

Canadia Bank Lao Limited

Financial statements

for the year ended 31 December 2016

Canadia Bank Lao Limited

CONTENTS

	<i>Pages</i>
General information	1
Report of management	2
Independent auditors' report	3 - 4
Income statement	5 - 6
Balance sheet	7 - 9
Statement of changes in equity	10
Cash flow statement	11 - 12
Notes to the financial statements	13 - 28

Canadia Bank Lao Limited

GENERAL INFORMATION

THE BANK

Canadia Bank Lao Limited (the “Bank”), a subsidiary of Canadia Bank Plc, was established in Lao People’s Democratic Republic (“Lao P.D.R”). The Bank operates under Banking License No. 28/BOL granted by the Bank of Lao P.D.R (“the BOL”) on 14 August 2015.

The initial registered capital of the Bank is LAK 300,000,000,000. The actual paid-up capital as at 31 December 2016 is LAK 300,000,000,000 (equivalent to US Dollar 36,746,693).

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

The Bank is located at Pangkham Road, Xiengyeun Village, Chathabouly District, Vientiane Capital, Lao P.D.R.

BOARD OF DIRECTORS

Members of the board of directors during the year and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Pung Kheav Se	Chairman	21 March 2014
Mr. Charles Chuon Vann	Vice chairman	21 March 2014
Mr. Dethphouvang Moularath	Independent Director	1 September 2015
Mr. Lee Hong	Independent Director	1 September 2015
Mr. Ou Sophanarith	Member	21 March 2014
Mr. Lor Chee Leng	Member	21 March 2014
Ms. Song Khenglay	Member	21 March 2014

MANAGEMENT

Members of the Management during the year and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Buth Ang	Chief Executive Officer	6 June 2015
Mr. Thai Nha	Chief Financial Officer	9 December 2015

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year and at the date of this report is Mr. Buth Ang – Chief Executive Officer.

AUDITORS

The auditors of the Bank are Ernst & Young Lao Company Limited.

Canadia Bank Lao Ltd

REPORT OF MANAGEMENT

Management of Canadia Bank Lao Ltd ("the Bank") is pleased to present its report and the Bank's financial statements for the year ended 31 December 2016.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Bank's Management is responsible for the financial statements of each financial year which give a true and fair view of the financial position of the Bank and of its operational results and its cash flows for the year. In preparing those financial statements, the management of the Bank is required to:

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

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

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

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2016 and of the results of its operations and its cash flows for the year then ended in accordance with the Accounting Law of the Lao P.D.R and the regulations stipulated by the Bank of Lao P.D.R relevant to preparation and presentation of financial statements.

For and on behalf of Management:



Mr. Buth Ang
Chief Executive Officer

Vientiane, Lao P.D.R

31 March 2017



Ernst & Young Lao Limited.
6th Floor, Capital Tower
23 Singha Road, Nongbone Village
Saysettha District Vientiane Capital, Lao PDR

Tel: +856 21 455 077
Fax: +856 21 455 078
ey.com

Reference: 61175025/17538958

INDEPENDENT AUDITORS' REPORT

To: **The Management of Canadia Bank Lao Ltd**

Opinion

We have audited the financial statements of Canadia Bank Lao Ltd ("the Bank"), which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of the Bank's Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with those charged with governance 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.

Ernst & Young Lao

Vientiane, Lao P.D.R

31 March 2017



Canadia Bank Lao Ltd

INCOME STATEMENT
for the year ended 31 December 2016

<i>Code</i>	<i>ITEMS</i>	<i>Notes</i>	<i>For the year ended 31/12/2016 LAKm</i>	<i>For the period from 01/09/2015 to 31/12/2015 LAKm</i>
A.	OPERATING INCOME AND EXPENSES			
1.	Interest and similar income	3	16,074	218
1.1	Interest and similar income from interbank		746	28
1.2	Interest and similar income from customers		15,328	190
2.	Interest and similar expense	3	(209)	(16)
2.1	Interest and similar expense for interbank		-	-
2.2	Interest and similar expense for customers		(209)	(16)
I.	NET INTEREST AND SIMILAR INCOME		15,865	202
3	Fee and commission income	4	740	2,820
4	Fee and commission expense	4	(188)	(8)
5	Net gain/(loss) from dealing in foreign currencies	5	30	(379)
II.	NET OPERATING INCOME		16,606	2,635
B	OTHER INCOME AND EXPENSES			
6	Other operating income		60	-
7	Administration expenses		(6,098)	(1,851)
7.1	Payroll and other staff costs	6	(3,534)	(783)
7.2	Other administration expenses	7	(2,558)	(1,068)
7.3	Other operating expense		(6)	-
8	Depreciation and amortization charges		(5,698)	(2,081)
9	Other operating expenses	8	(301)	(428)
10	Net provision for non-performing loans	12.2	-	-
10.1	Provision for non-performing loans charged to expense		-	-

Canadia Bank Lao Ltd

INCOME STATEMENT (continued)
for the year ended 31 December 2016

Code	ITEMS	Notes	For the year ended 31/12/2016 LAKm	For the period from 01/09/2015 to 31/12/2015 LAKm
III.	TOTAL PROFIT/(LOSS) BEFORE TAX		4,410	(1,725)
11	Current enterprise income tax	18	(667)	-
IV.	PROFIT/(LOSS) AFTER TAX		3,743	(1,725)



Mr. Thai Nha
Chief Financial Officer

Reviewed by:

Mr. Buth Ang
Chief Executive Officer

Vientiane, Lao P.D.R

31 March 2017

Canadia Bank Lao Ltd

BALANCE SHEET
as at 31 December 2016

<i>Code</i>	<i>ASSETS</i>	<i>Notes</i>	<i>31/12/2016 LAKm</i>	<i>31/12/2015 LAKm</i>
I	Cash and balances with the BOL		139,697	235,762
1	Cash on hand	9	9,476	10,970
2	Balance with the BOL	10	130,221	224,792
II	Due from other banks		40,986	10,570
1	Demand deposits	11.1	4,536	3,570
2	Term deposits	11.2	36,450	7,000
III	Loans to customers, net of provision for non-performing loans	12	145,862	85,655
IV	Fixed assets		8,849	13,067
1	Tangible fixed assets	13.1	6,338	6,634
2	Intangible fixed assets	13.2	2,511	6,433
V	Other assets		17,659	3,578
1	Accrued interests receivable	14	2,041	129
2	Other assets	15	15,618	3,449
	TOTAL ASSETS		353,053	348,632

Canadia Bank Lao Ltd

BALANCE SHEET (continued)
as at 31 December 2016

<i>Code</i>	<i>LIABILITIES AND CAPITAL</i>	<i>Notes</i>	<i>31/12/2016 LAKm</i>	<i>31/12/2015 LAKm</i>
I	Due to other banks	16	39,197	31,945
1	Demand deposits		39,197	31,945
II	Due to customers	17	9,703	17,883
1	Demand deposits		653	11,352
2	Saving deposits		2,772	5,969
3	Fixed term deposits		6,278	562
III	Other liabilities		1,247	101
1	Accrued interest		118	4
2	Taxes payable	18.1	667	29
3	Others payables		462	68
	TOTAL LIABILITIES		50,147	49,929
IV	Capital and reserves		302,906	298,703
1	Paid-up capital	19	300,000	300,000
2	Regulatory reserve		201	-
3	General provision for credit activities	12.2	729	428
4	Foreign exchange reserve		159	-
5	Retained earnings/(accumulated losses)		1,817	(1,725)
	TOTAL CAPITAL		302,906	298,703
	TOTAL LIABILITES AND CAPITAL		353,053	348,632

Canadia Bank Lao Ltd

BALANCE SHEET (continued)
as at 31 December 2016

Code	OFF BALANCE SHEET ITEMS	Notes	31/12/2016 LAKm	31/12/2015 LAKm
I	Collaterals and Mortgages			
A 1	Collaterals and Mortgages for loans Collaterals and Mortgages for loans to customers		438,456	335,633
	TOTAL COLLATERALS AND MORTGAGES		438,456	335,633



Mr. Thai Nha
Chief Financial Officer

Reviewed by:

[Signature]

Mr. Buth Ang
Chief Executive Officer

Vientiane, Lao P.D.R

31 March 2017

Canadia Bank Lao Ltd

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

ITEMS	Paid-up capital LAKm	Regulatory reserve LAKm	Foreign exchange reserve LAKm	General provision for credit activities LAKm	(Accumulated losses)/ Retained earnings LAKm	Total LAKm
Balance as at 01/09/2015	-	-	-	-	-	-
Additional paid-up capital in the period	300,000	-	-	-	-	300,000
Net loss for the period	-	-	-	-	(1,725)	(1,725)
Net general provision charged during the period	-	-	-	428	-	428
Balance as at 31/12/2015	300,000	-	-	428	(1,725)	298,703
Balance as at 01/01/2016	300,000	-	-	428	(1,725)	298,703
Net profit for the year	-	-	-	-	3,743	3,743
Regulatory reserve	-	201	-	-	(201)	-
Foreign exchange reserve	-	-	159	-	-	159
Net general provision charged during the year	-	-	-	301	-	301
Balance as at 31/12/2016	300,000	201	159	729	1,817	302,906



Reviewed by:

Mr. Buth Ang
Chief Executive Officer

Mr. Thai Nha
Chief Financial Officer

Vientiane, Lao P.D.R

31 March 2017

Canadia Bank Lao Ltd

CASHFLOW STATEMENT for the year ended 31 December 2016

<i>ITEMS</i>	<i>Notes</i>	<i>For the year ended 31/12/2016 LAKm</i>	<i>For the period from 01/09/2015 to 31/12/2015 LAKm</i>
Net profit/(loss) before tax		3,743	(1,725)
<i>Adjustments for:</i>			
Depreciation and amortization charges		5,698	2,081
Written-off fixed assets		363	-
Loan loss provision expenses	12.2	301	428
Cash inflows before changing in operating assets and liabilities		10,105	784
(Increase)/decrease in operating assets			
Balances with other banks		41,358	(142,927)
Loans and advances to customers		(60,207)	(85,655)
Accrued interest income		(1,940)	(101)
Other assets		(12,141)	(3,477)
Increase/(decrease) in operating liabilities			
Due to other banks		7,252	31,945
Customer deposits and other amounts due to customers		(8,180)	17,883
Other liabilities		1,305	101
Net cash flows used in operating activities		(22,448)	(181,447)
INVESTING ACTIVITIES			
Payments to acquire property and equipment		(1,843)	(15,148)
Net cash flows used in investing activities		(1,843)	(15,148)
FINANCING ACTIVITIES			
Capital contribution		-	300,000
Net cash flows from financing activities		-	300,000
Net change in cash and cash equivalents		(24,291)	103,405

Canadia Bank Lao Ltd

CASHFLOW STATEMENT (continued)
for the year ended 31 December 2016

ITEMS	Notes	For the year ended 31/12/2016 LAKm	For the period from 01/09/2015 to 31/12/2015 LAKm
Cash and cash equivalents at the beginning of the year/period		103,405	-
Effect of foreign exchange difference		-	-
Cash and cash equivalents at the end of the year/period	20	79,114	103,405



Prepared by
Mr. Thai Nha
Chief Financial Officer

Reviewed by:

Mr. Buth Ang
Chief Executive Officer

Vientiane, Lao P.D.R

31 March 2017

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2016

1. CORPORATE INFORMATION

Establishment and operations

Canadia Bank Lao Limited (the “Bank”), a subsidiary of Canadia Bank Plc, was established in Lao People’s Democratic Republic (“Lao P.D.R”). The Bank operates under Banking License No. 28/BOL granted by the Bank of Lao P.D.R (“the BOL”) on 14 August 2015.

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

Paid-up capital

The initial registered capital of the Bank is LAK 300,000,000,000. The actual paid-up capital as at 31 December 2016 is LAK 300,000,000,000 (equivalent to US Dollar 36,746,693).

BOARD OF DIRECTORS

Members of the board of directors during the year and at the date of this report are as follows:

<u>Name</u>	<u>Title</u>	<u>Date of appointment</u>
Mr. Pung Kheav Se	Chairman	21 March 2014
Mr. Charles Chuon Vann	Vice chairman	21 March 2014
Mr. Dethphouvang Moularath	Independent Director	1 September 2015
Mr. Lee Hong	Independent Director	1 September 2015
Mr. Ou Sophanarith	Member	21 March 2014
Mr. Lor Chee Leng	Member	21 March 2014
Ms. Song Khenglay	Member	21 March 2014

MANAGEMENT

Members of the Management during the year and at the date of this report are as follows:

<u>Name</u>	<u>Title</u>	<u>Date of appointment</u>
Mr. Buth Ang	Chief Executive Officer	6 June 2015
Mr. Thai Nha	Chief Financial Officer	9 December 2015

Location

The Bank is located at Pangkham Road, Xiengyeun Village, Chathabouly District, Vientiane Capital, Lao P.D.R.

Employees

Total employees of the Bank as at 31 December 2016 were 43 people.

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. *Statement of compliance*

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

2.2. *Basis of preparation*

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

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

2.3. *Fiscal year*

The Bank's fiscal years start on 1 January and end on 31 December, except for the first fiscal year which started on 1 September 2015 and ended on 31 December 2015.

2.4. *Recognition of interest income and expense*

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

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

2.5. *Recognition of fee and commission*

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

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

2.6. *Cash and cash equivalents*

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

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7. Loans to customers

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

2.8. Specific provision for loans to customers

In accordance with Regulation 324/BOL (“BOL324”) dated 19 April 2011, the Bank is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into Performing loans or Non-performing loans based on the payment arrears status and other qualitative factors. Loans classified as either Normal or Pass (Group A) or Watch or Special Mention (Group B) are considered as Performing loans. Loans classified as either Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered Non-performing loans.

According to Regulation 324/BOL, provision for non-performing loans is established by multiplying the outstanding balance of each loan item with the provision rates applicable to that loan classification as follows:

No	Category	Specific provision rate
A	Normal or Pass	0%
B	Watch or Special Mention	3%
C	Substandard	20%
D	Doubtful	50%
E	Loss	100%

Changes in specific provision is recorded to the income statement as “Net provision for non-performing loans charged to/(reversed out of) expense”. Accumulated specific provision reserve is recorded in the balance sheet in “Loans to customers, net of provision for non-performing loans”.

Details on the loan classification and provision and the provision amount that are actually booked by the Bank as at 31 December 2016 are presented in Note 12.2.

2.9. General provision for credit activities

In accordance with BOL324, the Bank is required to create a general provision for loan losses at the rate 3.00% of the total balance of Watch or Special Mention loans as at the balance sheet date and general provision made for Normal or Pass loans shall be created upon the BOL’s notification for each year. For the year ended 31 December 2016, the general provision rate for Normal or Pass loans is ranging from 0.5% to 1% in accordance with the Official Letter No. 242/BOL issued by the Bank of Lao P.D.R on 2 April 2011. Accordingly, the Bank provided general provision at rate of 0.5% out of total balance of Normal or Pass loans.

The Bank complied with the BOL’s regulations on general provision provided for Normal or Pass and Watch or Special Mention loans for the year ended 31 December 2016.

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

Details of change in general provision for credit activities are presented in Note 12.2.

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10. Fixed assets

Fixed asset includes tangible fixed assets and intangible fixed assets. Tangible fixed assets consist of office equipment, furniture and fixtures, building improvements, and motor vehicles. Intangible fixed assets include start-up costs.

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

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

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

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

2.11. Depreciation and amortization

Depreciation and amortization of fixed assets are provided on the straight line basis at prescribed rates over their estimated useful life in accordance with the new Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016 stipulated by the President of the National Assembly. The following are the annual rates used.

Tangible fixed assets:

Building & improvement	5%
Office equipment	20%
Furniture & fixtures	20%
Motor vehicles	20%
IT Equipment	20%

Intangible fixed assets:

Start-up costs	50%
Software	50%

2.12. Reserves

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

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

In accordance with the Regulation on capital adequacy No.01/BOL dated 28 August 2001 by the Governor of the Bank of Lao PDR and other relevant guidance, commercial banks are required to provide regulatory reserve fund at the rate between 5% to 10% of profit after tax depending on the decision of the Management. The Business expansion fund and other funds shall be created upon decision of the Management. Since the Bank has accumulated losses, the Bank has not provided for statutory reserves for the year ended 31 December 2016.

In accordance with the Regulation No.237/BAF dated 17 May 2016 by the Bank of Lao PDR on recognition of foreign currency transactions, commercial banks are required to provide foreign exchange reserve fund for unrealized foreign exchange difference as at the year end.

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13. Foreign currency transactions

The Bank maintains its accounting system and records all transactions in original currencies. Monetary assets and liabilities denominated in foreign currencies at year end are translated into LAK at exchange rates ruling on the balance sheet date (see the list of exchange rates of applicable foreign currencies against LAK on 31 December 2016 as presented below). Foreign exchange differences arising from the translation of monetary assets and liabilities on the balance sheet date are recognized in equity.

	31/12/2016
	<u>LAK</u>
United State Dollar ("USD")	8,167
Thai Baht ("THB")	229
Chinese Yuan ("CNY")	1,177
Euro ("EUR")	8,538
Pound ("GBP")	9,938
Australia Dollar ("AUD")	5,842

2.14. Taxation

Provision is made for taxation on the current period's profits, based on the Tax Law governing taxation within Lao P.D.R. The Bank is obliged to pay tax at rate of 24% of total profit before tax in accordance with the new Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016. Accordingly, the Bank is subject to the tax rate of 24% for the year ended 31 December 2016 (2015: 24%). The Bank's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations in many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

2.15. Employee benefit

Post-employment benefits

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

Termination benefits

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

- ▶ The employee lacks 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 for the worker who has worked for less than three years. For workers who have worked for more than three years, the basis of calculation shall be 15%. As at 31 December 2016, there are no employees of the Bank who were dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the financial statements.

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

3. NET INTEREST AND SIMILAR INCOME

	<i>For the year ended 31/12/2016 LAKm</i>	<i>For the period from 01/09/2015 to 31/12/2015 LAKm</i>
Interest and similar income from:		
Interbank transactions	746	28
Loans to customers	15,328	190
	16,074	218
Interest and similar expense for:		
Customer deposits	(209)	(16)
	(209)	(16)
Net interest and similar income	15,865	202

4. FEES AND COMMISSION INCOME AND EXPENSE

	<i>For the year ended 31/12/2016 LAKm</i>	<i>For the period from 01/09/2015 to 31/12/2015 LAKm</i>
Fees and commission income from		
Credit activities	740	2,820
	740	2,820
Fees and commission expense from		
Commission in interbank transactions	63	6
Other fees and commissions	125	2
	188	8

5. NET GAIN/(LOSS) FROM DEALING IN FOREIGN CURRENCIES

	<i>For the year ended 31/12/2016 LAKm</i>	<i>For the period from 01/09/2015 to 31/12/2015 LAKm</i>
Gain from foreign exchange spot rate differences	2,726	328
Loss from foreign exchange spot rate differences	(2,696)	(707)
	30	(379)

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

6. PAYROLL AND OTHER STAFF COSTS

	<i>For the year ended 31/12/2016 LAKm</i>	<i>For the period from 01/09/2015 to 31/12/2015 LAKm</i>
Wages and allowances	3,414	782
Other employee expenses	120	1
	3,534	783

7. OTHER ADMINISTRATION EXPENSES

	<i>For the year ended 31/12/2016 LAKm</i>	<i>For the period from 01/09/2015 to 31/12/2015 LAKm</i>
External services	502	324
Publication, marketing and promotion	67	74
Office rental	957	324
Telecommunication	122	64
Training, meeting and seminar	127	35
Expenses in banking business	4	68
Consultant fees	101	158
Other expenses	678	21
	2,558	1,068

8. OTHER OPERATING EXPENSES

	<i>For the year ended 31/12/2016 LAKm</i>	<i>For the period from 01/09/2015 to 31/12/2015 LAKm</i>
General provision for loans to customers (see Note 12.2)	301	428
	301	428

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

9. CASH ON HAND

	31/12/2016 <i>LAKm</i>	31/12/2015 <i>LAKm</i>
Cash on hand in LAK	2,853	2,408
Cash on hand in foreign currencies	6,623	8,562
	9,476	10,970

10. BALANCES WITH THE BOL

	31/12/2016 <i>LAKm</i>	31/12/2015 <i>LAKm</i>
Demand deposit	65,102	88,865
Compulsory reserve (*)	879	4,019
Registered capital reserve (**)	64,240	131,908
	130,221	224,792

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

(*) Under regulations of the BOL, the Bank is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 5.00% for LAK and 10.00% for foreign currencies, on a fortnight basis, of customer deposits having original maturities of less than 12 months (2015: 5.00% and 10.00%).

(**) According to Decree No. 02/PR of BOL, commercial bank are required to maintain a minimum balance of special deposit at BOL which is equivalent to 25% of their paid-up capital to secure for their operational continuance. The Bank was then approved by the BOL in Official Letter No. 145/BOL dated 22 April 2016, 191/BOL dated 12 May 2016, 200/BOL dated 25 May 2016, 229/BOL dated 10 June 2016, 242/BOL dated 21 June 2016, 254/BOL dated 28 June 2016, 362/BOL dated 6 September 2016, 374/BOL dated 12 September 2016 and 481/BOL dated 17 November 2016 to withdraw from this deposit account to supplement its working capital. As at 31 December 2016, the balance of this special deposit is LAKm 64,240.

11. DUE FROM OTHER BANKS

11.1 Demand deposits

	31/12/2016 <i>LAKm</i>	31/12/2015 <i>LAKm</i>
Demand deposits at domestic banks		
Banque Pour le Commerce Exterieur Lao ("BCEL")	557	3,277
Maruhan Japan Bank Laos	5	-
Demand deposits at foreign banks		
Canadia Bank Plc	3,974	293
	4,536	3,570

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

11. DUE FROM OTHER BANKS (continued)

11.2 Term deposits

			31/12/2016 LAKm	31/12/2015 LAKm
Term deposit at domestic bank				
Banque Pour le Commerce Exterieur Lao ("BCEL")			31,450	7,000
Maruhan Japan Bank Laos			5,000	-
			36,450	7,000
<i>Bank</i>	<i>Currency</i>	<i>Term</i>	<i>Interest rate (% p.a.)</i>	<i>Balance at 31/12/2016 LAKm</i>
Banque Pour le Commerce Exterieur Lao ("BCEL")	LAK	12 months	2.25%	4,500
	LAK	6 months	1.75%	2,500
	LAK	12 months	2.25%	24,450
Maruhan Japan Bank Laos	LAK	12 months	4.00%	2,500
	LAK	12 months	4.00%	2,500
				36,450

12. LOANS TO CUSTOMERS, NET OF PROVISION FOR NON-PERFORMING LOANS

	31/12/2016 LAKm	31/12/2015 LAKm
Loans to customers (Note 12.1)	145,862	85,655
Less specific provision for credit losses (Note 12.2)	-	-
	145,862	85,655

	<i>For the year ended 31/12/2016 Interest rates % per annum</i>	<i>For the period from 01/09/2015 to 31/12/2015 Interest rates % per annum</i>
Loans denominated in USD	7.75% - 15.00%	9.00% - 13.00%
Loans denominated in LAK	10.00% - 15.00%	13.80% - 14.33%

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

12. LOANS TO CUSTOMERS, NET OF PROVISION FOR NON-PERFORMING LOANS (continued)

12.1 Analysis of loans to customers

Analysis by currency

	31/12/2016 <i>LAKm</i>	31/12/2015 <i>LAKm</i>
Loans denominated in USD	62,296	57,855
Loans denominated in LAK	83,566	27,800
	145,862	85,655

Analysis by status of loans

	31/12/2016 <i>LAKm</i>	31/12/2015 <i>LAKm</i>
Performing loans	145,862	85,655
Non-performing loans ("NPL")	-	-
	145,862	85,655

Analysis by original term

	31/12/2016 <i>LAKm</i>	31/12/2015 <i>LAKm</i>
Short-term loans	1,218	-
Medium-term loans	113,743	85,655
Long-term loans	30,901	-
	145,862	85,655

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

12. LOANS TO CUSTOMERS, NET OF PROVISION FOR NON-PERFORMING LOANS (continued)

12.2 Provision for credit losses

Movement of provision for credit losses of the Bank for the year ended 31 December 2016 is as follows:

	<i>Provision for NPL LAKm</i>	<i>General provision LAKm</i>	<i>Total LAKm</i>
Balance as at 31/12/2015	-	428	428
Provision charged to expense in the period	-	1,266	1,266
Reversal of provision in the period	-	(966)	(966)
Foreign exchange difference	-	1	1
Balance as at 31/12/2016	-	729	729

The breakdown of loan classification and provision as required by the BOL as at 31 December 2016 is as follows:

<i>Classification</i>	<i>Loan balance LAKm</i>	<i>Specific provision LAKm</i>	<i>General provision LAKm</i>	<i>Total provision LAKm</i>
Current	145,862	-	729	729
Special Mention	-	-	-	-
Sub-standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	145,862	-	729	729

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

13. FIXED ASSETS

13.1 Tangible fixed assets

Movements of the balance of tangible fixed assets for the year ended 31 December 2016 are as follows:

	<i>Building & improvement</i> LAKm	<i>Office equipment</i> LAKm	<i>Furniture & fixtures</i> LAKm	<i>Motor vehicles</i> LAKm	<i>IT Equipment</i> LAKm	<i>Total</i> LAKm
Cost:						
As at 31/12/2015	4,065	753	350	327	1,990	7,485
Additions for the year	57	415	68	1,037	154	1,731
Written-off	-	(121)	(19)	-	(637)	(777)
As at 31/12/2016	<u>4,122</u>	<u>1,047</u>	<u>399</u>	<u>1,364</u>	<u>1,507</u>	<u>8,439</u>
Accumulated depreciation:						
As at 31/12/2015	415	88	45	65	238	851
Charge for the year	821	183	77	203	380	1,664
Written-off	-	(16)	(5)	-	(393)	(414)
As at 31/12/2016	<u>1,236</u>	<u>255</u>	<u>117</u>	<u>268</u>	<u>225</u>	<u>2,101</u>
Net book value:						
As at 31/12/2015	<u>3,650</u>	<u>665</u>	<u>305</u>	<u>262</u>	<u>1,752</u>	<u>6,634</u>
As at 31/12/2016	<u>2,886</u>	<u>792</u>	<u>282</u>	<u>1,096</u>	<u>1,282</u>	<u>6,338</u>

13.2 Intangible fixed assets

Movements of the balance of intangible fixed assets for the year ended 31 December 2016 are as follows:

	<i>Start-up cost</i> LAKm	<i>Software</i> LAKm	<i>Total</i> LAKm
Cost:			
As at 31/12/2015	6,419	1,244	7,663
Additions for the year	-	112	112
As at 31/12/2016	<u>6,419</u>	<u>1,356</u>	<u>7,775</u>
Accumulated amortization:			
As at 31/12/2015	1,076	154	1,230
Charge for the year	3,199	835	4,034
As at 31/12/2016	<u>4,275</u>	<u>989</u>	<u>5,264</u>
Net book value:			
As at 31/12/2015	<u>5,343</u>	<u>1,090</u>	<u>6,433</u>
As at 31/12/2016	<u>2,144</u>	<u>367</u>	<u>2,511</u>

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

14. ACCRUED INTERESTS RECEIVABLE

	31/12/2016 LAKm	31/12/2015 LAKm
Accrued interest receivable from:		
Loans to customers	1,413	101
Term deposits	628	28
	2,041	129

15. OTHER ASSETS

	31/12/2016 LAKm	31/12/2015 LAKm
Prepaid expenses	2,903	3,311
Receivables from shareholders	12,698	-
Others	17	138
	15,618	3,449

16. DUE TO OTHER BANKS

	31/12/2016 LAKm	31/12/2015 LAKm
Demand deposit from:		
- <i>Canadia Bank Plc</i>	38,714	31,945
- <i>ST Bank Co., Ltd</i>	481	-
- <i>Other financial institutions</i>	2	-
	39,197	31,945

17. DUE TO CUSTOMERS

	31/12/2016 LAKm	31/12/2015 LAKm
Demand deposits	653	11,352
Demand deposits in LAK	594	11,316
Demand deposits in FC	59	36
Saving deposits	2,772	5,969
Saving deposits in LAK	925	173
Saving deposits in FC	1,847	5,796
Fixed term deposits	6,278	562
Fixed term deposits in LAK	-	100
Fixed term deposits in FC	6,278	462
	9,703	17,883

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

17. AMOUNTS DUE TO CUSTOMERS (continued)

The interest rates for these deposits are as follows:

	<i>For the year ended 31/12/2016 % per annum</i>	<i>For the period from 01/09/2015 to 31/12/2015 % per annum</i>
Demand deposits in LAK	0.00%	0.00%
Demand deposits in USD	0.00%	0.00%
Demand deposits in THB	0.00%	0.00%
Saving deposits in LAK	1.91% - 8.5%	1.96% - 6.50%
Saving deposits in USD	1.50%	1.50% - 5.50%
Saving deposits in THB	1.50%	1.50% - 6.00%
Term deposits in LAK	N/A	N/A
Term deposits in USD	5.75% - 6.00%	N/A
Term deposits in THB	2.75% - 5.5%	N/A

18. TAXATION

18.1 Taxes payable

	<i>31/12/2016 LAKm</i>	<i>31/12/2015 LAKm</i>
Profit taxes payable	667	-
Foreign contractor tax payable	-	29
	667	29

18.2 Profit Tax ("PT")

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

	<i>For the year ended 31/12/2016 LAKm</i>	<i>For the period from 01/09/2015 to 31/12/2015 LAKm</i>
Profit/(loss) before tax	4,410	(1,725)
Carried forward loss	(1,725)	-
Non-deductible expense	93	-
Taxable income	2,778	(1,725)
Current PT expense, at the statutory rate of 24%	667	-
PT payable at the beginning of the year/period	-	-
PT paid during the year/period	-	-
PT payable at the end of the year/period	667	-

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

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

19. PAID-UP CAPITAL

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

	<i>For the year ended 31/12/2016 LAKm</i>	<i>For the period from 01/09/2015 to 31/12/2015 LAKm</i>
Opening balance	300,00	-
Increase in the period	-	300,000
Closing balance	300,000	300,000

20. CASH AND CASH EQUIVALENTS

	<i>31/12/2016 LAKm</i>	<i>31/12/2015 LAKm</i>
Cash on hand	9,476	10,970
Current accounts with the BOL	65,102	88,865
Current accounts with other banks	4,536	3,570
	79,114	103,405

21. RELATED PARTY TRANSACTIONS

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

- (a) directly, or indirectly through one or more intermediaries, the party:
- ▶ controls, is controlled by, or is under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries);
 - ▶ has an interest in the Bank that gives it significant influence over the Bank; or
 - ▶ has joint control over the Bank.
- (b) the party is a joint venture in which the Bank is a venture;
- (c) the party is a member of the key management personnel of the Bank or its parent;
- (d) the party is a close member of the family of any individual referred to in (a) or (d);
- (e) the party is a Bank that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Bank resides with, directly or indirectly, any individual referred to in (c) or (d); or
- (f) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any Bank that is a related party of the Bank.

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

21. RELATED PARTY TRANSACTIONS (continued)

Balances with related parties as at 31 December 2016 are as follows:

<u>Related party</u>	<u>Relationship</u>	<u>Transactions</u>	<u>31/12/2016</u> <u>Receivable/(payable)</u> <u>LAKm</u>
Canadia Bank Plc	Owner	Demand deposits from the parent bank	(38,714)
		Demand deposits at the parent bank	3,974

Significant transactions with related parties during the year ended 31 December 2016 were as follows:

<u>Transaction</u>	<u>For the year ended</u> <u>31/12/2016</u> <u>LAKm</u>
Canadia Bank Plc	Receipt of deposits (6,769)
Canadia Bank Plc	Placement of deposits 3,681

Transactions with key management personnel of the Bank

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

	<u>31/12/2016</u> <u>LAKm</u>	<u>31/12/2015</u> <u>LAKm</u>
Salaries	519	234
Bonus	83	10
	602	244

22. EVENTS AFTER THE BALANCE SHEET DATE

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



Prepared by:
Mr. Thai Nha
Chief Financial Officer

Reviewed by:

Mr. Buth Ang
Chief Executive Officer

Vientiane, Lao P.D.R

31 March 2017