

# **Canadia Bank Lao Limited**

Financial statements

31 December 2019

# 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 2019 is LAK 300,000,000,000.

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 ended 31 December 2019 and as at the date of these financial statements are as follows:

<u>Name</u>	<u>Title</u>	<u>Date of appointment</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
Ms. Song Khenglay	Member	Appointed on 21 March 2014

### MANAGEMENT

Members of the Management during the year ended 31 December 2019 and as at the date of these financial statements are as follows:

<u>Name</u>	<u>Title</u>	<u>Date of appointment/resignation</u>
Mr. Buth Ang	Chief Executive Officer	Appointed on 6 June 2015
Mr. Im Sovanrith	Chief Financial Officer	Appointed on 1 January 2020
Mr. Thai Nha	Chief Financial Officer	Appointed on 9 December 2015 Resigned on 1 January 2020

### LEGAL REPRESENTATIVE

The legal representative of the Bank during the year ended 31 December 2019 and as at the date of these financial statements is Mr. Buth Ang – Chief Executive Officer.

### AUDITORS

The auditor of the Bank is Ernst & Young Lao Co., Ltd.

# Canadia Bank Lao Limited

## REPORT OF MANAGEMENT

Management of Canadia Bank Lao Ltd (“the Bank”) is pleased to present its report and the Bank’s financial statements as at and for the year ended 31 December 2019.

### MANAGEMENT’S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible for the preparation of the financial statements of each financial year 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. 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 are prepared, in all material respects, in accordance with the Accounting Law of the Lao PDR and the regulations stipulated by Bank of the Lao PDR relevant to the preparation and presentation of the financial statements.

For and on behalf of management



Mr. Buth Ang  
Chief Executive Officer

Vientiane, Lao PDR

30 March 2020

Reference: 61235940/21504373-LAS

## **INDEPENDENT AUDITORS' REPORT**

**To: The Board of Directors of Canadia Bank Lao Limited**

### ***Opinion***

We have audited the financial statements of Canadia Bank Lao Limited ("the Bank"), which comprise the statement of financial position as at 31 December 2019, the income statement, statement of changes in equity and statement of cash flows 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 the Lao PDR and 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 Matters***

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.

We also draw attention to Note 21.3 to the financial statements, which describes the request of the Ministry of Finance for commercial banks to recalculate profit tax for the years from 2016 to 2019 and the potential impact on deductible expenses for profit tax calculation during these period subject to pending clarification and detailed implementation guidance from authorized agencies.

Our opinion is not modified in respect of these matters.

### **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 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.

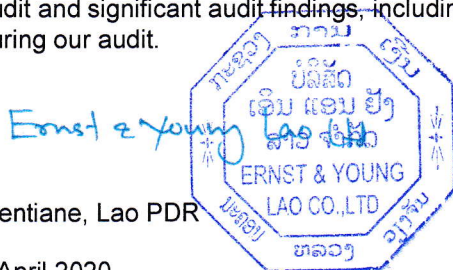
### **Auditors' Responsibilities for the Audit of the Financial Statements**

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.
- ▶ 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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.



Vientiane, Lao PDR

6 April 2020

# Canada Bank Lao Limited

INCOME STATEMENT  
for the year ended 31 December 2019

Code	ITEMS	Notes	2019 LAKm	2018 LAKm
<b>A.</b>	<b>OPERATING INCOME AND EXPENSES</b>			
<b>1.</b>	<b>Interest and similar income</b>	<b>3</b>	<b>27,298</b>	<b>26,866</b>
1.1	Interest and similar income from interbank transactions		2,316	2,201
1.2	Interest and similar income from customers		24,982	24,665
<b>2.</b>	<b>Interest and similar expense</b>	<b>3</b>	<b>(290)</b>	<b>(125)</b>
2.1	Interest and similar expense for customers		(290)	(125)
<b>I.</b>	<b>NET INTEREST AND SIMILAR INCOME</b>		<b>27,008</b>	<b>26,741</b>
<b>3</b>	<b>Fee and commission income</b>	<b>4</b>	<b>713</b>	<b>629</b>
<b>4</b>	<b>Fee and commission expense</b>	<b>4</b>	<b>(305)</b>	<b>(302)</b>
<b>5</b>	<b>Net gain from foreign currency trading</b>	<b>5</b>	<b>3,177</b>	<b>1,882</b>
<b>II.</b>	<b>NET OPERATING INCOME</b>		<b>30,593</b>	<b>28,950</b>
<b>B</b>	<b>OTHER INCOME AND EXPENSES</b>			
<b>6</b>	<b>Other operating income</b>	<b>6</b>	<b>2,898</b>	<b>3,112</b>
<b>7</b>	<b>Administration expenses</b>		<b>(8,765)</b>	<b>(8,404)</b>
7.1	Payroll and other staff costs	7	(6,200)	(5,344)
7.2	Other administration expenses	8	(2,565)	(3,060)
<b>8</b>	<b>Depreciation and amortization charges</b>		<b>(2,551)</b>	<b>(1,746)</b>
<b>9</b>	<b>Other operating expenses</b>	<b>9</b>	<b>(4,391)</b>	<b>-</b>
<b>10</b>	<b>Provision for non-performing loans</b>	<b>14.2</b>	<b>(9,135)</b>	<b>(5,635)</b>
<b>III.</b>	<b>TOTAL PROFIT BEFORE TAX</b>		<b>8,649</b>	<b>16,277</b>
<b>11</b>	<b>Current profit tax</b>	<b>21.2</b>	<b>(1,392)</b>	<b>(3,466)</b>
<b>IV.</b>	<b>NET PROFIT AFTER TAX</b>		<b>7,257</b>	<b>12,811</b>

Prepared by:



Mr. Im Sovanrith  
Chief Financial Officer

Reviewed by:



Mr. Buth Ang  
Chief Executive Officer

Vientiane, Lao PDR

30 March 2020

# Canadia Bank Lao Limited

## STATEMENT OF FINANCIAL POSITION as at 31 December 2019

<i>Code</i>	<i>ASSETS</i>	<i>Notes</i>	<i>31/12/2019 LAKm</i>	<i>31/12/2018 LAKm</i>
<b>I</b>	<b>Cash and balances with the BOL</b>		<b>26,864</b>	<b>33,108</b>
1	Cash on hand	10	8,070	6,211
2	Balances with the BOL	11	18,794	26,897
<b>II</b>	<b>Due from other banks</b>		<b>101,619</b>	<b>125,569</b>
1	Demand deposits	12.1	18,849	15,141
2	Term deposits	12.2	82,770	110,428
<b>III</b>	<b>Investment securities</b>		<b>23,058</b>	-
1	Available-for-sale	13	23,058	-
<b>III</b>	<b>Loans to customers, net of specific provision</b>	<b>14</b>	<b>197,380</b>	<b>197,018</b>
<b>IV</b>	<b>Property, equipment and right-of-use assets</b>		<b>8,498</b>	<b>3,364</b>
1	Tangible fixed assets	15.1	3,186	3,364
2	Right of used assets	15.2	5,312	-
<b>V</b>	<b>Other assets</b>		<b>41,421</b>	<b>25,606</b>
1	Accrued interest receivable	16	37,643	23,922
2	Tax receivables	21.1	3,110	-
3	Other assets	16	668	1,684
	<b>TOTAL ASSETS</b>		<b>398,840</b>	<b>384,665</b>



# Canadia Bank Lao Limited

STATEMENT OF FINANCIAL POSITION (continued)  
as at 31 December 2019

<i>Code</i>	<i>LIABILITIES AND CAPITAL</i>	<i>Notes</i>	<i>31/12/2019 LAKm</i>	<i>31/12/2018 LAKm</i>
<b>I</b>	<b>Due to other banks</b>	<b>18</b>	<b>51,799</b>	<b>44,300</b>
1	Demand deposits		51,799	44,300
<b>II</b>	<b>Due to customers</b>	<b>19</b>	<b>10,096</b>	<b>14,735</b>
1	Demand deposits		501	2,517
2	Saving deposits		3,407	8,929
3	Fixed term deposits		6,188	3,289
<b>III</b>	<b>Other liabilities</b>		<b>6,730</b>	<b>2,032</b>
1	Accrued interests payable		112	75
2	Taxes payable	21.1	-	813
3	Lease liabilities	20	5,322	-
4	Other payables	20	1,296	1,144
	<b>TOTAL LIABILITIES</b>		<b>68,625</b>	<b>61,067</b>
<b>IV</b>	<b>Capital and reserves</b>			
1	Paid-up capital	22	300,000	300,000
2	Regulatory reserve		2,963	2,237
3	General provision	14.2	425	1,065
4	Retained earnings		26,827	20,296
	<b>TOTAL CAPITAL</b>		<b>330,215</b>	<b>323,598</b>
	<b>TOTAL LIABILITES AND CAPITAL</b>		<b>398,840</b>	<b>384,665</b>

# Canada Bank Lao Limited

STATEMENT OF FINANCIAL POSITION (continued)  
as at 31 December 2019

Code	OFF BALANCE SHEET ITEMS	Notes	31/12/2019 LAKm	31/12/2018 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		662,306	584,821
	<b>TOTAL COLLATERALS AND MORTGAGES</b>		<b>662,306</b>	<b>584,821</b>

Prepared by:



Mr. Im Sovanrith  
Chief Financial Officer

Reviewed by:




Mr. Buth Ang  
Chief Executive Officer

Vientiane, Lao PDR

30 March 2020

# Canadia Bank Lao Limited

STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 December 2019

	Paid-up capital LAKm	Regulatory reserve LAKm	General provision LAKm	Retained earnings LAKm	Total LAKm
<b>Balance as at 01/01/2018</b>	<b>300,000</b>	<b>956</b>	<b>3,780</b>	<b>8,766</b>	<b>313,502</b>
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 differences reserve	-	-	95	-	95
<b>Balance as at 31/12/2018</b>	<b>300,000</b>	<b>2,237</b>	<b>1,065</b>	<b>20,296</b>	<b>323,598</b>
Net profit for the year	-	-	-	7,257	7,257
Appropriate regulatory reserve	-	726	-	(726)	-
Net provision for current loans during the year	-	-	39	-	39
Reclassify provision for special mentioned loans under BOL 334	-	-	(683)	-	(683)
Foreign exchange difference	-	-	4	-	4
<b>Balance as at 31/12/2019</b>	<b>300,000</b>	<b>2,963</b>	<b>425</b>	<b>26,827</b>	<b>330,215</b>

Prepared by:



Mr. Im Sovanrith  
Chief Financial Officer

Vientiane, Lao PDR

30 March 2020

Reviewed by:



Mr. Buth Ang  
Chief Executive Officer





# Canada Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS  
as at and for the year then ended 31 December 2019

## 1. CORPORATE INFORMATION

### ***Establishment and operations***

Canada Bank Lao Limited (the “Bank”), a subsidiary of Canada 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 2019 is LAK 300,000,000,000.

### ***Board of Directors***

Members of the Board of Directors during the year ended 31 December 2019 and as at the date of these financial statements are as follows:

<u>Name</u>	<u>Title</u>	<u>Date of appointment</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
Ms. Song Khenglay	Member	Appointed on 21 March 2014

### ***Management***

Members of the Management during the year ended 31 December 2019 and as at the date of these financial statements are as follows:

<u>Name</u>	<u>Title</u>	<u>Date of appointment/resignation</u>
Mr. Buth Ang	Chief Executive Officer	Appointed on 6 June 2015
Mr. Im Sovanrith	Chief Financial Officer	Appointed on 1 January 2020
Mr. Thai Nha	Chief Financial Officer	Appointed on 9 December 2015 Resigned on 1 January 2020

### ***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 2019 were 66 people (31 December 2018: 53 people)

# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

## 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 the preparation and presentation of the 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 the preparation and presentation of the 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 statement of financial position, the statement of changes in equity, the statement of cash flows 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 2018, except for the changes in the accounting policies and notes in relation to the following.

#### 2.3.1. *Leases*

In 2019, the Bank of the Lao PDR issued the Notification No. 1433/BOL dated 24 October 2019 and the Notification No. 216/BOL dated 25 Feb 2020 that allow commercial banks to apply IFRS 16 either from the year 2019 or 2020 for preparation and presentation of financial statements.

The Bank has opted to apply IFRS 16 starting from the year 2019 for preparation and presentation of financial statements.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Bank elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Bank applied the standard only to contracts that were previously identified as leases at the date of initial application.

# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.3 *Changes in accounting policies* (continued)

#### 2.3.1. *Leases* (continued)

The Bank has lease contracts for office building. Before the adoption of IFRS 16, the Bank was required to classify each of its leases (as lessee) at the inception an operating lease or finance lease. Refer to Note 2.15 for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.14 for the accounting policy applied on and after 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Bank.

- Leases previously accounted for as operating leases

The Bank recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Bank also applied the available practical expedients wherein it:

- ▶ Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- ▶ Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- ▶ Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- ▶ Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- ▶ Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- ▶ Right-of-use assets of LAK6,486 million were presented in the statement of financial position as “Right-of-use assets”;
- ▶ Additional lease liabilities of LAK4,996 million (included in “Other liabilities”) were recognised by using discounted cash flow method minus any prepayment amounts;
- ▶ The adoption of IFRS 16 had no impact on the Bank’s retained earnings.

# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

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

### 2.3 Changes in accounting policies (continued)

#### 2.3.1. Leases (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	<i>LAKm</i>
<b>Operating lease commitments as at 31 December 2018</b>	<b>6,236</b>
Weighted average incremental borrowing rate as at 1 January 2019	6.50%
Discounted operating lease commitments at 1 January 2019	4,996
<b>Less:</b>	
Commitments relating to short-term lease	-
Commitments relating to leases of low-value assets	-
<b>Add:</b>	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	-
<b>Lease liabilities as at 1 January 2019</b>	<b>4,996</b>

#### 2.3.2. Provision on loans classified in Special Mention

In 2019, the Bank's presentation of Provision on loans classified in Special Mentions was changed from presented as a performing loan reserve to specific provision which is net off to "Loans to customers" in accordance with the Official Letter No. 334/AFD issued by the Governor of Bank of Lao PDR dated 11 March 2019, the presentation of provision on loans classified as special mention is presented as specific provision which is net off against "Loans to customers" rather than "provision for performing loans" in the Bank's statement of financial position (as disclosed in Note 2.9).

Impact of the changes to current year is as follows:

	<i>Specific provision for special mention loans (Note 13.2) LAKm</i>	<i>General provision for credit activities (Statement of changes in Equity) LAKm</i>
Balance as at 31 December 2018	-	1,065
Reclassification from general provision to specific provision for special mention charge to provision expense during the year 2019 under BOL 334	683	(683)
Balance after the accounting policy changed	<u>683</u>	<u>382</u>

As there is no guidance from the BOL on retrospective application of the new regulations, the Bank has selected not to apply the changes retrospectively.



# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

## **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 2.9* 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 consist of fees received for fund transfer (including trade settlement), fee arising for foreign currency exchange transactions.

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. Available-for-sale securities**

Available-for-sale equity securities are initially recognized at cost at the purchase date and continuously presented at cost in subsequent periods. Periodically, provision for impairment of available-for-sale securities is recorded when their book values are higher than their market value. In case the market values of the securities cannot be determined, no provision is made. Provision for impairment is recognized in the income statement as "Net gain/(loss) from available-for-sale securities".

### **2.8. Loans to customers**

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

# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

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

### 2.9. 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 (“NPLs”).

As disclosed in Note 13.2, for certain loans related to certain customers at San Jiang Market, the Bank is allowed to classify them as Special Mention until July 2020.

#### *Provision*

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

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

(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 *loans classified into Group A* is recorded in the balance sheet in “General provision” under capital and reserves of the Bank.

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

(iii) Net changes in provision for *performing loans* are recorded to the income statement as “Other operating expenses”.

Net changes in provision for *NPLs* are recorded to the income statement as “Provision for non-performing loans”.

# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

## 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 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	10%
Office equipment	20%
Furniture & fixtures	20%
Motor vehicles	20%
IT Equipment	20%

*Intangible fixed assets:*

Software	50%
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### 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 Article 156, Enterprise Law dated 26 December 2013, the Bank is required to appropriate 10% of profit after tax each year into regulatory reserve fund. When this reserve fund reaches 50% of the registered capital, the Bank may suspend such provision, unless otherwise provided by the law. The Business expansion fund and other funds shall be created upon decision of the Board of Directors.

The Bank has temporarily made additional statutory reserves at 10% of profit after tax for the year ended 31 December 2019. These amounts reported in the financial statements could change at a later date upon final decision of Board of Directors.

# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

## 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 2019 as presented below:

	31/12/2019	31/12/2018
	<u>LAK</u>	<u>LAK</u>
United State Dollar (“USD”)	8,866	8,509
Thai Baht (“THB”)	298	265
Chinese Yuan (“CNY”)	1,254	1,230
Euro (“EUR”)	9,819	9,710
Pound (“GBP”)	11,403	10,720
Australia Dollar (“AUD”)	6,099	6,014

### 2.14. Leasing (applicable from 1 January 2019)

#### 2.14.1. Right-of-use assets

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Bank combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Bank is reasonably certain to exercise that option. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment.

# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

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

### 2.14. *Leasing (applicable from 1 January 2019)* (continued)

#### 2.14.2. *Lease liabilities*

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

#### 2.14.3. *Short-term leases and leases of low-value assets*

The Bank applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### 2.14.4. *Significant judgement in determining the lease term of contracts with renewal options*

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Bank included the renewal period as part of the lease term for leases of premises and IT equipment due to the significance of these assets to its operations.

### 2.15. *Leasing (applicable before 1 January 2019)*

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

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

### 2.15. *Leasing (applicable before 1 January 2019)* (continued)

*The Bank as a lessee*

Leases, where all the risks and benefits of ownership of the leased items are not transferred substantially to the Bank are operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which they are incurred.

### 2.16. *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 2019 (2018: 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.

### 2.17. *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 last salary or wage multiplied by the total number of months worked. As at 31 December 2019, there are no employees of the Bank who were dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the financial statements.

# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

## 3. NET INTEREST AND SIMILAR INCOME

	<i>2019</i> <i>LAKm</i>	<i>2018</i> <i>LAKm</i>
<b>Interest and similar income from:</b>		
Interbank transactions	2,316	2,201
Loans to customers	24,982	24,665
	<b>27,298</b>	<b>26,866</b>
<b>Interest and similar expense for:</b>		
Customer deposits	(290)	(125)
	<b>(290)</b>	<b>(125)</b>
<b>Net interest and similar income</b>	<b>27,008</b>	<b>26,741</b>

## 4. FEES AND COMMISSION INCOME AND EXPENSES

	<i>2019</i> <i>LAKm</i>	<i>2018</i> <i>LAKm</i>
<b>Fees and commission income from:</b>		
Credit activities	699	620
Other fees and commissions	14	9
	<b>713</b>	<b>629</b>
<b>Fees and commission expenses for:</b>		
Commission in interbank transactions	(99)	(96)
Other fees and commissions	(206)	(206)
	<b>(305)</b>	<b>(302)</b>

## 5. NET GAIN FROM FOREIGN CURRENCY TRADING

	<i>2019</i> <i>LAKm</i>	<i>2018</i> <i>LAKm</i>
Gain from foreign currency trading	1	1
Foreign exchange gain arising from revaluation of monetary accounts denominated in foreign currency	3,176	1,881
	<b>3,177</b>	<b>1,882</b>

# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

## 6. OTHER OPERATING INCOME

	2019 <i>LAKm</i>	2018 <i>LAKm</i>
Reversal of provision for performing loans (see Note 13.2)	-	2,810
Income from custody services	264	300
Collection from written-off loans	2,151	-
Other operating income	483	2
	<b>2,898</b>	<b>3,112</b>

## 7. PAYROLL AND OTHER STAFF COSTS

	2019 <i>LAKm</i>	2018 <i>LAKm</i>
Wages and allowances	5,958	5,184
Other employee expenses	242	160
	<b>6,200</b>	<b>5,344</b>

## 8. OTHER ADMINISTRATION EXPENSES

	2019 <i>LAKm</i>	2018 <i>LAKm</i>
External services	714	919
Repair and maintenance expenses	478	356
Publication, marketing and promotion	158	69
Office rental	298	991
Telecommunication	157	123
Training, meeting and seminar	33	24
Taxes and duties	38	70
Consultant fees	232	96
Other expenses	457	412
	<b>2,565</b>	<b>3,060</b>

## 9. OTHER OPERATING EXPENSES

	31/12/2019 <i>LAKm</i>	31/12/2018 <i>LAKm</i>
Provision charged for special mentioned loans	4,352	-
Provision charged for current loans	39	-
	<b>4,391</b>	-



# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

## 10. CASH ON HAND

	31/12/2019 <i>LAKm</i>	31/12/2018 <i>LAKm</i>
Cash on hand in LAK	2,702	1,304
Cash on hand in foreign currencies	5,368	4,907
	<b>8,070</b>	<b>6,211</b>

## 11. BALANCES WITH THE BOL

	31/12/2019 <i>LAKm</i>	31/12/2018 <i>LAKm</i>
Demand deposit	17,925	25,853
Compulsory reserve (*)	861	1,036
Registered capital reserve (**)	8	8
	<b>18,794</b>	<b>26,897</b>

Balances with the BOL 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 (2018: 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.

## 12. DUE FROM OTHER BANKS

### 12.1 Demand deposits

	31/12/2019 <i>LAKm</i>	31/12/2018 <i>LAKm</i>
<b>Demand deposits at domestic banks</b>		
Banque Pour le Commerce Exterieur Lao	11,957	9,314
Maruhan Japan Bank Laos	300	5
Indochina Bank	45	596
ACLEDA Bank	501	-
Bank of China, Vientiane Branch	589	-
<b>Demand deposits at foreign banks</b>		
Canadia Bank Plc	4,315	4,141
Thanachart Bank Public Co., Ltd.,	1,142	1,085
	<b>18,849</b>	<b>15,141</b>

# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

## 12. DUE FROM OTHER BANKS (continued)

### 12.2 Term deposits

	31/12/2019 <i>LAKm</i>	31/12/2018 <i>LAKm</i>
<b>Term deposit at domestic bank</b>		
Banque Pour le Commerce Exterieur Lao	28,950	55,450
Bank of China, Vientiane Branch	2,500	30,000
Maruhan Japan Bank Laos	48,320	7,960
Indochina Bank	3,000	17,018
	<b>82,770</b>	<b>110,428</b>

Term deposits denominated in LAK have terms of 6 to 12 months, and interest from 1.58% to 4.20% p.a. Term deposits denominated in USD have term of 6 months, and interest at 2.00% p.a.

## 13. AVAILABLE-FOR-SALE SECURITIES

	31/12/2019 <i>LAKm</i>	31/12/2018 <i>LAKm</i>
<b>Available-for-sale securities</b>		
Equity shares	23,058	-
	<b>23,058</b>	<b>-</b>

## 14. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION

	31/12/2019 <i>LAKm</i>	31/12/2018 <i>LAKm</i>
Loans to customers (Note 13.1)	211,571	197,236
Less specific provision (Note 13.2)	(14,191)	(218)
<i>In which:</i>		
<i>Specific provision for non-performing loans</i>	(13,581)	(218)
<i>Specific provision for special mention loans (*)</i>	(610)	-
	<b>197,380</b>	<b>197,018</b>

(\*) The specific provision are reclassified from provision for performing loans presented in capital and reserves under BOL 334.

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

	2019 <i>Interest rates</i> <i>% per annum</i>	2018 <i>Interest rates</i> <i>% per annum</i>
Loans denominated in USD	7.56% - 15.00%	7.56% - 15.00%
Loans denominated in LAK	5.50% - 15.00%	7.56% - 15.00%

# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

## 14. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION (continued)

### 14.1 Analysis of loans to customers

#### *Analysis by currency*

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>LAKm</i>	<i>LAKm</i>
Loans denominated in USD	63,910	58,646
Loans denominated in LAK	147,661	138,590
	<b>211,571</b>	<b>197,236</b>

#### *Analysis by status of loans*

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>LAKm</i>	<i>LAKm</i>
Performing loans	196,110	196,273
Non-performing loans ("NPLs")	15,461	963
	<b>211,571</b>	<b>197,236</b>

#### *Analysis by original term*

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>LAKm</i>	<i>LAKm</i>
Short-term loans	3,403	4,139
Medium-term loans	156,827	152,319
Long-term loans	51,341	40,778
	<b>211,571</b>	<b>197,236</b>

# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

## 14. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION (continued)

### 14.2 Provision for credit losses

Movements of provision for credit losses of the Bank for the year ended 31 December 2019 are as follows:

	<i>Specific provision for NPLs LAKm</i>	<i>Specific provision for special mentioned loans LAKm</i>	<i>General provision LAKm</i>	<i>Total LAKm</i>
<b>Balance as at 31/12/2018</b>	<b>218</b>	-	<b>1,065</b>	<b>1,283</b>
Net provision charged to expense in the year	9,135	4,352	39	13,526
<i>In which:</i>				
<i>Additional provision</i>	12,560	4,352	4,878	21,790
<i>Reversal of provision</i>	(3,425)	-	(4,839)	(8,264)
Write-offs	(205)	-	-	(205)
Reclassify to provision for special mentioned loans under BOL 334	-	683	(683)	-
Foreign exchange difference	-	8	4	12
<b>Balance as at 31/12/2019</b>	<b>9,148</b>	<b>5,043</b>	<b>425</b>	<b>14,616</b>

The breakdown of loan classification and provision as required by the BOL as at 31 December 2019 is as follows:

<i>Classification</i>	<i>Loan balance LAKm</i>	<i>Specific provision LAKm</i>	<i>General proviison LAKm</i>
Current	87,900	-	425
Special Mention (*)	108,210	610	-
Substandard	1,840	368	-
Loss	13,621	13,213	-
<b>Total</b>	<b>211,571</b>	<b>14,191</b>	<b>425</b>

(\*) Included in total Special Mention loans as at 31 December 2019 are loans amounted to LAKm 108,638 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 July 2020 in accordance with Official Letter No. 439/CBSD dated 9 July 2019 issued by the Banking Supervision Department of BOL.

# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

## 15. PROPERTY, EQUIPEMENT AND RIGHT-OF-USE ASSETS

### 15.1 Tangible fixed assets

Movements of tangible fixed assets for the year 2019 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 31/12/2018	4,150	1,091	506	1,387	1,726	8,860
Additions	-	183	168	-	252	603
Other decrease	(2,463)	(9)	-	-	(50)	(2,552)
As at 31/12/2019	<u>1,687</u>	<u>1,265</u>	<u>674</u>	<u>1,387</u>	<u>1,928</u>	<u>6,943</u>
<b>Accumulated depreciation:</b>						
As at 31/12/2018	2,860	667	304	821	844	5,496
Charge for the year	371	236	124	276	371	1,377
Other decrease	(3,097)	(4)	-	-	(16)	(3,116)
As at 31/12/2019	<u>134</u>	<u>899</u>	<u>428</u>	<u>1,097</u>	<u>1,199</u>	<u>3,757</u>
<b>Net book value:</b>						
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>
As at 31/12/2019	<u><u>1,553</u></u>	<u><u>366</u></u>	<u><u>246</u></u>	<u><u>290</u></u>	<u><u>729</u></u>	<u><u>3,186</u></u>

### 15.2 Right of used assets

Movements of the balance of right of used assets for the year 2019 are as follows:

	<i>Building</i> LAKm
<b>Cost:</b>	
As at 31/12/2018	-
New recognition	<u>6,486</u>
As at 31/12/2019	<u>6,486</u>
<b>Accumulated amortization:</b>	
As at 31/12/2018	-
Charge for the year	<u>1,174</u>
As at 31/12/2019	<u>1,174</u>
<b>Net book value:</b>	
As at 31/12/2018	-
As at 31/12/2019	<u><u>5,312</u></u>

# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

## 16. ACCRUED INTEREST RECEIVABLE

	31/12/2019 LAKm	31/12/2018 LAKm
Accrued interest receivable from:		
Loans to customers	36,975	22,846
Term deposits	668	1,076
	<b>37,643</b>	<b>23,922</b>

## 17. OTHER ASSETS

	31/12/2019 LAKm	31/12/2018 LAKm
Prepaid expenses	638	1,662
Others	30	22
	<b>668</b>	<b>1,684</b>

## 18. DUE TO OTHER BANKS

	31/12/2019 LAKm	31/12/2018 LAKm
Demand deposit from:		
- <i>Canadia Bank Plc</i>	51,797	44,291
- <i>Other financial institutions</i>	2	9
	<b>51,799</b>	<b>44,300</b>

## 19. DUE TO CUSTOMERS

	31/12/2019 LAKm	31/12/2018 LAKm
<b>Demand deposits</b>	<b>501</b>	<b>2,517</b>
Demand deposits in LAK	38	2,299
Demand deposits in FC	463	218
<b>Saving deposits</b>	<b>3,407</b>	<b>8,929</b>
Saving deposits in LAK	1,897	1,731
Saving deposits in FC	1,510	7,198
<b>Fixed term deposits</b>	<b>6,188</b>	<b>3,289</b>
Fixed term deposits in LAK	1,512	938
Fixed term deposits in FC	4,676	2,351
	<b>10,096</b>	<b>14,735</b>

# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

## 19. AMOUNTS DUE TO CUSTOMERS (continued)

The interest rates for these deposits are as follows:

	<i>2019</i> <i>% per annum</i>	<i>2018</i> <i>% per annum</i>
Demand deposits	0.00%	0.00%
Saving deposits in LAK	1.89%	1.89%
Saving deposits in USD	1.00%	1.00%
Saving deposits in THB	1.00%	1.00%
Term deposits in LAK	3.16% - 6.71%	3.95% - 6.84%
Term deposits in USD	2.25% - 5.25%	2.25% - 5.00%
Term deposits in THB	5.00%	5.00%

## 20. OTHER PAYABLES

	<i>31/12/2019</i> <i>LAKm</i>	<i>31/12/2018</i> <i>LAKm</i>
Lease liabilities	5,322	-
Bonus and pension	950	900
Other liabilities	346	244
	<b>6,618</b>	<b>1,144</b>

## 21. TAXATION

### 21.1 Taxes receivable/payable

	<i>31/12/2019</i> <i>LAKm</i>	<i>31/12/2018</i> <i>LAKm</i>
Profit tax receivable/(payable)	3,110	(813)
	<b>3,110</b>	<b>(813)</b>

# Canadia Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

## 21. TAXATION

### 21.2 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.

	<i>2019</i> <i>LAKm</i>	<i>2018</i> <i>LAKm</i>
Profit before tax	8,649	16,277
Non-taxable income	(3,176)	(1,881)
Non-deductible expense	329	23
<b>Taxable income</b>	<b>5,802</b>	<b>14,419</b>
<b>Current PT expense, at the statutory rate of 24%</b>	<b>1,392</b>	<b>3,466</b>
PT payable at the beginning of year	813	1,596
PT paid during the year	(5,315)	(4,249)
<b>PT (receivable)/payable at the end of year</b>	<b>(3,110)</b>	<b>813</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 up on final determination by the tax authorities.

### 21.3 Contingent liabilities

On 6 November 2019, the Ministry of Finance issued Notification No. 4475/MOF requesting commercial banks to recalculate profit tax for the years from 2016 to 2019 in which provision for credit losses should be considered as non-deductible expenses. The Bank has submitted Official Letter No. 284 dated 03 December 2019 to the Ministry of Finance to seek for further clarification and detailed guidance on the implementation of such Notification. Until the date of the financial statements, the Bank has not yet received the responses from the Ministry of Finance and the impact of this issue (if any) has not been yet defined. Therefore, the Bank has not booked any adjustments on the financial statements for the fiscal year 2019.

## 22. PAID-UP CAPITAL

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

	<i>2019</i> <i>LAKm</i>	<i>2018</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>



# Canada Bank Lao Limited

NOTE TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year then ended 31 December 2019

## 23. CASH AND CASH EQUIVALENTS

	31/12/2019 <i>LAKm</i>	31/12/2018 <i>LAKm</i>
Cash on hand	8,070	6,211
Current accounts with the BOL	17,925	25,853
Current accounts with other banks	18,849	15,141
	<b>44,844</b>	<b>47,205</b>

## 24. 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.

Significant transactions with related parties during the year 2019 are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	2019 <i>LAKm</i>	2018 <i>LAKm</i>
Canada Bank Plc	Owner	Net decrease/(increase) in demand deposits from the parent bank	7,506	4,239
		Net increase in demand deposits at the parent bank	174	115
		Advances made/(returned)	-	(12,864)

Balances with related parties as at 31 December 2019 are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	31/12/2019 <i>Receivable/ (payable) LAKm</i>	31/12/2018 <i>Receivable/ (payable) LAKm</i>
Canada Bank Plc	Owner	Demand deposits from the parent bank	(51,797)	(44,291)
		Demand deposits at the parent bank	4,315	4,141

