

# **First Commercial Bank Ltd., Vientiane Branch**

Financial Statements

For the year ended 31 December 2022



# 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 238,669,400,000. The actual paid-up capital of the Branch as at 31 December 2022 is LAK 238,669,400,000 (31 December 2021: LAK 238,669,400,000).

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 year and at the date of these financial statements are as follows:

<u>Name</u>	<u>Title</u>	<u>Date of appointment/Resignation</u>
Mr. WU, Wen Han	General Manager	Appointed on 21 April 2023
Mr. YEH, Hsu-chao	General Manager	Appointed on 28 August 2018 Resigned on 20 April 2023
Mr. CHANG, Kang-Hu	Deputy Manager	Appointed on 08 May 2017
Mr. WHANG, Tzer-Yau	Deputy Manager	Appointed on 26 February 2020

### LEGAL REPRESENTATIVE

The legal representative of the Branch during the year ended from 28 August 2018 to 20 April 2023 is Mr. YEH, Hsu-chao - General Manager.

The legal representative of the Company from 21 April 2023 to the date of this report is Mr. WU, Wen Han - General Manager.

### AUDITOR

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

Reference: 61217374/67038413-IFRS

## INDEPENDENT AUDITORS' REPORT

**To: The Owner of First Commercial Bank Ltd., Vientiane Branch; and  
Bank of the Lao PDR**

### **Opinion**

We have audited the financial statements ("the financial statements") of First Commercial Bank Ltd., Vientiane branch ("the Branch"), which comprise the statement of financial position as at 31 December 2022, the income statement, statement of comprehensive income, 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 financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### **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.

### **Responsibilities of the Branch's Management for the Financial Statements**

The Branch's management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.



Saman Wijaya Bandara  
Partner  
Audit Practicing Registration  
Certificate No. 014/LCPAA-APT-2019

Vientiane, Lao PDR

17 May 2023

# First Commercial Bank Ltd., Vientiane Branch

## INCOME STATEMENT for the year ended 31 December 2022

	Notes	2022 LAKm	2021 LAKm
Interest revenue calculated using the effective interest method	9	66,259	38,680
Interest expense calculated using the effective interest method	10	(18,121)	(3,707)
<b>Net interest and similar income</b>		<b>48,138</b>	<b>34,973</b>
Fee and commission income	11	1,483	1,314
Fee and commission expense	11	(84)	(112)
<b>Net fees and commission income</b>		<b>1,399</b>	<b>1,202</b>
Net gain from dealing in foreign currencies	12	19,054	3,089
Net Other operating expenses		3	-
<b>Total operating income</b>		<b>68,594</b>	<b>39,264</b>
Credit loss (expense)/reversal	15	(2,516)	98
Other operating expenses		(221)	(127)
<b>NET OPERATING INCOME</b>		<b>65,857</b>	<b>39,235</b>
Personnel expenses	13	(7,369)	(4,825)
Depreciation and amortization		(1,889)	(1,815)
Other administrative expenses	14	(2,923)	(2,615)
<b>TOTAL OPERATING INCOME</b>		<b>53,676</b>	<b>29,980</b>
<b>PROFIT BEFORE TAX</b>		<b>53,676</b>	<b>29,980</b>
Profit tax expense	25.2	(6,259)	(4,463)
Deferred tax expense	25.3	(665)	(88)
<b>PROFIT FOR THE YEAR</b>		<b>46,752</b>	<b>25,429</b>

Prepared by:



Mr. WANG, Tzer-Yau  
Deputy Manager

Reviewed by:




Mr. WU, Wen Han  
General Manager

Vientiane, Lao PDR

17 May 2023

# First Commercial Bank Ltd., Vientiane Branch

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2022

Notes	2022 LAKm	2021 LAKm
PROFIT FOR THE YEAR	46,752	25,429
OTHER COMPREHENSIVE INCOME, NET OF TAX	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	46,752	25,429

Prepared by:

Reviewed by:



Mr. WANG, Tzer-Yau  
Deputy Manager




Mr. WU, Wen Han  
General Manager

Vientiane, Lao PDR

17 May 2023



# First Commercial Bank Ltd., Vientiane Branch

## STATEMENT OF FINANCIAL POSITION as at 31 December 2022

	Notes	31/12/2022 LAKm	31/12/2021 LAKm	31/12/2020 LAKm
<b>ASSETS</b>				
Cash and balances with the BOL	16	351,755	451,821	307,125
Due from banks	17	273,423	240,235	250,603
Loans to customers	18	483,088	256,978	241,661
Property and equipment	19	4,692	5,536	5,919
Intangible assets	20	106	129	152
Right-of-use assets	21	1,452	2,210	2,968
Deferred tax asset	25.3	1,132	273	282
Other assets	22	838	564	519
<b>TOTAL ASSETS</b>		<b>1,116,486</b>	<b>957,746</b>	<b>809,229</b>
<b>LIABILITIES</b>				
Due to other banks	23	632,794	559,865	516,926
Due to customers	24	137,005	97,726	61,749
Current tax liabilities	25.1	317	2,361	827
Deferred tax liabilities	25.3	1,924	400	321
Lease liabilities	21	116	123	142
Other liabilities	26	1,237	930	771
<b>TOTAL LIABILITIES</b>		<b>773,393</b>	<b>661,405</b>	<b>580,736</b>
<b>EQUITY</b>				
Paid up capital	27	238,669	238,669	196,250
Statutory reserve fund		12,316	7,907	5,399
Retained earnings		92,108	49,765	26,844
<b>TOTAL EQUITY</b>		<b>343,093</b>	<b>296,341</b>	<b>228,493</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,116,486</b>	<b>957,746</b>	<b>809,229</b>

Prepared by:



Mr. WANG, Tzer-Yau  
Deputy Manager

Reviewed by:



Mr. WU, Wen Han  
General

Vientiane, Lao PDR

17 May 2023



# First Commercial Bank Ltd., Vientiane Branch

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2022

	<i>Paid-up capital LAKm</i>	<i>Regulatory reserves LAKm</i>	<i>Retained earnings LAKm</i>	<i>Total LAKm</i>
<b>Balance as at 01 January 2021</b>	<b>196,250</b>	<b>5,399</b>	<b>26,844</b>	<b>228,493</b>
Net profit during the year	-	-	25,429	25,429
Capital contribution	42,419	-	-	42,419
Created regulatory reserve for the year	-	2,508	(2,508)	-
<b>Balance as at 31 December 2021</b>	<b>238,669</b>	<b>7,907</b>	<b>49,765</b>	<b>296,341</b>
Net profit during the year	-	-	46,752	46,752
Created regulatory reserve for the year	-	4,409	(4,409)	-
<b>Balance as at 31 December 2022</b>	<b>238,669</b>	<b>12,316</b>	<b>92,108</b>	<b>343,093</b>

Prepared by:



Mr. WANG, Tzer-Yau  
Deputy Manager

Reviewed by:




Mr. WU, Wen Han  
General Manager

Vientiane, Lao PDR

17 May 2023

# First Commercial Bank Ltd., Vientiane Branch

## STATEMENT OF CASH FLOWS for the year ended 31 December 2022

	Notes	2022 LAKm	2021 LAKm
<b>OPERATING ACTIVITIES</b>			
<b>Net profit before tax</b>		<b>53,676</b>	<b>29,980</b>
<i>Adjustments for:</i>			
Depreciation and amortization charges		1,889	1,815
Credit loss (reversal)/expenses	15	(2,516)	98
Interest income		(64,749)	(38,238)
Interest expense		18,121	3,707
<b>Cash flows from operating profit before changing in operating assets and liabilities</b>		<b>6,421</b>	<b>(2,638)</b>
(Increase)/decrease in operating assets			
Due from other banks		82,552	(203,175)
Loans to other banks		-	-
Loans to customers		(225,103)	46,925
Other assets		13,085	(1,119)
Increase/(decrease) in operating liabilities			
Due to other banks		72,929	42,939
Customer deposits and other amounts due to customers		39,279	35,977
Other liabilities		(5,013)	(218)
Interest received		52,900	34,830
Interest paid		(12,756)	(5,273)
Corporate tax paid during the year		(8,303)	(2,883)
<b>Net cash flows from/(used in) operating activities</b>		<b>15,991</b>	<b>(54,635)</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property and equipment and other intangible assets		(317)	(651)
<b>Net cash flows used in investing activities</b>		<b>(317)</b>	<b>(651)</b>
<b>FINANCING ACTIVITIES</b>			
Capital Contribution		-	42,419
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>42,419</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>15,674</b>	<b>(12,867)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>85,908</b>	<b>98,775</b>
<b>Cash and cash equivalents at the end of the year</b>	28	<b>101,582</b>	<b>85,908</b>

Prepared by:



Mr. WANG, Tzer-Yau  
Deputy Manager

Vientiane, Lao PDR  
17 May 2023

Reviewed by:




Mr. WU, Wen Han  
General Manager

# First Commercial Bank Ltd., Vientiane Branch

## NOTES TO THE FINANCIAL STATEMENTS as at and for the year ended 31 December 2022

### 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 238,669,400,000. The actual paid-up capital of the Branch as at 31 December 2022 is LAK 238,669,400,000 (31 December 2021: LAK 238,669,400,000).

#### *Management*

Members of the Management during the year ended 31 December 2022 and as at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/Resigned</i>
Mr. WU, Wen Han	General Manager	Appointed on 21 April 2023
Mr. YEH, Hsu-chao	General Manager	Appointed on 28 August 2018 Resigned on 21 April 2023
Mr. CHANG, Kang-Hu	Deputy Manager	Appointed on 08 May 2017
Mr. WHANG, 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 2022 were 18 people (2021: 18 people).



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 2. BASIS OF PREPARATION

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

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

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

## 3. STATEMENT OF COMPLIANCE

The financial statements of the Branch have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

## 4. PRESENTATION OF FINANCIAL STATEMENTS

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

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

## 5. FIRST-TIME ADOPTION OF IFRS

The financial statements for the year ended 31 December 2022 are the first financial statements the Branch has prepared in accordance with IFRS. The Branch has selected the IFRS transition date as being 1 January 2021. It has complied with the presentation and disclosures required by IFRS 1 - First-time adoption of International Financial Reporting Standards, except for disclosure of reconciliations between IFRS and Special purpose IFRS, which is not applicable as the Branch did not prepare any financial statements for previous periods under Special purpose IFRS.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 6.1 Foreign currency translation

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 rate ruling on the statement of financial position date (see list of exchange rates of applicable foreign currencies against LAK on 31 December 2022 and 31 December 2021 in Note 36). Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized in the income statement.



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 6.2 *Recognition of interest income*

#### 6.2.1 *Effective Interest Rate method*

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Branch recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in *Interest revenue/expense calculated using the effective interest method*.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

#### 6.2.2 *Interest and similar income/expense*

Net interest income of the Branch comprises interest income and interest expense calculated using the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

In its *Interest income/expense calculated using the effective interest method*, the Branch only includes interest on those financial instruments that are set out in Note 6.2.1 above.

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.

When a financial asset becomes credit-impaired (as set out in Note 6.11.1 and is therefore regarded as 'Stage 3', the Branch calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures (as outlined in Note 6.11.1) and is no longer credit-impaired, the Branch reverts to calculating interest income on a gross basis.

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

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

### 6.2 *Recognition of interest income (continued)*

### 6.3 *Fee and commission income*

The Branch earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Branch expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Branch's revenue contracts do not typically include multiple performance obligations, as explained further in Note 6.3.1 and Note 6.3.2 below.

When the Branch provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time (unless otherwise specified in Note 6.3.1 and Note 6.3.2 below).

The Branch has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 6.3.3.

#### 6.3.1 *Fee and commission income from services where performance obligations are satisfied over time*

Performance obligations satisfied over time include services where the customer simultaneously receives and consumes the benefits provided by the Branch's performance as the Branch performs.

The Branch's fee and commission income from services where performance obligations are satisfied over time include loan commitment fees: These are fixed annual fees paid by customers for loan and other credit facilities with the Branch, but where it is unlikely that a specific lending arrangement will be entered into with the customer and the loan commitment is not measured at fair value. The Branch promises to provide a loan facility for a specified period. As the benefit of the services is transferred to the customer evenly over the period of entitlement, the fees are recognised as revenue on a straight-line basis. Payment of the fees is due and received monthly in arrears.

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

Services provided where the Branch's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, or the purchase or sale of businesses, brokerage and underwriting fees.

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



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

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

### 6.3 Fee and commission income (continued)

#### 6.3.3 Contract balances

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

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

#### 6.4 Net loss on derecognition of financial assets measured at amortised cost

Net loss on derecognition of financial assets measured at amortised cost includes loss (or income) recognised on sale or derecognition of financial assets measured at amortised costs calculated as the difference between the book value (including impairment) and the proceeds received.

### 6.5 Financial instruments - initial recognition

#### 6.5.1 Date of recognition

All financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Branch becomes a party to the contractual provisions of the instrument. This includes "regular way trades" - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognised when funds are transferred to the customers' account. The Branch recognises due to customer balances when funds reach the Branch.

#### 6.5.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 6.7.1.1 and Note 6.7.1.2. Financial instruments are initially measured at their fair value (as defined in Note 6.6), except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Financial receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Branch account for the Day 1 profit or loss, as described below.

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

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

### 6.5 *Financial instruments - initial recognition (continued)*

#### 6.5.3 *'Day 1' profit or loss*

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Branch immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

#### 6.5.4 *Measurement categories of financial assets and liabilities*

The Branch classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- ▶ Amortised cost, as explained in Note 6.7.1
- ▶ FVOCI (The Branch has not got any financial assets classified at FVOCI)
- ▶ FVTPL (The Branch has not got any financial assets classified at FVTPL)

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading or the fair value designation is applied (The Branch has not got any financial liabilities classified at FVTPL).

#### 6.6 *Determination of fair value*

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

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



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

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

### 6.6 *Determination of fair value (continued)*

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

### 6.7 *Financial assets and liabilities*

#### 6.7.1 *Due from banks, Loans to customers and other financial investments at amortised cost*

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

- ▶ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

#### 6.7.1 *Due from banks, Loans to customers and other financial investments at amortised cost (continued)*

##### 6.7.1.1 *Business model assessment*

The Branch determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- ▶ The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- ▶ How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Branch's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Branch's original expectations, the Branch does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

##### 6.7.1.2 *The SPPI test*

As a second step of its classification process the Branch assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Branch applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

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

### 6.7 *Financial assets and liabilities (continued)*

#### 6.7.1.2 *The SPPI test (continued)*

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

#### 6.7.2 *Debt issued and other borrowed funds*

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

#### 6.7.3. *Financial guarantees, letters of credit and undrawn loan commitments*

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

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

Under IFRS 9, both financial guarantees, letters of credit and undrawn loan commitments are in the scope of the ECL requirements. The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 31.

#### 6.8. *Reclassification of financial assets and liabilities*

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

#### 6.9 *De-recognition of financial assets and financial liabilities*

##### 6.9.1. *Derecognition due to substantial modification of terms and conditions*

The Branch derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Branch considers the following factors:

- ▶ Change in currency of the loan;
- ▶ Introduction of an equity feature;
- ▶ Change in counterparty;
- ▶ If the modification is such that the instrument would no longer meet the SPPI.



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

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

### 6.9 De-recognition of financial assets and financial liabilities (continued)

#### 6.9.1 Derecognition due to substantial modification of terms and conditions (continued)

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

#### 6.9.2 Derecognition other than for substantial modification

##### 6.9.2.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired. The Branch also derecognises the assets if they have both transferred the asset, and the transfer qualifies for derecognition.

The Branch has transferred the asset if, and only if, either:

- ▶ The Branch has transferred its contractual rights to receive cash flows from the asset; or
- ▶ It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement.

Pass-through arrangements are transactions when the Branch retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- ▶ The Branch has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates;
- ▶ The Branch cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- ▶ The Branch has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Branch are not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

A transfer only qualifies for derecognition if either:

- ▶ The Branch has transferred substantially all the risks and rewards of the asset; or
- ▶ The Branch has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

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

### 6.9 *De-recognition of financial assets and financial liabilities (continued)*

#### 6.9.2. *Derecognition other than for substantial modification (continued)*

##### 6.9.2.1 *Financial assets (continued)*

The Branch considers control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

When the Branch has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset continues to be recognised only to the extent of the Branch's continuing involvement, in which case, the Branch also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Branch has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Branch could be required to repay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Branch would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### 6.9.2.2 *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

### 6.10 *Impairment of financial assets*

#### 6.10.1 *Overview of the ECL principles*

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (ECL) as outlined in Note 6.10.2. The Branch's policies for determining if there has been a significant increase in credit risk are set out in Note 31.

The 12-month ECL is the portion of life time ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

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

### 6.10 Impairment of financial assets (continued)

#### 6.10.1 Overview of the ECL principles (continued)

Both life time ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Branch has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 31.

Based on the above process, the Branch groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- ▶ Stage 1 When loans are first recognised, the Branch recognises an allowance based on 12-month ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- ▶ Stage 2 When a loan has shown a significant increase in credit risk since origination, the Branch records an allowance for the life time ECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- ▶ Stage 3 Loans considered credit-impaired (as outlined in Note 31). The Branch records an allowance for the life time ECLs.
- ▶ POCI Purchased or originated credit impaired ("POCI") assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Branch has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

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

### 6.10 Impairment of financial assets (continued)

#### 6.10.2 The calculation of ECL

The Branch calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the Branch expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- ▶ **Probability of Default ("PD")** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 31.
- ▶ **Exposure at Default ("EAD")** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 31.
- ▶ **Loss Given Default ("LGD")** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 31.



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

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

### 6.10 Impairment of financial assets (continued)

#### 6.10.2 The calculation of ECL (continued)

When estimating the ECL, the Branch considers three scenarios (base case, upper, and downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how individually defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying amount.

Allowance for ECLs for undrawn loan commitments are assessed.

The mechanics of the ECL method are summarised below:

- ▶ Stage 1 The 12-month ECL is calculated as the portion of life time ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Branch calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
- ▶ Stage 2 When a loan has shown a significant increase in credit risk since origination, the Branch record an allowance for the life time ECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- ▶ Stage 3 For loans considered credit-impaired, the Branch recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- ▶ POCI POCI assets are financial assets that are credit impaired on initial recognition. The Branch only recognises the cumulative changes in life time ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit adjusted EIR.
- ▶ Off-balance sheet commitments When estimating life time ECLs for Undrawn loan commitments, undrawn limit of revolving facilities, letter of credit and financial guarantee contracts..., the Branch estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For Off-balance sheet commitments, the ECL is recognised within *Provision for off-balance sheet commitments* under "*Other liabilities*".



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

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

### 6.10 Impairment of financial assets (continued)

#### 6.10.3 Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Branch only recognises the cumulative changes in life time ECL since initial recognition in the loss allowance.

#### 6.10.4 Forward-looking information

In its ECL models, the Branch relies on a broad range of forward looking information as economic inputs, such as:

- ▶ GDP growth;
- ▶ Unemployment rates;
- ▶ Inflation;
- ▶ House price indices.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

#### 6.11 Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Branch seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Branch's statement of financial position.

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

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

#### 6.12 Collateral repossessed

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

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

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

### 6.13 *Write-offs*

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

### 6.14 *Cash and cash equivalents*

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, non-restricted current accounts with the BOL and amounts due from banks on demand or with an original maturity of three months or less.

### 6.15 *Property and equipment*

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The following are annual rates used:

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

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' in the income statement in the year the asset is derecognized.

### 6.16 *Intangible assets*

The Branch's intangible asset includes the value of computer software.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Branch.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

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

### 6.16 *Intangible assets (continued)*

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, which are then treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible assets.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives. The following are annual rates used:

Computer software	20%
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### 6.17 *Impairment of non-financial assets*

The Branch assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Branch estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit (CGU)'s fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Branch estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

### 6.18 *Leases*

#### 6.18.1. *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 2022

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

### 6.18 Leases

#### 6.18.1. Right-of-use assets

The Branch recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any 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.

#### 6.18.2. 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.

#### 6.18.3. 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.

#### 6.18.4. 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.

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

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

### 6.18 Leases (continued)

#### 6.18.4 Significant judgement in determining the lease term of contracts with renewal options (continued)

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).

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the last salary or wage multiplied by the total number of months worked. As at 31 December 2022, 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.

### 6.20 Provisions

Provisions are recognized when the Branch has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Branch determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

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

### 6.21 Profit tax

#### *Current tax*

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Branch operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### *Deferred tax*

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. Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, 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 utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised 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 realised 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 recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of available-for-sale assets, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI. These exceptions are subsequently reclassified from OCI to the income statement together with the respective deferred loss or gain. The Branch also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

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.

### 6.22 Reserve

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

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

In accordance with Article 156, Enterprise Law dated 26 December 2013, the Branch is required to appropriate 10% of profit after tax each year into regulatory reserves. When these reserves 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.

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

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

### 6.22 Reserve (continued)

Accordingly, the Branch has made the following reserves for the year ended 31 December 2022:

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

### 6.23 Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the separate statement of financial positions if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the separate statement of financial position.

### 6.24 Standards issued but not yet effective

#### *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

#### *Definition of Accounting Estimates - Amendments to IAS 8*

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Branch.



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Branch's financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Branch's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Branch's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

### 7.1 *Impairment losses on financial assets*

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

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

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

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

### 7.2 *Going concern*

The Branch's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Branch's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

### 7.3 *Fair value of financial instruments*

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 6.6 and Note 34.

### 7.4 *Effective Interest Rate (EIR) method*

The Branch's EIR methodology, as explained in Note 6.2.1, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to other fee income/expense that are integral parts of the instrument.

### 7.5 *Provisions and other contingent liabilities*

The Branch operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings in Lao PDR, arising in the ordinary course of the Branch's business.

When the Branch can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Branch records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Branch is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Branch does not include detailed, case-specific disclosures in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Branch takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

### 7.6 *Determination of the lease term for lease contracts with renewal and termination options (Branch as a lessee)*

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 has 1 lease contract that include extension and termination options. The Branch applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. 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 that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

### 7.7 *Estimating the incremental borrowing rate*

The Branch cannot readily determine the interest rate implicit in the lease, therefore, it uses the same incremental borrowing rate (IBR) as the parent bank to measure lease liabilities. The IBR is the rate of interest that the Branch would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Branch 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Branch estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments.

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 8. RECONCILIATION OF FINANCIAL POSITION AS AT 1 JANUARY 2021 (DATE OF TRANSITION TO IFRS)

The following pages set out the impact of adopting IFRS 9 on the statement of financial position including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

The impact on the statement of financial position as at 1 January 2021 (increase/(decrease)):

	Note	01/01/2021 as previously stated LAKm	Remeasurements LAKm	IFRS as at 01/01/2021 LAKm
<b>ASSETS</b>				
Cash and balances with BOL		307,125	-	307,125
Due from banks		250,603	-	250,603
Loans to customers	(I)	242,442	(781)	241,661
Property and equipment		5,919	-	5,919
Intangible assets		152	-	152
Rights-of-use assets		2,968	-	2,968
Deferred tax assets	(II)	125	157	282
Other assets		519	-	519
<b>TOTAL ASSETS</b>		<b>809,853</b>	<b>(624)</b>	<b>809,229</b>
<b>LIABILITIES</b>				
Due to banks		516,926	-	516,926
Due to customers		61,749	-	61,749
Current tax liabilities		827	-	827
Lease liabilities		142	-	142
Deferred tax liabilities		321	-	321
Other liabilities		771	-	771
<b>TOTAL LIABILITIES</b>		<b>580,736</b>	<b>-</b>	<b>580,736</b>



First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

8. RECONCILIATION OF FINANCIAL POSITION AS AT 1 JANUARY 2021 (DATE OF TRANSITION TO IFRS) (continued)

	Note	01/01/2021 as previously stated LAKm	Remeasurements LAKm	IFRS as at 01/01/2021 LAKm
<b>EQUITY</b>				
Paid up capital		196,250	-	196,250
Statutory reserve		5,399	-	5,399
Retained earnings	(III)	27,468	(624)	26,844
<b>TOTAL EQUITY</b>		<b>229,117</b>	<b>(624)</b>	<b>228,493</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>809,853</b>	<b>(624)</b>	<b>809,229</b>

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 8. RECONCILIATION OF FINANCIAL POSITION AS AT 1 JANUARY 2021 (DATE OF TRANSITION TO IFRS) (continued)

The nature of these remeasurements are described below:

### I. Loans to customer

Applying IFRS 9 for the first time with the initial application date of 1 January 2021, the Branch has remeasurements the amount calculated under IAS 39.

For the balances as at 1 January 2021, the Branch recognised the remeasurements relating to this item as detailed:

<i>Description</i>	<i>1/1/2021 Amount LAKm</i>
ECL remeasurements	(781)

### II. Deferred tax assets

The Branch's tax obligation is recorded and measured under the Tax Authority requirement and tax computation. Therefore, the Branch recognises deferred tax as at 1 January 2021 on differences that affect the comprehensive income statement.

<i>Description</i>	<i>1/01/2021 Amount LAKm</i>
Deferred tax adjustments	157

### III. Retained earnings

The cumulative effects of the remeasurements to the income statement are carried forward to retained earnings as at 1 January 2021.

<i>Description</i>	<i>1/01/2021 Amount LAKm</i>
Adjustment on Retained earnings	(624)

The impact on the statement of cash flows for the year ended 31 December 2021 only relates to the changes in profit before tax from continuing operations, certain adjustments to reconcile profit before tax to net cash flows from operating activities and working capital adjustments. However, there was no impact on the net cash flows from operating activities. The cash flows from investing and financing activities were not affected.



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 9. INTEREST AND SIMILAR INCOME

	2022 LAKm	2021 LAKm
<i>Interest revenue calculated using the effective interest method from:</i>		
- Deposits at other banks	29,073	20,874
- Lending activities	37,186	17,806
	<b>66,259</b>	<b>38,680</b>

## 10. INTEREST AND SIMILAR EXPENSES

	2022 LAKm	2021 LAKm
<i>Interest expense calculated using the effective interest method for:</i>		
- Borrowings at other banks	14,682	1,563
- Customers' deposits	3,439	2,144
	<b>18,121</b>	<b>3,707</b>

## 11. NET FEES AND COMMISSION INCOME

	2022 LAKm	2021 LAKm
Fees and commission income from:		
Remittance and credit activities	1,483	1,314
Fee and commission expense	(84)	(112)
	<b>1,399</b>	<b>1,202</b>

## 12. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	2022 LAKm	2021 LAKm
Gain from dealing in foreign currencies	19,054	3,089
Loss from dealing in foreign currencies	-	-
	<b>19,054</b>	<b>3,089</b>

## 13. PERSONNEL EXPENSES

	2022 LAKm	2021 LAKm
Wages and allowances	6,912	4,637
Other employee expenses	457	188
	<b>7,369</b>	<b>4,825</b>

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 14. OTHER ADMINISTRATIVE EXPENSES

	2022 LAKm	2021 LAKm
Office rental	1,259	997
Fuel	71	43
Office stationeries	42	34
Publication, marketing and promotion expenses	1	1
Telecommunication	96	106
Repair and maintenance	256	494
Electricity and water	97	94
Insurance fee	139	94
Consultation fee	-	66
Business trips	78	-
Audit and lawyer fee	476	316
Others	408	370
	<b>2,923</b>	<b>2,615</b>

## 15. CREDIT LOSS EXPENSE

The table below shows the ECL charges on financial instruments for the year ended 31 December 2022 recorded in the statement of profit or loss:

	Note	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Total
Due from other banks	17	(336)	-	-	(336)
Loans to customers	18	(2,180)	-	-	(2,180)
		<b>(2,516)</b>	<b>-</b>	<b>-</b>	<b>(2,516)</b>

The table below shows the ECL charges on financial instruments for the year ended 31 December 2021 recorded in the statement of profit or loss:

	Note	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Total
Due from other banks	17	(36)	-	-	(36)
Loans to customers	18	134	-	-	134
		<b>98</b>	<b>-</b>	<b>-</b>	<b>98</b>



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 16. CASH AND BALANCES WITH BANK OF THE LAO PDR

	31/12/2022 LAKm	31/12/2021 LAKm	01/01/2021 LAKm
Cash on hand in LAK	1,494	802	878
Cash on hand in foreign currencies	4,142	2,747	2,738
Balances with the BOL	346,119	448,272	303,509
- Demand deposit	74,638	62,304	35,928
- Compulsory reserve (*)	6,890	4,930	4,759
- Registered capital reserve (**)	5	42,424	74,365
- Term deposit (***)	264,586	338,614	188,457
	<b>351,755</b>	<b>451,821</b>	<b>307,125</b>

These balances of demand deposit, compulsory reserve and registered capital reserve earn no interest.

(\*) Under regulations of the BOL, the Branch is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 5.00% for LAK and 5.00% (2021: 3.00% and 5.00%) 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 in official Letter No. 410/BSO dated 03 June 2022 to withdraw from this deposit account to supplement its working capital.

(\*\*\*) The term deposit at the BOL is denominated in USD with term of 12 months and interest rate of 5.2% to 5.4% per annum.

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 17. DUE FROM BANKS

	31/12/2022 LAKm	31/12/2021 LAKm	01/01/2021 LAKm
<b>Demand deposits with domestic banks</b>	<b>3,643</b>	<b>5,944</b>	<b>1,837</b>
- Industrial and Commercial Bank of China - Vientiane Branch	-	-	175
- Banque pour le Commerce Exterieur Lao Public (BCEL)	1,288	1,652	360
- Bangkok Bank - Vientiane Branch	291	20	16
- Banque Franco Lao Limited	-	-	3
- Maruhan Japan Bank Lao	2,064	4,272	1,280
- Kasikornthai Bank Limited, Lao PDR	-	-	3
<b>Demand deposits with foreign banks</b>	<b>17,666</b>	<b>14,111</b>	<b>57,394</b>
- Bangkok Bank Public Company Limited	-	159	148
- First Commercial Bank - Head Office (Note 29)	17,666	13,952	57,246
<b>Term deposits at domestic banks (*)</b>	<b>202,284</b>	<b>146,265</b>	<b>191,372</b>
<b>Loan to domestic bank</b>	<b>49,830</b>	<b>73,915</b>	-
- Aceda Bank Lao Ltd	50,201	50,091	-
- Maruhan Japan Bank Lao Co.,Ltd	-	23,860	-
Allowance for expected credit losses	(371)	(36)	-
	<b>273,423</b>	<b>240,235</b>	<b>250,603</b>

(\*) As at 31 December 2022, term deposits to domestic banks comprise deposit contracts in LAK with term of 3 months at interest rate 3.50 % per annum and in USD with term 12 months at interest rate 4.65 % per annum.



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 17. DUE FROM BANKS (continued)

The table below shows the credit quality and maximum exposure to credit risk based on the Branch's stage classification. The amounts presented are gross of impairment allowances. Details of the Branch's internal grading system are explained in Note 31.

	31 Dec 2022 Stage 1 Collective LAKm	31 Dec 2021 Stage 1 Collective LAKm	01 Jan 2021 Stage 1 Collective LAKm
Performing	273,423	240,235	250,603
Non-performing	-	-	-
	<b>273,423</b>	<b>240,235</b>	<b>250,603</b>

A reconciliation of changes in the gross carrying amount is as follows:

	Stage 1 Collective LAKm
<b>Gross carrying amount as at 1 January 2021</b>	<b>250,603</b>
New assets originated or purchased	104,029
Payments and assets derecognised	(117,457)
Accrued interest	3,060
<b>Gross carrying amount as at 31 December 2021</b>	<b>240,235</b>
New assets originated or purchased	199,517
Payments and assets derecognised	(170,350)
Accrued interest	4,021
<b>As at 31 December 2022</b>	<b>273,423</b>

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

	Stage 1 Collective LAKm
<b>ECL allowance as at 1 January 2021</b>	<b>-</b>
Credit loss expense during the year	36
<i>In which:</i>	
<i>New assets originated or purchased</i>	36
<i>Derecognised or repaid (excluding written offs)</i>	-
<b>As at 31 December 2021</b>	<b>36</b>
Credit loss expense during the year	336
<i>In which:</i>	
<i>Changes to inputs used for ECL calculations</i>	345
<i>Derecognised or repaid (excluding written offs)</i>	(11)
<b>As at 31 December 2022</b>	<b>371</b>

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 18. LOANS TO CUSTOMERS

	31/12/2022 LAKm	31/12/2021 LAKm	01/01/2021 LAKm
Gross loans to customers	487,661	259,371	244,188
Less: Allowance for impairment losses	(4,573)	(2,393)	(2,527)
	<b>483,088</b>	<b>256,978</b>	<b>241,661</b>

### *Analysis of loans to customers*

#### *Analysis by currency*

	31/12/2022 LAKm	31/12/2021 LAKm	01/01/2021 LAKm
Loans denominated in LAK	138,271	26,968	20,693
Loans denominated in USD	349,390	232,403	223,495
	<b>487,661</b>	<b>259,371</b>	<b>244,188</b>

#### *Analysis by original term*

	31/12/2022 LAKm	31/12/2021 LAKm	01/01/2021 LAKm
Short-term loans	29,782	2,485	2,013
Medium-term loans	427,124	235,481	160,709
Long-term loans	30,755	21,405	81,466
	<b>487,661</b>	<b>259,371</b>	<b>244,188</b>

#### *Analysis by industrial sectors*

	31/12/2022 LAKm	31/12/2021 LAKm	01/01/2021 LAKm
Agricultural and forestry	4,997	2,485	2,013
Trading companies	5,752	7,100	7,548
Services companies	110,378	64,119	1,208
Industrial services companies	5,224	4,865	8,790
Others	361,310	180,802	224,629
	<b>487,661</b>	<b>259,371</b>	<b>244,188</b>



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 18. LOANS TO CUSTOMERS (continued)

### *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 credit rating system and stage classification. The amounts presented are gross of allowances for ECL. Details of the Branch's internal grading system are explained in Note 28.

	31/12/2022 Stage 1 Individual LAKm	31/12/2021 Stage 1 Individual LAKm	01/01/2021 Stage 1 Individual LAKm
Performing	487,661	259,371	244,188
Non-performing	-	-	-
	<b>487,661</b>	<b>259,371</b>	<b>244,188</b>

A reconciliation of changes in the gross carrying amount is as follows:

	Stage 1 Individual LAKm
<b>Gross carrying amount as at 1 January 2021</b>	<b>244,188</b>
New assets originated or purchased	93,208
Derecognised or repaid (excluding written offs)	(86,414)
Accrued interest and foreign exchange difference	8,389
<b>Gross carrying amount as at 31 December 2021</b>	<b>259,371</b>
New assets originated or purchased	155,689
Derecognised or repaid (excluding written offs)	(2,485)
Accrued interest and foreign exchange difference	75,086
<b>As at 31 December 2022</b>	<b>487,661</b>

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

	Stage 1 Individual LAKm
<b>ECL allowance as at 1 January 2021</b>	<b>2,527</b>
Net ECL reversal	(134)
New assets originated or purchased	849
Derecognized or repaid (excluding written offs)	(899)
Changes to inputs used for ECL calculations	(84)
<b>ECL allowance as at 31 December 2021</b>	<b>2,393</b>
Net ECL charge	2,180
New assets originated or purchased	1,432
Derecognized or repaid (excluding written offs)	5
Changes to inputs used for ECL calculations	743
<b>As at 31 December 2022</b>	<b>4,573</b>

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 19. PROPERTY AND EQUIPMENT

Movements of property and equipment during the year end 31 December 2022 are as follows:

	<i>Building improvements LAKm</i>	<i>Furniture &amp; fixtures LAKm</i>	<i>Computer equipments LAKm</i>	<i>Motor Vehicles/ Others LAKm</i>	<i>Total LAKm</i>
<b>Cost:</b>					
Opening balance	7,743	3,331	2,851	2,887	16,812
Disposal	-	-	(314)	-	(314)
Additions for the year	-	300	17	-	317
Ending balance	7,743	3,631	2,554	2,887	16,815
<b>Accumulated depreciation:</b>					
Opening balance	4,810	2,749	1,804	1,913	11,276
Charges for the year	704	15	241	148	1,108
Disposals for the year	-	-	(261)	-	(261)
Ending balance	5,514	2,764	1,784	2,061	12,123
<b>Net book value:</b>					
Opening balance	2,933	582	1,047	974	5,536
Ending balance	2,229	867	770	826	4,692

Movements of property and equipment during the year end 31 December 2021 are as follows:

	<i>Building improvements LAKm</i>	<i>Furniture &amp; fixtures LAKm</i>	<i>Computer equipments LAKm</i>	<i>Motor Vehicles/ Others LAKm</i>	<i>Total LAKm</i>
<b>Cost:</b>					
Opening balance	7,743	3,331	2,667	2,420	16,161
Additions for the year	-	-	184	467	651
Ending balance	7,743	3,331	2,851	2,887	16,812
<b>Accumulated depreciation:</b>					
Opening balance	4,106	2,737	1,582	1,817	10,242
Charges for the year	704	12	222	96	1,034
Ending balance	4,810	2,749	1,804	1,913	11,276
<b>Net book value:</b>					
Opening balance	3,637	594	1,085	603	5,919
Ending balance	2,933	582	1,047	974	5,536



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 20. INTANGIBLE ASSETS

Movements of the balance of intangible fixed assets during the 2022 are as follows:

	<i>Computer software LAKm</i>	<i>Total LAKm</i>
<b>Cost:</b>		
As at 1 January 2022	247	247
Additions for the year	-	-
As at 31 December 2022	247	247
<b>Accumulated amortization:</b>		
As at 1 January 2022	118	118
Charges for the year	23	23
As at 31 December 2022	141	141
<b>Net book value:</b>		
As at 1 January 2022	129	129
As at 31 December 2022	106	106

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

	<i>Computer software LAKm</i>	<i>Total LAKm</i>
<b>Cost:</b>		
As at 1 January 2021	247	247
Additions for the year	-	-
As at 31 December 2021	247	247
<b>Accumulated amortization:</b>		
As at 1 January 2021	95	95
Charges for the year	23	23
As at 31 December 2021	118	118
<b>Net book value:</b>		
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 2022

## 21. 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>
<b>Cost or Valuation:</b>			
As at 1 January 2021	3,540	185	3,725
As at 31 December 2021	3,540	185	3,725
As at 31 December 2022	3,540	185	3,725
<b>Depreciation:</b>			
As at 1 January 2021	720	37	757
Depreciation charge	720	38	758
As at 31 December 2021	1,440	75	1,515
Depreciation charge	720	38	758
As at 31 December 2022	2,160	113	2,273
<b>Net book value:</b>			
As at 1 January 2021	2,820	148	2,968
As at 31 December 2021	2,100	110	2,210
As at 31 December 2022	1,380	72	1,452

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>
<b>As at 1 January 2021</b>	-	142	142
Additions	-	-	-
Accretion of interest	-	2	2
Payments	-	(49)	(49)
Exchange difference	-	28	28
<b>As at 31 December 2021</b>	-	123	123
Additions	-	-	-
Accretion of interest	-	2	2
Payments	-	(76)	(76)
Exchange difference	-	67	67
<b>As at 31 December 2022</b>	-	116	116

## 22. OTHER ASSETS

	<i>31/12/2022 LAKm</i>	<i>31/12/2021 LAKm</i>	<i>01/01/2021 LAKm</i>
Prepaid expenses	838	564	519



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 23. DUE TO OTHER BANKS

	31/12/2022 LAKm	31/12/2021 LAKm	01/01/2021 LAKm
Demand deposits from:			
- First Commercial Bank Head Office (Note 29)	234,423	152,072	127,238
- Lao China Bank Co., Ltd	-	-	92
- Maruhan Japan Bank Lao Co., Ltd	-	11	52
- Taiwan Cooperative Bank Co., Ltd – Vientiane Branch	5,388	714	905
Borrowings from:			
- First Commercial Bank Head Office (Note 29)	392,983	407,068	388,639
	<b>632,793</b>	<b>559,865</b>	<b>516,926</b>

Details of the borrowings from First Commercial Bank Head Office as at 31 December 2022 are as follows:

Bank	Currency	Maturity date	Term	Interest rate (% p.a.)	Balance at 31/12/2022 USD
First Commercial Bank Head Office	USD	27-Mar-23	3	5.56%	12,000,000
First Commercial Bank Head Office	USD	28-Mar-23	3	5.56%	3,825,000
First Commercial Bank Head Office	USD	30-Jan-23	3	5.45%	5,000,000
First Commercial Bank Head Office	USD	21-Feb-23	3	5.80%	2,000,000
					<b>22,825,000</b>

## 24. DUE TO CUSTOMERS

	31/12/2022 LAKm	31/12/2021 LAKm	01/01/2021 LAKm
Demand deposits	1,040	1,478	1,337
- In LAK	326	385	952
- In foreign currency	714	1,093	385
Saving deposits	16,883	16,336	10,602
- In LAK	1,265	1,415	767
- In foreign currency	15,617	14,921	9,835
Term deposits	119,078	79,912	49,810
- In foreign currency	119,078	79,912	49,810
Dormant account	4	-	-
- In foreign currency	4	-	-
	<b>137,005</b>	<b>97,726</b>	<b>61,749</b>

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 24. DUE TO CUSTOMERS (continued)

*Classified by maturity*

	31/12/2022 LAKm	31/12/2021 LAKm	01/01/2021 LAKm
Less than 3 months	57,712	17,814	11,939
3 to 6 months	64,077	-	-
Over 6 months to 1 year	15,215	79,912	49,810
Over 1 year	-	-	-
	<u>137,005</u>	<u>97,726</u>	<u>61,749</u>

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

	2022 Interest rate (% p.a.)	2021 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	1.50 - 3.70	1.30 - 3.70
Term deposits in THB	1.50	NA

## 25. TAXATION

### 25.1 Tax payables

	31/12/2022 LAKm	31/12/2021 LAKm	01/01/2021 LAKm
Profit Tax payable (Note 25.2)	317	2,361	781
Other tax payable	-	-	46
	<u>317</u>	<u>2,361</u>	<u>827</u>

### 25.2 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.



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 25. TAXATION (continued)

### 25.2 Profit Tax ("PT") (continued)

	2022 LAKm	2021 LAKm
Profit before tax under IFRS	53,676	29,980
<i>Temporary difference between LAS and IFRS</i>		
Difference in allowance for impairment losses between LAS and IFRS of loans to customers	1,199	(575)
Difference between carrying value under LAS and amortised cost under IFRS of loans to customers	(6,477)	(769)
Difference between carrying value under LAS and amortised cost under IFRS of cash at/due from other banks	(1,514)	756
Difference in allowance for impairment losses between LAS and IFRS of due from other bank	337	35
Difference between carrying value under LAS and amortised cost under IFRS of due to other banks	3,128	113
<b>Profit before tax under LAS</b>	<b>50,349</b>	<b>29,540</b>
Income exempted from profit tax	-	(3,815)
Non-deductible expenses	-	-
Non-taxable incomes	(19,054)	(3,587)
<b>Taxable profit</b>	<b>31,295</b>	<b>22,138</b>
<b>Current PT expense, at the statutory rate of 20%</b>	<b>6,259</b>	<b>4,428</b>
<b>Additional tax for previous year</b>	<b>-</b>	<b>35</b>
PT payable at the beginning of the year	2,361	781
PT paid during the year	(8,303)	(2,883)
<b>PT payable at the end of the year</b>	<b>317</b>	<b>2,361</b>

The Branch's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations in many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

### 25.3 Deferred tax

	<i>Statement of financial position</i>		<i>Income statement</i>	
	31/12/2022 LAKm	31/12/2021 LAKm	2022 LAKm	2021 LAKm
Deferred tax assets	1,132	273	859	(9)
Deferred tax liabilities	(1,924)	(400)	(1,524)	(79)
<b>Net deferred tax credited to the income statement</b>			<b>(665)</b>	<b>(88)</b>

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 25. TAXATION (continued)

### 25.3 Deferred tax (continued)

Details of the deferred tax assets and deferred tax liabilities are as follows:

	31/12/2022 LAKm	31/12/2021 LAKm	01/01/2021 LAKm
Deductible temporary differences	5,658	1,364	1,408
<i>In which:</i>			
<i>Difference in allowance for impairment losses between LAS and IFRS of loans to customers</i>	1,938	738	1,314
<i>Difference between carrying value under LAS and amortised cost under IFRS of cash at other banks</i>	108	113	94
<i>Difference in allowance for impairment losses between LAS and IFRS of due from other bank</i>	371	35	-
<i>Difference between carrying value under LAS and amortised cost under IFRS of due to other banks</i>	3,241	113	-
<i>Difference between carrying value under LAS and amortised cost under IFRS of due from other banks</i>	-	365	-
<b>Deferred tax assets at tax rate 20%</b>	<b>1,132</b>	<b>273</b>	<b>282</b>
Deductible temporary differences	(9,620)	(2,000)	(1,603)
<i>In which:</i>			
<i>Difference between carrying value under LAS and amortised cost under IFRS of Loan to Customers</i>	(8,477)	(2,000)	(1,231)
<i>Difference between carrying value under LAS and amortised cost under IFRS of Due from others bank</i>	(1,143)	-	(372)
<b>Deferred tax liability at tax rate 20%</b>	<b>(1,924)</b>	<b>(400)</b>	<b>(321)</b>

## 26. OTHER LIABILITIES

	31/12/2022 LAKm	31/12/2021 LAKm	01/01/2021 LAKm
Payable to employees	9	-	8
Accrued expense	1,207	212	-
Other	21	718	763
	<b>1,237</b>	<b>930</b>	<b>771</b>



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 27. PAID-UP CAPITAL

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

	2022 LAKm	2021 LAKm
Opening balance	238,669	196,250
Changed during the year	-	42,419
<b>Closing balance</b>	<b>238,669</b>	<b>238,669</b>

## 28. ADDITIONAL CASH FLOW INFORMATION

### *Cash and cash equivalents*

	31/12/2022 LAKm	31/12/2021 LAKm	01/01/2021 LAKm
Cash on hand	5,636	3,549	3,616
Current accounts with the BOL	74,638	62,304	35,928
Current accounts with other banks	21,308	20,055	59,231
	<b>101,582</b>	<b>85,908</b>	<b>98,775</b>

## 29. 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 2022

## 29. RELATED PARTY TRANSACTIONS (continued)

Significant balances with related parties as at 31 December 2022 are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>31/12/2022 LAKm</i>	<i>31/12/2021 LAKm</i>	<i>01/01/2021 LAKm</i>
First Commercial Bank Head Office	Parent Bank	Demand deposits	17,666	13,952	57,246
First Commercial Bank Head Office	Parent Bank	Demand deposits	(234,423)	(152,072)	(127,238)
First Commercial Bank Head Office	Parent Bank	Borrowings	(392,983)	(407,068)	(388,639)

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

<i>Related party</i>	<i>Relationship</i>	<i>Transactions during the year</i>	<i>2022 LAKm</i>	<i>2021 LAKm</i>
First Commercial Bank Head Office	Parent Bank	Interest expense	(11,446)	(1,450)

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

Remuneration to members of the Management is as follows:

	<i>2022 LAKm</i>	<i>2021 LAKm</i>
Salaries and other benefits	4,748	2,242
Bonus	56	33
	<b>4,804</b>	<b>2,275</b>

## 30. RISK MANAGEMENT POLICIES

### **Introduction**

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

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

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



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 30. RISK MANAGEMENT POLICIES (continued)

### *Introduction*

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

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

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

### *Risk management structure*

Management is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Management has appointed the Risk - Compliance Officer which has the responsibility to monitor the overall risk process within the Branch.

The Risk - Compliance Officer has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk - Compliance Officer is responsible for managing risk decisions and monitoring risk levels and reports to the Management.

The Branch's policy is that risk management processes throughout the Branch are audited annually by the Internal Audit function of First Commercial Bank - Head Office, which examines both the adequacy of the procedures and the Branch's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee of First Commercial Bank.

## 31. CREDIT RISK

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

The Branch has maintained a policy of credit risk management to ensure the following basic principles:

- ▶ set up an appropriate credit risk management environment;
- ▶ operate in a healthy process for granting credit facilities;
- ▶ maintain an appropriate management, measurement and monitoring credit process; and
- ▶ ensure adequate controls for credit risk.

The approval process for granting credit must go through several management levels to ensure a credit facility is reviewed independently together with the limit applied to each competent level. In addition, the participation of Credit Council in the credit approval model also helps to ensure a highest quality and concentrated approval process.

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 31. CREDIT RISK (continued)

### 31.1 *Impairment assessment*

The references below show where the Branch's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the *Summary of significant accounting policies*.

#### 31.1.1 *Definition of default, impaired and cure*

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

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

- Observed impaired evidence, such as difficulties in financial affairs, forbearance and bankruptcy etc.

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

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

#### ***Treasury, trading and interbank relationships***

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



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 31. CREDIT RISK (continued)

### 31.1 Impairment assessment (continued)

#### 31.1.2 The Branch's internal rating and probability of default estimation process (continued)

##### Corporate lending

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

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

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

Below tables summarized the results of predicted 12M PD of Asia-Pacific group in corporate loan portfolio after adjustment.

Asia-Pacific					
	GOOD	MG	M	MB	BAD
Avg PD	0.30%	0.68%	1.59%	2.37%	3.40%
Determined weight by FCB HO	-	10%	90%	-	-
12M PD $= 0.68\% * 10\% + 1.59\% * 90\%$ $= 1.50\%$					

##### 12M PD

Year	2022	2021
12M PD	1.50%	1.57%

## First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

### 31. CREDIT RISK (continued)

#### 31.1 *Impairment assessment* (continued)

##### 31.1.3 *Exposure at default*

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

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

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

##### 31.1.4 *Loss given default*

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

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

##### 31.1.5 *Significant increase in credit risk*

The Branch continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Branch assesses whether there has been a significant increase in credit risk since initial recognition.

The Branch applies criteria of the staging mechanism were based on the change of credit rating grade in the internal rating system, days-past-due information and the loan classification flag etc.



## First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

### 31. CREDIT RISK (continued)

#### 31.1 Impairment assessment (continued)

##### 31.1.5 Significant increase in credit risk (continued)

The Branch use RR Medium as a final Loss given default (LGD) calculation, and thus the following table summarized the results of selected scenario rate estimation by different groups.

Group	RR Medium (Undiscounted)						RR Total
	Y1	Y2	Y3	Y4	Y5	Y6	
Secured	12.76%	15.38%	6.57%	9.69%	5.83%	15.07%	65.31%
Unsecured	10.05%	7.39%	4.68%	4.68%	3.33%	4.72%	35.08%

##### 31.1.6 Grouping financial assets measured on a collective basis

As explained in Note 6.11.1 dependent on the factors below, the Branch calculates the allowance for ECL either on a collective or an individual basis.

Asset classes where the Branch calculates ECL on an individual basis include:

- ▶ All Stage 3 assets, regardless of the class of financial assets
- ▶ Large exposures that have been classified as POCI when the original loan was derecognised, and a new loan was recognised as a result of a credit driven debt restructuring

Asset classes where the Branch calculates ECL on a collective basis include:

- ▶ The smaller and more generic balances of the Branch's lending
- ▶ Stage 1 and 2 lending
- ▶ Purchased POCI exposures managed on a collective basis.

## First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

### 32. LIQUIDITY RISK

Liquidity risk is defined as the risk that the Branch will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Branch might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Branch has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The following assumptions and conditions are applied in the liquidity risk analysis of the Branch's financial assets and liabilities:

- ▶ Deposits at the BOL are classified as demand deposits which include compulsory deposits. The balance of compulsory deposits depends on the proportion and terms of the Branch's customer deposits.
- ▶ The maturity term of placements with other banks; and loans to customers is determined on the maturity date as stipulated in contracts. The actual maturity term may be altered because loan contracts may be extended.
- ▶ The maturity term of deposits from other banks; and customer's deposits is determined based on features of these items or the maturity date as stipulated in contracts. Demand deposits are transacted as required by customers and therefore being classified as current accounts. The maturity term of deposits is determined based on the maturity date in contracts. In fact, these amounts may be rotated and therefore they last beyond the original maturity date.
- ▶ The maturity term of other liabilities is determined based on the actual maturity term of each other liability.



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 32. LIQUIDITY RISK (continued)

The classification of financial assets and financial liabilities based on the maturity as at 31 December 2022 was as follows:

Unit: LAKm

	Before due date					Total
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
<b>Financial assets</b>						
Cash and cash equivalents on hand	5,636	-	-	-	-	5,636
Balances with Bank of the Lao PDR	81,533	88,955	175,631	-	-	346,119
Due from banks	93,725	144,797	34,901	-	-	273,423
Loans to customers (*)	303	49,760	32,677	371,941	32,980	487,661
Other financial assets	838	-	-	-	-	838
<b>Total financial assets</b>	<b>182,035</b>	<b>283,512</b>	<b>243,209</b>	<b>371,941</b>	<b>32,980</b>	<b>1,113,677</b>
<b>Financial liabilities</b>						
Due to banks	328,042	304,752	-	-	-	632,794
Due to customers	28,862	31,052	77,091	-	-	137,005
Lease liabilities	-	-	-	116	-	116
Other financial liabilities	1,237	-	-	-	-	1,237
<b>Total financial liabilities</b>	<b>358,141</b>	<b>335,804</b>	<b>77,091</b>	<b>116</b>	<b>-</b>	<b>771,152</b>
<b>Liquidity exposure</b>	<b>(176,106)</b>	<b>(52,292)</b>	<b>166,118</b>	<b>371,825</b>	<b>32,980</b>	<b>342,525</b>

(\*) These do not include provision.

## First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

### 33. MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables. Market risk arises from the open position of interest rates, currency and equity instruments which are also affected by the fluctuations in general market and in each particular market and by market variables such as interest rates, foreign exchange rates and equity prices.

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Branch classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

#### 33.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Management has established limits on the non-trading interest rate gaps for stipulated periods. The Branch's policy is to monitor positions on a daily basis.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2022. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

The following assumptions and conditions have been adopted in the analysis of real interest rate adjustment term of the Branch's items on balance sheet:

- ▶ Cash and balances with the Branch of the Lao PDR are considered as current and classified as non-interest items;
- ▶ The real interest adjustment term of due from other banks, loans to customers, due to other banks and customer deposits are identified as follows:
  - Items with fixed interest rate during the contractual term: The real interest adjustment term is based on contractual maturity date since the balance sheet date.
  - Items with floating interest rate: The real interest adjustment term is based on the latest interest rate term since the balance sheet date.
- ▶ The real interest adjustment term of other borrowed funds is based on borrowed fund's maturities.

The real interest adjustment term of other liabilities are classified as non-interest items.



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 33. MARKET RISK (continued)

### 33.1 Interest rate risk (continued)

Unit: LAKm

	Non re- pricing	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total
<b>Financial assets</b>								
Cash and cash equivalents on hand	5,636	-	-	-	-	-	-	5,636
Balances with Bank of the Lao PDR ("the BOL")	-	81,533	88,955	175,631	-	-	-	346,119
Due from banks	-	93,725	144,797	34,901	-	-	-	273,423
Loans to customers (*)	-	303	49,760	31,431	1,246	371,941	32,980	487,661
Other financial assets	-	838	-	-	-	-	-	838
<b>Total financial assets</b>	<b>5,636</b>	<b>176,399</b>	<b>283,512</b>	<b>241,963</b>	<b>1,246</b>	<b>371,941</b>	<b>32,980</b>	<b>1,113,677</b>
<b>Financial liabilities</b>								
Due to banks	239,810	88,232	304,752	-	-	-	-	632,794
Due to customers	17,928	10,934	31,052	64,072	13,019	-	-	137,005
Lease liabilities	-	-	-	-	-	116	-	116
Other financial liabilities	1,237	-	-	-	-	-	-	1,237
<b>Total financial liabilities</b>	<b>258,975</b>	<b>99,166</b>	<b>335,804</b>	<b>64,072</b>	<b>13,019</b>	<b>116</b>	<b>-</b>	<b>771,152</b>
<b>Net interest rate exposure</b>	<b>(253,339)</b>	<b>77,233</b>	<b>(52,292)</b>	<b>177,891</b>	<b>(11,773)</b>	<b>371,825</b>	<b>32,980</b>	<b>342,525</b>

(\*) These do not include provision.

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 33. MARKET RISK (continued)

### 33.1 Interest rate risk (continued)

#### Interest rate risk sensitivity analysis

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December (including the following items: cash, balances at the BOL, due from banks, loans and advances to customers, due to banks, due to customers).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Branch's income statement for next year:

<i>Increase/(decrease) in basis points</i>	<i>Sensitivity of profit before tax</i>
+ 100 bps	1,387
- 100 bps	(1,387)

### 33.2 Currency risk

Breakdown of assets and liabilities which has been converted into LAKm at 31 December 2022 is as follows:

	<i>LAK in LAKm</i>	<i>USD in LAKm equivalent</i>	<i>THB in LAKm equivalent</i>	<i>Total in LAKm equivalent</i>
<b>ASSETS</b>				
Cash and balances with the BOL	45,810	303,860	2,085	351,755
Due from banks	147,894	125,238	291	273,423
Loans to customers (*)	138,271	349,390	-	487,661
Property and equipment	4,692	-	-	4,692
Intangible assets	106	-	-	106
Right-of-use assets	1,452	-	-	1,452
Deferred tax asset	1,132	-	-	1,132
Other assets	56	782	-	838
<b>TOTAL ASSETS</b>	<b>339,413</b>	<b>779,270</b>	<b>2,376</b>	<b>1,121,059</b>
<b>LIABILITIES</b>				
Due to Banks	-	632,794	-	632,794
Due to customers	1,592	133,423	1,990	137,005
Current tax liabilities	317	-	-	317
Lease liabilities	116	-	-	116
Deferred tax liabilities	1,924	-	-	1,924
Other liabilities	9	1,228	-	1,237
<b>TOTAL LIABILITIES</b>	<b>3,958</b>	<b>767,445</b>	<b>1,990</b>	<b>773,393</b>
<b>NET EXPOSURE</b>	<b>335,455</b>	<b>11,825</b>	<b>386</b>	<b>347,666</b>

(\*) These do not include provision.



# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 33. MARKET RISK (continued)

### 33.2 Currency risk (continued)

#### Currency risk sensitivity analysis

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

Unit: LAKm

	2022	
	Impact on profit before tax	
	Exchange rate increase 10%	Exchange rate decrease 10%
USD	3,042	(3,042)
THB	386	(386)
<b>Total</b>	<b>(3,428)</b>	<b>(3,428)</b>

## 34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

#### Determination of fair value and fair value hierarchy

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

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

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

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

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

The Branch has no financial assets and liabilities carried at fair value as at 31 December 2022. Therefore, there is no analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

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

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

##### Assets for which fair value approximates carrying value

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

# First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

## 34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

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

*Fixed rate financial instruments*

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

Set out below is a comparison, by class, of the carrying amounts and fair values of the Branch's financial instruments that are not carried at fair value in the financial statements:

As at 31 December 2022

Unit: LAKm

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Cash and balances at the BOL	351,755	5,636	-	346,119	351,755
Due from banks	273,423	93,725	-	179,698	273,423
Loans to customers	487,661	-	-	487,661	487,661
Other financial assets	838	-	-	838	838
	<b>1,113,677</b>	<b>99,361</b>	<b>-</b>	<b>1,014,316</b>	<b>1,113,677</b>
<b>Financial liabilities</b>					
Due to banks	632,794	328,042	-	304,752	632,794
Due to customers	137,005	28,863	-	108,142	137,005
Lease liabilities	116	-	-	116	116
Other financial liabilities	1,237	-	-	1,237	1,237
	<b>771,152</b>	<b>356,905</b>	<b>-</b>	<b>414,247</b>	<b>771,152</b>

## 35. CAPITAL MANAGEMENT

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

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

- Tier 1 capital, which includes chartered capital, regulatory reserve fund, business expansion fund and other funds, and retained earnings;



## First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

### 35. CAPITAL MANAGEMENT (continued)

- Tier 2 capital, which includes qualifying subordinated liabilities, general provisions and the element of fair value reserve relating to unrealized gains/losses on equity instruments classified as available for sale.

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

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

	31/12/2022 LAKm	31/12/2021 LAKm	01/01/2021 LAKm
Tier 1 capital	343,093	296,341	228,493
Tier 2 capital	-	-	-
<b>Total capital</b>	<b>343,093</b>	<b>296,341</b>	<b>228,493</b>
Less: Deductions from capital (Investments in other credit and financial institutions)		-	-
<b>Capital for CAR calculation (A)</b>	<b>343,093</b>	<b>296,341</b>	<b>228,493</b>
Risk weighted balance sheet items	285,375	141,145	177,059
Risk weighted off balance sheet items	-	-	-
<b>Total risk weighted assets (B)</b>	<b>285,375</b>	<b>141,145</b>	<b>177,059</b>
<b>Capital Adequacy Ratio (A/B)</b>	<b>120.23%</b>	<b>209.96%</b>	<b>129.05%</b>

### 36. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST LAK AT REPORTING DATE

	31/12/2022 LAK	31/12/2021 LAK	01/01/2021 LAK
United State Dollar ("USD")	17,020.00	11,041.00	9,251.00
Thai baht ("THB")	498.00	334.79	310.64

## First Commercial Bank Ltd., Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2022

### 37. EVENTS AFTER THE BALANCE SHEET DATE

There is no matter or circumstance that has arisen since 31 December 2022 that requires adjustment or disclosure in the financial statements of the Branch.

Prepared by:



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Reviewed by:



Mr. WU, Wen Han  
General Manager

Vientiane, Lao PDR

17 May 2023