clearing fee payable to central bank	(120)	(103)
Membership fee	(62)	(1,010)
	(4,696)	(4,501)
Net fees and commission income	31,419	22,686

5. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	2025 <i>LAKm</i>	2024 <i>LAKm</i>
Net gain from foreign exchange spot rate differences	120,756	50,012
Net gain/(loss) from revaluation of monetary items	(14,034)	125,467
	106,722	175,479

6. PAYROLL AND OTHER STAFF COSTS

	2025 <i>LAKm</i>	2024 <i>LAKm</i>
Wages and allowances	81,748	66,536
Other staff costs	5,445	3,762
	87,193	70,298

7. OTHER ADMINISTRATION EXPENSES

	2025 <i>LAKm</i>	2024 <i>LAKm</i>
Office rental	131	571
External services	2,020	1,224
Repair and maintenance	1,362	1,451
Publication, marketing and promotion	5,438	3,606
Telecommunication	3,220	3,020
Training, meeting and seminar	5,738	5,891
Electricity and water	2,406	2,405
Audit fee	361	330
Others	4,049	5,442
	24,725	23,940

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

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2025

8. OTHER OPERATING EXPENSES

	2025 <i>LAKm</i>	2024 <i>LAKm</i>
Insurance fees for Depositor Protection Fund	12,328	641
Other expenses	568	2,466
	12,896	3,107

9. CASH ON HAND

	31/12/2025 <i>LAKm</i>	31/12/2024 <i>LAKm</i>
Cash on hand in LAK	2,329	5,512
Cash on hand in foreign currencies	31,348	47,375
	33,677	52,887

10. BALANCES WITH BANK OF THE LAO PDR (“the BOL”)

	31/12/2025 <i>LAKm</i>	31/12/2024 <i>LAKm</i>
Demand deposit	1,256,293	1,755,823
Term deposit (i)	7,197,740	5,338,000
Compulsory deposit (ii)	1,314,244	20,108
Registered capital reserve (iii)	5	5
	9,768,282	7,113,936

- (i) The term deposits at the BOL have terms ranging from 1 year to 5 years and earn interest at the fixed rates ranging from 5.70% to 7.00% 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 (2024: 8.00% for LAK and 11.00% for foreign currency), on a bi-monthly basis, of customer deposits having original maturities of less than 12 months. During the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.
- (iii) According to Decision No. 721/BOL issued by BOL dated 22 September 2022, which was effective from 22 September 2022, commercial banks are required to maintain a positive balance at the BOL in the form of special deposit. The Branch was then approved by the BOL in official letter No. 38/BSA dated 18 January 2024 to withdrawal 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 2025

11. DUE FROM BANKS

11.1 Demand deposits

	31/12/2025 LAKm	31/12/2024 LAKm
Balances at domestic banks		
Industrial and Commercial Bank of China Limited, Vientiane Branch	295,592	30,747
Balances at overseas banks		
Bank of China, Shanghai RMB Trading Unit	171,453	175,082
Bank of China (Hong Kong) Limited	224,182	281,841
Bank of China (Thai) Public Co., Ltd	49,422	6,034
Bank of China Frankfurt Branch	1,384	973
Bank of China, Head Office	46,959	34,888
Bank of China, Shanghai Branch	113	144
	789,105	529,709

Interest rates for deposits during the year are as follows:

	2025 Interest rates (% per annum)	2024 Interest rates (% per annum)
Demand deposit	No interest	No interest

12. HELD-TO-MATURITY SECURITIES

	31/12/2025 LAKm	31/12/2024 LAKm
Bonds issued by the MOF	626,567	163,000
	626,567	163,000

Details of bonds issued by the MOF as at 31 December 2025 are as follows:

Term	Purchase date	Maturity date	Face value in original currencies (million)	CCY	LAKm Equivalent	Interest rate % per annum
12month	2/27/2025	2/27/2026	25	CNY	72,925	5.00
12month	2/27/2025	2/27/2026	200	THB	129,624	5.00
60month	6/23/2025	6/23/2030	145	CNY	424,018	7.00
					626,567	

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

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2025

13. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION

	<i>31/12/2025</i> <i>LAKm</i>	<i>31/12/2024</i> <i>LAKm</i>
Loans to customers (<i>Note 13.1</i>)	5,280,203	4,743,888
Less: allowance for credit losses for non-performing loan	-	-
	5,280,203	4,743,888

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

	<i>2025</i> <i>Interest rates</i> <i>(% per annum)</i>	<i>2024</i> <i>Interest rates</i> <i>(% per annum)</i>
Loans denominated in LAK	7.50 - 12.00	5.75 - 10.08
Loans denominated in USD	3.50 - 7.50	2.24 - 7.50
Loans denominated in CNY	2.90 - 4.50	2.20 - 4.80

Analysis by currency

	<i>31/12/2025</i> <i>LAKm</i>	<i>31/12/2024</i> <i>LAKm</i>
Loans in LAK	223,450	397,799
Loans in USD	1,627,015	1,921,473
Loans in CNY	3,429,738	2,424,616
	5,280,203	4,743,888

13.1 *Analysis of loans to customers*

Analysis by original term

	<i>31/12/2025</i> <i>LAKm</i>	<i>31/12/2024</i> <i>LAKm</i>
Short-term loans	1,423,461	893,535
Medium-term loans	3,173,409	3,244,973
Long-term loans	683,333	605,380
	5,280,203	4,743,888

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

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2025

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

13.1 Analysis of loans to customers (continued)

Analysis by economic sectors

	31/12/2025 LAKm	31/12/2024 LAKm
Industrial services companies	2,816,347	2,808,951
Construction companies	1,712,854	948,177
Agriculture companies	169,419	163,320
Trading companies	79,368	12,028
Banking Industry	-	94,624
Others	502,215	716,788
	5,280,203	4,743,888

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 ECL.

	31/12/2025 Stage 1 Collective LAKm	31/12/2024 Stage 1 Collective LAKm
Performing	82,042	104,787
	82,042	104,787

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

	Stage 1 Collective LAKm
ECL allowance as at 1 January 2025	104,123
Reversal of credit losses impairment during the year	(24,470)
Foreign currency differences	2,389
ECL allowance as at 31 December 2025	82,042

14. LOANS TO PARENT COMPANY

	31/12/2025 LAKm	31/12/2024 LAKm
Loans to parent company (*)	405,907	3,740,533
	405,907	3,740,533

(*) 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 2025

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 2025	7,448	3,133	11,822	2,883	25,286
Additions	-	244	6,153	1,714	8,111
Disposal	-	-	-	(2,082)	(2,082)
As at 31 December 2025	7,448	3,377	17,975	2,515	31,315
Accumulated depreciation:					
As at 1 January 2025	7,448	2,980	9,334	2,883	22,645
Charge for the year	-	81	923	13	1,017
Disposal	-	-	-	(2,082)	(2,082)
As at 31 December 2025	7,448	3,061	10,257	814	21,580
Net book value:					
As at 1 January 2025	-	153	2,488	-	2,641
As at 31 December 2025	-	316	7,718	1,701	9,735
	<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 2024	7,448	3,022	10,807	2,883	24,160
Additions	-	111	1,015	-	1,126
As at 31 December 2024	7,448	3,133	11,822	2,883	25,286
Accumulated depreciation:					
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	7,448	2,980	9,334	2,883	22,645
Net book value:					
As at 1 January 2024	-	100	2,326	192	2,618
As at 31 December 2024	-	153	2,488	-	2,641

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

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2025

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

15.2 Right-of-use assets

	<i>Building</i>
	<i>LAKm</i>
Cost:	
As at 1 January 2025	18,965
Additions	6,895
As at 31 December 2025	<u>25,860</u>
Accumulated depreciation	
As at 1 January 2025	13,062
Charge for the year	6,312
As at 31 December 2025	<u>19,374</u>
Net book value:	
As at 1 January 2025	<u>5,903</u>
As at 31 December 2025	<u>6,486</u>
	<i>Building</i>
	<i>LAKm</i>
Cost:	
As at 1 January 2024	13,062
Additions	5,903
As at 31 December 2024	<u>18,965</u>
Accumulated depreciation	
As at 1 January 2024	10,769
Charge for the year	2,293
As at 31 December 2024	<u>13,062</u>
Net book value:	
As at 1 January 2024	<u>2,293</u>
As at 31 December 2024	<u>5,903</u>

16. ACCRUED INTEREST RECEIVABLE

	<i>31/12/2025</i>	<i>31/12/2024</i>
	<i>LAKm</i>	<i>LAKm</i>
Accrued interest from:		
Deposits at other banks	79,237	74,388
Loans to customers	138	7,421
Held-to-maturity securities	4,175	948
	<u>83, 550</u>	<u>82,757</u>

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

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2025

17. OTHER ASSETS

	<i>31/12/2025</i>	<i>31/12/2024</i>
	<i>LAKm</i>	<i>LAKm</i>
Others	1,807	1,787
	1,807	1,787

18. DUE TO BANKS

	<i>31/12/2025</i>	<i>31/12/2024</i>
	<i>LAKm</i>	<i>LAKm</i>
Demand deposits from domestic banks	443,770	578,044
ANZ Bank (Laos) Limited	316,344	222,212
Canadia Bank Lao Limited	2	733
Banque Pour Le Commerce Exterieur Lao Public	85,963	183,308
Lao China Bank Limited	41,257	171,585
Banque Franco Lao Ltd	204	206
Term deposits from domestic banks	50,975	41,104
Canadia Bank Lao Limited	50,975	41,104
Borrowing from financial institution	20,390	645,456
Bank of China (Hong Kong) Limited (Note 24)	-	575,456
ANZ Bank (Laos) Limited	-	40,000
Lao China Bank Limited	20,390	30,000
	515,135	1,264,604

The term deposit from Canadia Bank Lao Limited has a term of 6 months and bears interest at the rate 3.20% per annum.

The borrowing from Lao China Bank Limited has a term of 1 month and bears interest at the rate of 2.10% 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 2025

19. DUE TO CUSTOMERS

	31/12/2025 <i>LAKm</i>	31/12/2024 <i>LAKm</i>
Demand deposits	4,677,380	4,612,731
- in LAK	430,961	561,188
- in foreign currencies	4,246,419	4,051,543
Saving deposits	568,942	379,190
- in LAK	39,963	26,054
- in foreign currencies	528,979	353,136
Term deposits	8,221,448	7,603,587
- in LAK	8,227	4,604
- in foreign currencies	8,213,221	7,598,983
	13,467,770	12,595,508

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

	2025 <i>Interest rate</i> <i>(% per annum)</i>	2024 <i>Interest rate</i> <i>(% per annum)</i>
Demand deposits in LAK	No interest	No interest
Demand deposits in foreign currencies	No interest	No interest
Saving deposits in LAK	1.10	1.11
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

	31/12/2025 <i>LAKm</i>	31/12/2024 <i>LAKm</i>
Interest payable to:		
Other banks	649	764
Customers	145,984	164,369
	146,633	165,133

21. OTHER LIABILITIES

	31/12/2025 <i>LAKm</i>	31/12/2024 <i>LAKm</i>
Payable to employee	24,377	14,973
Transaction waiting for settlement	38,708	9,585
Others	9,670	14,555
	72,755	39,113

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

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2025

22. TAXES PAYABLE

22.1 Taxes payable

	31/12/2025 LAKm	31/12/2024 LAKm
Profit tax payable (Note 22.2)	65,871	32,397
	65,871	32,397

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 2025 is calculated as follows:

	2025 LAKm	2024 LAKm
Profit before tax	524,488	487,466
Non-taxable income	-	-
Non-deductible expenses	3,204	1,312
Taxable income	527,692	488,778
Current PT expense, at the statutory rate of 20%	105,538	97,756
PT payable at the beginning of the year	32,397	16,613
PT paid during the year	(72,064)	(81,972)
PT payable/(recoverable) at the end of the year	65,871	32,397

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

	2025 LAKm	2024 LAKm
Opening balance	405,100	405,100
Changed during the year	-	-
Closing balance	405,100	405,100

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. Pursuant to Agreement No. 551/BSA dated 2 October 2025, the Branch is in the process of contributing capital in the amount of LAK 200 billion, which is expected to be fully completed by 2030.

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

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2025

24. CASH AND CASH EQUIVALENTS

	<i>31/12/2025</i>	<i>31/12/2024</i>
	<i>LAKm</i>	<i>LAKm</i>
Cash on hand	33,677	52,887
Current accounts with the BOL	1,256,293	1,755,823
Current accounts with other banks	789,105	529,707
	2,079,075	2,338,417

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 2025

25. RELATED PARTY TRANSACTIONS(continued)

Significant balances with related parties are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>31/12/2025 Receivable/ (Payable) LAKm</i>	<i>31/12/2024 Receivable/ (Payable) LAKm</i>
Bank of China (Hong Kong) Limited	Parent bank	Demand deposit	224,182	281,841
		Borrowing	-	(575,456)
		Accrued interest	-	(537)
		Lending	405,907	3,740,533
		Accrued interest	142	7,426
Bank of China, Head Office	Affiliate	Demand deposit	46,959	34,888
		Other payable	-	-
Bank of China Limited, Shanghai RMB Trading Unit	Affiliate	Demand deposit	171,453	175,080
Bank of China (Thai) Public Company Limited	Affiliate	Demand deposit	49,422	6,034
Bank of China Shanghai Branch	Affiliate	Demand deposit	113	144
Bank of China Frankfurt Branch	Affiliate	Demand deposit	1,383	973

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

	<i>2025 LAKm</i>	<i>2024 LAKm</i>
Net increase/(decrease) in deposit at other Bank of China branches:		
- Demand deposit at Bank of China (Hongkong) Limited	(57,659)	(912,746)
- Borrowing at Bank of China (Hongkong) Limited	575,456	1,398,230
- Accrued interest Bank of China (Hongkong) Limited	537	2,322
- Lending at Bank of China (Hongkong) Limited	(3,334,626)	(1,004,815)
- Accrued interest Bank of China (Hongkong) Limited	(7,284)	(21,677)
- Demand deposit at Bank of China, Head office	12,071	(30,931)
- Other payable at Bank of China, Head office	-	53,151
- Demand deposit at Bank of China, Shanghai RMB Trading Unit	3,627	60,757
Demand deposit at Bank of China (Thai) Public Company Limited	43,388	(53,358)
Demand deposit at Bank of China Shanghai Branch	(31)	7
Demand deposit at Bank of China Frankfurt Branch	410	754

Transactions with key management personnel of the Branch

Remuneration to Management is as follows:

	<i>2025 LAKm</i>	<i>2024 LAKm</i>
Salaries and bonus	11,909	13,450
	11,909	13,450

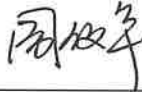
Bank of China (Hong Kong) Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2025

26. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since the 31 December 2025 that requires adjustment or disclosure to be made in the financial statements of the Branch.

Prepared by:



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Reviewed by:



Mrs. Li Shuping
General Manager

Vientiane, Lao PDR

9 April 2026