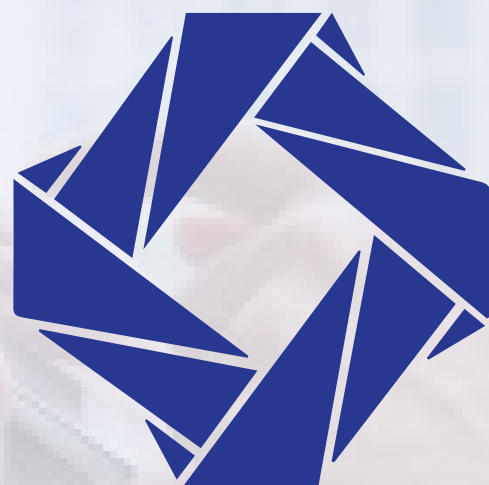


BIC Bank Lao Co., Ltd

BIC Bank Annual Report
31 December 2019



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BIC BANK

Contents

1	Corporate information	1
2	Management's responsibilities in respect of the financial statements	2
3	Independent auditor's report	3 - 5
4	Statement of financial position	6
5	Statement of comprehensive income	7 - 8
6	Statement of changes in owners' equity	9
7	Statement of cash flows	10 - 11
8	Notes to the financial statements	12 - 38

Corporate Information

Bank	BIC Bank Lao Co., Ltd
Enterprise License	No. 0554/ERO, dated 22 June 2017
Amended Enterprise License	No. 1576/ERO, dated 12 September 2019
Banking Business License	No. 48/BOL, dated 2 October 2008
Amended Banking Business License	No. 23/BOL, dated 08 November 2017

Board of Director

Ms. Kingphongeeun Phoummasack	Chairman	Effective from 29th December 2015
Mr. Komonchanh Phet Asa	Member	Effective from 29th December 2015
Mr. Angkhansada Mouangkham	Member	Effective from 29th December 2015
Mr. Rutsaran Moonsan	Member	Effective from 27th June 2018
Mr. Lim Wai Hoong	Member	Effective from 15th July 2019
Mr. Zulkiflee Bin Abdullah	Member	Effective till 15th July 2019

Board of Management

Mr. Lim Wai Hoong	Chief Executive Officer	Effective from 1st April 2019
Mr. Zulkiflee Bin Abdullah	Chief Executive Officer	Effective till 31st March 2019
Mr. Rutsaran Moonsan	Chief Operating Officer	Effective from 25th June 2018
Mr. Felix Desmond Francis	General Manager	Effective from 19th March 2019
Mr. Voradeth Phanphengdy	General Manager	Effective till 30th June 2019

Audit and Risk Management Committee

Mr. Komonchanh Phet Asa	Chairman	Effective from 29th December 2015
Ms. Kingphongeeun Phoummasack	Member	Effective from 29th December 2015
Mr. Bounmy Panenoulath	Member	Effective from 3rd March 2018
Mr. Joseph Solomon Horn	Member	Effective till 27th June 2018

Registered office

BIC Bank Lao Co., Ltd
127/07, Hatsady Road, Hatsady Tai Village
Chanthabouly District,
Vientiane Capital, Lao P.D.R

Auditors

KPMG Lao Co., Ltd.
10th Floor, Royal Square Office Building,
Samsenthai Road, Nongduong Nua Village,
Sikhotabong District, P.O.Box 6978
Vientiane Capital, Lao P.D.R

MANAGEMENT’S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Management of BIC Bank Lao Co., Ltd (“the Bank”), is responsible for the preparation of the financial statements and for ensuring that the financial statements present fairly in all material respects, the financial position of the Bank as at 31 December 2019, and the statement of comprehensive income, statement of changes in owners’ equity and statement of cash flows for the year then ended that are in accordance with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R. In preparing the financial statements, Management is required to:

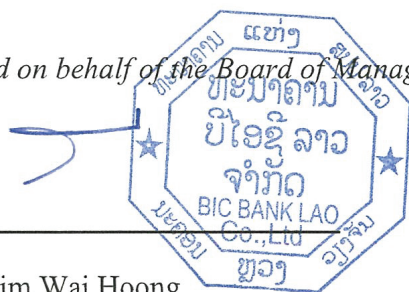
- i) Adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) Comply with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) Maintain adequate accounting records and an effective system of internal controls;
- iv) Take reasonable steps for safeguarding the assets of the Bank and for preventing and detecting fraud, error and other irregularities;
- v) Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- vi) Effectively control and direct the Bank and be involved in all material decisions affecting the Bank’s operations and performance and ascertain that such have been properly reflected in the financial statements.

Management confirms that they have complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

I, Mr. Lim Wai Hoong, on behalf of the Board of Management, do hereby state that the financial statements set out on pages 6 to 38 present fairly, in all material respects, the financial position of the Bank as at 31 December 2019, its financial performance, statement of changes in owners’ equity and statement of cash flows for the year then ended and have been properly drawn up in accordance with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R.

Signed on behalf of the Board of Management,



Mr. Lim Wai Hoong
Chief Executive Officer
31 March 2020



KPMG Lao Co., Ltd.
10th Floor, Royal Square Office Building,
Samsenthai Road, Nongduong Nua Village,
Sikhotabong District, P.O. Box 6978,
Vientiane, Lao PDR
Tel +856 (21) 454240-7

ບໍລິສັດ ເຄມີເອັມຈີລາວ ຈຳກັດ
ຊັ້ນ 10, ອາຄານ ໂຮໂຢລສະແຄລ
ຖະໜົນ ສາມແສນໄທ, ບ້ານ ຫນອງດ້ວງເໜືອ,
ເມືອງ ສີໂຄດຕະບອງ, ຖ້ ປ.ນ. 6978,
ນະຄອນຫຼວງວຽງຈັນ, ສປປ ລາວ
ໂທ : +856 (21) 454240-7

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 2019, the statement of comprehensive income, changes in owners' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R, and for such internal control as management determines is necessary to enable the preparation of 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 auditors' 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 ISAs, 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

BIC Bank Lao Co., Ltd
Statement of financial position

As at 31 December

	<i>Note</i>	<i>(in million LAK)</i>	
		2019	2018
Assets			
Cash and cash equivalents	4	304.776	580.052
Statutory deposits with Bank of Lao P.D.R	5	132.250	222.619
Investments	6	516	50.347
Loans and advances to customers, net of specific provision	7	1.444.632	1.093.377
Property and equipment	8	29.210	5.869
Intangible assets	9	48.404	3.429
Other assets	10	398.755	68.892
Total assets		2.358.543	2.024.585
Liabilities, capital and other reserves			
Liabilities			
Amounts due to customers	11	1.832.467	1.595.060
Amounts due to other banks	12	166.512	35.264
Other liabilities	13	29.902	52.214
Total liabilities		2.028.881	1.682.538
Capital and other reserves			
Paid-up capital	14	300.000	300.000
Legal reserve	15	10.234	10.049
Retained earnings		12.690	27.216
General provision for credit activities	16	6.738	4.782
Total capital and other reserves		329.662	342.047
Total liabilities, capital and other reserves		2.358.543	2.024.585

The accompanying notes form an integral part of these financial statements.

For the year ended 31 December

	<i>Note</i>	<i>(in million LAK)</i>	
		2019	2018
Interest income			
Interest from loans and advances		98.783	95.117
Interest from interbank		4	1
Interest income from investments in bonds		545	972
Total interest income		99.332	96.090
Interest expenses			
Interest on deposits		(67.500)	(55.973)
Interest on interbank		(2.540)	(1.671)
Total interest expenses		(70.040)	(57.644)
Net interest income		29.292	38.446
Other income			
Fee and service income		55.085	10.584
Fee and service expense		(2.105)	(297)
Net fee and service income	17	52.980	10.287
Loss on foreign exchange transactions		(1.272)	(42)
Other income	18	5.705	10.848
Total other income		57.413	21.093
Income before non-interest expense, doubtful accounts and income tax expense		86.705	59.539

The accompanying notes form an integral part of these financial statements.

BIC Bank Lao Co., Ltd
Statement of comprehensive income (continued)

For the year ended 31 December

	<i>Note</i>	<i>(in million LAK)</i>	
		2019	2018
Operating expenses			
Personnel expenses		(12.654)	(12.881)
Depreciation and amortization expense		(4.669)	(1.972)
Other expenses	19	(18.974)	(13.107)
Net specific provision charges		(47.962)	(4.939)
Specific Provision expense		(92.752)	(48.763)
Reversal of specific provision		44.790	43.824
Total operating expenses		(84.259)	(32.899)
Profit before income tax expense		2.446	26.640
Income tax expense	20	(591)	(6.395)
Profit for the year		1.855	20.245

The accompanying notes form an integral part of these financial statements.

BIC Bank Lao Co., Ltd
Statement of changes in owners' equity

for the year ended 31 December 2019

	Note	Paid-up capital (in million LAK)	Legal reserve (in million LAK)	Retained earnings (in million LAK)	General provision for credit activities (in million LAK)	Total (in million LAK)
Balance as at 1 January 2018		300.000	8.025	24.285	12.204	344.514
Profit for the year		-	-	20.245	-	20.245
Transfer to legal reserve		-	2.024	(2.024)	-	-
General provision charged during the year		-	-	-	4.883	4.883
Reversal of general provision during the year		-	-	-	(9.874)	(9.874)
Reclassify general to specific provision		-	-	-	(2.578)	(2.578)
Dividend to shareholder	14	-	-	(15.243)	-	(15.243)
Other decreases		-	-	(47)	-	(47)
Foreign exchange difference		-	-	-	147	147
Balance as at 31 December 2018 and 1 January 2019		300.000	10.049	27.216	4.782	342.047
Profit for the year		-	-	1.855	-	1.855
Transfer to legal reserve		-	185	(185)	-	-
General provision charged during the year		-	-	-	4.784	4.784
Reversal of general provision during the year		-	-	-	(3.011)	(3.011)
Dividend to shareholder	14	-	-	(16.196)	-	(16.196)
Foreign exchange difference		-	-	-	183	183
Balance as at 31 December 2019		300.000	10.234	12.690	6.738	329.662

The accompanying notes form an integral part of these financial statements.

For the year ended 31 December

	<i>Note</i>	<i>(in million LAK)</i>	
		2019	2018
Cash flows from operating activities			
Profit before income tax expense		2.446	26.640
Adjustments for:			
Interest income		(99.332)	(96.090)
Interest expense		70.040	57.644
Depreciation and amortization expense		4.669	1.972
Provision for credit losses of loan to customers		97.537	53.647
Reversal of provision for credit losses of loans to customers		(47.801)	(53.698)
		<hr/>	<hr/>
Cash flows from operations before changes in operating assets and liabilities		27.559	(9.885)
<i>Change in operating assets / liabilities</i>			
Change in statutory deposits with Bank of Lao P.D.R		90.369	26.291
Change in loans and advances to customers		(399.036)	(38.181)
Change in other assets		(331.212)	(34.603)
Change in amounts due to customer		237.407	120.346
Change in amounts due to other banks		131.248	25.258
Change in other liabilities		(22.584)	18.255
Interest received		100.681	94.902
Interest paid		(64.207)	(52.384)
Income tax paid		(6.151)	(925)
		<hr/>	<hr/>
Net cash from (used in) from operating activities		(235.926)	149.074

The accompanying notes form an integral part of these financial statements.

For the year ended 31 December

	<i>Note</i>	<i>(in million LAK)</i>	
		2019	2018
Cash flows from investing activities			
Investment in bonds		50.347	(50.347)
Investment in enterprise		(516)	-
Acquisition of property and equipment and software		(72.985)	(9.367)
Proceeds from disposals of equipment		-	11
Net cash used in investing activities		(23.154)	(59.703)
Cash flows from financing activities			
Dividend to shareholder		(16.196)	(15.243)
Net cash used in financing activities		(16.196)	(15.243)
Net change in cash and cash equivalents		(275.276)	74.128
Cash and cash equivalents at 1 January		580.052	505.924
Cash and cash equivalent at 31 December	4	304.776	580.052

Note Contents

1	Organisation and principal activities
2	Basis of preparation of the financial statements
3	Significant accounting policies
4	Cash and cash equivalents
5	Statutory deposits with Bank of Lao P.D.R
6	Investments
7	Loans and advances to customers, net of specific provision
8	Property and equipment
9	Intangible assets
10	Other assets
11	Amounts due to customers
12	Amounts due to other banks
13	Other liabilities
14	Paid - up capital
15	Legal reserve
16	Provision for credit activities
17	Net fee and service income
18	Other income
19	Other expenses
20	Income tax expense
21	Related party transactions
22	Commitments and contingencies
23	Events after financial position date

1 Organisation and principal activities

BIC Bank Lao Co., Ltd ("the Bank") is an enterprise registered in Lao People's Democratic Republic ("Lao P.D.R."). The Bank is operating under Investment License No 033-08/MOPI dated 17 March 2008 granted by the Ministry of Planning and Investment and Banking Business License No. 48/BOL dated 2 October 2008 issued by the Bank of Lao P.D.R.

The Bank's current shareholders are: Asia Investment and Financial Services Co. Ltd. (70% ownership) and Electricite Du Laos (30% ownership), who took over the Bank via a share purchase from ICB Financial Group Holdings AG on 14 December 2015. The share purchase was approved by the Bank of Lao P.D.R in accordance with Official Letter No 1088/BOL dated 29 December 2015.

In 2019, the Bank has obtained its amended Enterprise License No. 1576/ERO dated 12 September 2019 issued by Registration and Enterprise Supervision Department, Ministry of Industry and Commerce.

As at 31 December 2019, the actual paid-up capital of the Bank is LAK 300.000 million (31 December 2018: LAK 300.000 million).

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

As at 31 December 2019, the Bank has 96 (2018: 79) employees.

2 Basis of preparation of the financial statements

(a) General basis of accounting

(i) Basis of preparation

The accompanying financial statements are expressed in million of Lao Kip ("million LAK"), in accordance with Decree No. 02/PR by the Prime Minister of Lao P.D.R dated 22 March 2000 and the Enterprise Accounting Law of Lao P.D.R and accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R.

(i) Basis of preparation of the financial statements (continued)

The financial statements have been prepared in accordance with accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R, which may differ in some material respects from International Financial Reporting Standards and the generally accepted accounting principles and standards of other countries. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations, changes in equity, cash flows and notes thereto in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than the Lao P.D.R. Furthermore, their utilization is not designed for those who are not informed about the Lao P.D.R's accounting rules, procedures and practices.

The financial statements were authorized for issue on behalf of the Board of Management on 31 March 2020.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except as stated in the accounting policies. The accounting policies have been consistently applied by the Bank and are consistent with those used in the previous year except otherwise stated.

(iii) Use of judgement and estimates

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions based on the management's best knowledge of current events and actions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and the disclosures of contingent liabilities at the reporting date.

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual outcomes may differ from management's assessment and such differences could require revisions that are recognized in the period in which the estimates are revised and in any future periods affected.

(b) Foreign currency transactions

The Bank 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 financial position date. Income and expenses arising in foreign currencies during the year are converted into LAK at rates ruling on the transaction date. Foreign exchange differences arising from the translation of monetary assets and liabilities on the financial position date are recognized in the Statement of comprehensive income. List of exchange rates of applicable foreign currencies against LAK on 31 December 2019 as presented below:

	31 December 2019	31 December 2018
United States Dollar ("USD")	8.839,00	8.512,00
Thai Baht ("THB")	295,62	262,11
Euro ("EUR")	9.882,00	9.750,00

(c) Fiscal Year

The Bank's reporting period starts on 1 January and ends on 31 December.

3 Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

The Bank's financial instruments include cash and cash equivalents, investment, originated loans and receivables, deposits, inter-bank balances and other receivables and payables. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

(b) Cash and cash equivalents

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

(c) Interbank and money market items

Interbank and money market items are carried at cost.

(d) Legal reserve

Under the requirement of the Law on commercial Bank dated 16 January 2007, commercial banks are required to appropriate net profit to following reserves:

- Legal reserve fund
- Business expansion fund and other funds

In accordance with the Law on Enterprise (Revision) No.46/NA dated 26 December 2013, the Bank is required to provide legal reserve at a rate of 10% on net profit after deducting accumulated losses. The Bank can stop reserving when the legal reserve has reached up to 50 percentage of Registered Capital.

(e) Investments

Investments consist of investments in bonds and are stated at par.

(f) Loans and advances

Loans and advances originated by the Bank providing money to a customer for purposes other than short-term profit taking. They are stated at the outstanding principal balances less an impairment allowance for bad debt and doubtful loans and advances, to reflect the estimated recoverable amount. Loans and advances, except bank overdrafts, are shown exclusive of accrued interest receivable.

(g) Provision for bad debts and doubtful loans and advances

Regulation 512/BOL applicable from 1 October 2018

In accordance with Regulation 512/BOL (“BOL 512”) dated 29 June 2018 and effective from 1 October 2018, the Bank is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into performing loans or watch list loans or non-performing loans based on the payment arrears status and other qualitative factors. Loans classified as Normal or Pass (Group A) are considered as performing loans, loans classified as Watch List or Special Mention (Group B) are considered as Watch List or Special Mention loans, loans classified as Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as non-performing loans.

According to BOL 512, general provision is created at the rate of 0,5% of the total balance of performing loans as at the reporting date. Concurrently, specific provision for Watch List or Special Mention, Substandard, Doubtful and Loss loans is established by multiplying the difference between the outstanding balance of each loan item and the value of collaterals (if any) in accordance with the regulation of BOL with the provision rates applicable to that loan classification as follows:

Classification	Number of days past due	Provision
Normal or Pass (A)	0-29 days	0,5%
Watch List or Special mention (B)	30-89 days	3%
Substandard (C)	90-179 days	20%
Doubtful (D)	180-359 days	50%
Loss (E)	Over 360 days	100%

Maximum ratio of collateral benefits allowed under BOL 512 are as follows:

Type of collaterals	Maximum allowed ratio
(a) Deposits at the Bank	
- in the same currency with loans	100%
- in different currencies with those of loans	95%
(b) Gold kept at the Bank	90%
(c) Government bonds and BOL bonds	
- in the same currency with loans	
• With a remaining term of below 1 year	100%
• With a remaining term of between 1 year to 5 years	90%
• With a remaining term of over 5 years	80%
- in different currencies with those of loans	
• With a remaining term of below 1 year	95%
• With a remaining term of between 1 year to 5 years	85%
• With a remaining term of over 5 years	75%
(d) Deposits at other banks or financial institutions	
• With a remaining term of below 1 year	80%
• With a remaining term of between 1 year to 5 years	75%
• With a remaining term of over 5 years	70%
(e) Letter of Credit or Standby Letter of Credit	95%
(f) Letter of Guarantee or Bank Guarantee	90%
(g) Real estates	40%

Changes in specific provision is recorded to the Statement of comprehensive income as “Net specific provision charges”. Accumulated specific provision reserve is recorded in the statement of financial position in “Loans and advances to customers, net of specific provision”.

In accordance with the relevant accounting regulations as stipulated by the Bank of Lao P.D.R, any changes in general provision for credit activities are recorded to the Statement of comprehensive income as “Other operating expenses” for general provision expense and “Other income” for reversal of general provision expense and the balance of general provision reserve is recorded in the statement of financial position in “General provision for credit activities” under capital and other reserves of the Bank.

Regulation BOL 324 applicable before 1 October 2018

In accordance with Regulation 324/BOL (“BOL324”) dated 19 April 2011, the Bank is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into Performing loans or Non-performing loans 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.

According to BOL324, provision for loans to customers is established by multiplying the outstanding balance of each loan item with the provision rates applicable to that loan classification as follows:

Classification	Number of days past due	Provision
Normal or Pass (A)	0-29 days	0,5% - 1%
Watch List or Special mention (B)	30-89 days	3%
Substandard (C)	90-179 days	20%
Doubtful (D)	180-359 days	50%
Loss (E)	Over 360 days	100%

Changes in provision for non-performing loans is recorded to the statement of comprehensive income as “Net provision charges for non-performing loans”. Accumulated specific provision reserve for non-performing loans is recorded in the statement of financial position in “Loans and advances to customers, net of specific provision for NPL”.

In accordance with BOL324, the Bank is required to create a general provision for loan losses at the rate of 3% of the total balance of Watch List or Special Mention loans as at the reporting date and general provision made for Normal or Pass loans shall be upon the BOL’s notification for each year. For the period before 1 October 2018, the general provision rate for Normal or Pass loans is ranging from 0,5% to 1% in accordance with the Agreement No. 242/BOL issued by the Bank of Lao P.D.R on 2 April 2010. Accordingly, the Bank provided general provision at rate of 1% out of total balance of Normal or Pass loans.

The Bank complied with BOL 324 on general provision provided for Normal or Pass and Watch List or Special loans for the period before 1 October 2018.

In accordance with the relevant accounting regulations as stipulated by the Bank of Lao P.D.R, any changes in general provision for credit activities are recorded to the Statement of comprehensive income as “Other operating expenses” for general provision expense and “Other income” for reversal of general provision expense and the balance of general provision reserve is recorded in the statement of financial position in “General provision for credit activities” under capital and other reserves of the Bank.

(h) Write-off

In accordance with BOL 512, loans are written off not later than 90 days after being classified to Loss group.

Loans written off are recorded as off-financial position items for following up and collection. The amounts collected from the loans previously written-off, including the proceeds from sales of collaterals against those debts, are recognised in the statement of comprehensive income upon receipt.

(i) Provision for off-financial position commitments

In accordance with BOL 512, the Bank is not required to make provision for off-financial position commitments, except where the Bank has made payment under the guarantee contract on behalf of its customers, in which case the payment is classified and provision for credit losses is made in accordance with the accounting policy as described in Note 3(g).

(j) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

Depreciation of property and equipment is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of the individual assets as follows:

Buildings & improvements	10%
Office equipment	20%
Furniture & fixtures	10%
Motor vehicles	20%

Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the statement of comprehensive income on the date of retirement or disposal.

Fully depreciated property and equipment is retained on the statement of financial position until disposed of or written off.

(k) Intangible assets

Software acquired by the Bank are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure on software is capitalised only when it increases the future economic benefits beyond those originally anticipated for the specific asset to which it relates. All other expenditures are expensed when incurred.

Amortisation is recognized in the Statement of comprehensive income in a straight line basis over the estimated useful life of software, from the date that it is available for use until the earlier of the date the asset is classified as held for sale or the date of derecognition, at the following annual rate:

Computer software	50%
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(l) Amounts due to customers

Amounts due to customers are stated at cost.

(m) Income recognition

Interest income is recognized on an accrual basis using the straight-line method and the interest rates stipulated in the loan/deposit contracts with clients. Where an account becomes non-performing, the recording of interest as income is suspended until it is realized on a cash basis. Customers' accounts are deemed to be non-performing when management believes that the borrower has no ability to repay the interest and/or principal.

Fee and service income consist of fees received from fund remittance transactions (including trade settlements), fees arising from financial guarantees, fee and service arising from processing and extending facilities for loan and advances to customers. Fee and service income are recognized in the Statement of comprehensive income on a cash basis.

(n) Interest expenses

Interest expense on amounts due to customers and other banks is recognised on an accrual basis.

(o) Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(p) Related parties

Parties are considered to be related to the Bank if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or where the Bank and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

(q) Employees benefits

Post-employment benefits

Post-employment benefits are paid to retired employees of the Bank by the Social Security Organisation (SSO) which belongs to the Ministry of Labour and Social Welfare. The Bank is required to contribute to these post-employment benefits by paying to the Security Welfare at the rate of 6,00% of SSO threshold on a monthly basis (maximum SSO threshold is LAK 4.500.000, new maximum threshold effective from 1 Jan 2017). 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 Labour Law issued by the President of Lao People's Democratic Republic on 24 December 2013, the Bank has the obligation to pay compensation for employees who are terminated in the following cases:

- The worker lacks specialized skills or is not in good health and has a medical certificate, and after allowing the worker in question to undertake other, more appropriate work according to their ability and health, yet the person in question is still unable to work;
- The employer considers it necessary to reduce the number of workers in order to improve the work within the labour unit after consulting the trade union or employee representative or the majority of employees, and has reported to the Labour Administration Agency.

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. As at 31 December 2019, 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.

(r) Income tax

The taxation system in the Lao P.D.R is relatively new and is characterised by numerous taxes and frequently changing legislation and can be subject to interpretations. Taxes are subject to review and investigation by a number of authorities. These facts may create tax risks in Lao PDR substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions of amounts payable to the tax authorities.

Provision is made for taxation based on the current year's total revenue as per the laws governing taxation within the Lao P.D.R. For each profitable year, the Bank is subject to the current tax rate of 24% on total taxable income.

4 Cash and cash equivalents

a) Classified by currency

	31 December (in million LAK)	
	2019	2018
Lao Kip (“LAK”)	73.251	50.208
Thai Baht (“THB”)	35.037	30.449
United States Dollar (“USD”)	193.720	495.389
Euro (“EUR”)	2.768	4.006
	304.776	580.052

b) Classified by type of cash and cash equivalents

	31 December (in million LAK)	
	2019	2018
Cash on hand	26.209	16.314
Current deposits with Bank of Lao P.D.R	153.808	372.830
Current deposits with other banks	124.759	190.878
Saving deposits with other banks	-	30
	304.776	580.052

5 Statutory deposits with Bank of Lao P.D.R

	31 December (in million LAK)	
	2019	2018
Statutory deposits:		
Compulsory reserve	132.245	128.144
Registered capital reserve	5	94.475
	132.250	222.619

Statutory deposits with the BOL include compulsory reserve and registered capital reserve. These deposits earn no interest.

Under Decision no. 557/BoL dated 17 July 2018, the Bank is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 5% for LAK and 10% for foreign currencies (2017: 5% and 10%), on a bi-monthly basis, of customer deposits having original maturities of less than 12 months. During the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

6 Investments

	31 December (in million LAK)	
	2019	2018
Government Bonds	-	50.347
Enterprise	516	-
	<u>516</u>	<u>50.347</u>

Investment in securities represent held-to-maturity investments in government bonds and investment in enterprise, Lao National Payment Network Co., Ltd. These bonds have maturities ranging from date 24 May 2019 to date 25 June 2021 and interest rates ranging from 3,00% to 3,40%. For the year ended 31 December 2019, the government bonds were matured.

7 Loans and advances to customers, net of specific provision

	Note	31 December (in million LAK)	
		2019	2018
Loans and advances to customers		1.463.935	1.108.455
Less specific provision	18(b)	(19.303)	(15.078)
		<u>1.444.632</u>	<u>1.093.377</u>

a) Classified by contractual maturity

	31 December (in million LAK)	
	2019	2018
Within 1 year	1.086.823	821.255
1 year to 5 years	116.619	29.520
Over 5 years	260.493	257.680
	<u>1.463.935</u>	<u>1.108.455</u>

b) Classified by currency

	31 December (in million LAK)	
	2019	2018
Lao Kip ("LAK")	353.737	325.933
Thai Baht ("THB")	56.473	64.370
United States Dollar ("USD")	1.053.725	718.152
	<u>1.463.935</u>	<u>1.108.455</u>

7 Loans and advances to customers, net of specific provision (continued)

c) Classified by type of business

	31 December (in million LAK)	
	2019	2018
Trading	810.556	373.132
Services	246.556	313.314
Construction	195.828	199.809
Manufacturing	97.930	45.912
Transportation	1.617	1.887
Agriculture and forestry	-	929
Technical equipment	173	167
Others	111.275	173.305
	1.463.935	1.108.455

d) Classified by performance

	31 December (in million LAK)	
	2019	2018
Performing loans	1.347.518	956.445
Watch List loans	73.902	102.554
Non-performing loans	42.515	49.456
	1.463.935	1.108.455

e) Classified by interest rate (per annum)

Loans and advances	2019	2018
	(%)	(%)
LAK	7,00 - 18,00	7,00 - 16,00
THB	8,50 - 12,00	8,50 - 12,00
USD	6,00 - 12,00	6,00 - 12,00

BIC Bank Lao Co., Ltd
Notes to the financial statements (continued)
for the year ended 31 December 2019

8 Property and equipment

Movement of the balance of property and equipment for the year ended 31 December 2019 is as follows:

	Building & improvements	Office equipment	Furniture & Fixtures	Motor vehicles	Construction in progress	Total
Cost:						
Balance at 1 January 2019	7.741	5.977	1.565	2.373	-	17.656
Additions	2.387	736	360	14	21.426	24.923
Reclassifications	(981)	488	493	-	-	-
Balance at 31 December 2019	9.147	7.201	2.418	2.387	21.426	42.579
Accumulated depreciation:						
Balance at 1 January 2019	5.271	3.742	922	1.852	-	11.787
Charges for the year	645	716	195	124	-	1.680
Reclassifications	(93)	(2)	(3)	-	-	(98)
Balance at 31 December 2019	5.823	4.456	1.114	1.976	-	13.369
Net book value:						
As at 1 January 2019	2.470	2.235	643	521	-	5.869
As at 31 December 2019	3.324	2.745	1.304	411	21.426	29.210

BIC Bank Lao Co., Ltd
Notes to the financial statements (continued)
for the year ended 31 December 2019

Movement of the balance of property and equipment for the year ended 31 December 2018 is as follows:

	Building & improvements	Office equipment	Furniture & Fixtures	Motor vehicles	Total
<i>(in million LAK)</i>					
Cost:					
Balance at 1 January 2018	5.686	3.982	1.118	1.754	12.540
Additions	2.055	2.057	482	619	5.213
Write off	-	(38)	(35)	-	(73)
Disposals	-	(24)	-	-	(24)
Balance at 31 December 2018	7.741	5.977	1.565	2.373	17.656
Accumulated depreciation:					
Balance at 1 January 2018	4.648	3.369	853	1.754	10.624
Charges for the year	623	424	103	98	1.248
Write off	-	(38)	(34)	-	(72)
Disposals	-	(13)	-	-	(13)
Balance at 31 December 2018	5.271	3.742	922	1.852	11.787
Net book value:					
As at 1 January 2018	1.038	613	265	-	1.916
As at 31 December 2018	2.470	2.235	643	521	5.869

BIC Bank Lao Co., Ltd
Notes to the financial statements (continued)
for the year ended 31 December 2019

9 Intangible assets

Movement of intangible assets during 2019 are as follows:

	Pre-operating costs	Office equipment	Construction in progress	Total
	<i>(in million LAK)</i>			
Cost:				
Balance at 1 January 2019	705	7,406	-	8,111
Additions	172	3,164	44,726	48,062
Balance at 31 December 2019	877	10,570	44,726	56,173
Accumulated amortization:				
Balance at 1 January 2019	705	3,977	-	4,682
Charges for the year	43	3,044	-	3,087
Balance at 31 December 2019	748	7,021	-	7,769
Net book value:				
As at 1 January 2019	-	3,429	-	3,429
As at 31 December 2019	129	3,549	44,726	48,404

Movement of intangible assets during 2018 are as follows:

		Computer software (in million LAK)	
Cost:			
	Balance at 1 January 2018	3.252	
	Additions	4.154	
	Balance at 31 December 2018	<u>7.406</u>	
Accumulated amortization:			
	Balance at 1 January 2018	3.252	
	Charges for the year	725	
	Balance at 31 December 2018	<u>3.977</u>	
Net book value:			
	As at 1 January 2018	<u>-</u>	
	As at 31 December 2018	<u>3.429</u>	
10	Other assets		
		31 December (in million LAK)	
		2019	2018
	Visa cheques receivables	365.452	16.560
	Advances	10.145	46.921
	Accrued interest receivables	1.480	2.829
	Prepaid expenses	2.589	2.111
	Others	19.089	471
		<u>398.755</u>	<u>68.892</u>
11	Amounts due to customers		
	a) Classified by type of deposits		
		31 December (in million LAK)	
		2019	2018
	Current deposits	551.853	416.921
	Term deposits	1.030.762	897.516
	Saving deposits	170.453	183.617
	Daily deposits	71.472	95.291
	Others	7.927	1.715
	Total	<u>1.832.467</u>	<u>1.595.060</u>

b) Classified by contractual maturity

	31 December (in million LAK)	
	2019	2018
Less than 3 months	801.706	697.544
3 to 6 months	33.164	34.662
Over 6 months to 1 year	524.074	477.993
Over 1 year	473.523	384.861
Total	1.832.467	1.595.060

c) Classified by currency

	31 December (in million LAK)	
	2019	2018
Lao Kip ("LAK")	221.437	185.159
Thai Baht ("THB")	140.411	115.599
United States Dollar ("USD")	1.465.003	1.291.617
Euro ("EUR")	5.616	2.685
Total	1.832.467	1.595.060

d) Classified by interest rate (per annum)

	2019	2018
	(%)	(%)
Daily deposits	0,50	0,50
LAK	0,50	0,50
THB	0,50	0,50
USD		
Savings deposits	1,75 - 3,91	1,75 - 3,91
LAK	1,25 - 2,75	1,25 - 2,75
THB	1,25 - 3,00	1,25 - 3,00
USD		
Term deposits	3,16 – 12,65	3,16 - 12,65
LAK	3,50 - 7,00	3,50 - 7,50
THB	3,50 - 8,00	3,50 - 8,00
USD		

12 Amounts due to other banks

a) Classified by type of deposits

	31 December (in million LAK)	
	2019	2018
Current deposits	7.410	4.678
Term deposits	159.102	17.024
Borrowing from other banks*	-	13.562
Total	166.512	35.264

* Borrowing from Bank of Lao P.D.R bearing no interest and was matured in 60 days or on 09th February 2019 according to short term borrowing contract No. 4858 dated 11th December 2018 between Operation Department, Bank of Lao P.D.R and BIC Bank Lao Co., Ltd.

b) Classified by contractual maturity

	31 December (in million LAK)	
	2019	2018
Less than 3 months	7.410	18.240
3 to 6 months	159.102	8.512
Over 6 months to 1 year	-	8.512
Total	166.512	35.264

c) Classified by currency

	31 December (in million LAK)	
	2019	2018
Lao Kip ("LAK")	2	13.562
Thai Baht ("THB")	3	-
United States Dollar ("USD")	166.507	21.702
Total	166.512	35.264

13 Other liabilities

	31 December (in million LAK)	
	2019	2018
Accrued interest payable	24.050	18.217
Visa cheques payable	45	11.224
Tax payable	1.061	6.559
Others	4.746	16.214
Total	29.902	52.214

14 Paid - up capital

The Bank has issued and paid up LAK 300.000 million of authorized share capital which was registered with the Ministry of Industry and Commerce under Enterprise License No. 1576 dated 12 September 2019.

According to article 12 of amended Law on Commercial Bank No. 56/NA dated 07 December 2018, the commercial bank is required minimum capital amounting to LAK 500 billion, and the commercial bank must inject the additional capital not less than 20% each year completely within 5 years commencing from September 2019.

There was no increase in capital during the year 2019, which was approved by Bank of Lao PDR to commence capital injection from 2020 - 2023 via approval letter No. 675/CBS, dated 05 December 2019.

According to the circular resolution dated 6 June 2019, the Bank declared dividend on profit for the year ended 31 December 2018 to its shareholder, Asia Investment and Financial Services Co., Ltd (“AIFS”) on their 70% shareholdings amounting to LAK 11.337.200.000 and Electricite Du Laos (“EDL”) on their 30% shareholdings amounting to LAK 4.858.800.000. The Bank subsequently paid the amount to AIFS on 25th June 2019 and EDL on 12th June 2019. AIFS and EDL are responsible for the relevant taxes on dividend declared.

According to the circular resolution dated 16 January 2018, the Bank declared dividend on profit for the year ended 31 December 2016 to its shareholder, Asia Investment and Financial Services Co., Ltd (“AIFS”) on their 70% shareholdings amounting to LAK 15.242.500.000. The Bank subsequently paid the amount to AIFS on 22 January 2018. AIFS is responsible for the relevant taxes on dividend declared.

15 Legal reserve

In accordance with the Law on Enterprise (Revision) No.46/NA dated 26 December 2013, the Bank is required to provide legal reserve at the rate 10% of net profit after deducting accumulated losses. The Bank can stop reserving when the legal reserve has reached up to 50% of registered capital. The legal reserve is subject to approval by Board of Management.

16 Provision for credit activities

a) General provision for credit activities

	<i>Note</i>	31 December	
		<i>(in million LAK)</i>	
		2019	2018
Balance at the beginning of the year		4.782	12.204
Provision made in the year	19	4.784	4.883
Reversal of provision in the year	18	(3.011)	(9.874)
Reclassify to specific provision		-	(2.578)
Foreign exchange difference		183	147
Balance at the end of the year		6.738	4.782

b) Specific provision for credit activities

	31 December	
	<i>(in million LAK)</i>	
	2019	2018
Balance at the beginning of the year	15.078	8.298
Provision made in the year	92.752	48.763
Reversal of provision in the year	(44.790)	(43.824)
Reclassify from general provision	-	2.578
Bad debt written off	(44.352)	(1.179)
Foreign exchange difference	615	442
Balance at the end of the year	19.303	15.078

17 Net fee and service income

	31 December (in million LAK)	
	2019	2018
Fee and service income	51.174	4.598
Processing fee for lending activities	496	3.297
Settlement services	3.415	2.689
Others	55.085	10.584
Fee and service expense		
Interbank transactions	(1)	(67)
Others	(2.104)	(230)
	(2.105)	(297)
Net fee and service income	52.980	10.287

18 Other income

		31 December (in million LAK)	
	<i>Note</i>	2019	2018
Reversal of general provision	16(a)	3.011	9.874
Recovery of bad debts written off		519	109
Gain from sale of equipment		-	2
Others		2.175	863
Total		5.705	10.848

19 Other expenses

		31 December (in million LAK)	
	<i>Note</i>	2019	2018
General provision expense	16(a)	4.784	4.883
Administrative expenses		12.977	7.189
Depositor protection fund		1.026	929
Loss from sale of equipment		-	2
Others		187	104
Total		18.974	13.107

20 Income tax expense

The Bank is obliged to pay profit tax (PT) at rate of 24% (2018: 24%) on total profit before tax in accordance with the new Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016.

	<i>Tax rate (%)</i>	31 December	
		<i>(in million LAK)</i>	
		2019	2018
Profit before income tax		2.446	26.640
Income tax using statutory tax rate	24	591	6.395
Income tax		591	6.395

The corporate tax expense is calculated at 24% on taxable profit. The calculation of taxable income is subjected to review and approval by the tax authorities.

As announced thru the Notification from Ministry of Finance on Implementation of the Taxation Management Law, Income Tax Law and Excise Tax Law, No. 042/ MOF, dated on 11 February 2020 grants a reduction on Profit Tax rate for the accounting period of 2020; from 24% to 20% which begins from 1 January 2020.

21 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 a Bank that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Bank resides with, directly or indirectly, any individual referred to in (c) or (d) or

the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any Bank that is a related party of the Bank.

21 Related party transactions (continued)

	Country of incorporation/ nationality	Nature of relationship Major owner Owner
Name of entities	Laos	Entity under common control
Asia Investments & Financial Service Co.,Ltd. (AIF)	Laos	Entity under common control
Electricite Du Laos	Cambodia	Entity under common control
B.I.C (Cambodia) Bank Public Limited Company	Laos	Entity under common control
AIF Precious Metal Import - Export Service Sole Co.,Ltd	Laos	Entity under common control
ARMS Construction Sole Co.,Ltd	Laos	Entity under common control
Kingnakone PTT Service Company Limited	Laos	Entity under common control
AIFS Trading Co., Ltd	Laos	Entity under common control
AVIVA Jewelry		

The pricing policies for transactions with related parties are explained further below:

Transactions	Pricing policies
Interest income	Contractually agreed
Interest expense	Market rate
Management fee	Contractually agreed

Significant transactions for the year ended 31 December 2019 and 2018 with the Bank were as follows:

	31 December (in million LAK)	
	2019	2018
Interest income	4.894	129
Interest expense	(4.072)	(5.045)
Management fee	(5.161)	(2.516)

21 Related party transactions (continued)

Significant balances with related parties as at 31 December 2019 and 2018 were as follows:

Related parties	Transactions	31 December (in million LAK)	
		2019	2018
Asia Investments & Financial Service Co., Ltd (AIF)	Current deposit	2.496	285
	Daily deposit	2.322	17.538
Electricite Du Laos	Current deposit	5.467	41.520
B.I.C (Cambodia) Bank Public Limited Company	Current deposits with the Bank, Vostro Account	7.394	4.669
	Fixed deposit with the Bank, Vostro Account	159.102	-
	Accrued interest payable	512	-
	Current deposits of the Bank, Nostro Account	2.757	10.420
AIF Precious Metal Import-Export Service Sole Co., Ltd	Current deposit	26.233	18.704
	Savings deposit	640	149
	Fixed deposits	82.763	56.545
	Accrued interest payable	1.702	1.408
	Overdraft	64.517	6.553
ARMS Construction Sole Co., Ltd	Current deposit	7	2
	Savings deposit	6.160	343
	Fixed deposits	24.637	51.559
	Accrued interest payable	1.164	1.178
Kingnakone PTT Service Company Limited	Current deposit	886	3.011
AIFS Trading Co., Ltd	Current Deposit	2	325
	Overdraft	137.357	-
AVIVA Jewelry	Current deposit	2.267	1.327

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

	<i>(in million LAK)</i>	
	2019	2018
Salaries	1.008	3.012
Bonus	-	305
Others	86	274
Total	1.094	3.591

22 Commitments and contingencies

	<i>(in million LAK)</i>	
	2019	2018
Financial commitments:		
Bank guarantees	229.489	134.493
Management support fee	4.084	3.575
Office renovation	-	674
Office rental	2.157	-
Total	235.730	138.742

23 Events after the financial position date

Other than those disclosed elsewhere in these financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2019 that significantly impacted the financial position of the Bank as at 31 December 2019.



BIC Bank Lao Co., Ltd

Financial statements
31 December 2019