

**First Commercial Bank Ltd,
Vientiane Branch**

Financial statements

For the year ended 31 December 2023



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 300,000,000,000. The actual paid-up capital of the Branch as at 31 December 2023 is LAK 300,000,000,000 (31 December 2022: 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 the year ended 31 December 2023 and as at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/resignation</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 20 April 2023
Mr. CHANG, Kang-Hu	Deputy Manager	Appointed on 08 May 2017 Resigned on 04 August 2023
Mr. WANG, Tzer-Yau	Deputy Manager	Appointed on 26 February 2020
Mr. WANG, Sheng Wen	Deputy Manager	Appointed on 04 August 2023

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 branch 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.

First Commercial Bank Ltd, Vientiane Branch

REPORT OF MANAGEMENT

Management of First Commercial Bank Ltd, Vientiane Branch (the "Branch") is pleased to present its report and the financial statements of the Branch as at and for the year ended 31 December 2023.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

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

STATEMENT BY MANAGEMENT

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

For and on behalf of Management:



Mr. WU Wen Han
General Manager

Vientiane, Lao PDR

26 February 2024

Reference: 11774014/ 67973462- LAS

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of First Commercial Bank Ltd, Vientiane Branch ("the Branch"), which comprise the statement of financial position as at 31 December 2023, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

Responsibilities of the Branch's Management for the Financial Statements

The Branch's management is responsible for the preparation of the financial statements in accordance with the Accounting Law of the Lao PDR and with the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

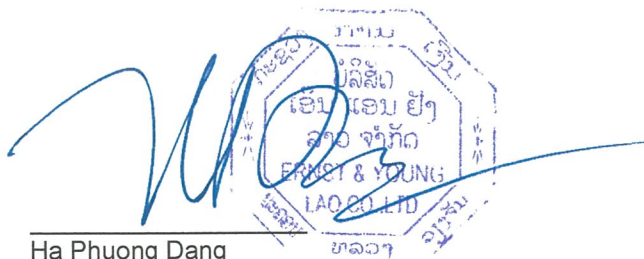
Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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



Ha Phuong Dang
Partner
Audit Practising Registration
Certificate No. 038/LCPAA-APT-2021

Vientiane, Lao PDR

26 February 2024

First Commercial Bank Ltd, Vientiane Branch

INCOME STATEMENT

For the year ended 31 December 2023

Currency: LAKm

Code	ITEMS	Notes	2023	2022
A.	OPERATING INCOME AND EXPENSES			
1.	Interest and similar income	3	74,062	57,406
2.	Interest and similar expense	3	(26,197)	(14,885)
I.	NET INTEREST AND SIMILAR INCOME	3	47,865	42,521
3.	Fee and commission income	4	3,105	1,483
4.	Fee and commission expense	4	(125)	(84)
5.	Net gain from dealing in foreign currencies	5	12,209	19,054
II.	NET OPERATING INCOME		63,054	62,974
B.	OTHER INCOME AND EXPENSES			
6.	Other operating income	6	1	3
7.	Administration expenses		(14,183)	(10,292)
7.1	Payroll and other staff costs	7	(9,901)	(7,369)
7.2	Other administration expenses	8	(4,282)	(2,923)
8.	Depreciation and amortization charges	15	(1,880)	(1,889)
9.	Other operating expenses		(920)	(447)
9.1	Reversal of general provision for credit activities (Note 14)	9	(695)	(226)
9.2	Others	9	(225)	(221)
10.	Specific provision for credit activities		-	-

First Commercial Bank Ltd, Vientiane Branch

INCOME STATEMENT (continued)
For the year ended 31 December 2023

Currency: LAKm

Code	ITEMS	Notes	2023	2022
III.	TOTAL PROFIT BEFORE TAX		46,072	50,349
11.	Current profit tax expense	19.2	(6,777)	(6,259)
IV.	PROFIT AFTER TAX		39,295	44,090

Prepared by:

Sheng Wen Wang

Mr. WANG, Sheng Wen
Deputy Manager

Reviewed by:

WU, Wen Han

Mr. WU, Wen Han
General Manager

Vientiane, Lao PDR

26 February 2024

First Commercial Bank Ltd, Vientiane Branch

STATEMENT OF FINANCIAL POSITION as at 31 December 2023

Currency: LAKm

Code	ASSETS	Notes	31/12/2023	31/12/2022
I.	Cash and balances with the BOL		379,214	342,469
	1. Cash on hand	10	6,351	5,636
	2. Balances with the BOL	11	372,863	336,833
II.	Due from other banks		48,971	218,429
	1. Demand deposits	12.1	28,971	21,309
	2. Term deposits	12.2	20,000	197,120
III.	Loans to customers, net of specific provision	13	742,194	527,080
IV.	Fixed assets		4,380	6,250
	1. Tangible fixed assets	15.1	3,603	4,692
	2. Intangible fixed assets	15.2	83	106
	3. Right-of-use assets	15.3	694	1,452
V.	Other assets	16	23,497	16,559
	1. Accrued interest receivable		22,344	15,721
	2. Others		1,153	838
	TOTAL ASSETS		1,198,256	1,110,787

Code	LIABILITIES AND CAPITAL	Notes	31/12/2023	31/12/2022
I.	Due to other banks	17	631,853	628,293
	1. Demand deposits		286,060	239,811
	2. Borrowings from Parent Bank		151,556	388,482
	3. Borrowings from other banks		194,237	-
II.	Due to customers	18	181,439	134,775
	1. Demand and Saving deposits		21,382	17,927
	2. Term deposits		160,057	116,848
III.	Other liabilities		8,849	5,161
	1. Accrued interest payable		3,880	3,491
	2. Tax payables	19.1	3,797	317
	3. Lease liabilities	15.3	21	116
	4. Other payables		1,151	1,237
	TOTAL LIABILITIES		822,141	768,229
IV.	Capital and reserves			
	1. Paid-up capital	20	300,000	238,669
	2. Statutory reserve fund		16,246	12,316
	3. General provision for credit activities	14	3,711	2,635
	4. Retained earnings		56,158	88,938
	TOTAL CAPITAL		376,115	342,558
	TOTAL LIABILITIES AND CAPITAL		1,198,256	1,110,787

First Commercial Bank Ltd, Vientiane Branch

STATEMENT OF FINANCIAL POSITION (continued)
as at 31 December 2023

Currency: LAKm

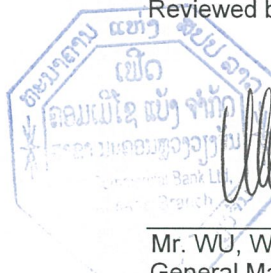
Code	OFF BALANCE SHEET ITEMS	Notes	31/12/2023	31/12/2022
I.	Collaterals and Mortgages and commitments			
1.	Collaterals and Mortgages for loans to customers		488,108	279,696
2.	Commitment Loan		6,289	100
	TOTAL COLLATERALS AND MORTGAGES AND COMMITMENT LOAN		494,397	279,796

Prepared by:

Sheng Wen Wang

Mr. WANG, Sheng Wen
Deputy Manager

Reviewed by:



Mr. WU, Wen Han
General Manager

Vientiane, Lao PDR

26 February 2024

First Commercial Bank Ltd, Vientiane Branch

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2023

Currency: LAKm

ITEMS	Paid-up capital	Statutory reserve fund	General provision for credit activities	Retained earnings	Total
Balance as at 31 December 2021	238,669	7,907	1,655	49,257	297,488
Net profit for the year	-	-	-	44,090	44,090
Created regulatory reserve for the year	-	4,409	-	(4,409)	-
Net general provision for credit activities during the year	-	-	226	-	226
Foreign exchange difference	-	-	754	-	754
Balance as at 31 December 2022	238,669	12,316	2,635	88,938	342,558
Capital increased from retained earnings (*)	61,331	-	-	(61,331)	-
Withholding dividend tax	-	-	-	(6,814)	(6,814)
Net profit for the year	-	-	-	39,295	39,295
Created regulatory reserve for the year	-	3,930	-	(3,930)	-
Net general provision for credit activities during the year	-	-	695	-	695
Foreign exchange difference	-	-	381	-	381
Balance as at 31 December 2023	300,000	16,246	3,711	56,158	376,115

(*): According to the official Letter No. 687/BSD dated 21 June 2023, the branch increased its contributed capital from retained earnings with the amount of LAKm 61,331.

Prepared by:

Sheng Wen Wang

Mr. WANG, Sheng Wen
Deputy Manager
Vientiane, Lao PDR

26 February 2024

Reviewed by:



Mr. WU, Wen Han
General Manager

First Commercial Bank Ltd, Vientiane Branch

STATEMENT OF CASH FLOWS For the year ended 31 December 2023

Currency: LAKm

ITEMS	Notes	2023	2022
Net profit before tax		46,072	50,349
<i>Adjustments for:</i>			
Depreciation and amortization charges	15	1,880	1,889
Net reversal of provision for credit loss	14	695	226
Interest income	3	(74,062)	(57,406)
Interest expense	3	26,197	14,885
Cash flows before changing in operating assets and liabilities		782	9,943
(Increase)/decrease in operating assets			
Due from other banks		114,018	62,474
Loans to other banks		(146,231)	15,207
Loans and advances to customers		(68,883)	(211,258)
Other assets		(315)	(274)
Increase/(decrease) in operating liabilities			
Due to other banks		3,560	68,635
Customer deposits and other amounts due to Customers		46,664	38,317
Other liabilities		(6,548)	1,107
Interest received		67,439	52,899
Interest paid		(25,808)	(12,756)
Profit tax paid during the year	19.2	(3,297)	(8,303)
Net cash flows (used in)/from operating activities		(18,619)	15,991
INVESTING ACTIVITIES			
Payments to acquire property and equipment	15.1	(76)	(317)
Net cash flows used in investing activity		(76)	(317)
FINANCING ACTIVITY			
Capital contribution		-	-
Net cash flows from financing activity		-	-
Net (decrease)/increase in cash		(18,695)	15,674

First Commercial Bank Ltd, Vientiane Branch

STATEMENT OF CASH FLOWS (continue)
For the year ended 31 December 2023

Currency: LAKm

ITEMS	Notes	2023	2022
Cash at the beginning of the year		101,582	85,908
Cash and at the end of the year	21	82,887	101,582

Prepared by:

Sheng Wen Wang

Mr. WANG, Sheng Wen
Deputy Manager

Reviewed by:

[Signature]

Mr. WU, Wen Han
General Manager

Vientiane, Lao PDR

26 February 2024

First Commercial Bank Ltd, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS as at and for the year ended 31 December 2023

1. THE BRANCH 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 300,000,000,000. The actual paid-up capital of the Branch as at 31 December 2023 is LAK 300,000,000,000 (31 December 2022: LAK 238,669,400,000).

Management

Members of the Management during the year ended 31 December 2023 and as at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/resignation</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 20 April 2023
Mr. CHANG, Kang-Hu	Deputy Manager	Appointed on 08 May 2017 Resigned on 04 August 2023
Mr. WANG, Tzer-Yau	Deputy Manager	Appointed on 26 February 2020
Mr. WANG, Sheng Wen	Deputy Manager	Appointed on 04 August 2023

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 2023 were 17 people (2022: 18 people).

First Commercial Bank Ltd, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. *Statement of compliance*

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

2.2. *Basis of preparation*

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

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

Fiscal year

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

2.3 *Changes in accounting policies*

The accounting policies adopted by the Branch in preparation of these financial statements are consistent with those used in preparation of the Branch's financial statements for the year ended 31 December 2022.

2.4. *Recognition of interest income and expense*

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

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

2.5. *Recognition of fee and commission*

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

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

First Commercial Bank Ltd, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6. Cash and cash equivalents

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

2.7. Loans to customers

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

2.8. Classification of and provision for credit activities

Loan classification

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

Provision

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

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

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

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

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

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

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

First Commercial Bank Ltd, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Provision (continued)

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

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

2.9. Fixed assets

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

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

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

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

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

2.10. Depreciation and amortization

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

Tangible fixed assets:

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

Intangible fixed assets:

Computer software	20%
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First Commercial Bank Ltd, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Leasing

2.11.1 Right-of-use assets

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

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

2.11.2 Lease liabilities

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

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

2.11.3 Short-term leases and leases of low-value assets

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

First Commercial Bank Ltd, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12. Statutory reserves

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

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

In accordance with Article 154 (amended), Enterprise Law dated 29 December 2022, the Branch is required to appropriate 10% of profit after tax each year into regulatory reserve fund. When this reserve fund reaches 50% of the registered capital, the Branch may suspend such provision, unless otherwise provided by the laws.

The Business expansion fund and other funds shall be created upon decision of the Board of Management. Accordingly, the Branch has made the following reserves for the year ended 31 December 2023:

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

2.13. Foreign currency transactions

The Branch maintains its accounting system and records all transactions in original currencies. Monetary assets and liabilities denominated in foreign currencies at year end are translated into LAK at exchange rates ruling on the statement of financial position date (see the list of exchange rates of applicable foreign currencies against LAK on 31 December 2023 as presented below). Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized in the statement of financial position date are recognized into "Net (loss)/gain from dealing in foreign currencies" in the income statement.

	<i>31 December 2023 LAK</i>	<i>31 December 2022 LAK</i>
United State Dollar ("USD")	20,446.00	17,020.00
Thai baht ("THB")	630.00	498.00

2.14. Profit tax

Current tax

Provision is made for profit tax on the current year's profits, based on the Tax Law governing taxation within Lao PDR. The Branch is obliged to pay profit tax at rate of 20% of total profit before tax in accordance with the new Tax Law No.67/NA dated 18 June 2019 which is effective on or after 1 January 2020. Accordingly, the Branch is subject to the tax rate of 20%. The Branch's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations in many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

First Commercial Bank Ltd, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14. Profit tax (continued)

Deferred tax

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

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

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

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

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

2.15. Employee benefit

Post-employment benefits

Post-employment benefits are paid to retired employees of the Branch by the Social Security Fund Department which belongs to the Ministry of Labor and Social Welfare. The Branch is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 6.00% of employee's basic salary on a monthly basis. The Branch has no further obligation concerning post-employment benefits for its employees other than this.

Termination benefits

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

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the last salary or wage multiplied by the total number of months worked. As at 31 December 2023, there are no employees of the Branch who were dismissed under the above-mentioned grounds; therefore, the Branch has not made a provision for termination allowance in the financial statements.

First Commercial Bank Ltd, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2023

3. NET INTEREST AND SIMILAR INCOME

	2023 LAKm	2022 LAKm
Interest and similar income from:		
Interbank transactions	24,315	27,817
Loans to customers	49,747	29,589
	74,062	57,406
Interest and similar expense for:		
Interbank transactions	(21,331)	(11,446)
Customer deposits	(4,866)	(3,439)
	(26,197)	(14,885)
Net interest and similar income	47,865	42,521

4. NET FEE AND COMMISSION INCOME

	2023 LAKm	2022 LAKm
Fee and commission income from:		
Remittance and credit activities	3,105	1,483
Fee and commission expense	(125)	(84)
Net fee and commission income	2,980	1,399

5. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	2023 LAKm	2022 LAKm
Net gain from dealing in foreign currency	12,209	19,054
	12,209	19,054

6. OTHER OPERATING INCOME

	2023 LAKm	2022 LAKm
Others	1	3
	1	3

First Commercial Bank Ltd, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2023

7. PAYROLL AND OTHER STAFF COSTS

	2023 LAKm	2022 LAKm
Wages and allowances	9,400	6,912
Other staff costs	501	457
	9,901	7,369

8. OTHER ADMINISTRATION EXPENSES

	2023 LAKm	2022 LAKm
Office rental	1,658	1,259
Fuel	78	71
Office stationeries	102	42
Publication, marketing and promotion	-	1
Telecommunication	101	96
Repair and maintenance	661	256
Electricity and water	129	97
Insurance fee	176	139
Official trips	336	78
Audit fee	442	386
Lawyer fee	51	90
Others	548	408
	4,282	2,923

9. OTHER OPERATING EXPENSES

	31/12/2023 LAKm	31/12/2022 LAKm
Provision for performing loans charged to expense (Note 14)	695	226
Others	225	221
	920	447

10. CASH ON HAND

	31/12/2023 LAKm	31/12/2022 LAKm
Cash on hand in LAK	1,618	1,494
Cash on hand in foreign currencies	4,733	4,142
	6,351	5,636

First Commercial Bank Ltd, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2023

11. BALANCES WITH THE BOL

	31/12/2023 LAKm	31/12/2022 LAKm
Demand deposit	47,566	74,638
Compulsory reserve (*)	18,602	6,890
Registered capital reserve (**)	5	5
Term deposit (***)	306,690	255,300
	372,863	336,833

(*) 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 8.00% for LAK and 10.00% for other currencies (2022: 5.00% for both LAK and 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. 933/BSO dated 03 November 2023 to withdraw from this deposit account to supplement its working capital.

(***) The term deposit at the BOL is denominated in USD, has a term of 12 months and interest rate of 8.50% per annum.

12. DUE FROM OTHER BANKS

12.1 Demand deposits

	31/12/2023 LAKm	31/12/2022 LAKm
Demand deposits at domestic banks		
Banque Pour Le Commerce Extérieur Lao Public (BCEL)	1,454	1,288
Bangkok Bank - Vientiane Branch	53	291
Maruhan Japan Bank Lao Co., Ltd	6,523	2,064
Demand deposits at overseas bank		
First Commercial Bank - Head Office (Note 22)	20,941	17,666
	28,971	21,309

12.2 Term deposits

	31/12/2023 LAKm	31/12/2022 LAKm
Term deposits at domestic banks	20,000	197,120
	20,000	197,120

As at 31 December 2023, term deposits to a domestic bank comprise a deposit contract in LAK with term of 12 months at interest rate 7.50 % per annum.

First Commercial Bank Ltd, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2023

13. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION

	31/12/2023 LAKm	31/12/2022 LAKm
Loans to customers	742,194	527,080
- Loans to government agencies	306,690	289,340
- Loans to other customers	174,171	122,638
- Loan to other banks	261,333	115,102
Specific provision	-	-
	742,194	527,080

	2023 Interest rate % per annum	2022 Interest rate % per annum
Loans denominated in LAK	6.00 - 8.50	5.30 - 8.50
Loans denominated in USD	6.50 - 10.60	6.50 - 9.57

Analysis of loans to customers by currency

	31/12/2023 LAKm	31/12/2022 LAKm
Loans denominated in LAK	255,897	138,112
Loans denominated in USD	486,297	388,968
	742,194	527,080

Analysis of loans to customers by status of loans

	31/12/2023 LAKm	31/12/2022 LAKm
Performing loans	742,194	527,080
Non-performing loans	-	-
	742,194	527,080

Analysis of loans to customers by original term

	31/12/2023 LAKm	31/12/2022 LAKm
Short-term loans	248,374	80,200
Medium-term loans	455,564	417,331
Long-term loans	38,256	29,549
	742,194	527,080

First Commercial Bank Ltd, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2023

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

Analysis by industrial sectors

	31/12/2023 LAKm	31/12/2022 LAKm
Agricultural and forestry	6,500	5,000
Trading companies	20,542	5,750
Services companies	52,572	42,845
Financial service organizations	261,333	115,102
Industrial services companies	7,661	4,680
Other sectors	393,586	353,703
	742,194	527,080

14. PROVISION FOR CREDIT LOSSES

Movement of provision for credit losses of the Branch during the year 2023 is as follows:

	General provision LAKm	Total LAKm
As at 1 January 2023	2,635	2,635
Provision charged to expense in the year	695	695
Foreign exchange difference	381	381
As at 31 December 2023	3,711	3,711

The breakdown of loan classification and provision as required by the BOL as at 31 December 2023 are as follows:

Classification	Loan balance LAKm	General Provision LAKm	Total provision LAKm
Normal	742,194	3,711	3,711
Total	742,194	3,711	3,711

First Commercial Bank Ltd, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2023

15. FIXED ASSETS

15.1 Tangible fixed assets

Movements of the balance of tangible fixed assets during the year 2023 are as follows:

	<i>Building improvements LAKm</i>	<i>Furniture & fixtures LAKm</i>	<i>Computer equipment LAKm</i>	<i>Motor vehicles/ Others LAKm</i>	<i>Total LAKm</i>
Cost:					
As at 1 January 2023	7,743	3,631	2,554	2,887	16,815
Additions for the year	-	28	48	-	76
Disposals for the year	-	(113)	-	(280)	(393)
As at 31 December 2023	7,743	3,546	2,602	2,607	16,498
Accumulated depreciation:					
As at 1 January 2023	5,514	2,764	1,784	2,061	12,123
Charge for the year	704	70	186	139	1,099
Disposals for the year	-	(94)	-	(233)	(327)
As at 31 December 2023	6,218	2,740	1,970	1,967	12,895
Net book value:					
As at 1 January 2023	2,229	867	770	826	4,692
As at 31 December 2023	1,525	806	632	640	3,603

15.2 Intangible fixed assets

Movements of the balance of intangible fixed assets during the 2023 are as follows:

	<i>Computer software LAKm</i>	<i>Total LAKm</i>
Cost:		
As at 1 January 2023	247	247
Additions for the year	-	-
As at 31 December 2023	247	247
Accumulated amortization:		
As at 1 January 2023	141	141
Charge for the year	23	23
As at 31 December 2023	164	164
Net book value:		
As at 1 January 2023	106	106
As at 31 December 2023	83	83

First Commercial Bank Ltd, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2023

15. FIXED ASSETS (continued)

15.3 Right-of-use assets and Lease liabilities

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

	<i>Building LAKm</i>	<i>Parking land LAKm</i>	<i>Total LAKm</i>
Cost or Valuation:			
As at 1 January 2023	3,540	185	3,725
As at 31 December 2023	3,540	185	3,725
Depreciation:			
As at 1 January 2023	2,160	113	2,273
Depreciation charge	720	38	758
As at 31 December 2023	2,880	151	3,031
Net book value:			
As at 1 January 2023	1,380	72	1,452
As at 31 December 2023	660	34	694

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

	<i>Building LAKm</i>	<i>Parking land LAKm</i>	<i>Total LAKm</i>
As at 1 January 2023	-	116	116
Additions	-	-	-
Accretion of interest	-	1	1
Payments	-	(39)	(39)
Exchange difference	-	(57)	(57)
As at 31 December 2023	-	21	21

16. OTHER ASSETS

	<i>31/12/2023 LAKm</i>	<i>31/12/2022 LAKm</i>
Accrued interest receivable from:	22,344	15,721
- <i>Term deposits</i>	18,262	13,415
- <i>Loans to government</i>	313	272
- <i>Loans to corporates and personal</i>	2,316	1,784
- <i>Loans to other banks</i>	1,453	250
Prepaid expenses	1,153	838
	23,497	16,559

First Commercial Bank Ltd, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2023

17. DUE TO OTHER BANKS

	31/12/2023 LAKm	31/12/2022 LAKm
Demand deposits	286,060	239,811
<i>In which:</i>		
- First Commercial Bank, Head Office (Note 22)	281,611	234,423
- Taiwan Coopertive Bank Co., Ltd – Vientiane Branch	4,449	5,388
Borrowings from:		
- First Commercial Bank, Head Office (Note 22)	151,556	388,482
- Bank Rakyat Indonesia	194,237	-
Total	631,853	628,293

Details of borrowings from First Commercial Bank, Head Office and Bank Rakyat Indonesia as at 31 December 2023 are as follows:

Bank	Currency	Maturity date	Term (months)	Interest rate (% p.a.)	Balance at 31/12/2023 USD
Bank Rakyat Indonesia	USD	30-01-2024	3	6.08%	4,500,000
Bank Rakyat Indonesia	USD	27-03-2024	3	6.05%	5,000,000
First Commercial Bank Head Office	USD	28-03-2024	3	6.03%	1,912,500
First Commercial Bank Head Office	USD	27-03-2024	3	6.04%	5,500,000
					16,912,500

18. DUE TO CUSTOMERS

Details of due to customers as at 31 December 2023 are as follows:

	31/12/2023 LAKm	31/12/2022 LAKm
Demand deposits	3,406	1,040
- In LAK	196	326
- In foreign currency	3,210	714
Saving deposits	17,972	16,883
- In LAK	2,214	1,265
- In foreign currency	15,758	15,618
Dormant Account	4	4
- In LAK	-	-
- In foreign currency	4	4
Term deposits	160,057	116,848
- In foreign currency	160,057	116,848
	181,439	134,775

First Commercial Bank Ltd, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2023

18. DUE TO CUSTOMERS (continued)

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

	2023 Interest rate % p.a.	2022 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	-	-
Term deposits in THB	1.50	1.50
Term deposits in USD	1.50 - 3.70	1.50 - 3.70

19. TAXATION

19.1 Tax payables

	31/12/2023 LAKm	31/12/2022 LAKm
Profit Tax payable (Note 19.2)	3,797	317
	3,797	317

19.2 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.

	2023 LAKm	2022 LAKm
Profit before tax	46,072	50,349
Income exempted from profit tax	-	-
Non-taxable incomes	(12,209)	(19,054)
Non-deductible expenses	20	-
Taxable profit	33,883	31,295
Current PT expense, at the statutory rate of 20%	6,777	6,259
Additional tax for previous year	-	-
PT payable at the beginning of the year	317	2,361
PT paid during the year	(3,297)	(8,303)
PT payable at the end of the year	3,797	317

First Commercial Bank Ltd, Vientiane Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2023

19. TAXATION (continued)

19.2 Profit Tax ("PT") (continued)

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

20. PAID-UP CAPITAL

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

	2023 LAKm	2022 LAKm
Opening balance	238,669	238,669
Capital increase transfer from retained earnings	61,331	-
Closing balance	300,000	238,669

21. CASH AND CASH EQUIVALENTS

	31/12/2023 LAKm	31/12/2022 LAKm
Cash on hand	6,351	5,636
Current accounts with the BOL	47,566	74,638
Current accounts with other banks	28,970	21,308
	82,887	101,582

22. 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 2023

22. RELATED PARTY TRANSACTIONS (Continued)

Significant balances with related parties as at 31 December 2023 are as follows:

Related party	Relationship	Transactions	Receivable/(Payable)	
			31/12/2023 LAKm	31/12/2022 LAKm
First Commercial Bank Head Office	Parent Bank	Demand Deposits	20,941	17,666
First Commercial Bank Head Office	Parent Bank	Demand Deposits	(281,611)	(234,423)
First Commercial Bank Head Office	Parent Bank	Borrowings	(151,556)	(388,482)

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

Related party	Relationship	Transactions	2023 LAKm	2022 LAKm
First Commercial Bank, Head Office	Parent Bank	Interest expense	(18,671)	(11,446)

Transactions with key management personnel of the Branch

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

	2023 LAKm	2022 LAKm
Salaries and other benefits	4,390	4,748
Bonus	375	56
	4,765	4,804

23. EVENTS AFTER THE REPORTING DATE

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

Prepared by:

Sheng Wen Wang

Mr. WANG, Sheng Wen
Deputy Manager

Reviewed by:

[Signature]

Mr. WU, Wen Han
General Manager

Vientiane, Lao PDR

26 February 2024