

# **Canadia Bank Lao Limited**

Financial statements

31 December 2017

# Canadia Bank Lao Limited

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# 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 PDR”). The Bank operates under Banking License No. 28/BOL granted by Bank of the Lao PDR (“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 2017 is LAK 300,000,000,000 (equivalent to US Dollar 36,258,158).

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 PDR.

### 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 Co., Ltd.

# 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 2017.

### 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 the result of its operations and its cash flows for the year. In preparing those financial statements, management is required to:

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

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

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

### STATEMENT 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 2017 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 PDR and the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements.



Mr. Buth Ang  
Chief Executive Officer

Vientiane, Lao PDR

28 March 2018

## **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 2017, 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 the Accounting Law of Lao PDR and with the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements.

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

*Ernst & Young Lao*

Vientiane, Lao PDR

28 March 2018

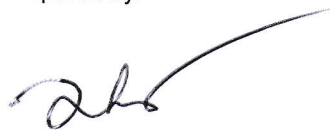


# Canadia Bank Lao Ltd

INCOME STATEMENT  
for the year ended 31 December 2017

Code	ITEMS	Notes	2017 LAKm	2016 LAKm
<b>A.</b>	<b>OPERATING INCOME AND EXPENSES</b>			
<b>1.</b>	<b>Interest and similar income</b>	<b>3</b>	<b>23,278</b>	<b>16,074</b>
1.1	Interest and similar income from interbank		1,180	746
1.2	Interest and similar income from customers		22,098	15,328
<b>2.</b>	<b>Interest and similar expense</b>	<b>3</b>	<b>(383)</b>	<b>(209)</b>
2.1	Interest and similar expense for interbank		-	-
2.2	Interest and similar expense for customers		(383)	(209)
<b>I.</b>	<b>NET INTEREST AND SIMILAR INCOME</b>		<b>22,895</b>	<b>15,865</b>
<b>3</b>	<b>Fee and commission income</b>	<b>4</b>	<b>527</b>	<b>740</b>
<b>4</b>	<b>Fee and commission expense</b>	<b>4</b>	<b>(252)</b>	<b>(188)</b>
<b>5</b>	<b>Net gain from foreign currency trading</b>	<b>5</b>	<b>1,073</b>	<b>30</b>
<b>II.</b>	<b>NET OPERATING INCOME</b>		<b>24,243</b>	<b>16,606</b>
<b>B</b>	<b>OTHER INCOME AND EXPENSES</b>			
<b>6</b>	<b>Other operating income</b>		<b>198</b>	<b>60</b>
<b>7</b>	<b>Administration expenses</b>		<b>(7,647)</b>	<b>(6,098)</b>
7.1	Payroll and other staff costs	6	(4,408)	(3,534)
7.2	Other administration expenses	7	(3,170)	(2,558)
7.3	Other operating expense		(69)	(6)
<b>8</b>	<b>Depreciation and amortization charges</b>		<b>(4,068)</b>	<b>(5,698)</b>
<b>9</b>	<b>Other operating expenses</b>	<b>8</b>	<b>(3,012)</b>	<b>(301)</b>
<b>10</b>	<b>Provision for non-performing loans</b>		<b>-</b>	<b>-</b>
<b>III.</b>	<b>TOTAL PROFIT BEFORE TAX</b>		<b>9,714</b>	<b>4,410</b>
<b>11</b>	<b>Current profit tax</b>	<b>18.2</b>	<b>(2,169)</b>	<b>(667)</b>
<b>IV.</b>	<b>NET PROFIT AFTER TAX</b>		<b>7,545</b>	<b>3,743</b>

Prepared by:



Mr. Thai Nha  
Chief Financial Officer

Vientiane, Lao PDR

28 March 2018



Reviewed by:



Mr. Buth Ang  
Chief Executive Officer

# Canadia Bank Lao Ltd

BALANCE SHEET  
as at 31 December 2017

Code	ASSETS	Notes	31/12/2017 LAKm	31/12/2016 LAKm
<b>I</b>	<b>Cash and balances with the BOL</b>		<b>99,232</b>	<b>139,697</b>
1	Cash on hand	9	6,172	9,476
2	Balances with the BOL	10	93,060	130,221
<b>II</b>	<b>Due from other banks</b>		<b>74,531</b>	<b>40,986</b>
1	Demand deposits	11.1	6,333	4,536
2	Term deposits	11.2	68,198	36,450
<b>III</b>	<b>Loans to customers, net of provision for non-performing loans</b>	<b>12</b>	<b>170,893</b>	<b>145,862</b>
<b>IV</b>	<b>Fixed assets</b>		<b>4,747</b>	<b>8,849</b>
1	Tangible fixed assets	13.1	4,730	6,338
2	Intangible fixed assets	13.2	17	2,511
<b>V</b>	<b>Other assets</b>		<b>23,179</b>	<b>17,659</b>
1	Accrued interests receivable	14	8,198	2,041
2	Other assets	15	14,981	15,618
	<b>TOTAL ASSETS</b>		<b>372,582</b>	<b>353,053</b>

Code	LIABILITIES AND CAPITAL	Notes	31/12/2017 LAKm	31/12/2016 LAKm
<b>I</b>	<b>Due to other banks</b>	<b>16</b>	<b>48,594</b>	<b>39,197</b>
1	Demand deposits		48,594	39,197
<b>II</b>	<b>Due to customers</b>	<b>17</b>	<b>7,828</b>	<b>9,703</b>
1	Demand deposits		361	653
2	Saving deposits		4,673	2,772
3	Fixed term deposits		2,794	6,278
<b>III</b>	<b>Other liabilities</b>		<b>2,658</b>	<b>1,247</b>
1	Accrued interest payables		76	118
2	Taxes payable	18.1	1,596	667
3	Others payables		986	462
	<b>TOTAL LIABILITIES</b>		<b>59,080</b>	<b>50,147</b>
<b>IV</b>	<b>Capital and reserves</b>			
1	Paid-up capital	19	300,000	300,000
2	Regulatory reserve		956	201
3	General provision for credit activities	12.2	3,780	729
4	Foreign exchange differences reserve		-	159
5	Retained earnings		8,766	1,817
	<b>TOTAL CAPITAL</b>		<b>313,502</b>	<b>302,906</b>
	<b>TOTAL LIABILITES AND CAPITAL</b>		<b>372,582</b>	<b>353,053</b>



# Canadia Bank Lao Ltd

BALANCE SHEET (continued)  
as at 31 December 2017

Code	OFF BALANCE SHEET ITEMS	Notes	31/12/2017 LAKm	31/12/2016 LAKm
<b>I</b>	<b>Collaterals and Mortgages</b>			
<b>A</b>	<b>Collaterals and Mortgages for loans</b>			
1	Collaterals and Mortgages for loans to customers		494,595	438,456
	<b>TOTAL COLLATERALS AND MORTGAGES</b>		<b>494,595</b>	<b>438,456</b>

Prepared by:



Mr. Thai Nha  
Chief Financial Officer



Reviewed by:



Mr. Buth Ang  
Chief Executive Officer

Vientiane, Lao PDR

28 March 2018

# Canadia Bank Lao Ltd

STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 December 2017

	Paid-up capital LAKm	Regulatory reserve LAKm	Foreign exchange reserve LAKm	General provision for credit activities LAKm	(Accumulated losses)/ Retained earnings LAKm	Total LAKm
<b>Balance as at 01/01/2016</b>	<b>300,000</b>	-	-	<b>428</b>	<b>(1,725)</b>	<b>298,703</b>
Net profit for the year	-	-	-	-	3,743	3,743
Regulatory reserve	-	201	-	-	(201)	-
Foreign exchange differences reserve	-	-	159	-	-	159
Net general provision charged during the year	-	-	-	301	-	301
<b>Balance as at 31/12/2016</b>	<b>300,000</b>	<b>201</b>	<b>159</b>	<b>729</b>	<b>1,817</b>	<b>302,906</b>
Net profit for the year	-	-	-	-	7,545	7,545
Additional regulatory reserve	-	755	-	-	(755)	-
Net general provision charged during the year	-	-	-	-	-	-
Reversal of foreign exchange differences reserve	-	-	(159)	3,012	-	3,012
Foreign exchange difference	-	-	-	39	159	39
<b>Balance as at 31/12/2017</b>	<b>300,000</b>	<b>956</b>	-	<b>3,780</b>	<b>8,766</b>	<b>313,502</b>

Prepared by:

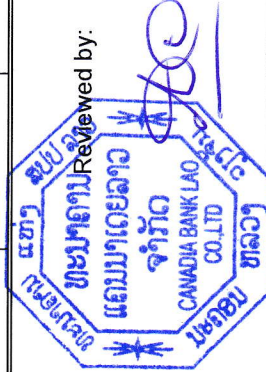


Mr. Thai Nha  
Chief Financial Officer

Vientiane, Lao PDR

28 March 2018

Reviewed by:



Mr. Buth Ang  
Chief Executive Officer

# Canadia Bank Lao Ltd

## CASHFLOW STATEMENT for the year ended 31 December 2017

ITEMS	Notes	2017 LAKm	2016 LAKm
<b>OPERATING ACTIVITIES</b>			
<b>Net profit before tax</b>		<b>9,714</b>	<b>4,410</b>
<i>Adjustments for:</i>			
Depreciation and amortization charges		4,068	5,698
Fixed assets written off		70	363
Provision for credit losses	12.2	3,012	301
Foreign exchange gains arising from revaluation of monetary accounts denominated in foreign currencies	5	(936)	-
<b>Operating profit before changing in operating assets and liabilities</b>		<b>15,928</b>	<b>10,772</b>
(Increase)/decrease in operating assets			
Balances with other banks		21,754	41,358
Loans and advances to customers		(25,031)	(60,207)
Accrued interest income		(6,157)	(1,940)
Other assets		808	(12,141)
Increase/(decrease) in operating liabilities			
Due to other banks		9,397	7,252
Customer deposits and other amounts due to customers		(1,875)	(8,180)
Profit tax paid during the year	18.2	(1,240)	-
Accrued interest expenses		(42)	-
Other liabilities		1,460	638
<b>Net cash flows from/(used in) operating activities</b>		<b>15,002</b>	<b>(22,448)</b>
<b>INVESTING ACTIVITIES</b>			
Payments to acquire property and equipment		(168)	(1,843)
<b>Net cash flows used in investing activities</b>		<b>(168)</b>	<b>(1,843)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Net cash flows from financing activities</b>		-	-
<b>Net increase/(decrease) in cash for the year</b>		<b>14,834</b>	<b>(24,291)</b>

# Canadia Bank Lao Ltd

CASHFLOW STATEMENT (continued)  
for the year ended 31 December 2017

ITEMS	Notes	2017 LAKm	2016 LAKm
Cash and cash equivalents at the beginning of year		79,114	103,405
Cash and cash equivalents at the end of year	20	93,948	79,114

Prepared by:



Mr. Thai Nha  
Chief Financial Officer



Reviewed by:



Mr. Buth Ang  
Chief Executive Officer

Vientiane, Lao PDR

28 March 2018

# Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS  
as at 31 December 2017 and for the year then ended

## 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 PDR”). The Bank operates under Banking License No. 28/BOL granted by Bank of the Lao PDR (“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 2017 is LAK 300,000,000,000.

### ***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

### ***Location***

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

### ***Employees***

Total employees of the Bank as at 31 December 2017 were 47 people (31 December 2016: 43 people)

# Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.1. *Statement of compliance***

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

### **2.2. *Basis of preparation***

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

The accompanying financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Lao PDR. Accordingly, the 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 PDR's accounting principles, procedures and practices and furthermore are not intended to present the financial position of the Bank and the results of its operations and its cash flows in accordance with accounting principles and practices generally accepted in countries other than Lao PDR.

### **2.3. *Fiscal year***

The Bank's fiscal years applicable for the preparation of its financial statements starts on 1 January and ends on 31 December.

### **2.4. *Recognition of interest income and expenses***

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 upon 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.

### **2.7. *Loans to customers***

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

# Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.8. Provision for non-performing loans

In accordance with Regulation 324/BOL (“BOL324”) dated 19 April 2011, the Bank is required to classify loans and make 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:

<b>Group</b>	<b>Category</b>	<b>Provision rate</b>
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”.

Regarding the loan related to certain customers at San Jiang Market, who were affected by the fire incident, the Bank is allowed to classify these loans as Special Mention until June 2018 in accordance with Official Letter No. 1022/CBSD dated 29 November 2017 issued by the Banking Supervision Department of BOL.

### 2.9. General provision for credit activities

In accordance with BOL324, the Bank is required to make 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 made upon the BOL’s notification for each year. For the year ended 31 December 2017, 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 Bank of the Lao PDR 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 2017.

In accordance with the relevant accounting regulations as stipulated by Bank of the Lao PDR, 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.

# Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

## 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 building improvements, office equipment, furniture and fixtures, motor vehicles and IT equipment. Intangible fixed assets include start-up costs, and software.

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

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

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

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

In accordance with the Regulation on capital adequacy No.1/BOL dated 28 August 2001 by the Governor of the Bank of Lao P.D.R and other relevant guidance, commercial banks are required to appropriate at least 5% of profit after tax each year, after deducting retained losses, to regulatory reserve fund, until such fund reaches 10% of Tier-1 capital. Based on this requirement, management will decide the exact percentage of each year. The Business expansion fund and other funds shall be created upon decision of the Board of Management. The Bank has temporarily made additional statutory reserves at 10% of profit after tax for the year ended 31 December 2017. These amount reported in the financial statements could change at a later date upon final decision of Management.



# Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

## 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. Foreign exchange differences arising from the translation of monetary assets and liabilities on the balance sheet date are recognized into “*Net gain from foreign currency trading*” in the income statement. The list of exchange rates of applicable foreign currencies against LAK on 31 December 2017 as presented below:

	31/12/2017
	<u>LAK</u>
United State Dollar (“USD”)	8,274
Thai Baht (“THB”)	253
Chinese Yuan (“CNY”)	1,256
Euro (“EUR”)	9,802
Pound (“GBP”)	10,887
Australia Dollar (“AUD”)	6,292

### 2.14. Taxation

Provision is made for taxation on the current period's profits, based on the Tax Law governing taxation within Lao PDR. 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 2017 (2016: 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. As at 31 December 2017, 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 31 December 2017 and for the year then ended

## 3. NET INTEREST AND SIMILAR INCOME

	<i>2017</i> <i>LAKm</i>	<i>2016</i> <i>LAKm</i>
<b>Interest and similar income from:</b>		
Interbank transactions	1,180	746
Loans to customers	22,098	15,328
	<b>23,278</b>	<b>16,074</b>
<b>Interest and similar expense for:</b>		
Customer deposits	383	209
	<b>383</b>	<b>209</b>
<b>Net interest and similar income</b>	<b>22,895</b>	<b>15,865</b>

## 4. FEES AND COMMISSION INCOME AND EXPENSES

	<i>2017</i> <i>LAKm</i>	<i>2016</i> <i>LAKm</i>
<b>Fees and commission income from:</b>		
Credit activities	526	738
Other fees and commissions	1	2
	<b>527</b>	<b>740</b>
<b>Fees and commission expenses for:</b>		
Commission in interbank transactions	82	63
Other fees and commissions	170	125
	<b>252</b>	<b>188</b>

## 5. NET GAIN FROM FOREIGN CURRENCY TRADING

	<i>2017</i> <i>LAKm</i>	<i>2016</i> <i>LAKm</i>
Gain from foreign currency trading	137	30
Foreign exchange gain arising from revaluation of monetary accounts denominated in foreign currency	936	-
	<b>1,073</b>	<b>30</b>

# Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

## 6. PAYROLL AND OTHER STAFF COSTS

	<i>2017</i> <i>LAKm</i>	<i>2016</i> <i>LAKm</i>
Wages and allowances	4,226	3,414
Other employee expenses	182	120
	<b>4,408</b>	<b>3,534</b>

## 7. OTHER ADMINISTRATION EXPENSES

	<i>2017</i> <i>LAKm</i>	<i>2016</i> <i>LAKm</i>
External services	487	502
Repair and maintenance expenses	320	253
Publication, marketing and promotion	103	67
Office rental	978	957
Telecommunication	135	122
Training, meeting and seminar	142	127
Taxes and duties	554	72
Expenses in banking business	4	4
Consultant fees	149	101
Other expenses	298	353
	<b>3,170</b>	<b>2,558</b>

## 8. OTHER OPERATING EXPENSES

	<i>2017</i> <i>LAKm</i>	<i>2016</i> <i>LAKm</i>
General provision for loans to customers (see Note 12.2)	3,012	301
	<b>3,012</b>	<b>301</b>

# Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

## 9. CASH ON HAND

	31/12/2017 <i>LAKm</i>	31/12/2016 <i>LAKm</i>
Cash on hand in LAK	1,300	2,853
Cash on hand in foreign currencies	4,872	6,623
	<b>6,172</b>	<b>9,476</b>

## 10. BALANCES WITH THE BOL

	31/12/2017 <i>LAKm</i>	31/12/2016 <i>LAKm</i>
Demand deposit	81,443	65,102
Compulsory reserve (*)	716	879
Registered capital reserve (**)	10,901	64,240
	<b>93,060</b>	<b>130,221</b>

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 (2016: 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 to withdraw from this deposit account to supplement its working capital. As at 31 December 2017, the balance of this special deposit is LAKm 10,901.

## 11. DUE FROM OTHER BANKS

### 11.1 Demand deposits

	31/12/2017 <i>LAKm</i>	31/12/2016 <i>LAKm</i>
<b>Demand deposits at domestic banks</b>		
Banque Pour le Commerce Exterieur Lao ("BCEL")	2,301	557
Maruhan Japan Bank Laos	5	5
Indochina Bank	1	-
<b>Demand deposits at foreign banks</b>		
Canadia Bank Plc	4,026	3,974
	<b>6,333</b>	<b>4,536</b>

# Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

## 11. DUE FROM OTHER BANKS (continued)

### 11.2 Term deposits

	31/12/2017 LAKm	31/12/2016 LAKm
<b>Term deposit at domestic bank</b>		
Banque Pour le Commerce Exterieur Lao	46,450	31,450
Maruhan Japan Bank Laos	5,200	5,000
Indochina Bank Laos	16,548	-
	<b>68,198</b>	<b>36,450</b>

Term deposits are denominated in LAK, have term of 6 to 12 months, and interest from 1.75% to 5% p.a.

Term deposits are denominated in USD, have term of 6 months, and interest at 3.5% p.a.

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

	31/12/2017 LAKm	31/12/2016 LAKm
Loans to customers (Note 12.1)	170,893	145,862
Less provision for non-performing loans (Note 12.2)	-	-
	<b>170,893</b>	<b>145,862</b>

Interest rates of loans to customers during the years are as follows:

	2017 <i>Interest rates</i> <i>% per annum</i>	2016 <i>Interest rates</i> <i>% per annum</i>
Loans denominated in USD	7.75% - 15.00%	7.75% - 15.00%
Loans denominated in LAK	9.00% - 15.00%	10.00% - 15.00%

# Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

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

### 12.1 Analysis of loans to customers

#### Analysis by currency

	31/12/2017 LAKm	31/12/2016 LAKm
Loans denominated in USD	54,783	62,296
Loans denominated in LAK	116,110	83,566
	<b>170,893</b>	<b>145,862</b>

#### Analysis by status of loans

	31/12/2017 LAKm	31/12/2016 LAKm
Performing loans	170,893	145,862
Non-performing loans ("NPL")	-	-
	<b>170,893</b>	<b>145,862</b>

#### Analysis by original term

	31/12/2017 LAKm	31/12/2016 LAKm
Short-term loans	450	1,218
Medium-term loans	130,810	113,743
Long-term loans	39,633	30,901
	<b>170,893</b>	<b>145,862</b>

# Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

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

### 12.2 Provision for credit losses

Movements of provision for credit losses of the Bank for the year ended 31 December 2017 are as follows:

	<i>Provision for NPL LAKm</i>	<i>General provision LAKm</i>	<i>Total LAKm</i>
<b>Balance as at 31/12/2016</b>	-	<b>729</b>	<b>729</b>
Net provision charged to expense in the year	-	3,012	3,012
<i>In which:</i>			
<i>Additional provision</i>	43,098	13,571	56,669
<i>Reversal of provision</i>	(43,098)	(10,559)	(53,657)
Foreign exchange difference	-	39	39
<b>Balance as at 31/12/2017</b>	<b>-</b>	<b>3,780</b>	<b>3,780</b>

The breakdown of loan classification and provision as required by the BOL as at 31 December 2017 is as follows:

<i>Classification</i>	<i>Loan balance LAKm</i>	<i>General provision LAKm</i>
Current	53,862	269
Special Mention (*)	117,031	3,511
<b>Total</b>	<b>170,893</b>	<b>3,780</b>

(\*) Included in total Special Mention loans as at 31 December 2017 are loans amounted to LAKm 106,257 related to customers at San Jiang Market, who were affected by the fire incident. The Bank is allowed to classify these loan as Special Mention until June 2018 in accordance with Official Letter No. 1022/CBSD dated 29 November 2017 issued by the Banking Supervision Department of BOL.

# Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

## 13. FIXED ASSETS

### 13.1 *Tangible fixed assets*

Movements of tangible fixed assets for the year 2017 are as follows:

	<i>Building &amp; improvement</i> LAKm	<i>Office equipment</i> LAKm	<i>Furniture &amp; fixtures</i> LAKm	<i>Motor vehicles</i> LAKm	<i>IT Equipment</i> LAKm	<i>Total</i> LAKm
<b>Cost:</b>						
As at 31/12/2016	4,122	1,047	399	1,364	1,507	8,439
Additions for the year	-	3	62	23	80	168
Written-off	57	16	-	-	37	110
As at 31/12/2017	4,065	1,034	461	1,387	1,550	8,497
<b>Accumulated depreciation:</b>						
As at 31/12/2016	1,236	255	117	268	225	2,101
Charge for the year	820	209	91	276	310	1,706
Written-off	12	6	-	-	22	40
As at 31/12/2017	2,044	458	208	544	513	3,767
<b>Net book value:</b>						
As at 31/12/2016	2,886	792	282	1,096	1,282	6,338
As at 31/12/2017	2,021	576	253	843	1,037	4,730

### 13.2 *Intangible fixed assets*

Movements of the balance of intangible fixed assets for the year 2017 are as follows:

	<i>Start-up cost</i> LAKm	<i>Software</i> LAKm	<i>Total</i> LAKm
<b>Cost:</b>			
As at 31/12/2016	6,419	1,356	7,775
Other decrease	-	(1,093)	(1,093)
As at 31/12/2017	6,419	263	6,682
<b>Accumulated amortization:</b>			
As at 31/12/2016	4,275	989	5,264
Charge for the year	2,144	218	2,362
Other decrease	-	(961)	(961)
As at 31/12/2017	6,419	246	6,665
<b>Net book value:</b>			
As at 31/12/2016	2,144	367	2,511
As at 31/12/2017	-	17	17



# Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

## 14. ACCRUED INTERESTS RECEIVABLE

	31/12/2017 LAKm	31/12/2016 LAKm
Accrued interests receivable from:		
Loans to customers	7,499	1,413
Term deposits	699	628
	<b>8,198</b>	<b>2,041</b>

## 15. OTHER ASSETS

	31/12/2017 LAKm	31/12/2016 LAKm
Prepaid expenses	2,095	2,903
Receivables from shareholders (*)	12,864	12,698
Others	22	17
	<b>14,981</b>	<b>15,618</b>

(\*) This amount represents advances that the Bank has disbursed to support one of its shareholders purchasing land use rights in Laos.

## 16. DUE TO OTHER BANKS

	31/12/2017 LAKm	31/12/2016 LAKm
Demand deposit from:		
- <i>Canadia Bank Plc</i>	48,530	38,714
- <i>ST Bank Co., Ltd</i>	58	481
- <i>Other financial institutions</i>	6	2
	<b>48,594</b>	<b>39,197</b>

## 17. DUE TO CUSTOMERS

	31/12/2017 LAKm	31/12/2016 LAKm
<b>Demand deposits</b>	<b>361</b>	<b>653</b>
Demand deposits in LAK	46	594
Demand deposits in FC	315	59
<b>Saving deposits</b>	<b>4,673</b>	<b>2,772</b>
Saving deposits in LAK	1,161	925
Saving deposits in FC	3,512	1,847
<b>Fixed term deposits</b>	<b>2,794</b>	<b>6,278</b>
Fixed term deposits in LAK	734	-
Fixed term deposits in FC	2,060	6,278
	<b>7,828</b>	<b>9,703</b>

# Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

## 17. AMOUNTS DUE TO CUSTOMERS (continued)

The interest rates for these deposits are as follows:

	2017 % per annum	2016 % per annum
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% - 8.50%	1.91% - 8.5%
Saving deposits in USD	1.00%	1.50%
Saving deposits in THB	1.00%	1.50%
Term deposits in LAK	4.00% - 6.84%	N/A
Term deposits in USD	2.25% - 6.00%	5.75% - 6.00%
Term deposits in THB	3.00%	2.75% - 5.5%

## 18. TAXATION

### 18.1 Taxes payable

	31/12/2017 LAKm	31/12/2016 LAKm
Profit taxes payable	1,596	667
	<b>1,596</b>	<b>667</b>

### 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.

	2017 LAKm	2016 LAKm
Profit before tax	9,714	4,410
Loss carried forward	-	(1,725)
Non-taxable income	(936)	-
Non-deductible expense	291	93
Adjustment to loss carried forward based on tax authorities' conclusion	(190)	
Income from reversal of foreign exchange differences reserve	159	-
<b>Taxable income</b>	<b>9,038</b>	<b>2,778</b>
<b>Current PT expense, at the statutory rate of 24%</b>	<b>2,169</b>	<b>667</b>
PT payable at the beginning of year	667	-
PT paid during the year	1,240	-
<b>PT payable at the end of year</b>	<b>1,596</b>	<b>667</b>

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 31 December 2017 and for the year then ended

## 19. PAID-UP CAPITAL

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

	<i>2017</i> <i>LAKm</i>	<i>2016</i> <i>LAKm</i>
Opening balance	300,000	300,000
Changed during the year	-	-
<b>Closing balance</b>	<b>300,000</b>	<b>300,000</b>

## 20. CASH AND CASH EQUIVALENTS

	<i>31/12/2017</i> <i>LAKm</i>	<i>31/12/2016</i> <i>LAKm</i>
Cash on hand	6,172	9,476
Current accounts with the BOL	81,443	65,102
Current accounts with other banks	6,333	4,536
	<b>93,948</b>	<b>79,114</b>

## 21. RELATED PARTY TRANSACTIONS

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

(a) directly, or indirectly through one or more intermediaries, the party:

- ▶ controls, is controlled by, or is under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries);
- ▶ has an interest in the Bank that gives it significant influence over the Bank; or
- ▶ has joint control over the Bank.

(b) the party is a joint venture in which the Bank is a venture;

(c) the party is a member of the key management personnel of the Bank or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

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

# Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

## 21. RELATED PARTY TRANSACTIONS (continued)

Balances with related parties as at 31 December 2017 are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>31/12/2017</i> <i>Receivable/(payable)</i> <i>LAKm</i>
Canadia Bank Plc	Owner	Demand deposits from the parent bank	(48,530)
		Demand deposits at the parent bank	4,026
		Advances	12,864

### **Transactions with key management personnel of the Bank**

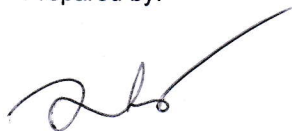
Remuneration to members of the Board of Management is as follows:

	<i>31/12/2017</i> <i>LAKm</i>	<i>31/12/2016</i> <i>LAKm</i>
Salaries	721	519
Bonus	230	83
	<b>951</b>	<b>602</b>

## 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

28 March 2018