

Canadia Bank Lao Limited

Financial statements

For the year ended 31 December 2020

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 2020 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 2020 and as at the date of these financial statements are as follows:

| <i>Name</i> | <i>Title</i> | <i>Date of appointment</i> |
|----------------------------|----------------------|-------------------------------|
| Dr. 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 2020 and as at the date of these financial statements are as follows:

| <i>Name</i> | <i>Title</i> | <i>Date of appointment</i> |
|-------------------|-------------------------|-----------------------------|
| Mr. Buth Ang | Chief Executive Officer | Appointed on 6 June 2015 |
| Mr. Im Sovanarith | Chief Financial Officer | Appointed on 1 January 2020 |

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year ended 31 December 2020 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 2020.

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

25 March 2021

Reference: 61235940/22193333-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 2020, 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 (ISA). 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 22.3 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 ISA 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 ISA, 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.

Ernst & Young Lao Co., Ltd.



Saman Wijaya Bandara
Partner
Audit Practising Registration
Certificate No. 014/LCPAA-APT-2019

Vientiane, Lao PDR

25 March 2021

Canadia Bank Lao Limited

STATEMENT OF FINANCIAL POSITION as at 31 December 2020

| <i>Code</i> | <i>ASSETS</i> | <i>Notes</i> | <i>31/12/2020 LAKm</i> | <i>31/12/2019 LAKm</i> |
|-------------|--|--------------|----------------------------|----------------------------|
| I | Cash and balances with the BOL | | 30,849 | 26,864 |
| 1 | Cash on hand | 10 | 12,645 | 8,070 |
| 2 | Balances with the BOL | 11 | 18,204 | 18,794 |
| II | Due from other banks | | 113,704 | 101,619 |
| 1 | Demand deposits | 12.1 | 25,400 | 18,849 |
| 2 | Term deposits | 12.2 | 88,304 | 82,770 |
| III | Investment securities | | 23,058 | 23,058 |
| 1 | Available-for-sale securities | 13 | 23,058 | 23,058 |
| IV | Loans to customers, net of specific provision | 14 | 77,687 | 197,380 |
| V | Property, equipment and right-of-use assets | | 6,979 | 8,498 |
| 1 | Asset under purchase | | 333 | - |
| 2 | Intangible fixed assets | 15.1 | - | - |
| 3 | Tangible fixed assets | 15.2 | 2,521 | 3,186 |
| 4 | Right of used assets | 15.3 | 4,125 | 5,312 |
| VI | Other assets | | 8,667 | 41,421 |
| 1 | Accrued interest receivable | 16 | 996 | 37,643 |
| 2 | Tax recoverable | 22.1 | 7,005 | 3,110 |
| 3 | Other assets | 17 | 666 | 668 |
| | TOTAL ASSETS | | 260,944 | 398,840 |

Canadia Bank Lao Limited

STATEMENT OF FINANCIAL POSITION (continued)
as at 31 December 2020

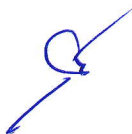
| <i>Code</i> | <i>LIABILITIES AND CAPITAL</i> | <i>Notes</i> | <i>31/12/2020 LAKm</i> | <i>31/12/2019 LAKm</i> |
|-------------|-------------------------------------|--------------|----------------------------|----------------------------|
| I | Due to other banks | 18 | 58,117 | 51,799 |
| 1 | Demand deposits | | 58,117 | 51,799 |
| II | Due to the BOL | 19 | 800 | - |
| 2 | Borrowing from the BOL | | 800 | - |
| III | Due to customers | 20 | 11,424 | 10,096 |
| 1 | Demand deposits | | 357 | 501 |
| 2 | Saving deposits | | 3,376 | 3,407 |
| 3 | Fixed term deposits | | 7,691 | 6,188 |
| IV | Other liabilities | | 1,927 | 6,730 |
| 1 | Accrued interests payable | | 154 | 112 |
| 2 | Lease Liabilities | 15.3 | 1,104 | 5,322 |
| 3 | Other payables | 21 | 669 | 1,296 |
| | TOTAL LIABILITIES | | 72,268 | 68,625 |
| V | Capital and reserves | | | |
| 1 | Paid-up capital | 23 | 300,000 | 300,000 |
| 2 | Regulatory reserve | | 2,963 | 2,963 |
| 3 | General provision | 14.2 | 384 | 425 |
| 4 | Retained earnings | | (114,671) | 26,827 |
| | TOTAL CAPITAL | | 188,676 | 330,215 |
| | TOTAL LIABILITES AND CAPITAL | | 260,944 | 398,840 |

Canada Bank Lao Limited

STATEMENT OF FINANCIAL POSITION (continued)
as at 31 December 2020

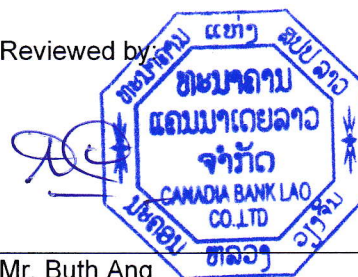
| Code | OFF BALANCE SHEET ITEMS | Notes | 31/12/2020 LAKm | 31/12/2019 LAKm |
|----------|--|-------|--------------------|--------------------|
| I | Collaterals and Mortgages | | | |
| A | Collaterals and Mortgages for loans | | | |
| 1 | Collaterals and Mortgages for loans to customers | | 654,636 | 662,306 |
| | TOTAL COLLATERALS AND MORTGAGES | | 654,636 | 662,306 |

Prepared by:



Mr. Im Sovanrith
Chief Financial Officer

Reviewed by



Mr. Buth Ang
Chief Executive Officer

Vientiane, Lao PDR

25 March 2021

Canadia Bank Lao Limited

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

| | Paid-up capital LAKm | Regulatory reserve LAKm | General provision LAKm | Retained earnings LAKm | Total LAKm |
|---|-------------------------|-------------------------------|---------------------------|---------------------------|----------------|
| Balance as at 01/01/2019 | 300,000 | 2,237 | 1,065 | 20,296 | 323,598 |
| Net profit for the year | - | - | - | 7,257 | 7,257 |
| Additional regulatory reserve | - | 726 | - | (726) | - |
| Net provision for performing loans during the year | - | - | 39 | - | 39 |
| Reclassify provision for special mentioned loans under BOL 334 | - | - | (683) | - | (683) |
| Foreign exchange differences | - | - | 4 | - | 4 |
| Balance as at 31/12/2019 | 300,000 | 2,963 | 425 | 26,827 | 330,215 |
| Net loss for the year | - | - | - | (141,498) | (141,498) |
| Appropriate regulatory reserve | - | - | - | - | - |
| Net provision for current loans during the year | - | - | (43) | - | (43) |
| Foreign exchange difference | - | - | 2 | - | 2 |
| Balance as at 31/12/2020 | 300,000 | 2,963 | 384 | (114,671) | 188,676 |

Prepared by:

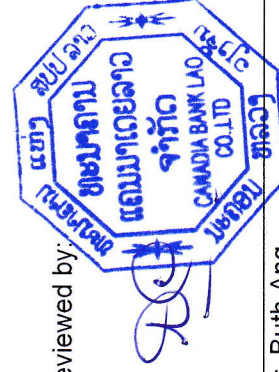


Mr. Im Sovanrith
Chief Financial Officer

Vientiane, Lao PDR

25 March 2021

Reviewed by:



Mr. Buth Ang
Chief Executive Officer

Canadia Bank Lao Limited

STATEMENT OF CASH FLOWS for the year ended 31 December 2020

| ITEMS | Notes | 2020 LAKm | 2019 LAKm |
|---|-----------|------------------|----------------|
| OPERATING ACTIVITIES | | | |
| Net profit before tax | | (141,498) | 8,649 |
| <i>Adjustments for:</i> | | | |
| Depreciation and amortization charges | | 2,270 | 2,551 |
| Provision for credit losses | 14.2 | 111,770 | 13,526 |
| Reversal of interest income of NPL loans | 9 | 39,521 | - |
| Interest income | 3 | (13,048) | (27,298) |
| Interest expense | 3 | 363 | 290 |
| Operating profit before changing in operating assets and liabilities | | (622) | (2,282) |
| <i>(Increase)/decrease in operating assets</i> | | | |
| Balances with other banks | | (5,338) | 27,834 |
| Available-for-sale securities | | - | (23,058) |
| Loans and advances to customers | | 7,880 | (13,857) |
| Other assets | | 10 | (3,857) |
| <i>Increase/(decrease) in operating liabilities</i> | | | |
| Due to other banks | | 7,118 | 7,500 |
| Due to customers | | 1,328 | (4,640) |
| Other liabilities | | (4,843) | 2,594 |
| Profit tax paid during the year | 22.2 | (3,895) | (5,315) |
| Interest received | | 10,173 | 13,576 |
| Interest paid | | (321) | (253) |
| Net cash flows used in operating activities | | 11,490 | (1,758) |
| INVESTING ACTIVITIES | | | |
| Proceed payment of asset under purchase | | (333) | - |
| Payments to acquire property and equipment | | (425) | (603) |
| Net cash flows from/(used in) investing activities | | (758) | (603) |
| FINANCING ACTIVITIES | | | |
| Net cash flows from financing activities | | - | - |
| Net change in cash for the year | | 10,732 | (2,361) |
| Cash and cash equivalents at the beginning of year | | 44,844 | 47,205 |
| Cash and cash equivalents at the end of year | 24 | 55,576 | 44,844 |

Prepared by:



Mr. Im Sovanrith
Chief Financial Officer

Vientiane, Lao PDR

25 March 2021

Reviewed by:



Mr. Buth Ang
Chief Executive Officer

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year then ended 31 December 2020

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 2020 is LAK 300,000,000,000.

Board of Directors

Members of the Board of Directors during the year ended 31 December 2020 and as at the date of these financial statements are as follows:

| <u>Name</u> | <u>Title</u> | <u>Date of appointment</u> |
|----------------------------|----------------------|-------------------------------|
| Dr. 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 2020 and as at the date of these financial statements are as follows:

| <u>Name</u> | <u>Title</u> | <u>Date of appointment</u> |
|------------------|-------------------------|-----------------------------|
| Mr. Buth Ang | Chief Executive Officer | Appointed on 6 June 2015 |
| Mr. Im Sovanrith | Chief Financial Officer | Appointed 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 2020 were 66 people (31 December 2019: 66 people)

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

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 2019.

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.

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6. *Cash and cash equivalents*

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

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”.

Periodically, the available-for-sale securities are subject to review for impairment. Provision for impairment of these securities is made when there has been a significant decline in the market value below their cost. The Bank treats ‘significant’ generally as 20% or greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current market value, less any impairment provision on that investment previously recognised in the income statement, is removed from equity and recognised in impairment provision on financial investments in the income statement as net gain or loss from securities investment. When the investment is disposed of, the cumulative loss previously recognised in equity is recognised as “Net gain/(loss) from securities investment” in the income statement.

2.8. *Loans to customers*

Loans to customers are recognized at cost and presented at outstanding balance less specific provision for credit activities.

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”).

The Bank also applies the Regulation 238/BOL dated 26 March 2020 and Guidance 249/BOL dated 11 May 2020 by the BOL on loan restructuring, extension and retention of loan classification group to assist the borrowers affected by Covid-19 pandemic. Accordingly, the Bank has restructured the loans qualified and retained their classification groups as before 01 January 2020.

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9. Classification of and provision for credit activities (continued)

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 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 not 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 *loans classified into Group B and NPL* is recorded in the balance sheet in “Loans to customers, net of specific provision”.

(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 “Provision for non-performing loans”.

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

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. *Leasing*

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 Group 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.

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.

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11. *Leasing* (continued)

Lease liabilities (continued)

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.

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.

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.

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.

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.

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12. 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.67/NA dated 18 June 2019 which is effective on or after 1 January 2020 stipulated by the President of the National Assembly. The following are the annual rates used.

| | |
|-------------------------------------|-----|
| <i>Tangible fixed assets:</i> | |
| Building & improvement | 10% |
| Office equipment | 20% |
| Furniture & fixtures | 20% |
| Motor vehicles | 20% |
| IT Equipment | 20% |
| <i>Intangible fixed assets:</i> | |
| Software | 50% |

2.13. 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.

Since the Bank has suffered losses, the Bank does not make appropriation to statutory reserves for the year ended 31 December 2020.

2.14. Foreign currency transactions

Transactions in original currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at year end are translated into LAK at exchange rates ruling on the statement of financial position date (see the list of exchange rates of applicable foreign currencies against LAK on 31 December 2020 as presented below). All foreign exchange differences are taken into "Net gain/(loss) from dealing in foreign currencies" in the income statement.

| | 31/12/2020 | 31/12/2019 |
|-----------------------------|------------|------------|
| | <u>LAK</u> | <u>LAK</u> |
| United State Dollar ("USD") | 9,277 | 8,866 |
| Thai Baht ("THB") | 329 | 298 |
| Chinese Yuan ("CNY") | 1,408 | 1,254 |
| Euro ("EUR") | 11,334 | 9,819 |
| Pound ("GBP") | 12,396 | 11,403 |
| Australia Dollar ("AUD") | 6,986 | 6,099 |

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15. Profit tax

The Bank is obliged to pay profit tax at rate of 20% of total profit before tax in accordance with the new Tax Law No.67/NA dated 18 June 2019 which is effective on or after 1 January 2020. Accordingly, the Bank is subject to the tax rate of 20% for the year ended 31 December 2020 (2019: 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.

2.16. 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 2020, 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

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

3. NET INTEREST AND SIMILAR INCOME

| | 2020 LAKm | 2019 LAKm |
|--|---------------|---------------|
| Interest and similar income from: | | |
| Interbank transactions | 1,928 | 2,316 |
| Loans to customers | 11,120 | 24,982 |
| | 13,048 | 27,298 |
| Interest and similar expense for: | | |
| Interbank transactions | (3) | - |
| Customer deposits | (360) | (290) |
| | (363) | (290) |
| Net interest and similar income | 12,685 | 27,008 |

4. FEES AND COMMISSION INCOME AND EXPENSES

| | 2020 LAKm | 2019 LAKm |
|--|--------------|--------------|
| Fees and commission income from: | | |
| Credit activities | 393 | 699 |
| Other fees and commissions | 9 | 14 |
| | 402 | 713 |
| Fees and commission expenses for: | | |
| Commission in interbank transactions | (100) | (99) |
| Other fees and commissions | (217) | (206) |
| | (317) | (305) |

5. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

| | 2020 LAKm | 2019 LAKm |
|---|--------------|--------------|
| Gain from dealing in foreign currencies | 5,252 | 4,769 |
| Loss from dealing in foreign currencies | (1,922) | (1,592) |
| | 3,330 | 3,177 |

6. OTHER OPERATING INCOME

| | 2020 LAKm | 2019 LAKm |
|--|--------------|--------------|
| Reversal of provision of performing loans (see Note 14.2) | 678 | - |
| Dividend income | 3,378 | - |
| Income from custody services | 133 | 264 |
| Collection from written-off loans | 127 | 2,151 |
| Other operating income | 822 | 483 |
| | 5,138 | 2,898 |

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

7. PAYROLL AND OTHER STAFF COSTS

| | <i>2020</i> <i>LAKm</i> | <i>2019</i> <i>LAKm</i> |
|-------------------------|----------------------------|----------------------------|
| Wages and allowances | 6,121 | 5,958 |
| Other employee expenses | 223 | 242 |
| | 6,344 | 6,200 |

8. OTHER ADMINISTRATION EXPENSES

| | <i>2020</i> <i>LAKm</i> | <i>2019</i> <i>LAKm</i> |
|--------------------------------------|----------------------------|----------------------------|
| External services | 590 | 714 |
| Repair and maintenance expenses | 504 | 478 |
| Publication, marketing and promotion | 65 | 158 |
| Office rental | 121 | 298 |
| Telecommunication | 123 | 157 |
| Training, meeting and seminar | 4 | 33 |
| Taxes and duties | 24 | 38 |
| Consultant fees | 170 | 232 |
| Other expenses | 552 | 457 |
| | 2,153 | 2,565 |

9. OTHER OPERATING EXPENSES

| | <i>2020</i> <i>LAKm</i> | <i>2019</i> <i>LAKm</i> |
|--|----------------------------|----------------------------|
| Reversal of interest income of NPL loans | 39,521 | - |
| Provision charged for performing loan | - | 4,391 |
| | 39,521 | 4,391 |

10. CASH ON HAND

| | <i>31/12/2020</i> <i>LAKm</i> | <i>31/12/2019</i> <i>LAKm</i> |
|------------------------------------|----------------------------------|----------------------------------|
| Cash on hand in LAK | 5,230 | 2,702 |
| Cash on hand in foreign currencies | 7,415 | 5,368 |
| | 12,645 | 8,070 |

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

11. BALANCES WITH THE BOL

| | 31/12/2020 <i>LAKm</i> | 31/12/2019 <i>LAKm</i> |
|---------------------------------|---------------------------|---------------------------|
| Demand deposit | 17,531 | 17,925 |
| Compulsory reserve (*) | 665 | 861 |
| Registered capital reserve (**) | 8 | 8 |
| | 18,204 | 18,794 |

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 4.00% for LAK and 8.00% for foreign currencies, on a fortnight basis, of customer deposits having original maturities of less than 12 months (2019: 5.00% and 10.00%).

(**) According to Decree No. 02/PR of BOL, commercial banks 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

| | 31/12/2020 <i>LAKm</i> | 31/12/2019 <i>LAKm</i> |
|--|---------------------------|---------------------------|
| Demand deposits at domestic banks | | |
| Banque Pour le Commerce Exterieur Lao | 17,309 | 11,957 |
| Maruhan Japan Bank Laos | 469 | 300 |
| Indochina Bank | 47 | 45 |
| ACLEDA Bank | 309 | 501 |
| Bank of China, Vientiane Branch | 1,517 | 589 |
| Demand deposits at foreign banks | | |
| Canadia Bank Plc | 5,749 | 4,315 |
| Thanachart Bank Public Co., Ltd | - | 1,142 |
| | 25,400 | 18,849 |

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

12. DUE FROM OTHER BANKS (continued)

12.2 Term deposits

| | 31/12/2020 LAKm | 31/12/2019 LAKm |
|---------------------------------------|--------------------|--------------------|
| Term deposit at domestic bank | | |
| Banque Pour le Commerce Exterieur Lao | 28,950 | 28,950 |
| Bank of China, Vientiane Branch | 27,300 | 2,500 |
| Maruhan Japan Bank Laos | 18,554 | 48,320 |
| ACLEDA Bank Lao Ltd | 13,500 | 3,000 |
| | 88,304 | 82,770 |

Interest rates for term deposit during the year are as follows:

| | 2020 Interest rates % per annum | 2019 Interest rates % per annum |
|---------------------|---------------------------------------|---------------------------------------|
| Term deposit in LAK | 1.58 - 4.20 | 1.58 - 4.20 |
| Term deposit in USD | 1.00 | 2.00 |

13. AVAILABLE-FOR-SALE SECURITIES

| | 31/12/2020 LAKm | 31/12/2019 LAKm |
|--------------------------------------|--------------------|--------------------|
| Available-for-sale securities | | |
| Equity shares | 23,058 | 23,058 |
| | 23,058 | 23,058 |

14. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION

| | 31/12/2020 LAKm | 31/12/2019 LAKm |
|---|--------------------|--------------------|
| Loans to customers (Note 14.1) | 203,820 | 211,571 |
| Less specific provision (Note 14.2) | (126,133) | (14,191) |
| <i>In which:</i> | | |
| <i>Specific provision for non-performing loans</i> | (126,119) | (13,581) |
| <i>Specific provision for special mention loans</i> | (14) | (610) |
| | 77,687 | 197,380 |

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

| | 2020 Interest rates % per annum | 2019 Interest rates % per annum |
|--------------------------|---------------------------------------|---------------------------------------|
| Loans denominated in USD | 5.50 - 15.00 | 7.56 - 15.00 |
| Loans denominated in LAK | 5.50 - 15.00 | 5.50 - 15.00 |

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

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

14.1 Analysis of loans to customers

Analysis by currency

| | 31/12/2020 LAKm | 31/12/2019 LAKm |
|--------------------------|--------------------|--------------------|
| Loans denominated in USD | 66,417 | 63,910 |
| Loans denominated in LAK | 137,403 | 147,661 |
| | 203,820 | 211,571 |

Analysis by quality

| | 31/12/2020 LAKm | 31/12/2019 LAKm |
|--------------------------|--------------------|--------------------|
| Normal or Pass | 76,882 | 87,900 |
| Watch or Special Mention | 471 | 108,210 |
| Substandard | - | 1,840 |
| Doubtful | 697 | - |
| Loss | 125,770 | 13,621 |
| | 203,820 | 211,571 |

Analysis by original term

| | 31/12/2020 LAKm | 31/12/2019 LAKm |
|-------------------|--------------------|--------------------|
| Short-term loans | 6,484 | 3,403 |
| Medium-term loans | 147,290 | 156,827 |
| Long-term loans | 50,046 | 51,341 |
| | 203,820 | 211,571 |

Analysis of loan portfolio by type of industrial sectors

| | 31/12/2020 LAKm | 31/12/2019 LAKm |
|-----------------------------------|--------------------|--------------------|
| Construction companies | 111,989 | 109,799 |
| Technical instruments enterprises | 4,980 | 5,544 |
| Agricultural and forestry | 633 | - |
| Trading companies | 44,218 | 51,292 |
| Services companies | 17,603 | 20,075 |
| Other loans | 24,397 | 24,861 |
| | 203,820 | 211,571 |

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

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 2020 are as follows:

| | <i>Specific provision for special mentioned loans</i> | <i>General provision</i> | <i>Total</i> |
|--|---|------------------------------|----------------|
| | <i>for NPLs LAKm</i> | <i>LAKm</i> | <i>LAKm</i> |
| Balance as at 31/12/2019 | 13,581 | 610 | 14,616 |
| Net provision charged to expense in the year | 112,448 | (635) | 111,770 |
| <i>In which:</i> | | | |
| <i>Additional provision</i> | 132,563 | 6,188 | 139,234 |
| <i>Reversal of provision</i> | (20,115) | (6,823) | (27,464) |
| Foreign exchange difference | 90 | 39 | 131 |
| Balance as at 31/12/2020 | 126,119 | 14 | 126,517 |

The breakdown of loan classification and provision as required by the BOL as at 31 December 2020 is as follows:

| <i>Classification</i> | <i>Loan balance LAKm</i> | <i>Specific Provision LAKm</i> | <i>General provision LAKm</i> |
|-----------------------------------|----------------------------------|--|---------------------------------------|
| Performing loans | | | |
| - <i>Normal or Pass</i> | 76,882 | - | (384) |
| - <i>Watch or Special Mention</i> | 471 | (14) | - |
| Non-Performing loans (NPL) | | | |
| - <i>Sub-standard</i> | - | - | - |
| - <i>Doubtful</i> | 697 | (349) | - |
| - <i>Loss</i> | 125,770 | (125,770) | - |
| Total | 203,820 | (126,133) | (384) |

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

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

15.1 Intangible fixed assets

Movements of intangible fixed assets for the year 2020 are as follows:

| | <i>Software</i> <i>LAKm</i> |
|----------------------------------|--------------------------------|
| Cost: | |
| As at 31/12/2019 | 263 |
| Additions | - |
| As at 31/12/2020 | <u>263</u> |
| Accumulated depreciation: | |
| As at 31/12/2019 | 263 |
| Charge for the year | - |
| As at 31/12/2020 | <u>263</u> |
| Net book value: | |
| As at 31/12/2019 | - |
| As at 31/12/2020 | <u><u>-</u></u> |

15.2 Tangible fixed assets

Movements of tangible fixed assets for the year 2020 are as follows:

| | <i>Building & improvement</i> <i>LAKm</i> | <i>Office equipment</i> <i>LAKm</i> | <i>Furniture & fixtures</i> <i>LAKm</i> | <i>Motor vehicles</i> <i>LAKm</i> | <i>IT Equipment</i> <i>LAKm</i> | <i>Total</i> <i>LAKm</i> |
|----------------------------------|--|--|--|--|--|-----------------------------|
| Cost: | | | | | | |
| As at 31/12/2019 | 1,687 | 1,265 | 675 | 1,387 | 1,929 | 6,943 |
| Additions | - | 263 | - | - | 162 | 425 |
| Disposal | - | - | - | - | (19) | (19) |
| As at 31/12/2020 | <u>1,687</u> | <u>1,528</u> | <u>675</u> | <u>1,387</u> | <u>2,072</u> | <u>7,349</u> |
| Accumulated depreciation: | | | | | | |
| As at 31/12/2019 | 134 | 899 | 428 | 1,097 | 1,199 | 3,757 |
| Charge for the year | 220 | 213 | 91 | 214 | 345 | 1,083 |
| Disposal | - | - | - | - | (12) | (12) |
| As at 31/12/2020 | <u>354</u> | <u>1,112</u> | <u>519</u> | <u>1,311</u> | <u>1,532</u> | <u>4,828</u> |
| Net book value: | | | | | | |
| As at 31/12/2019 | <u>1,553</u> | <u>366</u> | <u>247</u> | <u>290</u> | <u>730</u> | <u>3,186</u> |
| As at 31/12/2020 | <u><u>1,333</u></u> | <u><u>416</u></u> | <u><u>156</u></u> | <u><u>76</u></u> | <u><u>540</u></u> | <u><u>2,521</u></u> |

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

15. PROPERTY, EQUIPEMENT AND RIGHT-OF-USE ASSETS (continued)

15.3 *Right of used assets*

Movements of the balance of right of used assets for the year 2020 are as follows:

| | <i>Building LAKm</i> |
|----------------------------------|--------------------------|
| Cost: | |
| As at 31/12/2019 | 6,486 |
| New recognition | - |
| As at 31/12/2020 | <u>6,486</u> |
| Accumulated amortization: | |
| As at 31/12/2019 | 1,174 |
| Charge for the year | <u>1,187</u> |
| As at 31/12/2020 | <u>2,361</u> |
| Net book value: | |
| As at 31/12/2019 | <u>5,312</u> |
| As at 31/12/2020 | <u><u>4,125</u></u> |

Set out below are the carrying amounts of lease liability and the movements during the year:

| | <i>2020 LAKm</i> |
|-------------------------------|----------------------------|
| As at 01 January 2020 | 5,322 |
| Additions | - |
| Accrual of interest | 121 |
| Payments | (4,342) |
| Foreign currency difference | <u>3</u> |
| As at 31 December 2020 | <u><u>1,104</u></u> |

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

16. ACCRUED INTEREST RECEIVABLE

| | 31/12/2020 LAKm | 31/12/2019 LAKm |
|-----------------------------------|--------------------|--------------------|
| Accrued interest receivable from: | | |
| Loans to customers | 491 | 36,975 |
| Term deposits | 505 | 668 |
| | 996 | 37,643 |

17. OTHER ASSETS

| | 31/12/2020 LAKm | 31/12/2019 LAKm |
|------------------|--------------------|--------------------|
| Prepaid expenses | 636 | 638 |
| Others | 30 | 30 |
| | 666 | 668 |

18. DUE TO OTHER BANKS

| | 31/12/2020 LAKm | 31/12/2019 LAKm |
|---------------------------------------|--------------------|--------------------|
| Demand deposit from: | | |
| - <i>Canadia Bank Plc</i> | 58,115 | 51,797 |
| - <i>Other financial institutions</i> | 2 | 2 |
| | 58,117 | 51,799 |

19. DUE TO BOL

| | 31/12/2020 LAKm | 31/12/2019 LAKm |
|------------------------------------|--------------------|--------------------|
| Borrowing from Bank of the Lao PDR | 800 | - |
| | 800 | - |

- ▶ LAK 800,000,000, a 4 years borrowing with interest rate of 3.00% per annum for the purpose of providing credit for liquidity and restoration of certain customers who are impacted by coronavirus (COVID-19) as allowed in Decision no 318/BOL, dated 19 May 2020. The borrowing period is from 04 November 2020 to 04 November 2024 with repayment schedule set are 50% to be paid on the beginning of third year and 50% on the fourth year. Interest is paid quarterly.

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

20. DUE TO CUSTOMERS

| | 31/12/2020 LAKm | 31/12/2019 LAKm |
|----------------------------|--------------------|--------------------|
| Demand deposits | 357 | 501 |
| Demand deposits in LAK | 24 | 38 |
| Demand deposits in FC | 333 | 463 |
| Saving deposits | 3,376 | 3,407 |
| Saving deposits in LAK | 1,838 | 1,897 |
| Saving deposits in FC | 1,538 | 1,510 |
| Fixed term deposits | 7,691 | 6,188 |
| Fixed term deposits in LAK | 2,124 | 1,512 |
| Fixed term deposits in FC | 5,567 | 4,676 |
| | 11,424 | 10,096 |

The interest rates for these deposits are as follows:

| | 2020 % per annum | 2019 % per annum |
|------------------------|---------------------|---------------------|
| 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 | 2.00 - 6.71 | 3.16 - 6.71 |
| Term deposits in USD | 1.25 - 5.25 | 2.25 - 5.25 |
| Term deposits in THB | 1.25 - 5.25 | 5.00 |

21. OTHER PAYABLES

| | 31/12/2020 LAKm | 31/12/2019 LAKm |
|-------------------|--------------------|--------------------|
| Bonus and pension | 450 | 950 |
| Other liabilities | 219 | 346 |
| | 669 | 1,296 |

22. TAXATION

22.1 Tax recoverable

| | 31/12/2020 LAKm | 31/12/2019 LAKm |
|------------------------------------|--------------------|--------------------|
| Profit tax recoverable (note 22.2) | 7,005 | 3,110 |
| | 7,005 | 3,110 |

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

22. TAXATION (continued)

22.2 Profit Tax ("PT")

The Bank is obliged to pay profit tax at rate of 20% on total profit before tax of the period in accordance with Tax Law No.67/NA dated 18 June 2019 which is effective on or after 1 January 2020.

| | 2020 LAKm | 2019 LAKm |
|---|------------------|----------------|
| (Loss)/profit before tax | (141,498) | 8,649 |
| Non-taxable income | (8,630) | (3,176) |
| Non-deductible expense | 1,923 | 329 |
| Taxable income | (148,205) | 5,802 |
| Current PT expense, at the statutory rate of 20% (2019: 24%) | - | 1,392 |
| PT recoverable at the beginning of year | (3,110) | 813 |
| PT paid during the year | (3,895) | (5,315) |
| PT recoverable at the end of year | (7,005) | (3,110) |

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.

Tax losses carried forward

The Bank incurred tax losses for the year 2020. Under the current Tax Law, the Bank is entitled to carry each individual tax loss forward to offset against taxable profits arising within 5 years subsequent to the year in which the loss is incurred. Upon expiration of this period, any remaining losses may not be further carried forward to be deducted from profit. The detailed tax losses carried forward as at 31 December 2020 were as follows:

| Year | <i>Can be utilized up to</i> LAKm | <i>Additional losses incurred for the year</i> LAKm | <i>Utilized up to the end of the year</i> LAKm | <i>Amount unused but is not eligible for next year's use</i> LAKm | <i>Eligible unused tax loss at the end of the year</i> LAKm |
|------|--------------------------------------|--|---|--|--|
| 2020 | 2025 | (148,205) | - | - | (148,205) |

22.3 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 response 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 2020.

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

23. PAID-UP CAPITAL

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

| | <i>2020</i> <i>LAKm</i> | <i>2019</i> <i>LAKm</i> |
|------------------------|----------------------------|----------------------------|
| Opening balance | 300,000 | 300,000 |
| Closing balance | 300,000 | 300,000 |

24. CASH AND CASH EQUIVALENTS

| | <i>31/12/2020</i> <i>LAKm</i> | <i>31/12/2019</i> <i>LAKm</i> |
|-----------------------------------|----------------------------------|----------------------------------|
| Cash on hand | 12,645 | 8,070 |
| Current accounts with the BOL | 17,531 | 17,925 |
| Current accounts with other banks | 25,400 | 18,849 |
| | 55,576 | 44,844 |

25. 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 Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

25. RELATED PARTY TRANSACTIONS (continued)

Significant transactions with related parties during the year 2020 are as follows:

| <i>Related party</i> | <i>Relationship</i> | <i>Transactions</i> | <i>2020</i> <i>LAKm</i> | <i>2019</i> <i>LAKm</i> |
|----------------------|---------------------|---|----------------------------|----------------------------|
| Canada Bank Plc | Owner | Net decrease/(increase) in demand deposits from the parent bank | 6,318 | 7,506 |
| | | Net increase in demand deposits at the parent bank | 1,434 | 174 |

Balances with related parties as at 31 December 2020 are as follows:

| <i>Related party</i> | <i>Relationship</i> | <i>Transactions</i> | <i>31/12/2020</i> <i>Receivable/ (payable)</i> <i>LAKm</i> | <i>31/12/2019</i> <i>Receivable/ (payable)</i> <i>LAKm</i> |
|----------------------|---------------------|---|--|--|
| Canada Bank Plc | Owner | Demand deposits from the parent bank | (58,115) | (51,797) |
| | | Demand deposits at the parent bank | 5,749 | 4,315 |

Transactions with key management personnel of the Bank

Remuneration to members of the Management is as follows:

| | <i>2020</i> <i>LAKm</i> | <i>2019</i> <i>LAKm</i> |
|----------|----------------------------|----------------------------|
| Salaries | 1,110 | 1,025 |
| Bonus | 240 | 225 |
| | 1,350 | 1,250 |

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

| | <i>2020</i> <i>LAKm</i> | <i>2019</i> <i>LAKm</i> |
|-----------------------------------|----------------------------|----------------------------|
| Allowances for Board of Directors | 221 | 228 |
| | 221 | 228 |

Canadia Bank Lao Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2020

26. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 31 December 2020 that requires adjustment or disclosure in the financial statements of the Bank.

Prepared by:

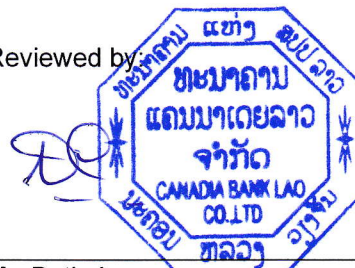


Mr. Im Sovanrith
Chief Financial Officer

Vientiane, Lao PDR

25 March 2021

Reviewed by:



Mr. Buth Ang
Chief Executive Officer