

**First Commercial Bank Ltd
Vientiane Branch**

Financial statements

For the year ended 31 December 2021



First Commercial Bank Ltd., Vientiane Branch

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First Commercial Bank Ltd., Vientiane Branch

GENERAL INFORMATION

THE BRANCH

First Commercial Bank Ltd., Vientiane Branch (the "Branch") is a branch established in Lao People's Democratic Republic ("Lao PDR") of First Commercial Bank Ltd., a bank incorporated and headquartered in Taiwan. The Branch operates under Banking License No. 22/BOL granted by Bank of the Lao PDR (the "BOL") on 29 May 2015.

The initial registered capital of the Branch is LAK 196,250,000,000. On 24 December 2021, the Branch increased additional capital with amount of LAK 42,419,400,000. The actual paid-up capital of the Branch as at 31 December 2021 is LAK 238,669,400,000 (31 December 2020: LAK 196,250,000,000).

The principal activities of the Branch are to provide comprehensive banking and related financial services in Lao PDR.

The Branch is located at No. 61 Phonxay, 23 Singha Road, Saysettha District, Vientiane Capital, Lao PDR.

MANAGEMENT

Members of the Management during the year ended 31 December 2021 and as at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. YEH, Hsu-chao	General Manager	Appointed on 28 August 2018
Mr. CHANG, Kang-Hu	Deputy Manager	Appointed on 08 May 2017
Mr. WANG, Tzer-Yau	Deputy Manager	Appointed on 26 February 2020

LEGAL REPRESENTATIVE

The legal representative of the Branch during the year ended 31 December 2021 and as at the date of this report is Mr. YEH Hsu-chao, the General Manager.

AUDITORS

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

First Commercial Bank Ltd., Vientiane Branch

REPORT OF MANAGEMENT

Management of First Commercial Bank Ltd., Vientiane Branch (the "Branch") is pleased to present its report and the financial statements of the Branch as at and for the year ended 31 December 2021.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 the Lao PDR and the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements.

For and on behalf of Management:



Mr. YEH, Hsu-chao
General Manager

Vientiane, Lao PDR

25 March 2022

Reference: 61217374/22831993

INDEPENDENT AUDITORS' REPORT

To: The Owner of First Commercial Bank Ltd., Vientiane Branch

Opinion

We have audited the financial statements of First Commercial Bank Ltd., Vientiane branch ("the Branch"), which comprise the statement of financial position as at 31 December 2021, 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 the Lao PDR and the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (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' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Lao PDR, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the financial statements, which describes the accounting policies adopted by the 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 the Lao PDR and with the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 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.



Nga Phuong Nguyen
Partner
Audit Practising Registration
Certificate No. 013/LCPAA-APT-2019

Vientiane, Lao PDR

25 March 2022

First Commercial Bank Ltd., Vientiane Branch

INCOME STATEMENT

For the year ended 31 December 2021

Currency: LAKm

Code	ITEMS	Notes	2021	2020
A.	OPERATING INCOME AND EXPENSES			
1.	Interest and similar income	3	38,446	31,646
2.	Interest and similar expense	3	(3,594)	(7,182)
I.	NET INTEREST AND SIMILAR INCOME	3	34,852	24,464
3.	Fee and commission income	4	1,314	461
4.	Fee and commission expense	4	(112)	(71)
5.	Net gain/(loss) from dealing in foreign currencies	5	3,089	(600)
II.	NET OPERATING INCOME		39,143	24,254
B.	OTHER INCOME AND EXPENSES			
6.	Other operating income	6	(221)	612
7.	Administration expenses		(7,440)	(7,020)
7.1	Payroll and other staff costs	7	(4,825)	(4,751)
7.2	Other administration expenses	8	(2,615)	(2,269)
8.	Depreciation and amortization charges	14	(1,815)	(1,873)
9.	Other operating expenses		(127)	(127)
10.	Specific provision for credit activities	13	-	-

First Commercial Bank Ltd., Vientiane Branch

INCOME STATEMENT (continued)
For the year ended 31 December 2021

Currency: LAKm

Code	ITEMS	Notes	2021	2020
III.	TOTAL PROFIT BEFORE TAX		29,540	15,846
11.	Current profit tax expense	18.2	(4,463)	(781)
IV.	PROFIT AFTER TAX		25,077	15,065

Prepared by:



Mr. WANG, Tzer-Yau
Deputy Manager

Reviewed by:




Mr. YEH, Hsu-chao
General Manager

Vientiane, Lao PDR

25 March 2022

First Commercial Bank Ltd., Vientiane Branch

STATEMENT OF FINANCIAL POSITION as at 31 December 2021

Currency: LAKm

Code	ASSETS	Notes	31/12/2021	31/12/2020
I.	Cash and balances with the BOL		444,437	303,688
	1. Cash on hand	9	3,549	3,616
	2. Balances with the BOL	10	440,888	300,072
II.	Due from other banks	11	163,260	246,490
	1. Demand deposits	11.1	20,055	59,231
	2. Term deposits	11.2	143,205	187,259
III.	Loans to customers, net of specific provision	12	331,029	242,631
IV.	Fixed assets		7,875	9,039
	1. Tangible fixed assets	14.1	5,536	5,919
	2. Intangible fixed assets	14.2	129	152
	3. Right-of-use assets	14.3	2,210	2,968
V.	Other assets	15	11,779	8,117
	1. Accrued interest receivable		11,215	7,598
	2. Other assets		564	519
	TOTAL ASSETS		958,380	809,965

Code	LIABILITIES AND CAPITAL	Notes	31/12/2021	31/12/2020
I.	Due to other banks	16	559,658	516,829
	1. Demand deposits		152,797	128,287
	2. Borrowings from Parent Bank		406,861	388,542
II.	Due to customers	17	96,458	60,996
	1. Demand and Saving deposits		17,814	11,939
	2. Term deposits		78,644	49,057
III.	Other liabilities		4,776	2,590
	1. Accrued interest payable		1,362	850
	2. Tax payables	18.1	2,361	827
	3. Lease liabilities		123	142
	4. Other payables		930	771
	TOTAL LIABILITIES		660,892	580,415
IV.	Capital and reserves			
	1. Paid-up capital	19	238,669	196,250
	2. Statutory reserve fund		7,907	5,399
	3. General provision for credit activities	13	1,655	1,213
	4. Retained earnings		49,257	26,688
	TOTAL CAPITAL		297,488	229,550
	TOTAL LIABILITIES AND CAPITAL		958,380	809,965

First Commercial Bank Ltd., Vientiane Branch

STATEMENT OF FINANCIAL POSITION (continued)
as at 31 December 2021

Currency: LAKm

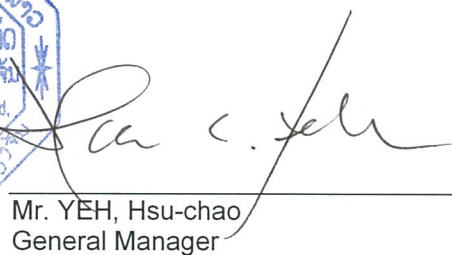
Code	OFF BALANCE SHEET ITEMS	Notes	31/12/2021	31/12/2020
I.	Collaterals and Mortgages and commitments			
1.	Collaterals and Mortgages for loans to customers		162,588	37,025
2.	Commitment Loan		2,500	-
	TOTAL COLLATERALS AND MORTGAGES AND COMMITMENT LOAN		165,088	37,025

Prepared by:



Mr. WANG, Tzer-Yau
Deputy Manager

Reviewed by:

Mr. YEH, Hsu-chao
General Manager

Vientiane, Lao PDR

25 March 2022

First Commercial Bank Ltd., Vientiane Branch

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

Currency: LAKm

ITEMS	Paid-up capital	Statutory reserve fund	General provision for credit activities	Retained earnings	Total
Balance as at 1 January 2020	121,890	3,892	1,747	35,024	162,553
Capital contribution	54,655	-	-	-	54,655
Capital contribution from retained earnings	19,705	-	-	(19,705)	-
Withholding dividend tax	-	-	-	(2,189)	(2,189)
Net profit for the year	-	-	-	15,065	15,065
Created regulatory reserve for the year	-	1,507	-	(1,507)	-
Net general provision for credit activities during the year	-	-	(612)	-	(612)
Foreign exchange difference	-	-	78	-	78
Balance as at 31 December 2020	196,250	5,399	1,213	26,688	229,550
Capital contribution	42,419	-	-	-	42,419
Net profit for the year	-	-	-	25,077	25,077
Created regulatory reserve for the year	-	2,508	-	(2,508)	-
Net general provision for credit activities during the year	-	-	221	-	221
Foreign exchange difference	-	-	221	-	221
Balance as at 31 December 2021	238,669	7,907	1,655	49,257	297,488

Prepared by:

Tzer-Yau Wang

Mr. WANG, Tzer-Yau
Deputy Manager
Vientiane, Lao PDR

Reviewed by:



C. Hsu
Mr. YEH, Hsu-chao
General Manager

25 March 2022

First Commercial Bank Ltd., Vientiane Branch

STATEMENT OF CASH FLOWS For the year ended 31 December 2021

Currency: LAKm

ITEMS	Notes	2021	2020
Net profit before tax		29,540	15,846
<i>Adjustments for:</i>			
Depreciation and amortization charges		1,815	1,873
Net reversal of provision for credit loss	13	221	(612)
Interest income		(38,446)	(31,646)
Interest expense		3,594	7,182
Cash flows before changing in operating assets and liabilities		(3,276)	(7,357)
(Increase)/decrease in operating assets			
Due from other banks		(70,386)	(197,154)
Loans to other banks		(130,309)	-
Loans and advances to customers		41,911	106,802
Other assets		(45)	(3,128)
Increase/(decrease) in operating liabilities			
Due to other banks		42,829	24,115
Customer deposits and other amounts due to Customers		35,462	6,999
Other liabilities		315	1,427
Interest received		34,829	31,396
Interest paid		(3,082)	(7,957)
Profit tax paid during the year		(2,883)	-
Net cash flows used in operating activities		(54,635)	(44,857)
INVESTING ACTIVITIES			
Payments to acquire property and equipment	14	(651)	(4,152)
Net cash flows used in investing activities		(651)	(4,152)
FINANCING ACTIVITIES			
Capital contribution		42,419	54,655
Drawdown of borrowings			-
Net cash flows from financing activities		42,419	54,655
Net (decrease)/Increase in cash and cash equivalents		(12,867)	5,646

First Commercial Bank Ltd., Vientiane Branch

STATEMENT OF CASH FLOWS (continue)
For the year ended 31 December 2021

Currency: LAKm

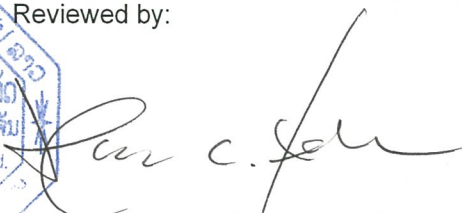
ITEMS	Notes	2021	2020
Cash and cash equivalents at the beginning of the year		98,775	93,129
Cash and cash equivalents at the end of the year	20	85,908	98,775

Prepared by:



Mr. WANG, Tzer-Yau
Deputy Manager

Reviewed by:

Mr. YEH, Hsu-chao
General Manager

Vientiane, Lao PDR

25 March 2022

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS as at and for the year ended 31 December 2021

1. CORPORATE INFORMATION

Establishment and operations

First Commercial Bank Ltd., Vientiane Branch (the "Branch") is a branch established in Lao People's Democratic Republic ("Lao PDR") of First Commercial Bank Ltd., a bank incorporated and headquartered in Taiwan. The Branch operates under Banking License No. 22/BOL granted by Bank of the Lao PDR (the "BOL") on 29 May 2015.

The principal activities of the Branch are to provide comprehensive banking and related financial services in Lao PDR.

Paid-up capital

The initial registered capital of the Branch is LAK 196,250,000,000. On 24 December 2021, the Branch increased additional capital with amount of LAK 42,419,400,000. The actual paid-up capital of the Branch as at 31 December 2021 is LAK 238,669,400,000 (31 December 2020: LAK 196,250,000,000).

Management

Members of the Management during the year ended 31 December 2021 and as at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. YEH, Hsu-chao	General Manager	Appointed on 28 August 2018
Mr. CHANG, Kang-Hu	Deputy Manager	Appointed on 08 May 2017
Mr. WANG, Tzer-Yau	Deputy Manager	Appointed on 26 February 2020

Location

The Branch is located at No. 61 Phonxay, 23 Singha Road, Saysettha District, Vientiane Capital, Lao PDR.

Employees

Total employees of the Branch as at 31 December 2021 were 18 people (2020: 18 people).

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. *Statement of compliance*

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

2.2. *Basis of preparation*

The Branch 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 ("LAS") relevant to preparation and presentation of financial statements.

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

Fiscal year

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

2.3 *Changes in accounting policies*

The accounting policies adopted by the Branch in preparation of these financial statements are consistent with those used in preparation of the Branch's financial statements for the year ended 31 December 2020, except for the changes in the accounting policies and notes in relation to the following.

2.3.1 *Profit tax*

In 2021, in accordance with the Notification No. 213/BOL dated 24 March 2021 about the guidance on IAS 12 – Income tax relevant to commercial banks' preparation and presentation of financial statements, the Branch applied the new accounting policy of deferred tax in preparation and presentation of financial statements. Refer to Note 2.14 for the accounting policy applicable from 1 January 2021.

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However according to the assessment as at 1 January 2021 and 31 December 2021 there was no temporary difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes for recognition of neither deferred tax assets nor liabilities.

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Recognition of interest income and expense

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

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

2.5. Recognition of fee and commission

Fee and commission consist of fees received from fund transfer (including trade settlement) and fee arising from loan business.

Fee and commissions are recognized into income statement on cash basis.

2.6. Cash and cash equivalents

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

2.7. Loans to customers

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

2.8. Classification of and provision for credit activities

Loan classification

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

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Provision

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

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

(i) Provision amount is calculated by the following formulas:

- a. General provision = Provision rate x Loan outstanding balance
- b. Specific provision = Provision rate x (Loan outstanding balance – discounted value of collateral)

where the Branch has opted to not include the discounted value of collateral in the provision calculation as allowed by BOL512 and OL898.

(ii) The balance of provision for *performing loans classified in group A* is recorded in the statement of financial position in “General provision for credit activities” under capital and reserves of the Branch.

Accumulated balance of provision for *NPLs and performing loans classified in group B* is recorded in the statement of financial position in “Loans to customers, net of specific provision”.

(iii) Changes in provision for *performing loans* are recorded to the income statement as “Other operating expenses” for provision expense and “Other operating income” for reversal of provision expense.

Changes in provision for *NPLs* are recorded to the income statement as “Net provision for NPLs charged to/(reversed out of) expense”.

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9. Fixed assets

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

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 amortization 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 the new Tax Law No.67/NA dated 18 June 2019 which is effective on or after 1 January 2020 stipulated by the President of the National Assembly. The following are the annual depreciation and amortization rates used:

Tangible fixed assets:

Building improvements	10%
Furniture and fixtures	20%
Computer equipment	20%
Motor vehicles	20%

Intangible fixed assets:

Computer software	20%
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2.11 Leasing

2.11.1 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.

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 *Leasing* (continued)

2.11.1 *Right-of-use assets* (continued)

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.

2.11.2 *Lease liabilities*

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

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

2.11.3 *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.

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12. Statutory reserves

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

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

In accordance with Article 156, Enterprise Law dated 26 December 2013, the Branch 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 Branch may suspend such provision, unless otherwise provided by the law.

The Business expansion fund and other funds shall be created upon decision of the Board of Management. Accordingly, the Branch has made the following reserves for the year ended 31 December 2021:

Reserve	% of profit after tax (less accumulated losses, if any)
Statutory reserve fund	10
Business expansion fund	-

2.13. Foreign currency transactions

The Branch maintains its accounting system and records all transactions in original currencies. Monetary assets and liabilities denominated in foreign currencies at year end are translated into LAK at exchange rates ruling on the statement of financial position date (see the list of exchange rates of applicable foreign currencies against LAK on 31 December 2021 as presented below). Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized in the statement of financial position date are recognized into "Net (loss)/gain from dealing in foreign currencies" in the income statement.

	31 December 2021 LAK	31 December 2020 LAK
United State Dollar ("USD")	11,041.00	9,251.00
Thai baht ("THB")	334.79	310.64

2.14. Profit tax

Current tax

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

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14. Profit tax (continued)

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 Branch 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 benefit

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. The Branch has no further obligation concerning post-employment benefits for its employees other than this.

Termination benefits

In accordance with Article 82 of the Amended Labour Law No. 43/NA approved by the President of the Lao People's Democratic Republic on 28 January 2014, the Branch has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the last salary or wage multiplied by the total number of months worked. As at 31 December 2021, there 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.

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

3. NET INTEREST AND SIMILAR INCOME

	2021 LAKm	2020 LAKm
Interest and similar income from:		
Interbank transactions	20,643	16,068
Loans to customers	17,803	15,578
	38,446	31,646
Interest and similar expense for:		
Interbank transactions	(1,450)	(5,572)
Customer deposits	(2,144)	(1,610)
	(3,594)	(7,182)
Net interest and similar income	34,852	24,464

4. NET FEE AND COMMISSION INCOME

	2021 LAKm	2020 LAKm
Fee and commission income from:		
Remittance and credit activities	1,314	461
Fee and commission expense	(112)	(71)
Net fees and commission income	1,202	390

5. NET GAIN/(LOSS) FROM DEALING IN FOREIGN CURRENCIES

	2021 LAKm	2020 LAKm
Gain from dealing in foreign currency	3,089	-
Loss from dealing in foreign currency	-	(600)
	3,089	(600)

6. OTHER OPERATING INCOME

	2021 LAKm	2020 LAKm
Reversal of general provision for credit activities (Note 13)	(221)	612
	(221)	612

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

7. PAYROLL AND OTHER STAFF COSTS

	2021 LAKm	2020 LAKm
Wages and allowances	4,637	4,638
Other staff costs	188	113
	4,825	4,751

8. OTHER ADMINISTRATION EXPENSES

	2021 LAKm	2020 LAKm
Office rental	997	990
Fuel	43	40
Office stationeries	34	44
Publication, marketing and promotion	1	4
Telecommunication	106	99
Repair and maintenance	494	186
Electricity and water	94	91
Insurance fee	94	80
Broker fee	66	102
Officials trips	-	53
Audit and lawyer fee	316	237
Others	370	343
	2,615	2,269

9. CASH ON HAND

	31/12/2021 LAKm	31/12/2020 LAKm
Cash on hand in LAK	802	878
Cash on hand in foreign currencies	2,747	2,738
	3,549	3,616

10. BALANCES WITH THE BOL

	31/12/2021 LAKm	31/12/2020 LAKm
Demand deposit	62,304	35,928
Compulsory reserve (*)	4,930	4,759
Registered capital reserve (**)	42,424	74,365
Term deposit (***)	331,230	185,020
	440,888	300,072

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

10. BALANCES WITH THE BOL (continued)

- (*) Under regulations of the BOL, the Branch is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 3.00% for LAK and 5.00% (2020: 4.00% and 8.00%) for other currencies, on a bi-monthly basis, of customer deposits having original maturities of less than 12 months. During the year, the Branch maintained its compulsory deposits in compliance with the requirements of the BOL
- (**) According to Decree No. 02/PR of the BOL, foreign bank branches are required to maintain a minimum balance of special deposit at the BOL which is equivalent to 25% of their paid-up capital to secure for their operational continuance. The Branch was then approved by the BOL to withdraw from this deposit account to supplement its working capital. During 2021, the Branch deposited an amount of LAKm 42,419 in order to increase its capital as required by the Law.
- (***) The term deposit at the BOL is denominated in USD, has a term of 12 months and interest rate of 5.0% to 5.5% per annum.

11. DUE FROM OTHER BANKS

11.1 Demand deposits

	31/12/2021 LAKm	31/12/2020 LAKm
Demand deposits at domestic banks		
Industrial and Commercial Bank of China - Vientiane Branch	-	175
Banque pour le Commerce Extérieur Lao Public (BCEL)	1,652	360
Bangkok Bank - Vientiane Branch	20	16
Banque Franco Lao Limited	-	3
Maruhan Japan Bank Lao Co., Ltd	4,272	1,280
Kasikornthai Bank Limited	-	3
Demand deposits at overseas banks		
Bangkok Bank - Head Office	159	148
First Commercial Bank - Head Office (Note 21)	13,952	57,246
	20,055	59,231

11.2 Term deposits

	31/12/2021 LAKm	31/12/2020 LAKm
Term deposits at domestic banks	143,205	187,259
	143,205	187,259

As at 31 December 2021, term deposits to domestic banks comprise three (3) deposit contracts totaling LAKm 88,000, one (1) deposit contracts totaling USD 5,000,000, which have terms of 12 months and earn interest at rates ranging from 4.50 % and 5.50 % per annum.

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

12. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION

	31/12/2021 LAKm	31/12/2020 LAKm
Loans to customers	331,029	242,631
- Loans to government agencies	149,054	219,711
- Loans to other customers	51,666	22,920
- Loan to other banks	130,309	-
Specific provision	-	-
	331,029	242,631

	2021 Interest rate % per annum	2020 Interest rate % per annum
Loans denominated in LAK	5.25 - 8.50	5.75 - 7.50
Loans denominated in USD	2.21 - 6.50	4.60 - 6.25

Analysis of loans to customers by currency

	31/12/2021 LAKm	31/12/2020 LAKm
Loans denominated in LAK	100,435	20,699
Loans denominated in USD	230,594	221,932
	331,029	242,631

Analysis of loans to customers by status of loans

	31/12/2021 LAKm	31/12/2020 LAKm
Performing loans	331,029	242,631
Non-performing loans	-	-
	331,029	242,631

Analysis of loans to customers by original term

	31/12/2021 LAKm	31/12/2020 LAKm
Short-term loans	76,500	2,000
Medium-term loans	233,520	159,685
Long-term loans	21,009	80,946
	331,029	242,631

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

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

Analysis by industrial sectors

	31/12/2021 LAKm	31/12/2020 LAKm
Agricultural and forestry	2,500	2,000
Trading companies	6,750	7,500
Services companies	7,890	1,200
Financial service organizations	130,309	-
Industrial services companies	4,706	8,734
Others	178,874	223,197
	331,029	242,631

13. PROVISION FOR CREDIT LOSSES

Movement of provision for credit losses of the Branch during the year 2021 is as follows:

	Specific provision LAKm	General provision LAKm	Total LAKm
As at 1 January 2021	-	1,213	1,213
Reversal of provision in the year	-	221	221
Foreign exchange difference	-	221	221
As at 31 December 2021	-	1,655	1,655

The breakdown of loan classification and provision as required by the BOL as at 31 December 2021 are as follows:

Classification	Loan balance LAKm	Specific Provision LAKm	General Provision LAKm	Total provision LAKm
Current	331,029	-	1,655	1,655
Special Mention	-	-	-	-
Sub-standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	331,029	-	1,655	1,655

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

14. FIXED ASSETS

14.1 Tangible fixed assets

Movements of the balance of tangible fixed assets during the year 2021 are as follows:

	<i>Building improvements LAKm</i>	<i>Furniture & fixtures LAKm</i>	<i>Computer equipment LAKm</i>	<i>Motor vehicles/ Others LAKm</i>	<i>Total LAKm</i>
Cost:					
As at 1 January 2021	7,743	3,331	2,667	2,420	16,161
Additions for the year	-	-	184	467	651
As at 31 December 2021	7,743	3,331	2,851	2,887	16,812
Accumulated depreciation:					
As at 1 January 2021	4,106	2,737	1,582	1,817	10,242
Charge for the year	704	12	222	96	1,034
As at 31 December 2021	4,810	2,749	1,804	1,913	11,276
Net book value:					
As at 1 January 2021	3,637	594	1,085	603	5,919
As at 31 December 2021	2,933	582	1,047	974	5,536

14.2 Intangible fixed assets

Movements of the balance of intangible fixed assets during the 2021 are as follows:

	<i>Computer software LAKm</i>	<i>Total LAKm</i>
Cost:		
As at 1 January 2021	247	247
Additions for the year	-	-
As at 31 December 2021	247	247
Accumulated amortization:		
As at 1 January 2021	95	95
Charge for the year	23	23
As at 31 December 2021	118	118
Net book value:		
As at 1 January 2021	152	152
As at 31 December 2021	129	129

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

14. FIXED ASSETS

14.3 Right-of-use assets and Lease liabilities

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the years

	<i>Building LAKm</i>	<i>Parking land LAKm</i>	<i>Total LAKm</i>
Cost or Valuation:			
As at 1 January 2021	3,540	185	3,725
As at 31 December 2021	3,540	185	3,725
Depreciation:			
As at 1 January 2021	720	37	757
Depreciation charge	720	38	758
As at 31 December 2021	1440	75	1,515
Net book value:			
As at 1 January 2021	2,820	148	2,968
As at 31 December 2021	2,100	110	2,210

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	<i>Building LAKm</i>	<i>Parking land LAKm</i>	<i>Total LAKm</i>
As at 1 January 2021	-	142	142
Additions	-	-	-
Accretion of interest	-	2	2
Payments	-	(49)	(49)
Exchange difference	-	28	28
As at 31 December 2021	-	123	123

15. OTHER ASSETS

	<i>31/12/2021 LAKm</i>	<i>31/12/2020 LAKm</i>
Accrued interest receivable from:	11,215	7,598
- Term deposits	10,557	7,272
- Loans to government	194	180
- Loans to corporates and personal	134	146
- Loans to other banks	330	-
Prepaid expenses	564	519
	11,779	8,117

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

16. DUE TO OTHER BANKS

	31/12/2021 LAKm	31/12/2020 LAKm
Demand deposits	152,797	128,287
<i>In which:</i>		
- First Commercial Bank, Head Office (Note 21)	152,072	127,238
- Lao China Bank Co., Ltd	-	93
- Maruhan Japan Bank Lao Co., Ltd	11	52
- Taiwan Cooperative Bank Co., Ltd – Vientiane Branch	714	904
Borrowings from:		
- First Commercial Bank, Head Office (Note 21)	406,861	388,542
Total	559,658	516,829

Details of borrowings from First Commercial Bank, Head Office as at 31 December 2021 are as follows:

Bank	Currency	Maturity date	Term	Interest rate (% p.a.)	Balance at 31/12/2021 USD
First Commercial Bank Head Office	USD	28-03-22	3	0.40%	5,100,000
First Commercial Bank Head Office	USD	20-05-22	6	0.36%	13,875,000
First Commercial Bank Head Office	USD	26-05-22	6	0.37%	4,375,000
First Commercial Bank Head Office	USD	24-03-22	3	0.40%	13,500,000
					36,850,000

17. DUE TO CUSTOMERS

Details of due to customers as at 31 December 2021 are as follows:

	31/12/2021 LAKm	31/12/2020 LAKm
Demand deposits	1,478	1,337
- In LAK	385	952
- In foreign currency	1,093	385
Saving deposits	16,336	10,602
- In LAK	1,415	767
- In foreign currency	14,921	9,835
Term deposits	78,644	49,057
- In foreign currency	78,644	49,057
	96,458	60,996

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

17. DUE TO CUSTOMERS (continued)

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

	2021 Interest rate % p.a.	2020 Interest rate % p.a.
Demand deposits in LAK	No interest	No interest
Demand deposits in foreign currencies	No interest	No interest
Saving deposits in LAK	1.50	1.50
Saving deposits in USD	0.50	0.50
Saving deposits in THB	0.50	0.50
Term deposits in LAK	NA	NA
Term deposits in USD	1.30 – 3.70	1.50 - 3.70

18. TAXATION

18.1 Tax payables

	31/12/2021 LAKm	31/12/2020 LAKm
Profit Tax payable (Note 18.2)	2,361	781
Other payable to tax authorities	-	46
	2,361	827

18.2 Profit Tax ("PT")

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

The Branch's interest income from loans to certain Government Agencies are exempted from profit tax as specified in the loan contracts and confirmation letters from these agencies. The Branch's exempted income in 2021 is LAKm 3,815.

	2021 LAKm	2020 LAKm
Profit before tax	29,540	15,846
Income exempted from profit tax	(3,815)	(12,541)
Non-taxable incomes	(3,587)	-
Non-deductible expenses	-	600
Taxable profit	22,138	3,905
Current PT expense, at the statutory rate of 20%	4,428	781
Additional tax for previous year	35	-
PT payable at the beginning of the year	781	-
PT paid during the year	(2,883)	-
PT payable at the end of the year	2,361	781

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

18. TAXATION (continued)

18.2 Profit Tax ("PT") (continued)

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.

19. PAID-UP CAPITAL

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

	2021 LAKm	2020 LAKm
Opening balance	196,250	121,890
Changed during the year	42,419	74,360
Closing balance	238,669	196,250

20. CASH AND CASH EQUIVALENTS

	31/12/2021 LAKm	31/12/2020 LAKm
Cash on hand	3,549	3,616
Current accounts with the BOL	62,304	35,928
Current accounts with other banks	20,055	59,231
	85,908	98,775

21. 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.

First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2021

21. RELATED PARTY TRANSACTIONS (continued)

Significant balances with related parties as at 31 December 2021 are as follows:

Related party	Relationship	Transactions	Receivable/(payable)	
			31/12/2021 LAKm	31/12/2020 LAKm
First Commercial Bank Head Office	Parent Bank	Demand Deposits	13,952	57,246
First Commercial Bank Head Office	Parent Bank	Demand Deposits	(152,072)	(127,238)
First Commercial Bank Head Office	Parent Bank	Borrowings	(406,861)	(388,542)

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

Related party	Relationship	Transactions	2021 LAKm	2020 LAKm
First Commercial Bank, Head Office	Parent Bank	Interest expense	(1,450)	(5,572)

Transactions with key management personnel of the Branch

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

	2021 LAKm	2020 LAKm
Salaries and other benefits	2,242	2,636
Bonus	33	40
	2,275	2,676

22. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since the reporting date that requires adjustment or disclosure in the financial statements of the Branch.

Prepared by:



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Reviewed by:



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General Manager

Vientiane, Lao PDR

25 March 2022