

Canadia Bank Lao Limited

Financial statements

31 December 2018

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 2018 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:

<u>Name</u>	<u>Title</u>	<u>Date of appointment/resignation</u>
Mr. Pung Kheav Se	Chairman	Appointed on 21 March 2014
Mr. Charles Chuon Vann	Vice chairman	Appointed on 21 March 2014
Mr. Dethphouvang Moularath	Independent Director	Appointed on 1 September 2015
Mr. Lee Hong	Independent Director	Appointed on 1 September 2015
Mr. Ou Sophanarith	Member	Appointed on 21 March 2014
Mr. Lor Chee Leng	Member	Appointed on 21 March 2014
Ms. Song Khenglay	Member	Resigned on 31 December 2018 Appointed on 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

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 2018.

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 2018 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 2019



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INDEPENDENT AUDITORS' REPORT

To: **The Board of Directors 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 2018, 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 with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the financial statements, which describes the accounting policies adopted by the Bank. These accounting policies are not intended to present the financial position, the results of operations and cash flows of the Bank in accordance with international generally accepted accounting principles. 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.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves compliance 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.

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 Ad



Vientiane, Lao PDR

28 March 2019

Canadia Bank Lao Ltd

INCOME STATEMENT
for the year ended 31 December 2018

Code	ITEMS	Notes	2018 LAKm	2017 LAKm
A.	OPERATING INCOME AND EXPENSES			
1.	Interest and similar income	3	26,866	23,278
1.1	Interest and similar income from interbank		2,201	1,180
1.2	Interest and similar income from customers		24,665	22,098
2.	Interest and similar expense	3	(125)	(383)
2.1	Interest and similar expense for interbank		-	-
2.2	Interest and similar expense for customers		(125)	(383)
I.	NET INTEREST AND SIMILAR INCOME		26,741	22,895
3	Fee and commission income	4	629	527
4	Fee and commission expense	4	(302)	(252)
5	Net gain from foreign currency trading	5	1,882	1,073
II.	NET OPERATING INCOME		28,950	24,243
B	OTHER INCOME AND EXPENSES			
6	Other operating income	6	3,112	198
7	Administration expenses		(8,404)	(7,647)
7.1	Payroll and other staff costs	7	(5,344)	(4,408)
7.2	Other administration expenses	8	(3,060)	(3,170)
7.3	Other operating expense		-	(69)
8	Depreciation and amortization charges		(1,746)	(4,068)
9	Other operating expenses		-	(3,012)
10	Provision for non-performing loans	12.2	(5,635)	-
III.	TOTAL PROFIT BEFORE TAX		16,277	9,714
11	Current profit tax	18.2	(3,466)	(2,169)
IV.	NET PROFIT AFTER TAX		12,811	7,545

Prepared by:

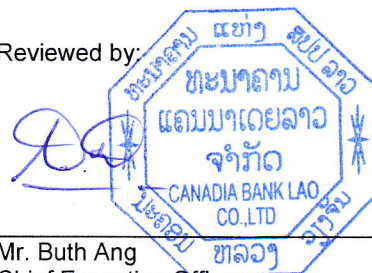


Mr. Thai Nha
Chief Financial Officer

Vientiane, Lao PDR

28 March 2019

Reviewed by:



Mr. Buth Ang
Chief Executive Officer

Canadia Bank Lao Ltd

BALANCE SHEET
as at 31 December 2018

Code	ASSETS	Notes	31/12/2018 LAKm	31/12/2017 LAKm
I	Cash and balances with the BOL		33,108	99,232
1	Cash on hand	9	6,211	6,172
2	Balances with the BOL	10	26,897	93,060
II	Due from other banks		125,569	74,531
1	Demand deposits	11.1	15,141	6,333
2	Term deposits	11.2	110,428	68,198
III	Loans to customers, net of provision for non-performing loans	12	197,018	170,893
IV	Fixed assets		3,364	4,747
1	Tangible fixed assets	13.1	3,364	4,730
2	Intangible fixed assets	13.2	-	17
V	Other assets		25,606	23,179
1	Accrued interests receivable	14	23,922	8,198
2	Other assets	15	1,684	14,981
	TOTAL ASSETS		384,665	372,582

Code	LIABILITIES AND CAPITAL	Notes	31/12/2018 LAKm	31/12/2017 LAKm
I	Due to other banks	16	44,300	48,594
1	Demand deposits		44,300	48,594
II	Due to customers	17	14,735	7,828
1	Demand deposits		2,517	361
2	Saving deposits		8,929	4,673
3	Fixed term deposits		3,289	2,794
III	Other liabilities		2,032	2,658
1	Accrued interests payable		75	76
2	Taxes payable	18.1	813	1,596
3	Others payables		1,144	986
	TOTAL LIABILITIES		61,067	59,080
IV	Capital and reserves			
1	Paid-up capital	19	300,000	300,000
2	Regulatory reserve		2,237	956
3	Provision for performing loans	12.2	1,065	3,780
4	Retained earnings		20,296	8,766
	TOTAL CAPITAL		323,598	313,502
	TOTAL LIABILITIES AND CAPITAL		384,665	372,582

Canadia Bank Lao Ltd

BALANCE SHEET (continued)
as at 31 December 2018

Code	OFF BALANCE SHEET ITEMS	Notes	31/12/2018 LAKm	31/12/2017 LAKm
I	Collaterals and Mortgages			
A 1	Collaterals and Mortgages for loans Collaterals and Mortgages for loans to customers		584,821	494,595
	TOTAL COLLATERALS AND MORTGAGES		584,821	494,595

Prepared by:



Mr. Thai Nha
Chief Financial Officer

Vientiane, Lao PDR

28 March 2019

Reviewed by:



Mr. Buth Ang
Chief Executive Officer

Canadia Bank Lao Ltd

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2018

	<i>Paid-up capital LAKm</i>	<i>Regulatory reserve LAKm</i>	<i>Foreign exchange reserve LAKm</i>	<i>Provision for performing loans LAKm</i>	<i>Retained earnings LAKm</i>	<i>Total LAKm</i>
Balance as at 01/01/2017	300,000	201	159	729	1,817	302,906
Net profit for the year	-	-	-	-	7,545	7,545
Additional regulatory reserve	-	755	-	-	(755)	-
Net provision for performing loans during the year	-	-	-	3,012	-	3,012
Foreign exchange differences reserve	-	-	-	39	-	39
Balance as at 31/12/2017	300,000	956	-	3,780	8,766	313,502
Net profit for the year	-	-	-	-	12,811	12,811
Additional regulatory reserve	-	1,281	-	-	(1,281)	-
Net provision for performing loans during the year	-	-	-	(2,810)	-	(2,810)
Foreign exchange difference	-	-	-	95	-	95
Balance as at 31/12/2018	300,000	2,237	-	1,065	20,296	323,598

Prepared by:



Mr. Thai Nha
Chief Financial Officer

Reviewed by:



Mr. Buth Ang
Chief Executive Officer

Vientiane, Lao PDR

28 March 2019

Canadia Bank Lao Ltd

CASHFLOW STATEMENT
for the year ended 31 December 2018

ITEMS	Notes	2018 LAKm	2017 LAKm
OPERATING ACTIVITIES			
Net profit before tax		16,277	9,714
<i>Adjustments for:</i>			
Depreciation and amortization charges		1,746	4,068
Fixed assets written off		-	70
Provision for credit losses	12.2	2,825	3,012
Foreign exchange gains arising from revaluation of monetary accounts denominated in foreign currencies	5	(1,881)	(936)
Operating profit before changing in operating assets and liabilities		18,967	15,928
(Increase)/decrease in operating assets			
Balances with other banks		(31,657)	21,754
Loans and advances to customers		(31,760)	(25,031)
Other assets		(2,427)	(5,349)
Increase/(decrease) in operating liabilities			
Due to other banks		(4,294)	9,397
Due to customers		6,907	(1,875)
Other liabilities		(3,284)	1,418
Profit tax paid during the year	18.2	2,133	(1,240)
Net cash flows (used in)from operating activities		(46,380)	15,002
INVESTING ACTIVITIES			
Payments to acquire property and equipment		(363)	(168)
Net cash flows used in investing activities		(363)	(168)
FINANCING ACTIVITIES			
Net cash flows from financing activities		-	-
Net change in cash for the year		(46,743)	14,834
Cash and cash equivalents at the beginning of year		93,948	79,114
Cash and cash equivalents at the end of year	20	47,205	93,948

Prepared by:



Mr. Thai Nha
Chief Financial Officer

Vientiane, Lao PDR

28 March 2019

Reviewed by:



Mr. Buth Ang
Chief Executive Officer

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS
as at 31 December 2018 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 2018 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:

<u>Name</u>	<u>Title</u>	<u>Date of appointment/resignation</u>
Mr. Pung Kheav Se	Chairman	Appointed on 21 March 2014
Mr. Charles Chuon Vann	Vice chairman	Appointed on 21 March 2014
Mr. Dethphouvang Moularath	Independent Director	Appointed on 1 September 2015
Mr. Lee Hong	Independent Director	Appointed on 1 September 2015
Mr. Ou Sophanarith	Member	Appointed on 21 March 2014
Mr. Lor Chee Leng	Member	Appointed on 21 March 2014
Ms. Song Khenglay	Member	Resigned on 31 December 2018 Appointed on 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 PDR.

Employees

Total employees of the Bank as at 31 December 2018 were 53 people (31 December 2017: 47 people)

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 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.

Fiscal year

The Bank’s fiscal years applicable for the preparation of its financial statements start on 1 January and end on 31 December.

2.3. *Changes in accounting policies*

The accounting policies adopted by the Bank in preparation of these financial statements are consistent with those used in preparation of the Bank’s financial statements for the year ended 31 December 2017, except for the changes in the accounting policies and notes in relation to the following operations:

As disclosed in Note 2.8, on 29 June 2018, the Governor of Bank of the Lao PDR issued Regulation 512/BOL (“BOL512”) on classification of and provision for credit activities, which was effective on 27 September 2018 and replaced Regulation 324/BOL dated 19 April 2011. On 14 November 2018, the Banking Supervision Department of Bank of the Lao PDR issued Official Letter No. 898/DCBS providing guidance to certain areas of Regulation BOL 512. These documents lead to the following significant changes:

- ▶ Classification: amending and supplementing the loan classification rule in regard of restructured loan.
- ▶ Provision: supplementing the option to include the discounted value of collateral in the provision calculation.
- ▶ Commitments: supplementing the recognition, classification and provisioning for commitments

As there is no guidance from the BOL on retrospective application of the new regulations, the Bank has selected to apply the changes prospectively.

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2018 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8. Classification of and provision for credit activities

Loan classification

In accordance with Regulation 512/BOL (“BOL512”) dated 29 June 2018 and Official Letter No. 898/CBSD (“OL898”) dated 14 November 2018, the Bank has classified loans into 5 groups based on the payment arrears status and other qualitative factors. Loans classified as either Normal or Pass (Group A) or Watch or Special Mention (Group B) are considered as Performing loans. Loans classified as either Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as Non-performing loans (“NPL”).

As disclosed in Note 12.2, for certain loans related to certain customers at San Jiang Market, the Bank is allowed to classify them as Special Mention until June 2019.

Provision

In accordance with BOL512 and OL898, the Bank creates provision for loans based on their classification groups as follows:

Group	Provision rate	Provision type (i)	Accounting for provision balance (ii)	Accounting for changes in provision balance (iii)
<i>Performing loans</i>				
A	0.5%	General	In equity	Other expense/ income
B	3.0%	Specific	In equity	Other expense/ income
<i>NPLs</i>				
C	20.0%	Specific	Deducted to loan balance	Net provision for NPL
D	50.0%	Specific	Deducted to loan balance	Net provision for NPL
E	100.0%	Specific	Deducted to loan balance	Net provision for NPL

(i) Provision amount is calculated by the following formulas:

a. General provision = Provision rate x Loan outstanding balance

b. Specific provision = Provision rate x (Loan outstanding balance – discounted value of collateral)

where the Bank has opted to include the discounted value of collateral in the provision calculation as allowed by BOL512 and OL898.

(ii) The balance of provision for *performing loans* is recorded in the balance sheet in “Provision reserve for performing loans” under capital and reserves of the Bank.

Accumulated balance of provision for *NPLs* is recorded in the balance sheet in “Loans to customers, net of provision for NPLs”.

(iii) Changes in provision for *performing loans* are recorded to the income statement as “Other operating expenses” for provision expense and “Other operating income” for reversal of provision expense.

Changes in provision for *NPLs* are recorded to the income statement as “Net provision for NPLs charged to/(reversed out of) expense”.

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9. 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.

2.10. 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%

2.11. 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 2018. 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 2018 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12. 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 2018 as presented below:

	31/12/2018	31/12/2017
	<u>LAK</u>	<u>LAK</u>
United State Dollar (“USD”)	8,509	8,274
Thai Baht (“THB”)	265	253
Chinese Yuan (“CNY”)	1,230	1,256
Euro (“EUR”)	9,710	9,802
Pound (“GBP”)	10,720	10,887
Australia Dollar (“AUD”)	6,014	6,292

2.13. Profit tax

The Bank is obliged to pay profit 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 2018 (2017: 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.

2.14. 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 but shall not exceed LAK 270,000 per staff. 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 2018, 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 2018 and for the year then ended

3. NET INTEREST AND SIMILAR INCOME

	<i>2018</i> <i>LAKm</i>	<i>2017</i> <i>LAKm</i>
Interest and similar income from:		
Interbank transactions	2,201	1,180
Loans to customers	24,665	22,098
	26,866	23,278
Interest and similar expense for:		
Customer deposits	(125)	(383)
	(125)	(383)
Net interest and similar income	26,991	22,895

4. FEES AND COMMISSION INCOME AND EXPENSES

	<i>2018</i> <i>LAKm</i>	<i>2017</i> <i>LAKm</i>
Fees and commission income from:		
Credit activities	620	526
Other fees and commissions	9	1
	629	527
Fees and commission expenses for:		
Commission in interbank transactions	(96)	(82)
Other fees and commissions	(206)	(170)
	(302)	(252)

5. NET GAIN FROM FOREIGN CURRENCY TRADING

	<i>2018</i> <i>LAKm</i>	<i>2017</i> <i>LAKm</i>
Gain from foreign currency trading	1	137
Foreign exchange gain arising from revaluation of monetary accounts denominated in foreign currency	1,881	936
	1,882	1,073

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

6. OTHER OPERATING INCOME

	<i>2018</i> <i>LAKm</i>	<i>2017</i> <i>LAKm</i>
Reversal of provision for performing loans (<i>see Note 12.2</i>)	2,810	-
Income from custody services	300	192
Other operating income	2	6
	3,112	198

7. PAYROLL AND OTHER STAFF COSTS

	<i>2018</i> <i>LAKm</i>	<i>2017</i> <i>LAKm</i>
Wages and allowances	5,184	4,226
Other employee expenses	160	182
	5,344	4,408

8. OTHER ADMINISTRATION EXPENSES

	<i>2018</i> <i>LAKm</i>	<i>2017</i> <i>LAKm</i>
External services	919	487
Repair and maintenance expenses	356	320
Publication, marketing and promotion	69	103
Office rental	991	978
Telecommunication	123	135
Training, meeting and seminar	24	142
Taxes and duties	70	554
Expenses in banking business	63	4
Consultant fees	96	149
Other expenses	349	298
	3,060	3,170

9. CASH ON HAND

	<i>31/12/2018</i> <i>LAKm</i>	<i>31/12/2017</i> <i>LAKm</i>
Cash on hand in LAK	1,304	1,300
Cash on hand in foreign currencies	4,907	4,872
	6,211	6,172

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

10. BALANCES WITH THE BOL

	31/12/2018 <i>LAKm</i>	31/12/2017 <i>LAKm</i>
Demand deposit	25,853	81,443
Compulsory reserve (*)	1,036	716
Registered capital reserve (**)	8	10,901
	26,897	93,060

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 (2017: 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.

11. DUE FROM OTHER BANKS

11.1 Demand deposits

	31/12/2018 <i>LAKm</i>	31/12/2017 <i>LAKm</i>
Demand deposits at domestic banks		
Banque Pour le Commerce Exterieur Lao ("BCEL")	9,314	2,301
Maruhan Japan Bank Laos	5	5
Indochina Bank	596	1
Demand deposits at foreign banks		
Canadia Bank Plc	4,141	4,026
Thanachart Bank Public Co., Ltd.,	1,085	-
	15,141	6,333

11.2 Term deposits

	31/12/2018 <i>LAKm</i>	31/12/2017 <i>LAKm</i>
Term deposit at domestic bank		
Banque Pour le Commerce Exterieur Lao	55,450	46,450
Maruhan Japan Bank Laos	7,960	5,200
Bank of China, Vientiane Branch	30,000	-
Indochina Bank Laos	17,018	16,548
	110,428	68,198

Term deposits denominated in LAK have terms of 3 to 12 months, and interest from 1.58% to 5.00% p.a. Term deposits denominated in USD have term of 3 months, and interest at 3.50% p.a.

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

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

	31/12/2018 <i>LAKm</i>	31/12/2017 <i>LAKm</i>
Loans to customers (Note 12.1)	197,236	170,893
Less provision for non-performing loans (Note 12.2)	(218)	-
	196,338	170,893

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

	2018 <i>Interest rates</i> <i>% per annum</i>	2017 <i>Interest rates</i> <i>% per annum</i>
Loans denominated in USD	7.56% - 15.00%	7.75% - 15.00%
Loans denominated in LAK	7.56% - 15.00%	9.00% - 15.00%

12.1 Analysis of loans to customers

Analysis by currency

	31/12/2018 <i>LAKm</i>	31/12/2017 <i>LAKm</i>
Loans denominated in USD	58,646	54,783
Loans denominated in LAK	138,590	116,110
	197,236	170,893

Analysis by status of loans

	31/12/2018 <i>LAKm</i>	31/12/2017 <i>LAKm</i>
Performing loans	196,273	170,893
Non-performing loans ("NPL")	963	-
	197,236	170,893

Analysis by original term

	31/12/2018 <i>LAKm</i>	31/12/2017 <i>LAKm</i>
Short-term loans	4,139	450
Medium-term loans	152,319	130,810
Long-term loans	40,778	39,633
	197,236	170,893

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 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 2018 are as follows:

	<i>Provision for non-performing loans LAKm</i>	<i>Provision for performing loans LAKm</i>	<i>Total LAKm</i>
Balance as at 31/12/2017	-	3,780	3,780
Net provision charged to expense in the year	5,635	(2,810)	2,825
<i>In which:</i>			
<i>Additional provision</i>	5,635	-	5,635
<i>Reversal of provision</i>	-	(2,810)	(2,810)
Write-offs	(5,417)	-	(5,417)
Foreign exchange difference	-	95	95
Balance as at 31/12/2018	218	1,065	1,283

The breakdown of loan classification and provision as required by the BOL as at 31 December 2018 is as follows:

<i>Classification</i>	<i>Loan balance LAKm</i>	<i>Provision for non-performing loans LAKm</i>	<i>Provision for performing loans LAKm</i>
Current	76,946	-	385
Special Mention (*)	119,327	-	680
Substandard	646	129	-
Doubtful	317	89	-
Total	197,236	218	1,065

(*) Included in total Special Mention loans as at 31 December 2018 are loans amounted to LAKm 113,158 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 2019 in accordance with Official Letter No. 1022/CBSD dated 29 November 2017 and Official Letter No. 479/CBSD dated 12 June 2018 issued by the Banking Supervision Department of BOL.

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

13. FIXED ASSETS

13.1 *Tangible fixed assets*

Movements of tangible fixed assets for the year 2018 are as follows:

	<i>Building & improvement LAKm</i>	<i>Office equipment LAKm</i>	<i>Furniture & fixtures LAKm</i>	<i>Motor vehicles LAKm</i>	<i>IT Equipment LAKm</i>	<i>Total LAKm</i>
Cost:						
As at 31/12/2017	4,065	1,034	461	1,387	1,550	8,497
Additions	85	57	45	-	176	363
As at 31/12/2018	<u>4,150</u>	<u>1,091</u>	<u>506</u>	<u>1,387</u>	<u>1,726</u>	<u>8,860</u>
Accumulated depreciation:						
As at 31/12/2017	2,044	458	208	544	513	3,767
Charge for the year	816	209	96	277	331	1,729
As at 31/12/2018	<u>2,860</u>	<u>667</u>	<u>304</u>	<u>821</u>	<u>844</u>	<u>5,496</u>
Net book value:						
As at 31/12/2017	<u>2,021</u>	<u>576</u>	<u>253</u>	<u>843</u>	<u>1,037</u>	<u>4,730</u>
As at 31/12/2018	<u>1,290</u>	<u>424</u>	<u>202</u>	<u>566</u>	<u>882</u>	<u>3,364</u>

13.2 *Intangible fixed assets*

Movements of the balance of intangible fixed assets for the year 2018 are as follows:

	<i>Software LAKm</i>
Cost:	
As at 31/12/2017	<u>263</u>
As at 31/12/2018	<u>263</u>
Accumulated amortization:	
As at 31/12/2017	
Charge for the year	<u>17</u>
As at 31/12/2018	<u>263</u>
Net book value:	
As at 31/12/2017	<u>17</u>
As at 31/12/2018	<u>-</u>

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

14. ACCRUED INTERESTS RECEIVABLE

	31/12/2018 LAKm	31/12/2017 LAKm
Accrued interests receivable from:		
Loans to customers	22,846	7,499
Term deposits	1,076	699
	23,922	8,198

15. OTHER ASSETS

	31/12/2018 LAKm	31/12/2017 LAKm
Prepaid expenses	1,662	2,095
Receivables from shareholders	-	12,864
Others	22	22
	1,684	14,981

16. DUE TO OTHER BANKS

	31/12/2018 LAKm	31/12/2017 LAKm
Demand deposit from:		
- <i>Canadia Bank Plc</i>	44,291	48,530
- <i>Other financial institutions</i>	9	64
	44,300	48,594

17. DUE TO CUSTOMERS

	31/12/2018 LAKm	31/12/2017 LAKm
Demand deposits	2,517	361
Demand deposits in LAK	2,299	46
Demand deposits in FC	218	315
Saving deposits	8,929	4,673
Saving deposits in LAK	1,731	1,161
Saving deposits in FC	7,198	3,512
Fixed term deposits	3,289	2,794
Fixed term deposits in LAK	938	734
Fixed term deposits in FC	2,351	2,060
	14,735	7,828

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

17. AMOUNTS DUE TO CUSTOMERS (continued)

The interest rates for these deposits are as follows:

	2018 % per annum	2017 % per annum
Demand deposits	0.00%	0.00%
Saving deposits in LAK	1.89%	1.91% - 8.50%
Saving deposits in USD	1.00%	1.00%
Saving deposits in THB	1.00%	1.00%
Term deposits in LAK	3.95% - 6.84%	4.00% - 6.84%
Term deposits in USD	2.25% - 5.00%	2.25% - 6.00%
Term deposits in THB	5.00%	3.00%

18. TAXATION

18.1 Taxes payable

	31/12/2018 LAKm	31/12/2017 LAKm
Profit tax payable	813	1,596
	813	1,596

18.2 Profit Tax ("PT")

The Bank is obliged to pay profit 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.

	2018 LAKm	2017 LAKm
Profit before tax	16,277	9,714
Non-taxable income	(1,881)	(936)
Non-deductible expense	23	291
Adjustment to loss carried forward based on tax authorities' conclusion	-	(190)
Income from reversal of foreign exchange differences reserve	-	159
Taxable income	14,419	9,038
Current PT expense, at the statutory rate of 24%	3,466	2,169
PT payable at the beginning of year	1,596	667
PT paid during the year	(4,249)	(1,240)
PT payable at the end of year	813	1,596

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)
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19. PAID-UP CAPITAL

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

	<i>2018</i> <i>LAKm</i>	<i>2017</i> <i>LAKm</i>
Opening balance	300,000	300,000
Changed during the year	-	-
Closing balance	300,000	300,000

20. CASH AND CASH EQUIVALENTS

	<i>31/12/2018</i> <i>LAKm</i>	<i>31/12/2017</i> <i>LAKm</i>
Cash on hand	6,211	6,172
Current accounts with the BOL	25,853	81,443
Current accounts with other banks	15,141	6,333
	47,205	93,948

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.

Canada Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

21. RELATED PARTY TRANSACTIONS (continued)

Significant transactions with related parties during the year 2018 are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>2018 LAKm</i>	<i>2017 LAKm</i>
Canada Bank Plc	Owner	Net decrease/(increase) in demand deposits from the parent bank	4,239	(9,816)
		Net increase in demand deposits at the parent bank	115	52
		Advances made/(returned)	(12,864)	12,864

Balances with related parties as at 31 December 2018 are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>31/12/2018 Receivable/ (payable) LAKm</i>	<i>31/12/2017 Receivable/ (payable) LAKm</i>
Canada Bank Plc	Owner	Demand deposits from the parent bank	(44,291)	(48,530)
		Demand deposits at the parent bank	4,141	4,026
		Advances	-	12,864

Transactions with key management personnel of the Bank

Remuneration to members of the Management is as follows:

	<i>2018 LAKm</i>	<i>2017 LAKm</i>
Salaries	804	721
Bonus	250	230
	1,054	951

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

	<i>2018 LAKm</i>	<i>2017 LAKm</i>
Director fee	268	266
	268	266

Canadia Bank Lao Ltd

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

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

Vientiane, Lao PDR

28 March 2019

Reviewed by:




Mr. Buth Ang
Chief Executive Officer