



BIC Bank Lao Co., Ltd

BIC Bank Annual Report

31 December 2021



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BIC Bank Lao Co., Ltd.

GENERAL INFORMATION

THE BANK

BIC Bank Lao Co., Ltd (“the Bank”) is a locally invested commercial bank which was incorporated in Lao People’s Democratic Republic (“Lao PDR”). The Bank is 100% owned by Electricite Du Laos (“EDL”) and Asia Investment and Financial Services Co., Ltd. (“AIF”) whereby its shares in the Bank to EDL (30%) and AIF (70%).

The Bank was formerly known as International Commercial Bank Lao Limited (“ICB”) which started the business since 2008 under Investment License No 033-08/MOPI, dated 17 March 2008 granted by the Ministry of Industry and Commerce and Banking Business License No. 48/BOL, dated 02 October 2008 issued by the Bank of Lao PDR (“the BOL”). ICB was replaced by the Bank through business acquisition on 22 June 2017 and is operating under amended Enterprise License No.0554/ERO issued by the Registration and Enterprise Supervision Department, Ministry of Industry and Commerce, and under amended Banking Business License No. 23/BOL, dated 08 November 2017 issued by the BOL.

On 24 December 2021, the Bank has submitted the proposal letter No. 0925/BIC to the BOL to increase the capital from LAK 300,000,000,000 to LAK 400,000,000,000 then received the acknowledged letter No. 747/CBSD from the BOL, dated 29 December 2021 from the BOL. As the result, as at 31 December 2021, the actual paid-up capital of the Bank is LAK 400,000,000,000 (31 December 2020: LAK 300,000,000,000).

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

The Bank is located at 127/07, Hatsady Road, Hatsady Tai Village, Chanthabouly District, Vientiane Capital, Lao PDR. As at 31 December 2021, the Bank has two (02) branches and three (3) services units.

BOARD OF DIRECTORS

Member of the Board of Director during the year ended 31 December 2021 and as at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Rithikone Phoummasack Ph.D.	Chairman	Appointed on 28 September 2021
Mr. Chanthaboun Soukaloun	Member	Appointed on 28 September 2021
Mr. Soulivath Souvannachoumkham	Member	Appointed on 28 September 2021
Mrs. Kingphongseun Phoummasack	Member	Re-appointed on 28 September 2021
Mr. Lim Wai Hoong	Member	Re-appointed on 28 September 2021

Chairman and members of Board of Director Appointment have been approved by the BOL on 10 December 2021.

GOVERNANCE COMMITTEE

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

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Rithikone Phoummasack Ph.D.	Chairman	Appointed on 10 November 2021
Mr. Chanthaboun Soukaloun	Member	Appointed on 10 November 2021
Mr. Soulivath Souvannachoumkham	Member	Appointed on 10 November 2021
Mrs. Kingphongseun Phoummasack	Member	Appointed on 10 November 2021
Mr. Lim Wai Hoong	Member	Appointed on 10 November 2021

BIC Bank Lao Co., Ltd.

GENERAL INFORMATION (continued)

RISK MANAGEMENT COMMITTEE

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

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mrs. Kingphongeu Phoummasack	Chairperson	Appointed on 10 November 2021
Mr. Rithikone Phoummasack Ph.D.	Member	Appointed on 10 November 2021
Mr. Soulivath Souvannachoumkham	Member	Appointed on 10 November 2021
Mr. Lim Wai Hoong	Member	Appointed on 10 November 2021

AUDIT COMMITTEE

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

<i>Name</i>	<i>Title</i>	<i>Date of appointment/resignation</i>
Mr. Soulivath Souvannachoumkham	Chairman	Appointed on 10 November 2021
Mrs. Kingphongeu Phoummasack	Member	Appointed on 10 November 2021
Mr. Rithikone Phoummasack Ph.D.	Member	Appointed on 10 November 2021
Mr. Lim Wai Hoong	Member	Appointed on 10 November 2021

The Governance Committee, the Risk Management Committee and the Audit Committee has been appointed by the Board of Director's Chairman on 10 November 2021. As at the date of the financial statements, the approval of these appointments is pending from the BOL.

MANAGEMENT COMMITTEE

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

<i>Name</i>	<i>Title</i>	<i>Date of appointment/resignation</i>
Mr. Lim Wai Hoong	Chief Executive Officer	Appointed on 1 April 2019
Mr. Felix Desmond Francis	General Manager	Appointed on 19 March 2019

LEGAL REPRESENTATIVE

The legal representative of the Bank as the date of this report is Mr. Lim Wai Hoong – Chief Executive Officer.

AUDITORS

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



Rithikone PHOUMMASACK, Ph.D.
Chairman
BIC Bank LAO., LTD

Chairman's Key Message

2021 got to a promising start towards recovery with the gradual opening of some of the economies due to higher vaccination rates globally. However, with the emergence of new variants resulted in resurgence of infections, forced new periods of lockdown and stringent containment measures which weighed on the economic growth.

With the discovery of new variants, the pandemic did not show signs of slowing down; this caused uncertainties and posed many new challenges to the bank. We had to stay focused, committed and resilient to find new ways and methods to navigate the situation to keep us moving forward. We are able to achieve this because of our commitment to place our stakeholders' interests above all which is strongly guided by BIC's tagline "Because I Care".

Reinforcing Strength & Confidence

With the subscription of these strong fundamentals, BIC Bank weathered the challenges and continued to sustain a resilient financial profile in 2021, achieving LAK13,239,381,819.26 profit before tax, mainly contributed by loans and fee based income. We achieved a loans growth of 24% for the year and this is mainly due to our focus in supporting the call of the government to support local SME businesses where we recorded a growth of 18.4% on SME loans, in addition to the 4.3% and 1.2% growth in corporate and consumer lending respectively.

Over the years, we advocate strong foundations with a view to build and continue to prioritise maintaining a resilient loan portfolio and prudent reserves for loan losses which provides a healthy liquidity buffer for the Bank to withstand any potential challenges in asset quality and to support economic recovery.

Robust Capital & Liquidity Strength

Being prudent and conservative in our approach, has resulted in the bank maintaining strong asset quality and robust capital in maintaining a Capital Adequacy Ratio (CAR) of 38.36% which enables us to create sustainable value to the bank and her stakeholders.

Customer Service through Digitalisation

With the profound changes in the digital environment, we are able to meet customers' needs in an environment filled with inconsistency and able to cater to those whose mobility reduced by introducing solutions that go beyond enabling business but also ensuring customers stay connected with our comprehensive financial support. We have also provided end-to-end customer service to meet the various customer segments and continue to innovate and develop new solutions that would help small businesses to manoeuvre the pandemic by providing investment solutions and wealth opportunities mainly to customer looking to grow their affluence.

Strengthening Human Capital

Every cloud has a silver lining; we took positives out of the pandemic by allowing our team members to participate on the various webinars provided by many international agencies to continue sharpening their skillsets and broadening their horizons. To enhance self-learning and to create a learning culture environment, the bank has introduced on-line programmes. Since digitalisation is the way forward, we embed the culture of nurturing our talents with digital mind-set to future proof them for the new challenges that lies ahead.

Bank's Prospect

Looking towards 2022, economic recovery is expected to continue with newer challenges and the gradual increase in supply chain amongst others, should see some improvement in the third quarter. This is coupled with the opening of neighbouring country's borders and the operations of trains and highways in Lao PDR. However, in the first three quarters full recovery mode is needed to cover gaps the pandemic has caused in the last two years. It will be a global concern, but whilst remaining optimistic we will not allow complacency to set in and will proactively grow our business and manage risks with best practices of the bank and by providing highest value customer service.

Together Everyone Achieves More

We have grown from strength to strength with all our people moving in tandem towards shared common goals. We want to continue working together with you to recover from the pandemic and to create a sustainable future. Working alone, limits us, but together everyone achieves more and with greatness. We hope the synergy between the Bank and you will continue being a part of our journey towards becoming stronger, together.

The bank will remain where it is without the support of the people. As such, we speak the language of our customers which strikes an affirmation of our growth from strength to strength over the years. Moving alone limits us; but moving in unison will take us to greater heights. Let us embark on this journey to scale greater heights together.



Rithikone PHOUMMASACK, Ph.D.
Chairman

BIC Bank Co., Ltd.

REPORT OF MANAGEMENT

Management of BIC Bank Lao Co., Ltd. ("the Bank") is pleased to present this report and the Bank's financial statements for the year ended 31 December 2021.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible for the financial statements of each financial year which give a true and fair view of the financial position of the Bank and the result of its operations and its cash flows for the year. 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 Bank will continue its business.

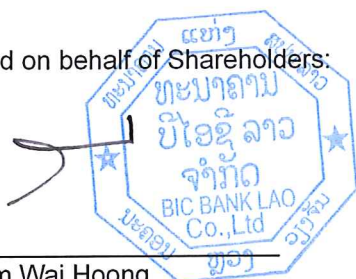
Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Bank and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Bank 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 OF THE MANAGEMENT

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

For and on behalf of Shareholders:



Mr. Lim Wai Hoong
Chief Executive Officer

Vientiane, Lao PDR

1 April 2022

Reference: 61154740/22946098-LAS

INDEPENDENT AUDITORS' REPORT

To: **The Owners of BIC Bank Lao Co., Ltd.**

Opinion

We have audited the financial statements of BIC Bank Lao Co., Ltd. (the "Bank"), which comprise the statement of financial position as at 31 December 2021, the 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 accompanying financial statements of the Bank are prepared, in all material respects, in accordance with the Accounting Law of Lao PDR and with the regulations stipulated by the 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 Bank 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 Bank. These accounting policies are not intended to present the financial position, the results of operations and cash flows of the Bank in accordance with international generally accepted accounting principles.

Other Matter

The financial statements of the bank for the year ended 31 December 2020 were audited by another audit firm which expressed an unmodified opinion on those financial statements on 31 March 2021.

Our opinion is not modified in respect of this matter.

Responsibilities of the Bank's Management for the Financial Statements

The Bank's management is responsible for the preparation of the financial statements in accordance with the Accounting Law of 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 Bank'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 Bank 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 ISAs 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 Bank'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 Bank'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 Bank 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.



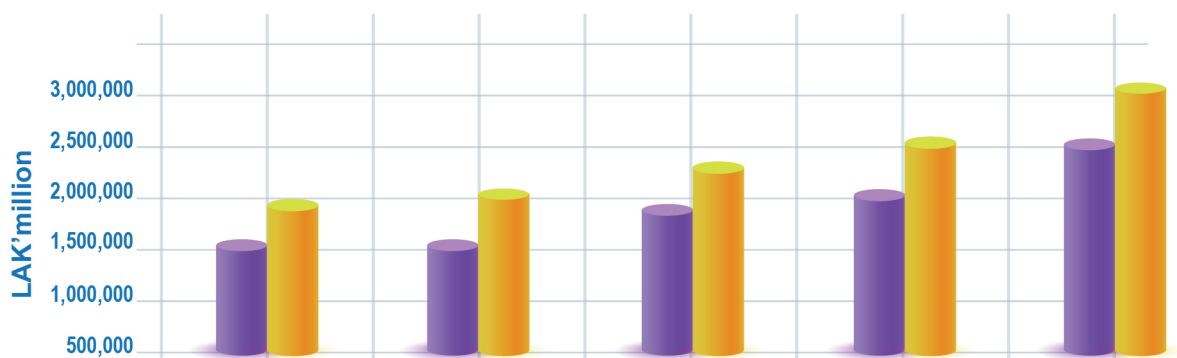
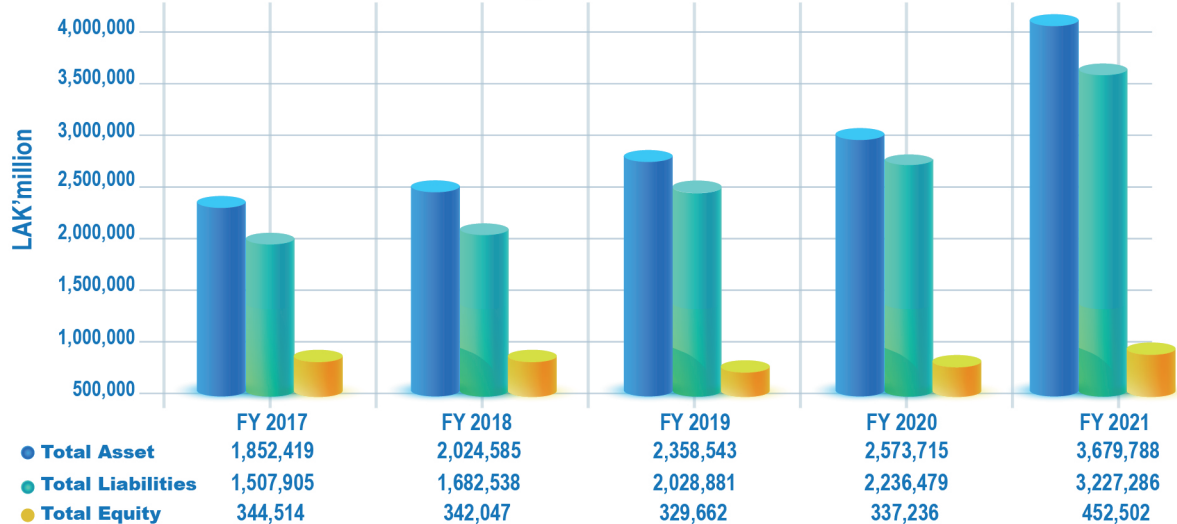
Ha Phuong Dang
Partner
Audit Practising Registration
Certificate No. 038/LCPAA-APT-2021

Vientiane, Lao PDR

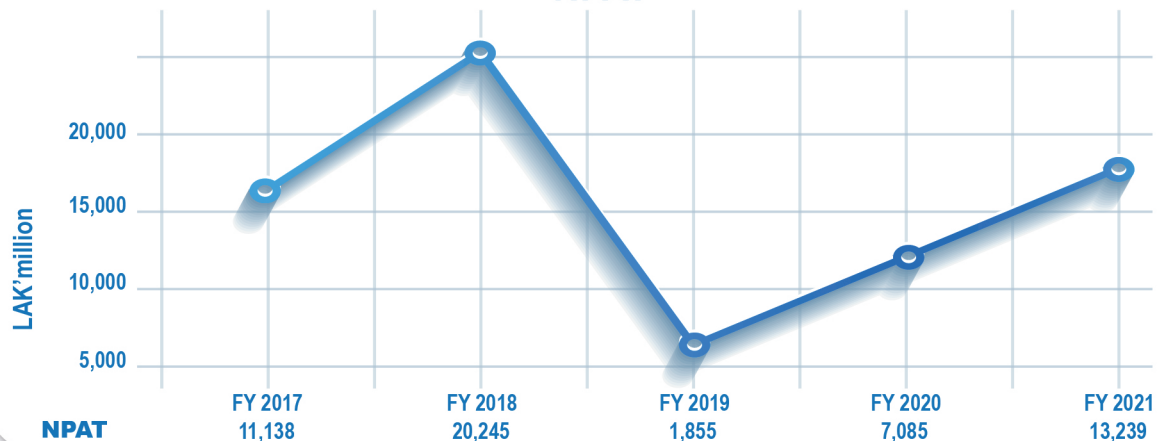
1 April 2022

Financial Highlight

Key BS items



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Reference: Financial Report 2021 audited by Ernst & Young Lao Co.,Ltd

BIC Bank Lao Co., Ltd.

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2021

Unit: LAKm

Code	ITEMS	Notes	2021	2020
A.	OPERATING INCOME AND EXPENSES			
1.	Interest and similar income	3	134,328	110,688
1.1	Interest and similar income from interbank transactions		8,540	2,172
1.2	Interest and similar income from loans to customers		125,788	108,516
2.	Interest and similar expense	3	(110,746)	(88,865)
2.1	Interest and similar expense for interbank transactions		(6,869)	(3,391)
2.2	Interest and similar expense for customers deposits		(103,877)	(85,474)
I.	NET INTEREST AND SIMILAR INCOME		23,582	21,823
3	Fee and commission income	4	10,717	8,717
4	Fee and commission expense	4	(7,250)	(729)
5	Net gain from dealing in foreign currencies	5	14,335	4,658
II.	NET OPERATING INCOME		41,384	34,469
B	OTHER INCOME AND EXPENSES			
6	Other operating income	6	43,831	53,547
7	Administration expenses		(26,448)	(24,425)
7.1	Payroll and other staff costs	7	(13,056)	(12,057)
7.2	Other administration expenses	8	(13,392)	(12,368)
8	Depreciation and amortization charges	15	(4,651)	(4,464)
9	Other operating expenses	9	(2,020)	(5,933)
10	Specific provision for non-performing loans	14	(38,857)	(44,338)
III.	TOTAL PROFIT/(LOSS) BEFORE TAX		13,239	8,856
11	Current profit tax expense	21	-	(1,771)
IV.	PROFIT AFTER TAX		13,239	7,085

BIC Bank Lao Co., Ltd.

STATEMENT OF FINANCIAL POSITION As at 31 December 2021

Unit: LAKm

Code	ASSETS	Notes	31/12/2021	31/12/2020
I	Cash and balances with the BOL		908,827	313,616
1	Cash on hand	10	19,578	24,195
2	Balances with the BOL	11	889,249	289,421
II	Due from other banks		358,611	313,961
1	Demand deposits	12.1	64,969	79,101
2	Term deposits	12.2	293,642	234,860
III	Investment in a joint venture	13	1,190	856
IV	Loans to customers, net of specific provision	14	2,062,196	1,650,580
V	Fixed assets and Right-of-use assets		96,066	82,649
1	Intangible fixed assets	15.1	46,747	47,388
2	Tangible fixed assets and right-of-use assets	15.2	10,047	11,486
3	Construction in progress	15.3	39,272	23,775
VI	Other assets		252,898	212,053
1	Accrued interest receivable	16	6,210	3,178
2	Other assets	17	244,242	208,875
3	Tax receivable	21	2,446	-
	TOTAL ASSETS		3,679,788	2,573,715

BIC Bank Lao Co., Ltd.

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

Code	LIABILITIES AND CAPITAL	Notes	31/12/2021	31/12/2020
I	Due to other banks	18	574,242	105,632
1	Demand deposits		160,454	77,783
2	Term deposits		377,468	27,849
3	Borrowings		36,320	-
II	Due to customers	19	2,604,919	2,096,010
1	Demand and daily deposits		421,841	503,515
2	Saving deposits		205,073	197,042
3	Margin deposits		7,967	6,568
4	Term deposits		1,970,038	1,388,885
III	Other liabilities		48,125	34,837
1	Accrued interest payable	20	43,833	27,575
2	Tax payables	21	-	1,827
3	Other payables	22	4,292	5,435
	TOTAL LIABILITIES		3,227,286	2,236,479
IV	Capital and reserves		452,502	337,236
1	Paid-up capital	23	400,000	300,000
2	Legal reserve		12,265	10,942
3	Business expansion fund		8,949	-
4	General provision	14.2	9,266	7,239
5	Retained earnings		22,022	19,055
	TOTAL CAPITAL		452,502	337,236
	TOTAL LIABILITIES AND CAPITAL		3,679,788	2,573,715

BIC Bank Lao Co., Ltd.

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

Unit: LAKm

Code	OFF BALANCE SHEET ITEMS	Notes	31/12/2021	31/12/2020
I	Commitments given			
A	Commitments for financing given		35,041	44,481
1	Commitments for financing given to customers		35,041	44,481
B	Commitments for guarantees given		266,817	260,797
1	Commitments for guarantees given to customers		266,817	260,797
	TOTAL COMMITMENTS GIVEN		301,858	305,278
II	Collaterals and Mortgages			
A	Collaterals and Mortgages for loans		4,435,400	3,720,397
1	Collaterals and Mortgages for loans to customers		4,435,400	3,720,397
	TOTAL COLLATERALS AND MORTGAGES		4,435,400	3,720,397

BIC Bank Lao Bank Co., Ltd

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

Unit: LAKm

ITEMS	Paid-up capital	Legal reserve	Business expansion fund	General Provision (Note 14.2)	Retained earnings	Total
Balance as at 31 December 2020	300,000	10,942	-	7,239	19,055	337,236
Capital injection	100,000	-	-	-	-	100,000
Net profit for the year	-	-	-	-	13,239	13,239
Transfer to legal reserve	-	1,323	-	-	(1,323)	-
Transfer to business expansion fund	-	-	8,949	-	(8,949)	-
Net provision charge during the year	-	-	-	1,014	-	1,014
Foreign exchange difference	-	-	-	1,013	-	1,013
Balance as at 31 December 2021	400,000	12,265	8,949	9,266	22,022	452,502

BIC Bank Lao Bank Co., Ltd

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

Unit: LAKm

<i>ITEMS</i>	<i>Paid-up capital</i>	<i>Legal reserve</i>	<i>Business expansion fund</i>	<i>General Provision (Note 14.2)</i>	<i>Retained earnings</i>	<i>Total</i>
Balance as at 31 December 2019	300,000	10,234	-	6,738	12,690	329,662
Net profit for the year	-	-	-	-	7,085	7,085
Transfer to legal reserve	-	708	-	-	(708)	-
Net provision charge during the year	-	-	-	272	-	272
Foreign exchange difference	-	-	-	229	-	229
Other decrease	-	-	-	-	(12)	(12)
Balance as at 31 December 2020	300,000	10,942	-	7,239	19,055	337,236

BIC Bank Lao Co., Ltd

STATEMENT OF CASH FLOWS for the year ended 31 December 2021

Unit: LAKm

ITEMS	Notes	2021	2020
OPERATING ACTIVITIES			
Total profit before tax		13,239	8,856
<i>Adjustments for:</i>			
Depreciation and amortization charges	15	4,651	4,464
Net provision for credit loss	14.2	38,189	48,296
Tangible fixed assets write off		4	-
Interest income	3	(134,328)	(110,688)
Interest expense	3	110,746	88,865
Net profit before changing in operating assets and liabilities		32,501	39,793
(Increase)/Decrease in operating assets			
Due from other banks		118,796	(234,860)
Statutory deposit		(64,371)	26,340
Loans and advances to customers		(447,777)	(253,743)
Other assets		(33,596)	184,345
Increase/(Decrease) in operating liabilities			
Due to other banks		468,610	(60,880)
Customer deposits and other amounts due to customers		508,909	263,543
Profit tax paid during the year	21.2	(4,217)	(587)
Interest received		131,296	108,990
Interest paid		(94,488)	(85,340)
Other liabilities		(2,970)	217
Net cash flows from operating activities		612,693	(12,182)
INVESTING ACTIVITIES			
Payments to acquire property and equipment		(1,407)	(5,447)
Investment in a joint venture		(334)	(340)
Payment for construction in progress		(16,665)	-
Net cash flows used in investing activities		(18,406)	(5,787)
FINANCING ACTIVITIES			
Capital injection		100,000	-
Net cash flows from financing activities		100,000	-
Net change in cash and cash equivalents		694,287	(17,969)
Cash and cash equivalents at the beginning of the year		286,807	304,776
Cash and cash equivalents at the end of the year	24	981,094	286,807

BIC Bank Lao Co., Ltd

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

1. THE BANK INFORMATION

Establishment and operations

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On 24 December 2021, the Bank has submitted the proposal letter No 0925/BIC to the BOL to increase the capital from LAK 300,000,000,000 to LAK 400,000,000,000 then received the acknowledged letter No. 747/CBSD from the BOL dated 29 December 2021. As the result, as at 31 December 2021, the actual paid-up capital of the Bank is LAK 400,000,000,000 (31 December 2020: LAK 300,000,000,000).

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

Paid-up capital

As at 31 December 2021, the actual paid-up capital of the Bank is LAK 400,000,000,000 (31 December 2020: LAK 300,000,000,000)

Board of Directors

Chairman and member of the Board of Director during the year ended 21 December 2021 and as at the date of this financial statement are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Rithikone Phoummasack Ph.D.	Chairman	Appointed on 28 September 2021
Mr. Chanthaboun Soukaloun	Member	Appointed on 28 September 2021
Mr. Soulivath Souvannachoumksam	Member	Appointed on 28 September 2021
Mrs. Kingphongseun Phoummasack	Member	Re-appointed on 28 September 2021
Mr. Lim Wai Hoong	Member	Re-appointed on 28 September 2021

Members of Board of Director Appointment have been approved by the BOL on 10 December 2021.

1. THE BANK INFORMATION (continued)

Governance Committee

Members of the Governance Committee during the year ended 31 December 2021 and as at the date of this financial statement are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Rithikone Phoummasack Ph.D.	Chairman	Appointed on 10 November 2021
Mr. Chanthaboun Soukaloun	Member	Appointed on 10 November 2021
Mr. Soulivath Souvannachoumkham	Member	Appointed on 10 November 2021
Mrs. Kingphongeu Phoummasack	Member	Appointed on 10 November 2021
Mr. Lim Wai Hoong	Member	Appointed on 10 November 2021

Risk Management Committee

Members of the Risk Management Committee during the year ended 31 December 2021 and as at the date of this financial statement are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mrs. Kingphongeu Phoummasack	Chairperson	Appointed on 10 November 2021
Mr. Rithikone Phoummasack Ph.D.	Member	Appointed on 10 November 2021
Mr. Soulivath Souvannachoumkham	Member	Appointed on 10 November 2021
Mr. Lim Wai Hoong	Member	Appointed on 10 November 2021

Audit Committee

Member of the Audit Committee during the year ended 21 December 2021 and as at the date of this financial statement are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Soulivath Souvannachoumkham	Chairman	Appointed on 10 November 2021
Mrs. Kingphongeu Phoummasack	Member	Appointed on 10 November 2021
Mr. Rithikone Phoummasack Ph.D	Member	Appointed on 10 November 2021
Mr. Lim Wai Hoong	Member	Appointed on 10 November 2021

The Governance Committee, the Risk Management Committee and the Audit Committee has been appointed by Board of Director's Chairman on 10 November 2021. As at the date of the financial statements, the approval of these appointments is pending from the BOL.

MANAGEMENT COMMITTEE

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

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Lim Wai Hoong	Chief Executive Officer	Appointed on 1 April 2019
Mr. Felix Desmond Francis	General Manager	Appointed on 19 March 2019

Location and network

The Bank is located at 127/07, Hatsady Road, Hatsady Tai Village, Chanthabouly District, Vientiane Capital, Lao PDR. As at 31 December 2021, the Bank has two (02) branches and three (3) services units in Lao PDR.

Employees

Total employees of the Bank as at 31 December 2021 were 96 people (2020: 92).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Statement of compliance*

Management of the Bank 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 Bank maintains its accounting records in Lao Kip ("LAK") and prepares its financial statements in millions of Lao Kip ("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 the Bank of Lao PDR relevant to preparation and presentation of financial statements ("LAS").

The accompanying financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Lao PDR. Accordingly, the statement of comprehensive income, 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 Bank and its results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Lao PDR.

Fiscal year

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

Profit tax

In 2021, in accordance with the Notification No. 213/BOL dated 24 March 2021 about the guidance on IAS 12 – Income tax relevant to commercial banks' preparation and presentation of financial statements, the Bank applied the new accounting policy of deferred tax in preparation and presentation of financial statements. Refer to Note 2.15 for the accounting policy applicable from 1 January 2021.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Recognition of interest income and expense

Interest income and expense are recognized in the statement of comprehensive income 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 statement of comprehensive income upon actually received.

2.5 Recognition of fee and commission

Fee and commission consist of fees received for fund transfer (including trade settlement), fee arising for foreign currency exchange transactions and fee arising from financial guarantees.

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

2.6 Cash and cash equivalents

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

2.7 Loans to customers

Loans to customers are recognized at cost and presented at outstanding balance less specific provision.

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 Bank 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 List 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").

The Bank also applies the Regulation 238/BOL dated 26 March 2020, Guidance 249/BOL dated 11 May 2020 and the extension Notice 254/CAD dated 5 May 2021 by the BOL on loan restructuring, extension and retention of loan classification group to assist the borrowers affected by Covid-19 pandemic. Accordingly, the Bank has restructured the loans qualified and retained their classification groups.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Classification of and provision for credit activities (continued)

Provision

In accordance with BOL512 and OL898, the Bank 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 operating expense/income
B	3.0%	Specific	Deducted to loan balance	Other operating expense/income
<i>Non-performing loans</i>				
C	20.0%	Specific	Deducted to loan balance	Net provision for NPL
D	50.0%	Specific	Deducted to loan balance	Net provision for NPL
E	100.0%	Specific	Deducted to loan balance	Net provision for NPL

- (i) Provision amount is calculated by the following formulas:
- a. General provision = Provision rate x Loan outstanding balance
 - b. Specific provision = Provision rate x (Loan outstanding balance – discounted value of collateral)
- where the Bank has opted to include the discounted value of collateral in the provision calculation as allowed by BOL512 and OL898.*
- (ii) The balance of provision for *loans classified into Group A* is recorded in the statement of financial position in “General provision” under capital and reserves of the Bank.
- Accumulated balance of provision for loans classified into Group B and NPL is recorded in the statement of financial position in “Loans to customers, net of specific provision”.
- (iii) Changes in provision for *performing loans* are recorded to the statement of comprehensive income 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 statement of comprehensive income as “Net provision for NPLs charged to/(reversed out of) expense”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Investment in joint venture

The Bank's investment in joint venture are recognized at cost and subsequently reflected at cost in the statement of financial position. Dividend and income transferred from the associates are recognized in the statement of comprehensive income as "Net gain from equity investment".

The investment in Lao National Payment Network Company Limited were made initially in Lao Kip ("LAK").

2.10 Fixed assets

Fixed asset includes tangible fixed assets and intangible fixed assets. Tangible fixed assets consist of building improvements, office equipment, motor vehicles, machines and IT equipment and furniture and fixtures. Intangible fixed asset includes software, land use rights and other intangible fixed assets.

Fixed assets are stated at cost less accumulated depreciation/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 statement of comprehensive income.

When assets are sold or disposed, their cost and accumulated depreciation/amortization are removed from the statement of financial position and any gains or losses resulting from their disposal are posted to the statement of comprehensive income.

2.11 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 Income 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 followings are the annual rates used.

Building & improvements	10%
Land use rights with indefinite life	No amortization
Other intangible fixed assets	20%
Motor vehicles	20%
Office equipment	20%
Furniture and fixtures	20%
Software	20%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Leasing

2.12.1 Right-of-use assets

At inception of a contract, the Bank 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 Bank combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

The Bank 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 Bank is reasonably certain to exercise that option. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment.

2.12.2 Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank 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 Bank uses its fixed deposit rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

The Bank 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Leasing (continued)

2.12.4 Significant judgement in determining the lease term of contracts with renewal options

The Bank 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 Bank 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 Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Bank included the renewal period as part of the lease term for leases of premises the significance of these assets to its operations.

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Bank as a lessee

Leases, where all the risks and benefits of ownership of the leased items are not transferred substantially to the Bank are operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which they are incurred.

2.13 Legal Reserves

Under the requirement of the Amended Law on Commercial Banks No 56/NA dated 7 December 2018, commercial banks are required to appropriate net profit to following reserves:

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

In accordance with Article 156, Enterprise Law dated 26 December 2013, the Bank is required to appropriate 10% of profit after tax each year into legal reserve fund. When this reserve fund reaches 50% of the registered capital, the Bank may suspend such reserve, unless otherwise provided by the laws.

Accordingly, the Bank has made the following reserves for the year ended 31 December 2021:

<i>Reserve</i>	<i>% of profit after tax (less accumulated losses, if any)</i>
Legal reserve	10

The Business expansion fund and other funds shall be created upon decision of the Board of Directors.

BIC Bank Lao Co., Ltd.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14. Foreign currency transactions

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

	31/12/2021	31/12/2020
	<u>LAK</u>	<u>LAK</u>
United State Dollar ("USD")	11,160.00	9,283.00
Thai Bath ("THB")	332.07	301.75
Euro ("EUR")	12,636.00	11,388.00

2.15. 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 Bank is obliged to pay profit tax at rate of 20% of total profit before tax for the year ended 31 December 2021 (2020: 20%) in accordance with the new Income Tax Law No.67/NA, dated 18 June 2019 which is effective on or after 1 January 2020. The Bank's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations in many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

Deferred tax

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

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

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

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

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

BIC Bank Lao Co., Ltd.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16. Employee benefit

Post-employment benefits

Post-employment benefits are paid to retired employees of the Bank by the Social Security Fund Department which belongs to the Ministry of Labor and Social Welfare. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at an amount equivalent to 6% of employee's basic salary on a monthly basis (maximum SSO threshold is LAK 4,500,000). The Bank has no further obligation concerning post-employment benefits for its employees other than this.

Termination benefits

In accordance with Article 82 of the Amended Labor Law No. 43/NA approved by the President of the Lao People's Democratic Republic on 28 January 2014, the Bank 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 labor 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 basic monthly salary earned before the termination of work for the worker who has worked for less than three years. For workers who have worked for more than three years, the basis of calculation shall be 15%. As at 31 December 2021, there are no employees of the Bank who were dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the financial statements.

3. NET INTEREST AND SIMILAR INCOME

	2021 <i>LAKm</i>	2020 <i>LAKm</i>
Interest and similar income from:		
Interest income from interbank transactions	8,540	2,172
Interest income from loans to customer	125,788	108,516
	134,328	110,688
Interest and similar expense for:		
Interest expense for interbank transactions	(3,440)	(3,391)
Interest expense for borrowing from BOL	(669)	-
Interest expense for borrowing from other banks	(2,760)	
Interest expense for customer deposits	(103,877)	(85,474)
	(110,746)	(88,865)
Net interest and similar income	23,582	21,823

BIC Bank Lao Co., Ltd.

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

4. NET FEE AND COMMISSION INCOME

	2021 <i>LAKm</i>	2020 <i>LAKm</i>
Fees and commission income from:		
Credit activities	4,764	1,858
Settlement services	1,348	2,580
Other transactions with customers	4,605	4,279
	10,717	8,717
Fees and commission expense for:		
Credit activities	3,800	-
Other fees and commissions	3,450	729
	7,250	729
Net fees and commission income	3,467	7,988

5. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	2021 <i>LAKm</i>	2020 <i>LAKm</i>
Gain from dealing in foreign currencies	35,510	8,626
Loss from dealing in foreign currencies	(21,175)	(3,968)
	14,335	4,658

6. OTHER OPERATING INCOME

	2021 <i>LAKm</i>	2020 <i>LAKm</i>
Reversal of provision for special mention and normal or pass loans (<i>Note 14.2</i>)	668	-
Recovery of bad debts written off	40,053	46,226
Others	3,110	7,321
	43,831	53,547

7. PAYROLL AND OTHER STAFF COSTS

	2021 <i>LAKm</i>	2020 <i>LAKm</i>
Salary	11,858	11,049
Allowances	1,169	932
Training expense	29	76
	13,056	12,057

BIC Bank Lao Co., Ltd.

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

8. OTHER ADMINISTRATION EXPENSES

	2021 LAKm	2020 LAKm
Rental	259	259
External service fee	1,421	1,896
Management expense charged by AIF (<i>Note 25</i>)	7,356	5,938
Fuel	96	80
Travelling	15	39
Marketing, promotion, guest welcoming expenses	103	262
Stationeries and printing	160	247
Insurance	263	265
Post and Telecommunications	269	322
Repair and maintenance	2,942	2,523
Electricity and water	228	213
Others	280	324
	13,392	12,368

9. OTHER OPERATING EXPENSES

	2021 LAKm	2020 LAKm
Provision for special mention and normal or pass loans (<i>Note 14.2</i>)	-	3,958
Depository protection fund expenses	1,771	1,757
Others	249	218
	2,020	5,933

10. CASH ON HAND

	31/12/2021 LAKm	31/12/2020 LAKm
Cash on hand in LAK	7,317	8,131
Cash on hand in foreign currencies	12,261	16,064
	19,578	24,195

BIC Bank Lao Co., Ltd.

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

11. BALANCES WITH THE BOL

	31/12/2021 LAKm	31/12/2020 LAKm
Demand deposit	718,968	183,511
Compulsory reserve (*)	70,276	105,905
Registered capital reserve	100,005	5
	889,249	289,421

Balances with the BOL include demand deposit, compulsory reverse and registered capital reserve. These balances earn no interest.

(*) Under regulations of the BOL, the Bank is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 3.00% for LAK and 5.00% for other currencies (2020: 4.00% and 8.00%), on a bi-monthly basis, of customer deposits having original maturities of less than 12 months. During the year, the Bank maintained its compulsory deposits in compliance with the requirements of the BOL.

12. DUE FROM OTHER BANKS

12.1 Demand deposits

	31/12/2021 LAKm	31/12/2020 LAKm
Demand deposits with domestic banks	14,934	23,390
Banque Pour Le Commerce Exterieur Lao Public	14,931	23,390
Joint Development Bank Limited	1	-
Kasikornthai Bank Limited	2	-
Demand deposits with foreign banks	50,035	55,711
Kasikornbank Public Company Limited	45,261	54,653
BIC (Cambodia) Bank Public Company Limited	4,774	1,058
	64,969	79,101

12.2 Term deposits

	31/12/2021 LAKm	31/12/2020 LAKm
Term deposit with foreign banks		
BIC (Cambodia) Bank Public Company Limited	293,642	234,860
	293,642	234,860

Term deposits denominated in USD have terms of 3 months and earn interest at rates by 1% per annum .

BIC Bank Lao Co., Ltd.

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

13. INVESTMENT IN A JOINT VENTURE

	31/12/2021		31/12/2020	
	Book value LAK	Ownership %	Book value LAK	Ownership %
Investment in a joint venture				
Lao National Payment Network Company Limited (*)	1,190,000,000	5%	856,480,000	5%
	<u>1,190,000,000</u>		<u>856,480,000</u>	

(*) Lao National Payment Network Company Limited (LAPNet) is incorporated in the Lao PDR under the Business License No. 0349 granted by the Department of Enterprise Registration and Management of the Ministry of Industry and Commerce of the Lao PDR on 12 March 2019 and engages in the provision of financial services. It is an association established by Bank of the Lao PDR, Union Pay International, Lao Development Bank, Agriculture Promotion Bank, Joint Development Bank, Banque Pour Le Commerce Exterieur Lao Public, ST Bank, Lao - Viet Bank and the Bank. The registered capital was LAK 34,000,000,000.

According to Notification No. 016/LAPNet dated 16 March 2021, the Bank have additionally contributed LAK 333,520,000 which increased the total contributed capital of the Bank in this company to LAK 1,190,000,000 as at 31 December 2021.

14. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION

	31/12/2021 LAKm	31/12/2020 LAKm
Loans to customers	2,107,464	1,699,629
Less specific provision for credit losses	(40,107)	(42,931)
Less specific provision for special mention loans	(5,161)	(6,118)
	<u>2,062,196</u>	<u>1,650,580</u>

Interest rates for commercial loans during the year are as follows:

	2021 Interest rate % per annum	2020 Interest rate % per annum
Loans denominated in LAK	5.00 – 18.00	10.00 – 12.00
Loans denominated in USD	4.00 – 11.00	9.00 – 10.00
Loans denominated in THB	8.00 – 11.00	9.00 – 10.00

14.1 Analysis of loans to customers

Analysis by currency

	31/12/2021 LAKm	31/12/2020 LAKm
Loans denominated in LAK	739,545	520,614
Loans denominated in USD	1,288,104	1,117,742
Loans denominated in THB	79,815	61,273
	<u>2,107,464</u>	<u>1,699,629</u>

BIC Bank Lao Co., Ltd.

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

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

14.1 Analysis of loans to customers (continued)

Analysis by status of loans

	31/12/2021 LAKm	31/12/2020 LAKm
Normal or Pass	1,853,091	1,447,761
Watch or Special mention	174,496	207,070
Substandard	801	1,013
Doubtful	77,938	2,112
Loss	1,138	41,673
	2,107,464	1,699,629

Analysis by original term

	31/12/2021 LAKm	31/12/2020 LAKm
Short-term loans	1,713,058	1,316,972
Medium-term loans	167,784	126,121
Long-term loans	226,622	256,536
	2,107,464	1,699,629

Analysis by industrial sectors

	31/12/2021 LAKm	31/12/2020 LAKm
Manufacturing	143,507	109,930
Services and Commerce	1,469,722	1,205,634
Construction	285,567	286,787
Agriculture and forestry	111,521	2,785
Other sectors	97,147	94,493
	2,107,464	1,699,629

14.2 Provision for credit losses

Movements of provision for credit losses were as follow:

	Specific provision for NPL	Specific provision for special mention loans	General provision for normal or pass loans	Total
Balance as at 1 January 2021	42,931	6,118	7,239	56,288
Provision charged/(reversal of provision) during the year	38,857	(1,682)	1,014	38,189
Non-performing loans written-off	(40,095)	-	-	(40,095)
Foreign exchange difference	(1,586)	725	1,013	152
Balance as at 31 December 2021	40,107	5,161	9,266	54,534

BIC Bank Lao Co., Ltd.

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

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

14.2 Provision for credit losses (continued)

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

<i>Classification</i>	<i>Loan balance LAKm</i>	<i>Specific provision LAKm</i>	<i>General provision LAKm</i>
Performing loans			
- Normal or Pass	1,853,091	-	9,266
- Watch or Special Mention	174,496	5,160	-
Non-Performing loans			
- Sub-standard	801	-	-
- Doubtful	77,938	38,969	-
- Loss	1,139	1,139	-
Total	2,107,465	45,268	9,266

BIC Bank Lao Co., Ltd.

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

15. FIXED ASSETS AND RIGHT-OF-USE ASSETS

15.1 Intangible fixed assets

Movements of intangible fixed assets for the year ended 31 December 2021 are as follows:

	Land use right LAKm	Pre-Operating cost LAKm	Software LAKm	Total LAKm
Cost				
As at 31 December 2020	41,979	1,211	13,651	56,841
Additions	-	47	-	47
Transferred from construction in progress	-	-	1,168	1,168
As at 31 December 2021	41,979	1,258	14,819	58,056
Accumulated depreciation:				
As at 31 December 2020	-	973	8,480	9,453
Charge for the year	-	219	1,637	1,856
As at 31 December 2021	-	1,192	10,117	11,309
Net book value:				
As at 31 December 2020	41,979	238	5,171	47,388
As at 31 December 2021	41,979	66	4,702	46,747

15. FIXED ASSETS AND RIGHT-OF-USE ASSETS (continued)**15.2 Tangible fixed assets and right-of-use assets**

Movements of tangible fixed assets and right-of-use assets for the year ended 31 December 2021 are as follows:

	Tangible fixed assets				Right-of-use assets		Total LAKm
	Building Improvement LAKm	Office equipment LAKm	Furniture and fixture LAKm	Motor vehicles LAKm	Building LAKm		
Opening:							
As at 31 December 2020	10,112	7,476	2,496	2,400	4,055		26,539
Additions	321	439	40	-	561		1,361
Write off	-	(317)	(24)	-	-		(341)
As at 31 December 2021	10,433	7,598	2,512	2,400	4,616		27,559
Accumulated depreciation:							
As at 31 December 2020	6,395	4,422	1,453	2,105	678		15,053
Charge for the year	568	1,054	343	129	701		2,795
Write off	-	(312)	(24)	-	-		(336)
As at 31 December 2021	6,963	5,164	1,772	2,234	1,379		17,512
Net book value:							
As at 31 December 2020	3,717	3,054	1,043	295	3,377		11,486
As at 31 December 2021	3,470	2,434	740	166	3,237		10,047

BIC Bank Lao Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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15. FIXED ASSETS AND RIGHT-OF-USE ASSETS (continued)

15.3 Construction in progress

Movement of construction in progress for the year ended 31 December 2021 is as follows:

	2021 LAKm
As at 1 January 2021	23,775
Additions	16,665
Transferred to fixed assets	(1,168)
As at 31 December 2021	<u>39,272</u>

16. ACCRUED INTEREST RECEIVABLE

	31/12/2021 LAKm	31/12/2020 LAKm
Due from banks	497	1,683
Loans and advances to customers	5,713	1,495
	<u>6,210</u>	<u>3,178</u>

17. OTHER ASSETS

	31/12/2021 LAKm	31/12/2020 LAKm
Prepaid interest for customer deposits	496	290
Advance to related parties (Note 25)	43,859	36,482
Prepaid expense	1,100	807
Visa cheque receivables	175,976	148,295
Others	22,811	23,001
	<u>244,242</u>	<u>208,875</u>

18. DUE TO OTHER BANKS

18.1 Demand deposits

	31/12/2021 LAKm	31/12/2020 LAKm
Balances of domestic banks		
Banque Pour Le Commerce Exterieur Lao Public	22,112	44,700
Balances of oversea banks		
BIC (Cambodia) Bank Public Limited Company	138,342	33,083
	<u>160,454</u>	<u>77,783</u>

BIC Bank Lao Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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18. DUE TO OTHER BANKS

18.2 *Term deposits* (continued)

	<i>31/12/2021</i> <i>LAKm</i>	<i>31/12/2020</i> <i>LAKm</i>
Balances of domestic banks		
Banque Pour Le Commerce Exterieur Lao Public	332,828	-
Vietinbank Lao Limited	22,320	-
Balances of oversea banks		
BIC (Cambodia) Bank Public Limited Company	22,320	27,849
	377,468	27,849

18.3 *Borrowing*

	<i>31/12/2021</i> <i>LAKm</i>	<i>31/12/2020</i> <i>LAKm</i>
Balance of domestic bank		
Bank of Lao PDR	36,320	-
	36,320	-

Interest rates applied for deposits and borrowings from other banks during the year are as follows:

	<i>2021</i> <i>Interest rate</i> <i>% per annum</i>	<i>2020</i> <i>Interest rate</i> <i>% per annum</i>
Term deposit in LAK	5.00	-
Term deposit in foreign currencies	3.00 – 3.50	2.00-3.00
Borrowing in LAK	3.00 - 5.90	-

BIC Bank Lao Co., Ltd.

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

19. DUE TO CUSTOMERS

	31/12/2021 <i>LAKm</i>	31/12/2020 <i>LAKm</i>
Demand deposits	380,159	451,833
Demand deposits in LAK	55,179	24,564
Demand deposits in foreign currencies	324,980	427,269
Margin deposits	7,967	6,568
Margin deposits in LAK	155	70
Margin deposits in foreign currencies	7,812	6,498
Saving deposits	205,073	197,042
Saving deposits in LAK	33,271	34,338
Saving deposits in foreign currencies	171,802	162,704
Daily deposits	41,682	51,682
Daily deposits in LAK	2,451	2,342
Daily deposits in foreign currencies	39,231	49,340
Term deposits	1,970,038	1,388,885
Term deposits in LAK	414,626	318,320
Term deposits in foreign currencies	1,555,412	1,070,565
	2,604,919	2,096,010

The interest rates for these deposits are as follows:

	2021 <i>% per annum</i>	2020 <i>% per annum</i>
Demand deposits in LAK	0.00	0.00
Demand deposits in USD	0.00	0.00
Demand deposits in THB	0.00	0.00
Margin deposits in LAK	0.00	0.00
Margin deposits in USD	0.00	0.00
Margin deposits in THB	0.00	0.00
Daily deposits in LAK	0.00 - 0.50	0.00 - 0.50
Daily deposits in USD	0.00 - 0.75	0.50 - 0.75
Daily deposits in THB	-	-
Saving deposits in LAK	1.75 - 3.00	1.75 - 3.00
Saving deposits in USD	1.25 - 3.00	1.25 - 3.00
Saving deposits in THB	1.25 - 2.75	1.25 - 2.75
Term deposits in LAK	3.16 - 9.00	3.16 - 11.65
Term deposits in USD	2.00 - 8.00	1.50 - 8.00
Term deposits in THB	3.00 - 8.00	3.00 - 5.25

20. ACCRUED INTEREST PAYABLE

	31/12/2021 <i>LAKm</i>	31/12/2020 <i>LAKm</i>
Due to other banks	1,404	42
Customer deposits	42,429	27,533
	43,833	27,575

BIC Bank Lao Co., Ltd.

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

21. TAXATION

21.1 Tax payable/(receivable)

	31/12/2021 LAKm	31/12/2020 LAKm
Profit tax payable/(receivable) (Note 21.2)	(2,446)	1,771
Other tax	-	56
	(2,446)	1,827

21.2 Profit tax expense

The Bank is obliged to pay profit tax at rate of 20% on total profit before tax of the year in accordance with Income Tax Law No.67/NA dated 18 June 2019 which is effective on or after 1 January 2020. Profit tax in 2021 is calculated as follows:

	2021 LAKm	2020 LAKm
Profit before tax	13,239	8,857
Add: Non-taxable income	10,258	-
Less: Non-deductible expenses	(35,268)	-
Taxable profit/(loss)	(11,771)	8,857
Total tax expense for the year (20% in 2021, 20% in 2020)	-	1,771
PT payable at the beginning of the year	1,771	587
PT paid during the year	(4,217)	(587)
PT payable/(receivable) at the end of the year	(2,446)	1,771

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.

21.3 Contingent liabilities

On 6 November 2019, the Ministry of Finance ("the MOF") issued Notification No. 4475/MOF requesting commercial banks to recalculate profit tax for the years from 2016 to 2019 in which provision for credit losses should be considered as non-deductible expenses. On 7 October 2020, the Secretariat of Laos National Assembly sent Official Letter No. 96/SNA/PFAC ("Official Letter No. 96") simultaneously to the Prime Minister, the MOF, the BOL and the State Audit Organization of the Lao P.D.R. According to Official Letter No. 96, the provision for credit losses should be treated as deductible expenses for profit tax calculation. Until the date of this financial statements, the MOF and BOL have not responded to the Secretariat of Laos National Assembly on the above letter and the impact of this issue (if any) has not been yet defined. Therefore, the Bank has not booked any adjustments on the financial statements for the fiscal year 2021.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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22. OTHER PAYABLES

	31/12/2021 LAKm	31/12/2020 LAKm
Payables to employees	760	705
Accrued expenses	728	1,566
Other payables	697	1,483
Lease liability(*)	2,107	1,681
	4,292	5,435

(*) Set out below are the carrying amounts of lease liabilities and the movements during the year:

	31/12/2021 LAKm
As at 01 January 2021	1,681
Additions	562
Accrual of interest	158
Payment made	(488)
Foreign exchange revaluation	194
As at 31 December 2021	2,107

23. PAID-UP CAPITAL

Paid-up capital represents the up-to-date capital contributed by Asia Investment and Financial Services Co., Ltd and Electricite Du Laos. Details of the contribution are as follows:

	31/12/2021 LAKm	% ownership as per Business License	31/12/2020 LAKm	% ownership as per Business License
Asia Investment and Financial Service Co., Ltd	280,000	70	210,000	70
Electricite Du Laos	120,000	30	90,000	30
	400,000	100	300,000	100

24. CASH AND CASH EQUIVALENTS

	31/12/2021 LAKm	31/12/2020 LAKm
Cash on hand	19,578	24,195
Current accounts with the BOL	718,968	183,511
Demand deposit at other banks	64,969	79,101
Fixed deposit at other banks	177,579	-
	981,094	286,807

BIC Bank Lao Co., Ltd.

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

25. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other parties to which the Bank is related. A party is related to the Bank if:

- (a) directly, or indirectly through one or more intermediaries, the party:
 - ▶ controls, is controlled by, or is under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries);
 - ▶ has an interest in the Bank that gives it significant influence over the Bank; or
 - ▶ has joint control over the Bank.
- (b) the party is a joint venture in which the Bank is a venture;
- (c) the party is a member of the key management personnel of the Bank 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 Bank, or of any entity that is a related party of the Bank.

Remuneration to members of the Management Committee are as follows:

	<i>2021</i> <i>LAKm</i>	<i>2020</i> <i>LAKm</i>
Salaries	695	643
Bonus	55	53
Other allowances	84	84
	834	780

Significant transactions with the related parties during the year 2021 and 2020 are as follows:

	<i>2021</i> <i>LAKm</i>	<i>2020</i> <i>LAKm</i>
Interest income	21,869	13,454
Interest expense	(29,853)	(5,645)
Management fee	(7,356)	(5,938)

BIC Bank Lao Co., Ltd.

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

25. RELATED PARTY TRANSACTIONS (continued)

Significant balances with related parties as at 31 December 2021 and 31 December 2020 are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>31 December</i>	
			<i>2021</i>	<i>2020</i>
			<i>LAKm</i>	<i>LAKm</i>
Asia Investments & Financial Services Co., Ltd. ("AIF")	Direct owner	Current deposit	3,040	10,080
		Daily deposit	691	14,604
		Advance	43,859	36,482
Electricite Du Laos	Direct owner	Current deposit	100,272	5,394
B.I.C (Cambodia) Bank Public Limited Company	Entity under common control	Current deposits with the Bank	138,342	33,083
		Fixed deposit with the Bank	22,320	27,849
		Accrued interest Payable	29	42
		Current deposit of the Bank	4,774	1,058
		Fixed deposit with the Bank	293,642	234,860
		Accrued interest receivable	497	1,592
AIF Precious Metal Import - Export Service Sole Co., Ltd	Entity under common control	Current deposit	3,131	21,257
		Savings deposit	997	65
		Fixed deposits	137,856	86,658
		Accrued interest payable		1,719
		Overdraft	110,456	126,847
		Accrued interest receivable	427	572
Asia Investment, Development and Construction Sole Co., Ltd	Entity under common control	Current deposit	295	26,679
		Savings deposit	55	17
		Fixed deposits	233,065	225,633
		Accrued interest payable		
ARMS Construction Sole Co., Ltd	Entity under common control	Current deposit	819	3
		Savings deposit	1,122	823
		Fixed deposits	12,122	27,335
		Accrued interest payable		1,174
Kingnakone PTT Service Company Limited	Entity under common control	Current deposit	238	905

BIC Bank Lao Co., Ltd.

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

25. RELATED PARTY TRANSACTIONS (continued)

Significant balances with related parties as at 31 December 2021 and 31 December 2020 are as follows (continued):

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>31 December</i>	
			<i>2021</i>	<i>2020</i>
			<i>LAKm</i>	<i>LAKm</i>
AVIVA Jewelry	Entity under common control	Current deposit	2,757	2,435
BIC FX Exchange Individual Enterprise	Entity under common control	Current deposit	178	596
		Fixed deposits	225,097	122,628
		Accrued interest payable		421
		Overdraft	217,696	132,962
BSK Investment and Service Sole Co., Ltd	Entity under common control	Current Deposit	4,305	4,924
		Term loan	31,667	21,315
Winning 7 Individual	Entity under common control	Current Deposit	15	114

26. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 31 December 2021 that requires adjustment or disclosure to be made in the financial statements of the Bank.



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