ບົດລາຍງານການເຄື່ອນໄຫວທຸລະກິດ ສຳລັບປີ 2021 ທີ່ສິ້ນສຸດວັນທີ 31 ທັນວາ 2021

Report on BCEL's Business Performance for the Year 2021 Ended 31 December 2021



BCEL Bank

1555

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I. General Overview of BCEL

1. Vision.

BCEL has adjusted the vision in the long-term strategy 2021-2025 to support the development work plan of the bank in order to achieve the goals and objectives in the concept of "To become a strong and modern bank achieving international standard".

2. Mission

To support the vision of becoming a strong and modern bank achieving the international standard, the key missions of BCEL are to develop strong corporate governance by emphasizing the business operation to be suitable for the changes of the new era; strengthening the financial stability and being compliant with Basel 2 principles; improving the capacity of the bank's IT system and technology which will be applied in banking services. The Management of Information System is also one of the key points of the development, which should meet accuracy, transparency, swiftness and compliance with the international standards. Moreover, BCEL shall focus on human resource development to support the new vision of the development, which will be enhanced through the staff's expertise, a better customer experience, and this could sustain the highest benefit of the shareholders.

❖ Plans and Projects for the year 2021

In order to develop and achieve sustainable strength to become the leading bank in terms of the modern and international banking practice in the Lao PDR, BCEL has determined its development strategies covering the direction, goals, and detailed implementation plans which comprise of 3 main strategies, 11 Plans, 42 Projects, and 268 Work Plans as the following details:

- Strategy 1: Organizational strengthening (5 Plans, 25 Projects, and 149 Work Plans)
  - Finance management and the sustainable business operation enhancement; 5 projects and 62 tasks.
  - Credit management; 7 projects and 33 Work Plans.
  - Empowerment and effectiveness enhancement of human resource; 5 Projects and 26 Work Plans.
  - Create and strengthen the risk management system and the foundation of Anti-Money Laundering; 6 Projects and 26 Work Plans.
  - International-level Corporate Governance and becoming Qualified ASEAN Bank (QAB); 2 Projects and 2 Work Plans.
- Strategy 2: Modernization, advanced technology, and innovation enhancing the business operation. A step into the digital era of economy (3 Plans, 12 Projects, and 107 Work Plans)
  - Development and management of the IT system; 5 projects and 25 Work Plans.
  - Management information system and the development and modernization of the statistic system to meet the international standard; 5 Projects and 29 Work Plans.
  - The transformation to the digital banking; 2 Projects and 53 Work Plans.
- Strategy 3: Strengthen the governance and the international standard service (3 Plans, 5 Projects, and 12 Work Plans)
  - The improvement of the accounting system and the reporting standard; 3 Projects, and 3 Work Plans.

- The improvement of the audit system to meet the international standard; 2 projects, and 3 Work Plans.
- The development of the PCI Compliance or Payment Card Industry Data Security Standard; 3 Work Plans.

II. Financial position and performance

1. Lao Macro-Economy and trends in the future

According to the report from IMF, the world economy had the growth at 2,1%, while the National Economic Research Institute estimated that the growth might be subtle from 3,3% to 3,5% in 2021. Income per capita was 2.649 USD/ Year (Resolution from the assembly 2.536 USD/ Year). The major contribution was agricultural sector, which grew by 2,5%.

In 2022, the Lao economy is expected to grow at the better rate when comparing to the previous years at 4-4,5%. The main supported factor will be the Industrial Sector and the growth of the goods prices in the world market, which became good point for Laos' Exportation, particularly the minerals and agricultural products. The launching of the Laos-China Railway and Vientiane-Vangvieng Express Way, which can support the investment and local tourism. In additions, the rate of vaccination has increased, which can create the immune system for the population.

However, there will be uncertainties in many areas such as the wider spreading of the COVID-19 in the country and the region, conflicts between countries that might impact the rise in product prices in the world market, the fluctuation in exchange rates, inflation and the rise in oil price, the fragile in national budget, the low national reserves and the difficulty to recover the service sector including tourism sector.

1.1 Inflation Rate

The average inflation rate for 2021 was 3,75%, which was 5,07% when compare to the year 2020. Nevertheless, the inflation rate as of 12/2021 was the highest at 5,27% due to the fluctuation of the cost for the telecommunication and transportation, which grew by 12,7%;, the restaurants and hotels grew by 7,9%. Moreover, there was also the rise in oil price and the devaluation of LAK currency.

1.2 Exchange rates

Overall, in 2021, the average exchange rate USD currency in banking sector increased by 6,3% from 9.054,6 LAK/USD to 9.625 LAK/USD, while the exchange rate at the market was seen to be higher at 10.812,7 LAK/USD on the average or grew by 11,4% when comparing to the previous year. The gap between the bank rate and the market rate was 12,3%. There will be the continued rise of the LAK devaluation in the future, this might impact to the Macroeconomy and the business operation of BCEL.

For the THB exchange rate, the average FX rate increased for 8,4% from 311,6 LAK/THB in 2020 to 337,8 LAK/THB in 2021. While the market rate's average rate was 340,5 LAK/THB or 8,7% grew from the rate of 313,2 LAK/THB. Nevertheless, the gap between the bank rate and the market rate was considerably low at 0,78%.

1.3 The Situation of import- export and investment

The import-export of LAOS in 2021 has grown in general. The exportation was around 7.000 Mil USD (The previous year value was 6.101 Mil USD), the importation's value was 6.000 Mil USD (The previous year value was 5.366 Mil USD). This led to the trade surplus of 1.000 Mil USD (The previous year value was 1.000 Mil USD) (LTP, 2022). The export products with the highest price are gold compounds/gold bars, papers and products made from papers, gold ore, rubber, casava, iron ore, bananas and etc. The main exporting countries were China, followed by Thailand, Australia and Switzerland.

The highest prices for imported products are land vehicle, diesel, mechanical equipment, steel and steel products, pharmaceutical products, etc., most imported countries were Thailand, followed by China, Vietnam, the United States and Japan.

2. Highlights of the business performance of BCEL

In 2021, BCEL held 5 Business Review Meetings; 4 BCEL's Ordinary Board of Directors Meetings and 7 BCEL's Extraordinary Board of Directors Meetings; and 2 BCEL's Shareholders Meetings (1 Ordinary Meeting and 1 Extraordinary Meeting); The bank approved BCEL's Business Plan for 2021 and BCEL's Long-Term Strategic Plan 2021-2025; Adjusted BCEL's Business Plan for 2021 after receiving the approval from the Extraordinary Shareholders Meeting; Drafted BCEL's Business Plan for 2022 and also adjusted the Business Plan for 2021; Completed and approved the Financial Report for the first 6 months of 2021; researched on the income-expense of BCEL and also considered the issues related to income and the possibility to reduce the expense; completed the research to set the KPI for branch evaluation; completed the Go-Live of the new Core-Banking System and Data Dictionary information of the Data Governance of BCEL. The bank appointed and transferred the position between the former Managing Director and the new Managing Director. In addition, the bank also made cooperation with: M-Point Mart Company Limited in payment for goods via QR Code Payment; with the Department of Intellectual Property, Ministry of Industry and Commerce in providing the payment for fees and charges via banking system; Developed the connection system and money transfer system with UMoney and MMoney; Updated the EDC machines at every terminals to accommodate national and international QR and contactless payments; The bank also launched the new ATM UnionPay (chip card) and BCEL VISA Platinum.

Moreover, the bank has closed the service at the Service Unit on the weekend; permanently closed Lao-bao Service Unit, which was under Savannakhet Branch; implemented the temporary measures including the suspensions of: credit extension, staff recruitment, service unit expansion and high value procurement and construction. The bank also postponed the search for the potential strategic partner (to sell 9% shares) during the unconvincing economic situation; Implemented the measures to prevent the COVID-19 in line with the notices from the relevant taskforce committees at the Central and Local levels.

3. Important Financial Report of BCEL.

2021 was another challenging year for BCEL, the bank still continues confronting with difficulties and challenges under the situation of the widespread of the COVID-19. However, BCEL has strived for achieving the business performance. The business performance for 2021 comparing to the plan of 2021 is as follows:

- **Assets/Liabilities:** 68.236.991 million LAK, increase 9,53% of the year plan 2021 or 26,43% increase when compare to the same period of last year.
- **Total Loans:** 30.080.974 million LAK, increase 22,15% compared to the year plan or 3,18% increase when compare to the same period of last year;
- **Deposits:** 61.802.739 million LAK, increase 10,36%% compared to the year plan or 28,82% increase when compare to the same period of last year;
- **Total Capital**: 2.132.146 Mil LAK, which was 93,16% of the year plan or 3,65% decreased from the same period of the last year;
- **Profit Before Tax:** 12.585 million LAK, which was 48,40% of the year plan or 95,80% decreased from the same period of the last year;
- **Profit After Tax:** 11.410 million LAK, which was 54,86% of the year plan or 95,31% decreased from the same period of the last year;

III. About BCEL

- **Location and network**

The Bank's Head Office is located on No.01, Pangkham Street, Ban XiengNheun, Chanthabouly District, Vientiane, Lao PDR. As of 31 December 2021, the Bank has 1 Head Office, 6 joint ventures, 20 branches, 98 service units, and 15 exchange units all over the Lao PDR.

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- Website: www.bcel.com.la

- **History of BCEL**

Banque pour le Commerce Exterieur Lao Public is operating in the form of a public company and listed in the Lao Securities Exchange.

BCEL) was established in accordance with the Decision on Bank Establishment No. 129/BOL dated 01 November 1989. On 23 December 2010 BCEL accomplished IPO and renamed to Banque Pour Le Commerce Exterieur Lao Public according to the Enterprise Registration License No.0061/ ERO dated on 10 January 2011 issued by the Department of Enterprise Registration and Management, Ministry of Industry and Commerce of the Lao PDR. The Ministry of Finance representing the Government held 80% of the total shares.

On 15 July 2011, the Ministry of Finance sold 10% of the total ordinary shares to its strategic partner named Compagnie Financière de la BRED (COFIBRED) which is a subsidiary of BRED, the largest banking society in the Banque Populaire Group—a French group of cooperative banks.

On 17 August 2017, BCEL succeeded the recapitalization by public offering and right offering to the existing shareholders. BCEL operated under the new Decision no. 21/BOL dated 13

September 2017 issued by Bank of Lao PDR. On 15 September 2017, Lao Securities Exchange certified that BCEL increased its registered capital in the amount of 355.728.500.000 LAK (71.145.700 shares) according to the certificate No. 01/LSX dated 15 September 2017. At that time, BCEL also had received the new amended Business License no. 0429 dated 18 May 2018 issued by Ministry of Industry & Commerce.

On 11 October 2019 the Lao Securities Commission Office granted BCEL a permission for restructuring BCEL's shareholders structure by offering more room to the public and the existing shareholders. The purpose of the restructuring aimed to diversify the shareholders, growth, and stability strengthening. On 29 November 2019, the Lao Securities Commission Office issued certificate endorsing the offering completion of 10% of BCEL's shares.

At present, BCEL's shareholders structure consists of 60% held by the government, domestic investors (including BCEL's employees), 30% held by foreign investors, and 10% held by BCEL's strategic partner.

The principal activities of BCEL are to provide banking services including fund mobilization and deposit-taking for short-term, medium-term, and long-term from organizations and individuals. The bank also provides loans for short-term, medium-term, and long-term to business units and individuals based on the loan purposes and the capability of the bank in lending; foreign exchange transactions, international trade financial services, purchase discounts of trading instruments, bonds and other valuable documents and other banking services allowed by the Bank of the Lao PDR.

Registered Capital

Registered capital of BCEL as of 31 December 2021 is 1.038.617 million LAK (31 December 2020: 1.038.617 million LAK)

IV. Organizational structure of the Board of Directors, Management, and the operations of the committees supervised by the Board of Directors

1. The Board of Directors

1.1. The Board of Directors of BCEL consists of 9 members as:

− Dr. Bounleua Sinxayvoravong	Chairman
− Mr. Khamsouk Sundara	Vice Chairman
− Mr. Khamphout Sitthilath	Member
− Mr. Pasomphet Khamtanh	Member
− Mr. Stephane Mangiavacca	Member
− Mr. Thongpheth Chanthanivong	Member
− Mrs. Latdavanh Songvilay	Member
− Mr. Sonexay Silaphet	Member
- Mr. Viengsouk Chounthavong	Member

1.2. Biography of the Board of Directors

❖ Dr. Bounleua Sinxayvoravong: Chairman



- Date of Birth: 24 November 1966
- Nationality: Lao
- Languages: Lao, English
- Designation: Vice Minister of Finance
- Education: Doctorate's Degree and Master's Degree in Economics from Australian National University Canberra, Australia. Masters of Business Administration from Thammasat University Bangkok, Thailand. Bachelor and Masters of Science in Physics and Mathematics from Moscow Pedagogical University, Moscow, Russia.

❖ Mr. Khamsouk Sundara: Vice Chairman



- Date of Birth: 03 June 1945
- Nationality: Lao
- Languages: Lao, English, and French
- Designation: Independent Director
- Education: George Town University (pew Fellowship Program) Washington D.C, USA. Indian Institute for Bank Management, Puna, India. A Bachelor's Degree from NSW University, Australia.

❖ **Mr. Khamphout Sitthilath: Member**

❖ 

- Date of Birth: 28/05/1965
- Nationality: Lao
- Languages: Lao, English, Russian
- Designation: Managing Director
- A Higher Diploma in Political and Public Administration, National Academy of Political and Public Administration; Master Degree of Economics from Japan; Master Degree of Economics, Finance and Credits (Graduated with honors), Russia.

❖ **Mr. Pasomphet Khamtanh: Member**



- Date of Birth: 25/05/1970
- Nationality: Lao
- Languages: Lao, and English
- Designation: Deputy Director General of State Enterprise Investment and Insurance Supervision Department, Ministry of Finance.
- Education: Master's Degree of Economic and Business from Kyung Hee University in South Korea; Bachelor Degree in Machinery Management from Technical College, Laos.

❖ **Mr. Stephane MANGIAVACCA: Member**



- Date of Birth: 11/07/1975
- Nationality: French
- Languages: French, English, Spanish, Chinese and Japanese.
- Designation: Head of International, COFIBRED (BCEL's strategic partner)
- Education: Ecole Nationale Superieure des Mines de Saint-Etienne, Engineering Diploma with honors. University of New Brunswick in Canada, 2 semester exchange programs in Environmental Engineering.

❖ **Mr. Thongpheth Chanthanivong: Member**



- Date of Birth: 20/04/1962
- Nationality: Lao
- Languages: Lao and English
- Designation: Deputy Dean of Faculty of Economics and Business Administration, National University of Laos.
- Education: PhD. Candidate (Accountancy), 2021, Siprathum University, Thailand; Received CPA Certificate; International Business Management) at DeMons University in Belgium; Master in Business Administration at AIT University in Thailand; Bachelor Degree in Business Administration, the Co-project between National Politics School and AIT University in Thailand. Bachelor of Science (Mathematics and Physics), National University of Laos.

❖ **Mrs. Latdavanh Songvilay: Member**



- Date of Birth: 27/04/1982
- Nationality: Lao
- Languages: Lao and English
- Designation: Acting Chief of Centre of Macroeconomics Policy Research and Economic Restructuring.
- Education: Master in Public Policy, National Graduate Institute for Policy Studies, Japan; Bachelor of Economics Faculty of Economics & Business Management, National University of Laos; Certificate of Economics, National University of Singapore.

❖ **Mr. Sonexay Silaphet: Member**



- Date of Birth: 01/01/1977
- Nationality: Lao
- Languages: Lao and English
- Designation: Vice President of Lao Chamber of Accountants and Auditors.
- Education: PhD. Candidate in Accountancy, Sripatum University, Thailand; Member of CPA Laos; Member of CPA Australia; Master of Business Administration major in Finance, Santapol College, Thailand; Bachelor Degree of Business Administration, Comcenter College, Laos; Member of Lao Institute of Chartered Public Accounts (LICPA); Diploma in Business Administration, major in Accounting at Pakpasak Technical College, Laos.

❖ **Mr. Viengsouk Chounthavong: Member**



- Date of Birth: 15 August 1964
- Nationality: Lao
- Languages: Lao, English and Czech
- Designation: Chief of Credit Administration Division, Member of the BOD of BCEL-KT Securities Company
- Education: 45 days Political Theory Course, Politics and Administration School. Master's Degree in Economics and Commerce, Czech Republic.

2. **Management Structure**

2.1. BCEL has 7 members of the Management

- Mr. Khamphout Sitthilath Managing Director
- Mr. Nalin Silavongsith Deputy Managing Director
- Mr. Kongsack Soukphonesy Deputy Managing Director
- Mr. Nanthalath Keopaseuth Deputy Managing Director
- Mr. Viengsouk Chounthavong Deputy Managing Director
- Mrs. Bouaphayvanh Nandavong, Deputy Managing Director
- Mr. Saychit Simmavong Deputy Managing Director

2.2. Organizational Chart of the Management of BCEL



3. Operation of the Board and the Committees of the Board

3.1. The BOD meetings

In 2021, BCEL's BOD held 4 Ordinary Meetings and 7 Extraordinary Meetings; the important issues that were discussed are as follows:

- Considered and advised the compensation on land of BCEL that are affected by the No 1 Express Way's construction project.
- Approved the Business Plan for the year 2021 of BCEL and proposed to the Shareholders' Meeting for consideration;
- Approved the Long-Term Strategic Plan from 2021-2025 and proposed to the Shareholders' Meeting for consideration;
- Approved the Articles of Association of BCEL and proposed to the Shareholders' Meeting for consideration;
- Approved the allocation of the Profit After Tax 2020 for dividend payment and to the regulatory reserves, then proposed to the Shareholders' Meeting for approval;
- Approved the agenda of the Annual General Shareholders' Meeting 2020 and the Extraordinary Shareholders' Meeting 2021;
- Supervised the loan management of corporate clients of BCEL; the loan customers of hydro-power dam construction, the customers that affected by the COVID-19 spreading and to seek for the long-term solutions;
- Considered and approved the external auditor for 2021 and proposed to the Annual General Shareholders' Meeting 2020 consideration;
- Approved the amendment of the Regulation on loan products, the regulations on loan approval and loan disbursement large corporate clients; Amended the regulation on disciplinary procedure for BCEL's staff and revised the composition of the members of some committees;

- Approved the Financial Report of BCEL for 2020 and approved the dividend payment of 2020 for 560 LAK/Share and proposed to the Shareholders' Meeting for approval;
- Approved the Financial Report of BCEL for the first 6 months of 2021, which was reviewed by the external auditor;
- Approved the nomination of the BOD's members and proposed to the Shareholders' Meeting for approval;
- Approved the transfer and appointment of the high-level management of BCEL;
- Considered and approved the expense to support the government task to prevent the COVID-19 in the amount of 500 Mil LAK;
- Approved the classification of risk group of the loan customers and seeking for the resolutions to resolve for each group;
- Approved the restructuring of BCEL's internal organizational structure for some Divisions;
- Considered and approved the loan applications of some major corporates under the approval right of the BOD of BCEL.

3.2. Risk Management Committee

The committee has paid attention to supervise the research and development of the regulations and policies on risk management. The committee also approved the policies and the regulations related to risk management and followed up on the implementation of the Basel 2 project.

3.3. Remuneration Committee

The committee has researched and approved the policies of BCEL, which aimed to ensure the benefits of BCEL and the shareholders. The committee also approved various policies before seeking further approval from the BOD of BCEL according to the procedure such as the meeting considered and approved the amendment of the Regulation on Staff Disciplines and followed up on joining the Social Security Organization.

3.4. Governance Committee

The committee held meetings to consider and approve the business performance of BCEL and other issues, which shall be brought to the BOD for consideration from time to time. The important detail is as follows:

- The committee followed up on supervising the business operation of BCEL on a regular basis, especially on the credit expansion, collection of NPL and the treasury work in each period.
- Followed up on the implementation of the business performance result, business plan, the long-term strategic plan and the implementation of the Business Plan and Projects;
- Approved the Long-Term Strategic Plan of 2021-2025 and proposed to the BOD for approval;
- Followed up on the progress of selling 9% BCEL's shares held by the government. The current status is to suspend the selling and to propose for the new strategic partner again when the situation is more suitable;
- Followed up on the administration work and the human resource work of BCEL.

3.5 Nomination Committee

The Committee has considered the personnel at managerial positions to propose to the new position and to rotate the positions in BCEL to be more appropriate with the current situation at Divisions, Head Office and Branches overall network of BCEL.

3.6 Audit Committee

- Monitored on staff implementation of regulations, rights, procedure, attention on auditing, preventing the issues and feedback from the customers. This is to ensure the resolving of the issues to be on-time. The committee also monitored the credit work of the branches in applying the appropriate resolving policy;
- Conducted the regular audit, specialized audit, specific audit and urgent audit at Divisions, Centers and Branches of BCEL. The committee also followed up on the resolving of the findings from the internal and external auditors;
- Followed up on the resolving of the findings from the external and internal auditors on a regular basis;
- Completed the audit of BCEL Financial Report of the year 2020 in accordance with LAS and IFRS;
- Improved the implementation of the IFRS number 16 leasing contracts (IFRS 16 Lease) and the IFRS number 19 (Employee benefit);
- Approved the Financial Report for the first 6 months of the year 2021 of BCEL;
- Coordinated with the auditors from the department of commercial banks supervision, The Ban of the Lao PDR in carrying out the audits of BCEL for the year 2020 to August 2021, and the auditors from the State Audit Organization for issuing the audit report of BCEL for the year 2020;
- Completed the purchase of assets and incomes declare forms for BCEL employees in total 350 sets.

V. Corporate Social Responsibility

➢ **Corporate Social Responsibility and Social Support.**

Along with the business operation and the other tasks implementation, the management and the staff of BCEL have greatly contributed to the work related to Corporate Social Responsibility (CSR), which has been one of the key elements in the core values of BCEL, the detail is as follows:

By applying BCEL's potential in technology and advancements, BCEL has developed a product for CSR named "BCEL OneHeart", an intermediary platform for the donation that supports both the donors and the recipients. In 2021, there were **11** projects, 3.603 donors and the total donated amount was more than 182 Mil LAK.

BCEL has also supported the society in various forms to fields of education and sports, health, the relief of natural disaster victims, national events and etc. The support was in the form of cash and materials, and the total value was 1.329 Mil LAK.

Managing Director

BANK OF THE LAO PDR
BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC
VIEN TIANE CAPITAL

Khamphout SITTHILATH

BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC

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FINANCIAL STATEMENTS

31 DECEMBER 2021



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BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

THE BANK

Banque Pour Le Commerce Exterieur Lao Public ("the Bank") is a joint-stock bank incorporated and registered in the Lao People's Democratic Republic ("Lao PDR").

ESTABLISHMENT AND OPERATIONS

The Bank was established from the equitisation of Banque Pour Le Commerce Exterieur Lao which had been established in accordance with the Banking Business License No. 129/BOL dated 01 November 1989. On 23 December 2010, the Bank successfully undertook its Initial Public Offering. On 10 January 2011, the Bank was equitized and renamed into Banque Pour Le Commerce Exterieur Lao Public under the Operating License No. 0061/LRO dated 10 January 2011 issued by the Business License Registration Office of the Lao PDR. At that date, the Government, represented by the Ministry of Finance ("MOF"), was the largest shareholder with 80% shareholding.

On 15 July 2011, the MOF sold 10% of the total ordinary shares (equivalent to 13.657.759 shares) to its strategic partner named Compagnie Financière de la BRED ("COFIBRED") in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and COFIBRED. COFIBRED is a subsidiary of BRED, the biggest regional banking society in the Banque Populare Group - a French group of cooperative banks. The total purchased price of LAK 150.235.349.000 has been paid fully by COFIBRED.

On 17 August 2017, Lao Securities Commission Office approved the Bank to recapitalize by both Rights offering (which resulted in 68.047.300 shares) and Public offering (which resulted in 3.098.400 shares) in Lao Securities Exchange in order to increase its charter capital. The Bank received the new Banking Business License No. 21/BOL, dated 13 September 2017 issued by Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified that the Bank successfully increased its charter capital amount LAK 355.728.500.000 (equivalent to 71.145.700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest amended Business License No. 0429/ERO dated 18 May 2018 issued by Ministry of Industry and Commerce.

On 11 October 2019, Lao Securities Commission Office approved the Bank to recapitalised by both Rights offering and Public offering. The purpose of the government share divestment is to support more diverse shareholders to develop the Bank on the business expansion and sustainability. On 29 November 2019, Lao Securities Commission Office certified the Bank successfully offered 10% of the Bank's shares.

The shareholding structure of the Bank as at 31 December 2021 is as follows:

Shareholders	Number of shares	%
The Government	124.634.021	60%
Strategic partners	20.772.359	10%
Local investors (including employees of the Bank) and other foreign investors	62.316.920	30%
	207.723.300	100%

The principal activities of the Bank are to provide banking services including mobilizing and receiving short-term, medium-term, and long-term deposits from organisations and individuals; making short-term, medium-term, and long-term loans to organisations and individuals based on the nature and capability of the Bank's sources of capital; foreign exchange transactions, international trade financial services, discounting of commercial papers, bonds and other valuable papers, and providing other banking services allowed by Bank of the Lao PDR.

CHARTER CAPITAL

The charter capital as at 31 December 2021 is LAKm 1.038.617 (31 December 2020: LAKm 1.038.617).

LOCATION AND NETWORK

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 31 December 2021, the Bank has one (01) Head Office, six (6) associates and joint ventures, twenty (20) main branches, ninety-eight (98) services units, and fifteen (15) exchange units all over Lao PDR.

INVESTMENTS IN ASSOCIATES AND INTEREST IN JOINT VENTURES

As at 31 December 2021, the Bank has investments in associates and interest in joint ventures totally six (06) as follows:

Name	Established in accordance with Business License No.	Business Sector	% owned by the Bank
BCEL - Krung Thai Securities Company Limited	1079/ERO issued by the Ministry of Industry and Commerce on 10 July 2019	Securities	70%
Lao Viet Joint Venture Bank	732/ERO dated 29 August 2016 by the Ministry of Industry and Commerce	Banking & Finance	25%
Banque Franco - Lao Limited	0495/ERO dated 7 June 2018 by the Ministry of Industry and Commence	Banking & Finance	30%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commence	Insurance	35%
Lao China Bank Company Limited	041/ERM dated 27 January 2014 by the Department of Enterprise Register and Management of the Lao PDR	Banking & Finance	49%
Lao National Payment Network Company Limited	0349/ERO granted by the Department of Enterprise Registration and Management of the Ministry of Industry and Commerce of the Lao PDR on 12 March 2019	Transaction settlement management (Electronic)	20%

BOARD OF DIRECTORS

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

Name	Title	Date of appointment
Dr. Bounleua Sinxayvoravong	Chairman	Reappointed on 27 April 2018
Mr. Khamsouk Sundara	Vice Chairman	Reappointed on 27 April 2018
Mr. Khamphout Sitthilath	Member	Appointed on 3 August 2021
Mr. Pasomphet Khamtanh	Member	Appointed on 3 August 2021
Mr. Stéphane Mangiavacca	Member	Appointed on 29 May 2020
Assoc.Prof.Thongphet Chanthanivong	Member	Appointed on 3 August 2021
Mrs. Latdavanh Songvilay	Member	Appointed on 3 August 2021
Mr. Sonexay Silaphet	Member	Appointed on 3 August 2021
Mr. Viengsouk Chounthavong	Member	Appointed on 27 April 2018

MANAGEMENT

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

Name	Title	Date of appointment/resignation
Mr. Khamphout Sitthilath	General Managing Director	Appointed 15 June 2021
Mr. Nalin Silavongsith	Deputy Managing Director	Appointed 1 May 2021
Mr. Kongsack Soukphonesy	Deputy Managing Director	Appointed 1 May 2021
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointed 30 September 2014
Mr. Viengsouk Chounthavong	Deputy Managing Director	Appointed 18 February 2019
Mrs. Bouaphayvanh Nandavong	Deputy Managing Director	Appointed 1 May 2021
Mr. Saichit Simmavong	Deputy Managing Director	Appointed 1 May 2021

LEGAL REPRESENTATIVE

The legal representative of the Bank during the period and as at the date of this report is Mr. Khamphout Sitthilath – General Managing Director.

AUDITORS

The auditor of the Bank is PricewaterhouseCoopers (Lao) Sole Company Limited.

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Independent auditor's report

To: Board of Director and Shareholders of Banque Pour Le Commerce Exterieur Lao Public

Our opinion

In our opinion, the financial statements of Banque Pour Le Commerce Exterieur Lao Public (the Bank) for the year ended 31 December 2021 are prepared, in all material respects, in accordance with the accounting policies described in Note 3 to the financial statements.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of matter - Basis of accounting

We draw attention to Note 3 to the financial statements, which describe the basis of accounting. The financial statements have been prepared in accordance with the Bank's accounting policies which the accounting basis used in the preparation of these financial statements may differ from International Financial Reporting Standard (IFRS). The readers should therefore be aware that the accompanying financial statements are not intended to present the financial position and its financial performance and cash flows in accordance with IFRS. Our opinion is not modified in respect to this matter.

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Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We determine one key audit matter: Provision for impairment of loan to customers. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of loan to customers Refer to Note 16 – Provision for impairment. As of 31 December 2021, Loan to customer balance was LAK 32.372.070 million (47% of total asset), and provision for impairment balance was LAK 1.457.635 million. Provision for impairment of loan to customers was considered as significant in our audit due to the estimation of provision for impairment involved the management's judgements and assumptions in identifying evidence of impairment for individual and collective customers and calculating the impairment amount including uncertainly of timing for recognition. Management had set up provision for impairment on loan to customers by classifying in two type of impairment which were individual and collective impairment. For individual impairment was calculated by the present value of the estimated future cashflows expected from customer. For collective impairment, loan to customer were grouped based on similar credit risk characteristics. Future cashflows on a group of loan to customer were collectively evaluated for impairment and were estimated based on historical loss experience.	We performed the following procedures: • Performed risk assessment on both internal and external factors which may affect the operating result of individual, industry group and customer group which it might affect the judgement and estimation made by management. . • Evaluated and tested the Information Technology General Control over access program and data, control over completeness of customer's data used in calculation of provision impairment. • Evaluated and tested manual controls over loan to customer and provision for impairment processes as follows; - Loan origination and approval - Collateral valuation - Data input into system - Loan classification and monitoring - Calculation, review and approval of setting up a provision for impairment - Reconciliation of provision for impairment account between the detailed working to the general ledger • Tested samples of loans which it had classified as individual and collective impairments, we performed as follows; - Inquired with management regarding processing of identify and classified loans as individual and collective impairments - Examined the assumptions used in the calculation of present value of future cashflows expected from customer with supporting document such as future cashflows expected from customer, collateral valuation, - Recomputed discount rate and assess the appropriate of discount rate used in calculation of present value of future cashflows

Key audit matter (continued)

Key audit matter	How our audit addressed the key audit matter
Based on the significant level of subjectivity and estimation uncertainly, provision for impairment account on loan to customers was a key audit matter.	- Assessed the appropriateness of assumptions used in calculation of probability of default, loss rate for calculation of collective impairment by examine with relevant supporting evidence and had a detailed discussion with management regarding the assumptions. • Furthermore, for collateral valuations performed by the professional valuers, we evaluated their competence, capabilities and objectivity including evaluated the appropriateness of their work. Then, we sampled those valuations to check that the management used the valuations in the calculation of provision for impairment for individual customer From those procedures performed, we found that management's judgements and assumptions regarding provision for impairment was appropriate

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee.

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Responsibilities of the directors and audit committee for the financial statements

The directors are responsible for the preparation and presentation of the financial statements in accordance with the accounting policies described in Note 3 to the financial statements, and for such internal control as the directors determine 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, the directors are 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 the directors either intend to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The audit committee assists the directors in discharging their responsibilities for overseeing the Bank's financial reporting process.

Auditor's 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 ISAs, we exercise professional judgment and maintain professional scepticism 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 the directors.
- Conclude on the appropriateness of the directors' 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.

We communicate with the audit committee 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.

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We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For PricewaterhouseCoopers (Lao) Sole Company Limited



By: Apisit Thiengtrongpinyo
Partner

Vientiane Capital, Lao PDR

19 April 2022

BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 LAKm	2020 LAKm
Interest incomes	5	2.244.913	2.407.369
Interest expenses	5	(1.492.316)	(1.317.166)
Net interest incomes	**5**	**752.597**	**1.090.203**
Fee and commission incomes	6	317.892	239.365
Fee and commission expenses	6	(39.694)	(26.184)
Net fee and commission incomes	**6**	**278.198**	**213.181**
Net gain from dealing in foreign currencies	7	3.913	42.236
Net loss from dealing derivatives	8	171	-
Other operating incomes	9	180.385	36.166
Operating income		**1.215.264**	**1.381.786**
Credit loss expense of loans to customers	16	(649.075)	(474.399)
Impairment losses on financial investments	10	-	(39.501)
NET OPERATING INCOME		**566.189**	**867.886**
Personnel expenses	11	(305.806)	(324.020)
Depreciation and amortisation	20, 21	(81.350)	(77.007)
Depreciation of right-of-use assets	22	(8.040)	(6.690)
Other operating expenses	12	(175.296)	(182.420)
TOTAL OPERATING EXPENSES		**(570.492)**	**(590.137)**
Share of profit and loss of associates and joint ventures	19	16.888	21.845
PROFIT BEFORE TAX		**12.585**	**299.594**
Income tax	27.1	(1.175)	(56.381)
NET PROFIT FOR THE YEAR		**11.410**	**243.213**
Earnings per share (LAK)	34	**55**	**1.171**

Prepared by:

Approved by:

BANK OF THE LAO PDR
Approved by:
BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC
VIEN TIANE CAPITAL

Mrs. Netnapha Sayalath	Mr. Sompasong Phothisane	Mr. Saychit Simmavong
Deputy Chief of Accounting Department Date:19 April 2022	Chief of Internal Audit Division Date:19 April 2022	Deputy Managing Director Date: 19 April 2022

The accompanying notes on pages 16 to 56 form an integral part of these financial statements.

BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 LAKm	2020 LAKm
NET PROFIT FOR THE YEAR		**11.410**	**243.213**
OTHER COMPREHENSIVE (EXPENSE)/INCOME			
Changes in the fair value of financial investments – Available-for-sale	17	1.534	-
Remeasurement loss on defined benefit plan	28	22.498	(667)
Profit tax related to components of other comprehensive income	27.3	-	133
OTHER COMPREHENSIVE (EXPENSE)INCOME FOR THE YEAR, NET OF TAX		**24.032**	**(534)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**35.442**	**242.679**

Prepared by:

Mrs. Netnapha Sayalath

Deputy Chief of Accounting Department
Date: 19 April 2022

Approved by:

Approved by:

BANK OF THE LAO PDR
BANQUE POUR LE COMMERCE EXTERIEUR
LAO PUBLIC
VIEN TIANE CAPITAL

Mr. Sompasong Phothisane

Chief of Internal Audit Department
Date: 19 April 2022

Mr. Saychit Simmavong

Deputy Managing Director
Date: 19 April 2022

The accompanying notes on pages 16 to 56 form an integral part of these financial statements.

BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC

STATEMENT OF FINANCIAL POSITION
AS AT YEAR ENDED 31 DECEMBER 2021

	Notes	2021 LAKm	2020 LAKm
ASSETS			
Cash and balances with Bank of the Lao PDR	13	19.022.276	12.836.829
Due from banks	14	9.182.845	4.355.395
Loans to customers	15	32.372.070	30.762.417
Financial investments - Available-for-sale	17	91.657	90.122
Financial investments - Held-to-maturity	18	5.273.352	3.899.011
Investments in associates and joint ventures using the equity method	19	643.318	614.434
Property and equipment	20	563.503	601.572
Intangible assets	21	293.321	245.873
Right-of-use assets	22	55.713	57.005
Deferred tax assets	27.3	37.015	37.015
Advance profit tax	27.2	24.015	-
Other assets	23	677.906	470.734
TOTAL ASSETS		**68.236.991**	**53.970.407**
LIABILITIES ANS EQUITY			
LIABILITIES			
Due to banks and other financial institutions	24	5.269.436	3.482.800
Due to customers	25	57.169.169	45.043.495
Borrowings from other banks	26	3.354.623	2.962.101
Current tax liabilities	27.2	-	23.726
Lease liabilities		29.595	23.059
Other liabilities	28	282.022	222.197
TOTAL LIABILITIES		**66.104.845**	**51.757.378**
EQUITY			
Charter capital	29	1.038.617	1.038.617
Statutory reserves	30	831.667	753.399
Other comprehensive items		11.416	(12.616)
Retained earnings		250.446	433.629
TOTAL EQUITY		**2.132.146**	**2.213.029**
TOTAL LIABILITIES AND EQUITY		**68.236.991**	**53.970.407**

Prepared by:

Approved by:

Approved by: BANK OF THE LAO PDR BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC VIEN TIANE CAPITAL

Mrs. Netnapha Sayalath	Mr. Sompasong Phothisane	Mr. Saychit Simmavong
Deputy Chief of Accounting Department Date: 19 April 2022	Chief of Internal Audit Department Date: 19 April 2022	Deputy Managing Director Date: 19 April 2022

The accompanying notes on pages 16 to 56 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Charter capital LAKm	Statutory reserves LAKm	Treasury Share LAKm	Remeasurement of post-employment benefit reserve LAKm	Retained earnings LAKm	Non-controlling interest LAKm	Total LAKm
Balance as at 31 December 2019		**1.038.617**	**605.993**	**(3.613)**	**(12.082)**	**509.044**	**31.727**	**2.169.686**
Retrospective adjustment – errors		-	(1.570)	3.613	-	(773)	(31.727)	(30.457)
Balance as at 31 December 2019 – restated		**1.038.617**	**604.423**	**-**	**(12.082)**	**508.271**	**-**	**2.139.229**
Dividend paid out to shareholders for 2019		-	-	-	-	(168.879)	-	(168.879)
Appropriation to reserves for the year 2019		-	148.976	-	-	(148.976)	-	-
Net profit for the year 2020		-	-	-	-	243.213	-	243.213
Remeasurement on defined benefit plans		-	-	-	(667)	-	-	(667)
Profit tax related to components of other comprehensive income		-	-	-	133	-	-	133
Balances as at 31 December 2020		**1.038.617**	**753.399**	**-**	**(12.616)**	**433.629**	**-**	**2.213.029**

The accompanying notes on pages 16 to 56 form an integral part of these financial statements

BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Charter capital LAKm	Statutory reserves LAKm	Other comprehensive items: Remeasurement of post-employment benefit reserve LAKm	Other comprehensive items: Available-for-sale reserve LAKm	Retained earnings LAKm	Total LAKm
Balance as at 31 December 2020		**1.038.617**	**753.399**	**(12.616)**	**-**	**433.629**	**2.213.029**
Dividend paid out to shareholders for 2020	35	-	-	-	-	(116.325)	(116.325)
Appropriation to reserves for the year 2020	30	-	78.268	-	-	(78.268)	-
Net profit for the year 2021		-	-	-	-	11.410	11.410
Remeasurement in the fair value of financial investments – Available-for-sale		-	-	-	1.534		1.534
Remeasurement on defined benefit plans	28	-	-	22.498	-	-	22.498
Profit tax related to components of other comprehensive income	27.3	-	-	-	-	-	-
Balances as at 31 December 2021		**1.038.617**	**831.667**	**9.882**	**1.534**	**250.446**	**2.132.146**

Prepared by:

Mrs. Netnapha Sayalath

Deputy Chief of Accounting Department
Date: 19 April 2022

Approved by:

Mr. Sompasong Phothisane

Chief of Internal Audit Department
Date: 19 April 2022

Approved by:

BANK OF THE LAO PDR
BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC
VIEN TIANE CAPITAL

Mr. Saychit Simmavong

Deputy Managing Director
Date: 19 April 2022

The accompanying notes on pages 16 to 56 form an integral part of these financial statements

BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 LAKm	2020 LAKm
OPERATING ACTIVITIES			
Profit before tax		**12.584**	**299.594**
Adjustments for:			
Depreciation and amortisation charges	20, 21, 22	89.390	83.697
Expense for impairment losses	16	649.075	474.399
Defined post-employment benefit expense	28	8.784	9.938
Share of joint venture's profit under equity method	19	(16.888)	(21.845)
Unrealise loss on exchange rate		(113.343)	-
Changes in provision for impairment loss on financial investments – Available-for-sale	10	-	39.501
Loss/(Gain) on disposal/written-off		12.340	(934)
Interest income	5	(2.244.913)	(2.407.369)
Interest expense	5	1.492.316	1.317.166
Dividend income	9	(3.835)	(3.835)
Cash flows from operating profit before changing in operating assets and liabilities		**(114.490)**	**(209.688)**
Changes in operating assets			
Net change in balances with other banks		466.148	(824.784)
Net change in loans to customers		(4.276.295)	(2.865.785)
Financial investment - Held-to-maturity		83.857	-
Net change in other assets		(129.174)	(14.461)
Changes in operating liabilities			
Net change in due to other banks		1.790.480	(567.033)
Net change in due to customers		12.020.658	8.623.567
Net change in other liabilities		65.350	(98.819)
Net change in borrowing from other banks		311.146	(777.419)
Net change in Lease liabilities		2.218	11.720
Interest received		1.093.618	937.963
Interest paid		(1.309.769)	(1.214.631)
Tax paid during the year	27.2	(48.916)	(69.455)
Net cash flows from operating activities		**9.954.831**	**2.931.175**
INVESTING ACTIVITIES			
Purchase and construction in progress and property and equipment		(40.928)	(121.988)
Purchase of right of use		(2.431)	(8.881)
Purchase of Intangible asset	21	(53.953)	(3.636)
Proceeds from disposals of Property and equipment		-	6.836
Payment for associates and joint venture investments	19	(13.360)	(25.360)
Dividends received from associates and joint venture investment	19	1.364	1.668
Dividends received from financial investments – available for sale	9	3.835	3.835
Payment from investment in financial investments – hold to maturity		-	(989.433)
Proceed from investment in investment in financial investments – hold to maturity		1.738.371	1.052.017
Net cash flows from/(used) in investing activities		**1.632.898**	**(84.942)**

The accompanying notes on pages 16 to 56 form an integral part of these financial statements

BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 LAKm	2020 LAKm
FINANCING ACTIVITIES			
Payment of dividends	35	(116.325)	(168.879)
Payment on lease payment		(474)	(2.909)
Net cash flows used in financing activities		**(116.799)**	**(171.788)**
Net change in cash and cash equivalents		**11.470.930**	**2.674.445**
Cash and cash equivalents at the beginning of the year	**31**	**14.396.829**	**11.722.384**
Cash and cash equivalents at the end of the year	**31**	**25.867.759**	**14.396.829**

Non-cash from financing and investing activities;

Acquisition of construction in progress and property and equipment	8.188	5.017
Settlement loan to customers and investment in hold-to-maturity securities	3.196.569	591.452
Acquisition of right-of-use assets	4.318	-

Prepared by:

Approved by:

Approved by:

BANK OF THE LAO PDR
BANQUE POUR LE COMMERCE EXTERIEUR
LAO PUBLIC
VIEN TIANE CAPITAL

Mrs. Netnapha Sayalath	Mr. Sompasong Phothisane	Mr. Saychit Simmavong
Deputy Chief of Accounting Department Date: 19 April 2022	Chief of Internal Audit Department Date: 19 April 2022	Deputy Managing Director Date: 19 April 2022

The accompanying notes on pages 16 to 56 form an integral part of these financial statements

1. GENERAL INFORMATION

Banque Pour Le Commerce Exterieur Lao Public (the Bank) is a public limited company which registered under Bank of Lao PDR (BoL) and listed on the Securities Exchange of Lao PDR (LSX).

The Bank is incorporated and domiciled in Lao PDR. The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR, As at 31 December 2021. the Bank has one (01) head office, six (6) associates and joint ventures, twenty (20) main branches, ninety-eight (98) services units, and fifteen (15) exchange units all over Lao PDR.

The principal business operations of the Bank,its associates and joint ventures are to provide banking and other services including:

- mobilising and receiving deposits from organisations and individuals
- making loans to organisations and individual
- foreign exchange transactions
- international trade financial services
- discounting of commercial papers
- bonds and other valuable papers
- insurance
- securities

The financial statements is presented in Lao Kip and rounded to the nearest million, unless otherwise stated.

The financial statements was authorised for issue by the board of directors on 19 April 2022.

2. SIGNIFICANT EVENTS DURING THE CURRENT YEAR

According to the Prime Minister ordered No. 15 dated 21 April 2021 to Lockdown Vientiane Capital and other provinces. The new order which has effective from 22 April 2021 to 5 May 2021. However, the lockdown period was extended for the risk zoon and on November 2021, the Ministry of health had issued the guideline how to protect, self-treatment and to be safe from the COVID-19 by continue encouraging people take COVID-19 vaccine.

The Bank of Lao PDR has announced several COVID-19 pandemic temporary relief measures such as they have waived compliance with Regulation 512/BOL for commercial banks and financial institutions, dated 29 June 2018. This means that after loans are restructured, they can be classified in the same group as they were before restructuring. The waiver also allows commercial banks to restructure loans classified as 'non-performing loans' more than twice and lend credit to customers affected by COVID-19.

In response, the Bank has continually applied with the Bank of Lao PDR's announcement such as loan restructuring and closely monitored the effect of COVID-19 to customers which might have an impact to its loan portfolio.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of the financial statements are set out below.

3.1 Basis of preparation

According to the laws and regulations on accounting and auditing for the securities sector issued by the MoF and the Lao Securities Commission Office (LSCO), all listed companies who identify as PIE are required to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS).

Notification No. 1137/MoF dated 27 April 2020 issued by MoF, and announcement No. 0009/LSC, dated 25 May 2020, issued by the LSCO, state the extended time for listed companies to prepare their action plan for IFRS, which is until 31 December 2025. Listed companies must fully adopt IFRS as of 1 January 2026 onwards.

During the transitional period, the PIE must set up a development plan to adopt IFRS and share this with the MoF and the LSCO for monitoring purposes.

In accordance with the MoF and LSCO's announcement mentioned above, the Bank is setting up a plan to fully adopt IFRS in the next few years for their accounting policies.

The financial statements are prepared in accordance with the accounting policies of the Bank as described in Note 3. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are not intended to present the financial position and financial performance in accordance with other jurisdictions. Consequently, these financial statements are addressed only to those who are informed on the Bank's accounting policies.

The preparation of financial statements requires management to make estimates and assumptions affecting the amounts reported as assets and liabilities, the disclosure of any contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates (Note 17 and 29).

The financial statements have been prepared under the historical cost convention.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Foreign currency translation

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see the list of exchange rates of applicable foreign currencies against LAK as at 31 December 2021 and 31 December 2020 as presented in Note 39). Unrealised exchange differences arising from the translation of monetary assets and liabilities on the balance sheet date are recognised in the statement of income.

3.3 Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

3.3.1 Interest income and expense

For all financial instruments measured at amortised cost, interest-bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense are recorded using the effective interest rate (EIR).

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

When the recorded value of a financial asset or a group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.3.2 Fees and commission incomes

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

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not typically include multiple performance obligations, as explained further in 3.3.2.1 and 3.3.2.2 below.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time (unless otherwise specified in 3.3.2.1 and 3.3.2.2 below). The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

3.3.2.1 Fee and commission income from services where performance Obligations are satisfied over time

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Recognition of income and expense (continued)

3.3.2 Fees and commission incomes (continued)

3.3.2.2 Fee and commission income from providing services where performance obligations are satisfied at a point in time

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

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

3.3.3 Dividend income

Dividend income is recognised when the Bank's right to receive the payment is established.

3.3.4 Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities 'held for trading'.

3.4 Cash and cash equivalents

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

3.5 Investments in associates and interest in joint ventures

The Bank has investment in associates and interest in joint ventures, which are jointly entities, whereby the ventures have a contractual arrangement that establishes joint control over the economic activities of the entities. The arrangement requires unanimous agreement for financial and operating decisions among the ventures.

The Bank recognises its interest in the associates and joint ventures using the equity method.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Bank's share of the post-acquisition profits or losses of the investee in profit or loss, and the Bank's share of movements in other comprehensive income of the investee in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Investments in associates and joint ventures (continued)

Equity method (continued)

Dividends received or receivable from investment in associates and interest in joint ventures are recognised as a reduction in the carrying amount of the investment. Where the Bank's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. The allowance for impairment is made for investments in associates and joint ventures when the associates and joint ventures are making a loss (except for the loss which is identified in the business plan before establishment). Accordingly, the allowance is made for the difference between actual investment in the associates and joint venture and the Bank's proportionate share in the associates and joint venture's net equity.

3.6 Financial instruments -initial recognition and subsequent measurement

3.6.1 Date of recognition

All financial assets and liabilities, with the exception of loans to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes "regular way trades" - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

Loans to customers are recognised when funds are transferred to the customers' account. The Bank recognises due to customer balances when funds reach the Bank.

3.6.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

3.6.3 The effective interest rate method

The effective interest rate (EIR) is the rate exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period, to the net carrying amount of the financial asset or financial liability. The amortised cost of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted amortised cost is calculated based on the original or latest re-estimated EIR and the change in is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities.

3.6.4 'Day 1' profit or loss

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments - initial recognition and subsequent measurement (continued)

3.6.5 Available for sale financial investments

Available for sale investments include equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

The Bank has not designated any loans or receivables as available for sale.

After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (Other comprehensive income) in the 'Available-for-sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of income in 'Other operating income'. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis.

Dividends earned while holding available-for-sale financial investments are recognised in the statement of income as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the statement of income in 'Impairment losses on financial investments' and removed from the 'Available-for-sale reserve'.

3.6.6 Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the EIR. Periodically, held-to-maturity securities are subject to review for impairment. Allowance for impairment of these securities is made when there has been a significant or prolonged declined in the fair value below their cost. The losses arising from impairment of such investments are recognised in the statement of income line 'Impairment loss expense'.

If the Bank were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale investments. Furthermore, the Bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

3.6.7 Due from banks and loans to customers

'Due from banks' and 'Loans customers' include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss;
- Those that the Bank, upon initial recognition, designates as available-for-sale;
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments - initial recognition and subsequent measurement (continued)

3.6.7 Due from banks and loans to customers (continued)

After initial measurement, amounts 'Due from banks' and 'Loans to customers' are subsequently measured at amortised cost using the EIR method, less allowance for impairment. The amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Therefore, the Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioral life of the loan, hence, recognising the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (prepayments, penalty interest and charges).

If expectations are revised the adjustment is booked as a positive or negative adjustment to the carrying amount in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the statement of profit or loss.

The Bank may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held–for–trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Bank, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss (for example, due to a counterparty credit event).

3.6.8 Due to other banks and customers and other borrowed funds

"Due to other banks and customers and other borrowed funds" include arrangements where the substance of the contractual arrangements result in the Bank having an obligation either to deliver cash or another financial asset to the holder.

After initial measurement, "Due to other banks and customers and other borrowed funds" are subsequently measured at amortised cost using the EIR. The amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

3.6.9 Reclassification of financial assets

The Bank was permitted to reclassify, in certain circumstances, non-derivative financial assets out of the 'Held-for-trading' category and into the 'Available-for-sale', 'Loans and receivables', or 'Held-to-maturity' categories. From this date it was also permitted to reclassify, in certain circumstances, financial instruments out of the 'Available-for-sale' category and into the 'Loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments - initial recognition and subsequent measurement (continued)

3.6.9 Reclassification of financial assets

In rare circumstances, the Bank may reclassify a non-derivative trading asset out of the 'Held-for-trading' category and into the 'Loans and receivables' category if it meets the definition of loans and receivables and the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management and is determined on an instrument by instrument basis.

3.7 De-recognition of financial assets and financial liabilities

3.7.1 Financial assets

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

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

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

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 De-recognition of financial assets and financial liabilities (continued)

3.7.1 Financial assets (continued)

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

The Bank also derecognises a financial asset, in particular, a loan to customer when the terms and conditions have been renegotiated to the extent that it substantially became a new loan, with the difference recognised as an impairment in the statement of profit or loss.

3.7.2 Financial liabilities

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

3.8 Impairment of financial assets (Loan to customers)

The Bank assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.8.1 Financial assets carried at amortised cost

Individual impairment losses

For financial assets carried at amortised cost (such as amounts due from other banks, loans to customers), the Bank first assesses whether objective evidence of impairment exists for financial assets that are individually significant or are already under specific work out by management.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in credit loss expense in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and similar income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Impairment of financial assets (continued)

3.8.1 Financial assets carried at amortised cost (continued)

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Bank has reclassified trading assets to loans, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective impairment model

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of a credit risk evaluation or grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors).

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, personal indebtedness, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3.8.2 Impairment of available for sale investments

The Bank records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Impairment of financial assets (continued)

3.8.3 Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's annually reporting schedule.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties (if available) such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

3.8.4 Collateral repossessed

The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold, are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy.

3.9 Offsetting financial instruments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Property and equipment

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

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Construction in progress is not depreciated. The following are annual rates used:

Buildings & improvements	5%-10%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

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

3.11 Intangible assets

The Bank's other intangible assets include the value of land use rights and software.

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

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

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

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

Software	20% - 50%

The land use rights of the Bank were not amortised as land use rights have indefinite term and was granted by the Government of Lao PDR.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Impairment of non-financial assets

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

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

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

3.13 Derivative financial instruments

Swap

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

In a currency swap (included within foreign exchange contracts), the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross settled.

Credit default swaps are contractual agreements between two parties to make payments with respect to defined credit events, based on specified notional amounts. The Bank purchases credit default swaps in order to mitigate the risk of default by the counterparty on the underlying security referenced by the swap.

Irrespective of whether settled through clearing houses or directly with the counterparties, most swaps are fully collateralised and require daily margin settlement. The practice significantly reduces the Bank's credit risk, but requires more diligent liquidity management than if the positions were not collateralised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial guarantees

In the ordinary course of business, the Bank issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'Other liabilities') at fair value on the date the guarantee was issued, being the premium received.

Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortiation recognised in the statement of income, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the statement of income in 'Credit loss expense'. The premium received is recognised in the statement of income in 'Net fees and commission income' on a straight-line basis over the life of the guarantee.

3.15 Leasing

3.15.1. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Leasing

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

3.15.3 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.

3.16 Employee benefits

Post-employment benefits (applicable from 1 January 2019)

Post-employment benefits are paid to retired employees of the Bank at the time of retirement by the amount equal to (Latest Basic Salary + Wage + 25% of allowance (If have) + 25% of other benefits) x 1,5 x working years.

The fund for Post-employment benefits come from:

(i) the retirement reserve contributed by the employees, for which the Bank withholds a certain monthly amount from employees' salary (5,5%) of the amount (Equal to Basic Salary + Wage + 25% of allowance + 25% of other benefits);

(ii) and the Bank contribution by monthly, which is equal to 6% of the amount (Equal to Basic Salary + Wage + 25% of allowance + 25% of other benefits);

The Bank records its contribution as 'Payroll and other staff costs' into the statement of income on an accrual basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Employee benefits (continued)

Termination benefits

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

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 31 December 2021, no employee of the Bank was dismissed under the above-mentioned grounds; therefore, the Bank has not made a provision for termination allowance in the separate financial statements.

3.17 Provisions

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

3.18 Profit tax

Current tax

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Profit tax (continued)

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.19 Statutory reserves

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

- Regulatory reserve fund
- 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 Regulatory reserve fund. When this reserve fund reaches 50% of the registered capital, the Bank may suspend such provision, unless otherwise provided by the laws. The Bank will record after getting approval from General Shareholders' Meeting.

The business expansion fund and other funds shall be created upon decision of the Board of Management.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

4.1 Effective interest rate method

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

4.2 Impairment losses on loans to customers

The Bank reviews its individually significant loans at each reporting date to assess whether an impairment loss should be recorded in the statement of income.

The Bank's impairment methodology for assets carried at amortised cost results in the recording of provisions for:

- Individual impairment losses on individually significant or specifically identified exposures;

This estimation requires an element of management's judgement, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining individual impairment losses. These estimates are driven by a number of factors, the changing of which can result in different levels of allowances.

- Collective impairment.

The loss allowances for financial assets are based on assumptions about default risk and loss rates. The Bank uses judgement in making these assumptions and selecting the inputs used in the impairment calculation, based on the Bank's past history and existing market conditions at the end of each reporting period.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

4.3 Impairment of available-for-sale investments

The Bank reviews its equity securities classified as available-for-sale investments at each reporting date to assess whether they are impaired.

This assessment, including the interpretation of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Bank evaluates, among other factors, historical share price movements, and the duration and extent to which the fair value of an investment is less than its cost.

4.4 Determination of lease terms

Critical judgement in determining the lease term, the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the most relevant factors are historical lease durations, the costs and conditions of leased assets.

Most extension options on offices and vehicles leases have not been included in the lease liability, because the Bank considers i) the underlying asset condition and/or ii) insignificant cost to replace the leased assets.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstance affecting this assessment occur, and that it is within the control of the Bank.

4.5 Determination of discount rate applied to leases

The Bank determines the incremental borrowing rate as follows:

- Where possible, use recent third-party financing received by the individual lessee as a starting point, adjusting to reflect changes in its financing conditions.
- Make adjustments specific to the lease, e.g. term, currency and security.

5. NET INTEREST INCOMES

	2021 LAKm	2020 LAKm
Interest income calculated using the effective interest method from:		
Lending to customers	1.912.270	2.168.143
Investment securities	263.777	185.920
Deposits in other banks	55.786	53.228
Other activities	13.080	78
	2.244.913	**2.407.369**
Interest expense calculated using the effective interest method for:		
Customer deposits	(1.291.278)	(1.109.703)
Due to banks	(201.038)	(207.463)
	(1.492.316)	**(1.317.166)**
Net interest income	**752.597**	**1.090.203**

6. NET FEE AND COMMISSION INCOMES

	2021 LAKm	2020 LAKm
Fee and commission income from:		
Settlement services	247.792	200.400
Treasury activities	17.374	3.415
Other activities	52.726	35.550
	317.892	**239.365**
Fee and commission expense for:		
Settlement services	(36.200)	(22.752)
Treasury activities	(3.494)	(3.432)
	(39.694)	**(26.184)**
Net fee and commission incomes	**278.198**	**213.181**

7. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	2021 LAKm	2020 LAKm
Gain from foreign currencies trading and revaluation of monetary items	5.834.698	5.303.010
Loss from foreign currencies trading and revaluation of monetary items	(5.830.785)	(5.260.774)
	3.913	**42.236**

8. NET LOSS FROM DEALING DERIVATIVES

	2021 LAKm	2020 LAKm
Gain from derivatives	1.787	-
Loss from derivatives	(1.616)	-
	171	**-**

9. OTHER OPERATING INCOMES

	2021 LAKm	2020 LAKm
Recovery of bad debts written off	156.784	21.194
Dividend income	3.835	3.835
Others	19.766	11.137
	180.385	**36.166**

10. IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS

	2021 LAKm	2020 LAKm
Impairment loss for Available-for-sale investments	-	39.501
Reversal of impairment loss for Held-to-maturity investments	-	-
	-	**39.501**

11. PERSONNEL EXPENSES

	2021 LAKm	2020 LAKm
Salaries	175.293	170.694
Bonus and other allowances	115.602	136.359
Post-employment benefits expense	8.784	9.938
Other staff costs	6.127	7.029
	305.806	**324.020**

12. OTHER OPERATING EXPENSES

	2021 LAKm	2020 LAKm
Deposit Insurance paid to Depositor Protection Fund	48.435	39.080
Stationary and office materials	18.766	22.085
Repair and maintenance	19.060	21.103
Utilities	9.766	9.068
Telecommunication	9.538	9.391
Insurance expense	8.652	8.968
Tax and other duties	5.900	6.229
Training, meeting and seminar	4.582	9.134
Rental fee	4.497	5.055
Publication, marketing and promotion	4.424	7.366
Consulting and financial service fees	3.096	2.120
Fuel expense	2.067	2.192
Interest expense on lease liabilities	1.210	661
Other expenses	35.303	39.968
	175.296	**182.420**

13. CASH AND BALANCES WITH BANK OF THE LAO PDR ("THE BOL")

	2021 LAKm	2020 LAKm
Cash on hand in LAK	1.641.453	1.576.956
Cash on hand in foreign currencies ("FC")	1.232.341	803.898
Balances with the BOL:		
- Demand deposit	14.445.195	8.420.576
- Compulsory deposit (*)	1.350.120	1.740.827
- Term deposits	334.890	278.400
Accrued interest income	18.277	16.172
	19.022.276	**12.836.829**

Balances with the BOL include demand and compulsory deposits. These balances earn no interest.

(*) Under regulations of the BOL, the Bank is required to maintain certain reserves with the BOL in the form of compulsory deposits, which are computed at 3,00% for LAK and 5,00% for foreign currencies, on a bi-weekly basis, (2020: 4,00% and 8,00%) 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. This restricted deposits with bank of the Lao PDR are not available for use in the Bank's day-to-day operations.

14. DUE FROM BANKS

	2021 LAKm	2020 LAKm
Current and saving accounts	**7.707.398**	**3.595.399**
- In LAK	181.421	26.045
- In foreign currencies	7.525.977	3.569.354
Term deposits	**1.468.772**	**759.326**
- In LAK	747.890	82.890
- In foreign currencies	720.882	676.436
Accrued interest income	**6.675**	**670**
	9.182.845	**4.355.395**

Interest rates for amounts due from other banks during the year are as follows:

	2021 % per annum	2020 % per annum
Demand deposits	0,07% - 1,10%	0,00% - 3,10%
Saving deposits	0,07% - 2,16%	0,00% - 0,80%
Term deposits	0,15% - 6,36%	0,14% - 3,50%

15. LOANS TO CUSTOMERS

	2021 LAKm	2020 LAKm
Gross loans	30.080.974	29.152.520
In which:		
Less: Allowance for impairment losses (Note 16)	(1.457.635)	(1.073.649)
Accrued interest income	3.748.731	2.683.546
	32.372.070	**30.762.417**

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

	2021 Interest rates % per annum	2020 Interest rates % per annum
Loans denominated in LAK	5,50% - 16,00%	5,50% - 16,00%
Loans denominated in USD	4,25% - 16,00%	4,25% - 16,00%
Loans denominated in THB	6,00% - 10,00%	6,00% - 10,00%

Analysis of loan portfolio by currency:

	2021 LAKm	2020 LAKm
Loans denominated in LAK	10.920.255	12.717.791
Loans denominated in USD	15.408.832	12.841.292
Loans denominated in THB	3.751.887	3.593.437
	30.080.974	**29.152.520**

15. LOANS TO CUSTOMERS (continued)

Analysis of loan portfolio by original maturity:

	2021 LAKm	2020 LAKm
Short-term loans	2.714.300	2.541.425
Medium-term loans	17.234.346	16.009.856
Long-term loans	10.132.328	10.601.239
	30.080.974	**29.152.520**

Analysis of loan portfolio by industrial sectors of customers:

	2021		2020	
	LAKm	%	LAKm	%
Industrial services companies	16.367.536	54,41%	14.972.168	51,36%
Services companies	4.609.807	15,31%	4.400.758	15,10%
Trading companies	3.830.878	12,73%	4.059.804	13,92%
Construction companies	3.723.445	12,37%	4.369.136	14,98%
Transportation companies	1.199.632	3,99%	973.031	3,34%
Technical instruments enterprises	50.507	0,17%	57.745	0,20%
Agricultural & forestry	45.683	0,15%	26.851	0,09%
Handicrafts	2.103	0,01%	2.243	0,01%
Others	251.383	0,86%	290.784	1,00%
	30.080.974	**100,00%**	**29.152.520**	**100,00%**

16. ALLOWANCE FOR IMPAIRMENT LOSSES OF LOANS TO CUSTOMERS

Changes in allowance for impairment losses of loans to customers during the year ended are as follows:

	2021 LAKm	2020 LAKm
Balance as at 1 January	**1.073.649**	**650.541**
Net change during the year	649.075	474.399
Non-performing loans written off	(378.906)	(78.597)
Foreign exchange differences	113.817	27.306
Balance as at 31 December	**1.457.635**	**1.073.649**

Breakdown of allowance for impairment losses of loans to customers as at 31 December are as follows:

	2021		2020	
	Outstanding balance LAKm	Impairment LAKm	Outstanding balance LAKm	Impairment LAKm
Individually impaired	5.888.337	1.109.137	3.791.761	891.521
Collectively impaired	24.192.637	348.498	25.360.759	182.128
	30.080.974	**1.457.635**	**29.152.520**	**1.073.649**

17. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

As at 31 December 2021, the shares have fair value of amount LAKm 91.657 (2020: LAKm 90.122) and the bank recognised the changes of fair value to other comprehensive income. There has been impaired by an amount of LAKm 91.081.

18. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

	2021 LAKm	2020 LAKm
Amortised cost of Treasury bills issued by the Ministry of Finance	418.769	185.836
Amortised cost of Bonds issued by the Ministry of Finance	4.854.583	3.713.175
	5.273.352	**3.899.011**

18.1 Treasury bills issued by the Ministry of Finance

Term	Issue date	Maturity date	Face value LAKm	Amortised cost LAKm	Interest rate per annum (nominal)
1 Year	12-Apr-21	12-Apr-22	220.000	219.946	5,00%
1 Year	11-May-21	11-May-22	136.000	135.962	5,00%
1 Year	29-Jun-21	29-Jun-22	62.880	62.861	5,00%
			418.880	**418.769**	

18.2 Bonds issued by the Ministry of Finance

- Details of other bonds by contractual maturity date are as follows:

	2021		2020	
	Face value LAKm	Amortised cost LAKm	Face value LAKm	Amortised cost LAKm
Within 1 year	-	-	179.537	175.152
1 to 5 years	2.712.741	2.690.173	2.407.904	2.412.834
Over 5 years	2.225.191	2.164.410	1.125.293	1.125.189
	4.937.932	**4.854.583**	**3.712.734**	**3.713.175**

- Details of other bonds interest by contractual maturity date are as follows:

	2021 % per annum	2020 % per annum
Within 1 year	5,00%	3,00 - 5,00%
1 to 5 years	3,60 - 6,95%	3,00 - 6,95%
Over 5 years	4,00 - 6,00%	4,00 - 6,00%

Other bonds represent the bonds which were issued by the Ministry of Finance to either for settlement the loans that that the Bank lend to MOF or for settlement the loan that the Bank lend to customers for construction of the government's projects.

19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	LAKm
Balance as at 1 January 2021	**614.434**
Share of profit of associates and joint ventures	16.888
Invest in associates and joint ventures	13.360
Less: Dividends received during the year	(1.364)
Balance as at 31 December 2021	**643.318**

Investment in associates and joint ventures as at 31 December, and dividend income for the year ended 31 December were as follows:

	Ownership interest		Cost		Equity		Dividend income	
	2021	2020	2021	2020	2021	2020	2021	2020
	(%)		LAKm					
BCEL – Krung Thai Securities Company Limited	70	70	70.000	70.000	74.920	73.586	-	1.597
Lao Viet Joint Venture Bank	25	25	197.839	197.839	252.650	246.894	-	-
Banque Franco – Lao Limited	30	30	126.000	114.000	128.048	111.925	-	-
Lao China Bank Company Limited	49	49	147.000	147.000	168.675	166.964	-	-
Lao-Viet Insurance Joint Venture Company	35	35	9.168	9.168	14.282	12.093	-	71
Lao National Payment Network Company Limited	20	20	4.760	3.400	4.743	2.972	1.364	-
Total			**554.767**	**541.407**	**643.318**	**614.434**	**1.364**	**1.668**

- BCEL - Krung Thai Securities Company Limited is incorporated in the Lao PDR under the Business License No. 180-10 granted by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao PDR on 14 December 2010. The company's principal activities are to provide brokerage services, proprietary trading, finance and securities investment advisory services, custody services, underwriting for share issues and other value-added services.

- Lao Viet Joint Venture Bank ("LVB") is incorporated in the Lao PDR with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with the Bank for Investment and Development of Vietnam, a state-owned commercial bank incorporated in the Socialist Republic of Vietnam. The joint venture was granted the banking license on 31 March 2000 by the Bank of the Lao PDR for a period of 30 years. In 2015, LVB increased its contributed capital to LAK 791.357.560.000. The Bank's ownership rate in LVB after the capital increase is 25% in accordance with Investment License No. 004-15/KH-DDT4 issued by Ministry of Planning and Investment on 24 August 2015, equivalent to LAK 197.839.390.000.

19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

- Lao China Bank Company Limited ("LCNB") is incorporated in the Lao PDR and engages in the provision of baking services. It is a joint venture with Fudian Bank China, a state-owned commercial bank incorporated in China. The joint venture bank was granted the Banking Business License on 20 January 2014 by Bank of the Lao PDR. The legal capital of LCNB was LAKm 300.000 and had been fully contributed by partners on 2019.

- Banque Franco - Lao Limited ("BFL") is incorporated in the Lao PDR with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with Cofibred Company Frances De La Bred which is a state-owned bank incorporated in Paris, France. The joint venture was granted the temporary banking license on 01 October 2009 and a permanent license on 16 July 2010 by the Bank of the Lao PDR. The legal capital of BFL was USD 20 million which was later revised to USD 37 million in accordance with the President's decree issued on 24 September 2009 and letter No. 01/BOL dated 28 January 2010 from BOL. As 31 December 2021, the total contributed capital of the Bank in this company was LAKm 126.000 (2020: LAKm 114.000).

- 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 among Bank of the Lao PDR, Union Pay International, Lao Development Bank, Agriculture Promotion Bank, Joint Development Bank, Lao-Viet Bank, ST Bank, BIC Bank and the Bank. The legal capital was LAKm 34.000. As 31 December 2021, the total contributed capital of the Bank in this company was LAKm 4.760 (2020: LAKm 3.400).

20. PROPERTY AND EQUIPMENT

	Construction in progress LAKm	Buildings & improvements LAKm	Office equipment LAKm	Furniture & fixtures LAKm	Motor vehicles LAKm	Total LAKm
Year ended 31 December 2021						
Opening net book value	107.929	352.387	119.183	10.734	11.339	601.572
Additions	86.187	4.066	4.642	2.648	4.534	102.077
Transferred in/(out)	(128.996)	3.742	69.884	1.337	1.072	(52.961)
Written-off net book value	(1.599)	(7.371)	(3.370)	-	-	(12.340)
Depreciation charge	-	(17.194)	(44.875)	(4.715)	(8.061)	(74.845)
As at 31 December 2021	**63.521**	**335.630**	**145.464**	**10.004**	**8.884**	**563.503**
As at 31 December 2021						
Cost	63.521	535.319	265.527	31.045	22.903	918.315
Accumulated depreciation	-	(199.689)	(120.063)	(21.041)	(14.019)	(354.812)
Net book value	**63.521**	**335.630**	**145.464**	**10.004**	**8.884**	**563.503**

21. INTANGIBLE ASSETS

	Land use rights LAKm	Software LAKm	Total LAKm
At 1 January 2021			
Cost	240.310	11.577	251.887
Accumulated amortisation	-	(6.014)	(6.014)
Net book amount	**240.310**	**5.563**	**245.873**
Year ended 31 December 2021			
Opening net book amount	240.310	5.563	245.873
Additions	-	1.002	1.002
Transfer in	3.177	49.784	52.961
Written-off net book value	-	(10)	(10)
Amortisation charge	-	(6.505)	(6.505)
As at 31 December 2021	**243.487**	**49.834**	**293.321**
At 31 December 2021			
Cost	243.487	61.749	305.236
Accumulated amortisation	-	(11.915)	(11.915)
Net book amount	**243.487**	**49.834**	**293.321**

22. RIGHT-OF-USE ASSETS

	Lands and buildings LAKm
As at 1 January 2021	
Cost	79.685
Accumulated depreciation	(22.680)
Net book amount	**57.005**
Accumulated depreciation:	
Opening balance	57.005
Additions	6.748
Depreciation charge	(8.040)
As at 31 December 2021	**55.713**
At 31 December 2021	
Cost	86.330
Accumulated depreciation	(30.617)
Net book value	**55.713**

23. OTHER ASSETS

	2021 LAKm	2020 LAKm
Assets available for sale	343.028	262.128
Accrued interest income	150.437	72.438
Advance for top-up	97.779	60.750
Advance payment for other operations	43.138	41.043
Stationeries and other tools	11.479	6.088
Prepaid expenses to be allocated	11.371	10.891
Advance payment to suppliers	9.739	5.098
Checks in collection	-	10
Others	10.935	12.288
	677.906	**470.734**

24. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2021 LAKm	2020 LAKm
Demand deposits	**4.239.624**	**2.626.472**
- In LAK	1.691.702	961.938
- In foreign currencies	2.547.922	1.664.534
Saving deposits	**222.603**	**113.582**
- In LAK	113.520	70.786
- In foreign currencies	109.083	42.796
Term deposits	**764.652**	**707.545**
- In LAK	261.870	323.910
- In foreign currencies	502.782	383.635
Others	**20.652**	**17.141**
- In LAK	19.912	17.133
- In foreign currencies	740	8
Accrued interest expense	**21.905**	**18.060**
	5.269.436	**3.482.800**

Interest rates for deposits from other banks and financial institutions during the year are as follows:

	2021 % per annum	2020 % per annum
Demand deposits	0,00% - 0,30%	0,00% - 0,30%
Saving deposits	No interest	No interest
Term deposits	0,56% - 6,65%	0,56% - 6,65%

25. DUE TO CUSTOMERS

	2021 LAKm	2020 LAKm
Demand deposits	**7.627.802**	**6.630.559**
Demand deposits in LAK	3.453.603	3.102.811
Demand deposits in FC	4.174.199	3.527.748
Saving deposits	**28.428.750**	**21.324.874**
Saving deposits in LAK	13.710.668	10.326.176
Saving deposits in FC	14.718.082	10.998.698
Term deposits	**20.439.404**	**16.508.548**
Term deposits in LAK	9.446.282	8.522.980
Term deposits in FC	10.993.122	7.985.568
Margin deposits	**79.905**	**64.704**
Margin deposits in LAK	24.830	25.731
Margin deposits in FC	55.075	38.973
Others	**95.915**	**122.433**
Accrued interest expense	**497.393**	**392.377**
	57.169.169	**45.043.495**

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

	2021 % per annum	2020 % per annum
Demand deposits	No interest	No interest
Saving deposits in LAK	1,25% - 1,89%	1,25% - 1,89%
Saving deposits in USD	0,90% - 1,15%	0,90% - 1,15%
Saving deposits in THB	0,45% - 0,70%	0,45% - 0,90%
Term deposits in LAK	3,16% - 12,15%	3,16% - 13,00%
Term deposits in USD	1,65% - 7,75%	1,65% - 7,75%
Term deposits in THB	1,40% - 7,75%	1,40% - 7,75%

26. BORROWINGS FROM OTHER BANKS

	2021 LAKm	2020 LAKm
Borrowings from the BOL	2.251.071	1.885.302
Borrowings from other banks	910.510	965.131
Accrued interest expense	193.042	111.668
	3.354.623	**2.962.101**

	2021 LAKm	2020 LAKm
Current borrowings	2.672.285	1.170.667
Non-current borrowings	682.338	1.791.434
	3.354.623	**2.962.101**

Borrowings from the BOL as at 31 December 2021 include:

USD 99.854.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,50% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 27 August 2016 to 27 August 2025. Interest is paid quarterly.

USD 99.900.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,30% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 3 May 2016 to 3 May 2026. Interest is paid quarterly.

LAK 4.050.000.000 long-term borrowing (credit line was LAK 4.050.000.000 with interest rate of 3% per annum) for the purpose of providing credit to medium and small corporates who got effected from COVID-19 according to the BOL regulation No.318/BOL dated 19 May 2020. The loan's principal is paid by 3 times such as first-time repayment for loan principal is 30%, second time repayment for loan principal is 30%, and third time repayment for loan principal is 40%. Interest is paid two time per year (June and December). This borrowing period is started from 18 August 2020 to 18 August 2026.

LAK 4.116.657.000 long-term borrowing (credit line was LAK 4.200.000.000 with interest rate of 3% per annum) for the purpose of providing credit to medium and small corporates who got effected from COVID-19 according to the BOL regulation No.318/BOL dated 19 May 2020. The loan's principal is paid by 3 times such as first-time repayment for loan principal is 30%, second time repayment for loan principal is 30%, and third time repayment for loan principal is 40%. Interest is paid two time per year (June and December). This borrowing period is started from 3 November 2020 to 3 November 2026.

LAK 3.000.000.000 long-term borrowing (credit line was LAK 3.080.000.000 with interest rate of 3% per annum) for the purpose of providing credit to medium and small corporates who got effected from COVID-19 according to the BOL regulation No.318/BOL dated 19 May 2020. The loan's principal is paid by 3 times such as first-time repayment for loan principal is 30%, second time repayment for loan principal is 30%, and third time repayment for loan principal is 40%. Interest is paid two time per year (June and December). This borrowing period is started from 22 December 2020 to 22 December 2026.

LAK 10.050.000.000 long-term borrowing (credit line was LAK 15.050.000.000 with interest rate of 3% per annum) for the purpose of providing credit to medium and small corporates who got effected from COVID-19 according to the BOL regulation No.318/BOL dated 19 May 2020. The loan's principal is paid by 3 times such as first-time repayment for loan principal is 30%, second time repayment for loan principal is 30%, and third time repayment for loan principal is 40%. Interest is paid two time per year (June and December). This borrowing period is started from 15 March 2021 to 15 March 2027.

26. BORROWINGS FROM OTHER BANKS (continued)

Borrowings from foreign banks as at 31 December 2021 includes:

USD 81.565.000 (original borrowing amount was USD 148.300.000 4-years borrowing with interest rate of 4% + 3M LIBOR) for the purpose of providing credit to certain domestic projects. The loan's principal is paid annually, and interest is paid quarterly.

27. TAXATION

27.1 Income tax expense

Major components of tax expense are as follows:

	2021 LAKm	2020 LAKm
Current income tax expense	(1.175)	(64.495)
Deferred tax income	-	8.114
Total tax expense for the year	**(1.175)**	**(56.381)**

27.2 Current profit tax ("PT")

The Bank is obliged to pay tax at a rate of 20% (2020: 20%) on total profit before tax in accordance with the Tax Law.

The calculations of Profit tax for the years 2021 and 2020 are as follows:

	2021 LAKm	2020 LAKm
Profit before tax	**12.584**	**299.594**
Adjustments for:		
- Amotisation of financial investment – hold to maturity	4.939	(5.416)
- Amortisation of loans to customers	(88.651)	(55.875)
- Impairment losses of loans to customers	101.418	87.407
- Defined post-employment benefits plan obligation expense	(8.617)	(8.233)
- Impairment expense of investments – available for sale	-	-
- Non-taxable profit from investment in associates and joint ventures using the equity method	(15.524)	(20.177)
Profit before tax in accordance with the relevant regulations and notifications of the Bank of Lao People's Democratic Republic	**6.149**	**297.300**
Increase/(Decrease):		
- Income exempted from PT	(5.761.265)	(1.384.101)
- Non-deductible expenses	5.760.987	1.409.274
Taxable profit	**5.871**	**322.473**
Tax rate	**20%**	**20%**
Income tax expense	**1.175**	**64.495**

27. TAXATION (continued))

27.2 Current profit tax ("PT") (continued)

	2021 LAKm	2020 LAKm
Total tax expense in the year	**1.175**	**64.495**
Payable at the beginning of the year	23.726	28.553
Tax adjustment for previous years based on the results of tax authority's inspection	(1.198)	(1.726)
Paid in the year	(47.718)	(67.596)
(Advance PT)/PT payable at the end of the year	**(24.015)**	**23.726**

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 separate financial statements could be changed at a later date upon final determination by the tax authorities.

27.3 Deferred tax assets/(liabilities)

	Statement of financial position		Statement of income		Statement of comprehensive income	
	2021 LAKm	2020 LAKm	2021 LAKm	2020 LAKm	2021 LAKm	2020 LAKm
Deferred tax assets	43.883	43.883	-	14.982	-	133
Deferred tax liabilities	(6.868)	(6.868)	-	(6.868)	-	-
Deferred tax assets, net	**37.015**	**37.015**				
Net deferred tax credited/(charged) to the statement of income			**-**	**8.114**		
Net deferred tax credited to the statement of comprehensive income					**-**	**133**

28. OTHER LIABILITIES

	2021 LAKm	2020 LAKm
Items waiting to settle	122.323	77.331
Defined post-employment benefit plan obligations	70.026	86.866
Other tax payable	53.759	18.540
Payable to suppliers	24.972	31.631
Payables to employees	2.757	2.189
Others	8.185	5.640
	282.022	**222.197**

Changes in defined post-employment benefit plan obligations are as follows:

	2021 LAKm	2020 LAKm
As at 1 January	86.866	79.219
Current service cost	4.126	5.890
Interest cost	4.658	4.048
Actuarial changes arising from changes in financial assumption	(22.498)	667
Benefits paid	(3.126)	(2.958)
As at 31 December	**70.026**	**86.866**

Net benefit expense (recognised in profit or loss):

	2021 LAKm	2020 LAKm
Current service cost	4.126	5.890
Interest cost	4.658	4.048
	8.784	**9.938**

The principal assumptions used in determining post-employment benefit obligations for the Bank's plans are shown below:

	2021 %	2020 %
Discount rate	5,00 - 10,55	4,68 - 6,11
Future salary increases	1,22	0,81
Employee turnover rate	2,41	1,31

A quantitative sensitivity analysis for significant assumptions as at 31 December is, as shown below:

	2021 LAKm	2020 LAKm
Discount rate		
increase 50 basis points	(4.207)	(6.611)
decrease 50 basis points	4.584	6.793
Future salary increases		
increase 50 basis points	4.886	7.083
decrease 50 basis points	(4.500)	(6.459)

29. CHARTER CAPITAL

There was no change in charter capital during the year 2021.

30. STATUTORY RESERVES

	Regulatory reserve fund LAKm	Business expansion fund and other funds LAKm	Total LAKm
As at 31 December 2020	**205.773**	**547.626**	**753.399**
Appropriation to reserves for the year 2020	22.362	55.906	78.268
As at 31 December 2021	**228.135**	**603.532**	**831.667**

31. ADDITIONAL CASH FLOW INFORMATION

Cash and cash equivalents included in the separate statement of cash flows comprise the following separate statement of financial position amounts:

	2021 LAKm	2020 LAKm
Demand deposits with the BOL	14.445.195	8.420.576
Current accounts with other banks	7.707.398	3.595.399
Cash and cash equivalents on hand	2.873.794	2.380.854
Term deposit due within 90 days	841.372	-
	25.867.759	**14.396.829**

32. CONTINGENT LIABILITIES AND COMMITMENTS

	2021 LAKm	2020 LAKm
Un-drawn commitments to lend for customers (ii)	1.917.706	3.301.678
At sight letters of credit	502.217	175.324
Letter of credit and bank guarantees (i)	375.568	481.964
Deferred payment letters of credit	-	68.737
Un-drawn commitments to lend for other banks (ii)	-	548
	2.795.491	**4.028.250**

(i) Letter of credit and bank guarantees

Letters of credit guarantees (including standby letters of credit) and acceptances commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. Guarantees and standby letters of credit carry the same credit risks as loans. Credit guarantees can be in the form of bills of exchange or in the form of irrevocable letters of credit, advance payment guarantees, and endorsement liabilities from bills discounted.

(ii) Un-drawn commitments to lend

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

33. RELATED PARTY DISCLOSURES

Transactions with key management personnel of the Bank

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

	2021 LAKm	2020 LAKm
Salaries	1.605	1.385
Responsibility allowance	1.010	876
Bonus	296	523
	2.911	**2.784**

33. RELATED PARTY DISCLOSURES (continued)

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

Related party	Note	Transactions	Income LAKm	Expense LAKm
The Ministry of Finance of Lao PDR ("MOF")	(i)	Interest income from investment in MOF's bonds	268.716	-

Related party	Note	Transactions	Increase LAKm	Decrease LAKm
The Ministry of Finance of Lao PDR	(i)	Net change in investment in MOF's bonds	-	(1.458.198)
BCEL - Krung Thai Securities Company Limited ("BCEL – KT")	(ii)	Net change in deposits at BCEL - KT	-	(70)
Lao Viet Joint Venture Bank ("LVB")	(ii)	Net change in deposits at LVB	-	(120.738)
		Net change in deposits from LVB	-	(597.300)
Banque Franco – Lao Company Limited ("BFL")	(ii)	Net change in deposits at BFL	77.415	-
		Net change in deposits from BFL	5.220	-
Lao China Bank Co., Ltd ("LCNB")	(ii)	Net change in deposits at LCNB	770	-
		Net change in deposit from LCNB	-	(21.750)

(i) Direct owner
(ii) Associate and Joint venture

33. RELATED PARTY DISCLOSURES (continued)

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

Related party	Note	Transactions	Receivable LAKm	Payable LAKm
The Ministry of Finance of the Lao PDR	(i)	Investment in MOF's bonds	5.356.812	-
		Accrued interest	150.437	-
BCEL - Krung Thai Securities Company Limited	(ii)	Saving accounts	-	1.436
Lao Viet Joint Venture Bank	(ii)	Current accounts	831.492	330.681
Banque Franco – Lao Company Limited	(ii)	Current deposit	-	12.160
		Term deposit	5.475	-
Lao China Bank Co. Ltd	(ii)	Current accounts	770	17.241
Lao Viet Insurance Company	(ii)	Current accounts	-	1.032

(i) Direct owner
(ii) Associate and Joint venture

34. EARNINGS PER SHARE

Earnings per share ("EPS") is calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Bank by the weighted average number of ordinary share outstanding during the year.

The following reflects the income and share data used in the earnings per share computation.

	2021	2020
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	11.410	243.213
Weighted average number of ordinary shares for basic earnings per share (shares)	207.723.300	207.723.300
Face value per share (LAK)	5.000	5.000
Earnings per share (LAK)	55	1.171

Net operating loss for the period ended 31 December 2021 is LAK 5.478 million which loss per share is LAK 26 per share and operating profit for the period ended 31 December 2020 was LAK 223.036 million which earnings per share was 1.074 LAK per share

35. DIVIDENDS

The annual general meeting of shareholder, held on 30 April 2021, approved the dividend payment from the company's business operation result in FY2020 of LAK 560 per share amounting to a total LAK 116.325 million. The dividend was paid on 14 and 18 May 2021.

36. RISK MANAGEMENT POLICIES

Introduction

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

The primary objective of the Bank in risk management is to comply with the BOL regulations. On the other hand, the Bank has recognised the importance of meeting international best practices on risk management. The Board of Directors and Board of Management, with support from an Asset and Liability Management Committee, are in the process of formulating broad parameters of acceptable risk for the Bank and monitor the activities against these parameters.

The Board has appointed the Asset and Liability Management Committee which has the responsibility to monitor the overall risk process within the Bank.

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

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

Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

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

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

37. CAPITAL MANAGEMENT

The Bank maintains minimum regulatory capital in accordance with Regulation No 536/BFSD/BOL dated 14 October 2009 by the Governor of the Commercial Bank Supervision Department of the BOL and other detailed guidance. The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements by the BOL. The Bank recognises the need to maintain effectiveness of assets and liabilities management to balance its profit and capital adequacy.

In accordance with Regulation 536/BFSD/BOL, the Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes charter capital, the regulatory reserve fund, business expansion fund and other funds, and retained earnings;
- Tier 2 capital, which is equal to 45% of revaluation reserves; and the lower option between 1,25% of total risk weighted balance sheet items and outstanding balance of general provision during the year.

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

An analysis of the Bank's capital based on financial information deprived from special purpose separate financial statements is as follows:

	2021 LAKm	2020 LAKm
Tier 1 capital	2.132.146	2.213.029
Tier 2 capital	-	-
Total capital	**2.132.146**	**2.213.029**
Less: Deductions from capital (Investments in other entities)	(643.318)	(614.434)
Capital for CAR calculation (A)	**1.488.828**	**1.598.595**
Risk weighted balance sheet items	18.738.102	16.662.140
Risk weighted off balance sheet items	1.467.354	1,955.930
Total risk weighted assets (B)	**20.205.456**	**18.618.070**
Capital Adequacy Ratio (A/B)	**7,37%**	**8,59%**

38. EVENTS AFTER THE REPORTING DATE

There are no events after the reporting date that require disclosure or adjustment in financial statements of the Bank.

39. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST LAK AT YEAR END

	2021 LAK	2020 LAK
USD	11.163,00	9.280,00
EUR	12.650,00	11.394,00
THB	346,44	330,49
GBP	14.872,00	12.437,00
JPY	96,18	88,48
AUD	7.995,00	7.024,00
CNY	1.771,00	1.425,00