
***BANGKOK BANK PUBLIC COMPANY LIMITED
- VIENTIANE BRANCH***

Financial Statements

Year ended December 31, 2019

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE BRANCH MANAGER OF BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH

Opinion

We have audited the financial statements of Bangkok Bank Public Company Limited - Vientiane Branch (the “Branch”), which comprise the statement of financial position as at December 31, 2019, and the related statements of profit or loss and other comprehensive income, changes in Head Office account and 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 Branch for the year ended December 31, 2019 are prepared, in all material respects, in accordance with the regulations of Bank of the Lao PDR and the Branch’s accounting policies as described in Note 3 to the 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 Branch in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters - Basis of Accounting and Restriction on Use

We draw your attention as described in the following notes to the financial statements:

1. Note 2 and 3 to the financial statements, which describe the basis of accounting and significant accounting policies. The financial statements are prepared to provide information for use by the Branch, the Head Office and Bank of the Lao PDR. As a result, the financial statements may not be suitable for another purpose.
2. Note 5 to the financial statements that during the year ended December 31, 2019, the Branch has adjusted for correction of errors of prior accounting period and has retrospectively adjusted the financial statements for the year ended December 31, 2018, and the statement of financial position as at January 1, 2018, presented herein for comparison, for the effects of such matter.

Our opinion is not modified in respect of these matters.

Other Matter

The financial statements of Bangkok Bank Public Company Limited - Vientiane branch for the year ended December 31, 2018 (before restatement), were audited by another auditor who expressed an unmodified opinion on those statements on September 17, 2019.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the regulations of Bank of the Lao PDR and the Branch's accounting policies as described in Note 3 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of 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 Branch'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 Branch or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch'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 Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.



Chavala Tienpasertkij
Certified Public Accountant

VIENTIANE
March 30, 2020

DELOITTE (LAO) SOLE COMPANY LIMITED

Bangkok Bank Public Company Limited - Vientiane Branch

Branch information

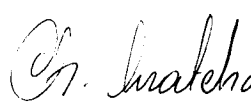
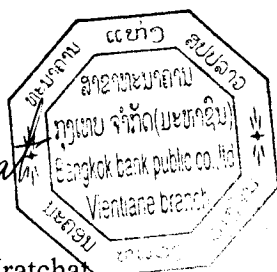
Branch	Bangkok Bank Public Company Limited Vientiane Branch
Registration number	04/93/BoL
Registered office	Unit 12, Samsenthai Road Xieng Nguen Village, Chanthabouly District P.O. Box 5400 Vientiane Capital, Lao PDR
Branch Manager	Ms. Chadaphorn Uratchat
Auditor	Deloitte (Lao) Sole Company Limited

Manager's responsibility in respect of the financial statements

The Branch Manager is responsible for ascertaining that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Branch as at December 31, 2019, and the related statements of profit or loss and other comprehensive income, changes in Head Office account and cash flows for the year then ended. In preparing these financial statements, the Branch Manager is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) comply with the regulations of Bank of the Lao PDR and the Branch's accounting policies as described in Note 3 to the financial statements and ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Branch will continue operations in the foreseeable future; and
- v) control and direct effectively the Branch in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Branch Manager confirms that the Branch has complied with the above requirements in preparing the financial statements.

Ms. Chadaphorn Uratchat
Branch Manager

March 30, 2020

BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

UNIT : LAK

	Notes	2019	2018 "Restated"	January 1, 2018 "Restated"
ASSETS				
Cash on hand	12.1	18,155,569,132	11,108,639,269	15,364,775,600
Interbank and money market items	13	439,211,489,739	440,541,819,062	454,201,789,705
Due from Head Office and other branches	26	300,060,484,367	386,948,552,067	191,135,995,941
Statutory deposits	14	52,377,441,704	43,037,769,202	74,512,828,775
Investments	15	-	137,306,376,000	-
Loans to customers and accrued interest receivables, net	16			
Loans to customers		262,973,935,555	296,602,171,932	378,568,956,076
Accrued interest receivables		268,042,593	279,570,487	462,221,755
Total loans to customers and accrued interest receivables		263,241,978,148	296,881,742,419	379,031,177,831
Less Allowance for doubtful accounts		(3,155,687,265)	(41,970,954,756)	(42,264,648,483)
Total loans to customers and accrued interest receivables, net		260,086,290,883	254,910,787,663	336,766,529,348
Leasehold improvements and equipment	17	7,706,551,118	8,182,387,167	9,011,922,089
Intangible assets	18	2	2	948,373
Deferred tax assets	19	1,320,391,408	10,795,789,334	10,944,270,836
Other assets	20	14,704,802,763	17,925,411,715	14,863,263,124
TOTAL ASSETS		1,093,623,021,116	1,310,757,531,481	1,106,802,323,791

Notes to the financial statements form an integral part of these statements

BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2019

UNIT : LAK

	Notes	2019	2018 "Restated"	January 1, 2018 "Restated"
LIABILITIES AND HEAD OFFICE ACCOUNT				
Deposits	21	555,260,300,419	659,804,269,153	503,514,823,940
Interbank and money market items	22	131,082,403,758	113,946,659,922	93,575,239,823
Due to Head office and other branches	26	226,511,716,585	327,301,563,954	330,268,487,934
Tax payable	11	6,933,554,682	8,095,795,410	7,855,053,704
Other liabilities	23	9,779,598,012	10,321,603,387	5,696,751,194
TOTAL LIABILITIES		<u>929,567,573,456</u>	<u>1,119,469,891,826</u>	<u>940,910,356,595</u>
HEAD OFFICE ACCOUNT				
Branch capital	24	100,000,000,000	100,000,000,000	100,000,000,000
Retained earnings				
Appropriated				
Legal reserve	25	8,982,008,716	8,982,008,716	5,544,748,114
Unappropriated		55,073,438,944	82,305,630,939	60,347,219,082
TOTAL HEAD OFFICE ACCOUNT		<u>164,055,447,660</u>	<u>191,287,639,655</u>	<u>165,891,967,196</u>
TOTAL LIABILITIES AND HEAD OFFICE ACCOUNT		<u><u>1,093,623,021,116</u></u>	<u><u>1,310,757,531,481</u></u>	<u><u>1,106,802,323,791</u></u>

Notes to the financial statements form an integral part of these statements

BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

UNIT : LAK

	Notes	2019	2018 "Restated"
Interest income	6	34,943,343,999	40,825,972,776
Interest expenses	6	<u>(17,477,438,624)</u>	<u>(19,986,400,460)</u>
Net interest income	6	<u>17,465,905,375</u>	<u>20,839,572,316</u>
Fees and service income	7	15,283,148,954	16,145,774,269
Fees and service expenses	7	<u>(426,178,206)</u>	<u>(382,302,632)</u>
Net fees and service income	7	<u>14,856,970,748</u>	<u>15,763,471,637</u>
Gain on foreign exchange transactions		7,010,759,667	5,359,518,762
Other operating income		330,863,760	441,639
Total operating income		<u>39,664,499,550</u>	<u>41,963,004,354</u>
Other operating expenses			
Employee's expenses	8	(5,826,815,169)	(5,541,868,797)
Depreciation and amortization expenses	9	(671,348,817)	(858,064,293)
Others		<u>(4,147,137,340)</u>	<u>(4,112,663,420)</u>
Total operating expenses		<u>(10,645,301,326)</u>	<u>(10,512,596,510)</u>
Impairment loss of loans (expense)/ reversal	10	<u>(39,356,792,668)</u>	<u>1,978,681,272</u>
Profit (Loss) before income tax expenses		<u>(10,337,594,444)</u>	<u>33,429,089,116</u>
Income tax expenses	11	<u>(16,894,597,551)</u>	<u>(8,033,416,657)</u>
Net profit (Loss)		<u>(27,232,191,995)</u>	<u>25,395,672,459</u>
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains on defined benefit plans		-	-
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income		-	-
Total comprehensive income (loss)		<u>(27,232,191,995)</u>	<u>25,395,672,459</u>

Notes to the financial statements form an integral part of these statements

BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH
STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2019

UNIT : LAK

	Notes	Branch Capital	Retained Earnings		Total Head Office Account
			Appropriated Legal Reserve	Unappropriated	
"Restated"					
Beginning balances as at January 1, 2018 - as previously report		100,000,000,000	5,544,748,114	58,269,076,482	163,813,824,596
Effects from correction of accounting error	5.1	-	-	2,078,142,600	2,078,142,600
Beginning balances as at January 1, 2018 - as restated		100,000,000,000	5,544,748,114	60,347,219,082	165,891,967,196
Net profit					
Transfer to legal reserve	25	-	-	25,395,672,459	25,395,672,459
Ending balance as at December 31, 2018 - as restated		100,000,000,000	3,437,260,602	(3,437,260,602)	-
		100,000,000,000	8,982,008,716	82,305,630,939	191,287,639,655
Beginning balances as at January 1, 2019 - as previously report		100,000,000,000	8,982,008,716	83,349,797,009	192,331,805,725
Effects from correction of accounting errors	5.1	-	-	(1,044,166,070)	(1,044,166,070)
Beginning balances as at January 1, 2019 - as restated		100,000,000,000	8,982,008,716	82,305,630,939	191,287,639,655
Net loss					
Transfer to legal reserve	25	-	-	(27,232,191,995)	(27,232,191,995)
Ending balance as at December 31, 2019		100,000,000,000	8,982,008,716	55,073,438,944	164,055,447,660

Notes to the financial statements form an integral part of these statements

BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

UNIT : LAK

	Notes	2019	2018 "Restated"
Cash flows from operating activities			
Profit (Loss) before income tax expenses		(10,337,594,444)	33,429,089,116
Adjustments to reconcile net profit for the year to cash received (paid) from operating activities:			
Depreciation and amortization	9	671,348,817	858,064,293
Provision for doubtful accounts charges/ (reversal)	10	39,356,792,668	(1,978,681,272)
Unrealized loss on exchange		1,854,032,603	1,360,008,345
Interest income	6	(34,943,343,999)	(40,825,972,776)
Interest expenses	6	17,477,438,624	19,986,400,460
Cash generated from operations		<u>14,078,674,269</u>	<u>12,828,908,166</u>
Interest received		37,063,849,978	38,643,717,386
Interest paid		(17,766,364,371)	(19,129,286,306)
Income tax paid	11	<u>(8,581,440,353)</u>	<u>(7,644,193,449)</u>
Profit from operating before changes in operating assets and liabilities		24,794,719,523	24,699,145,797
Changes in operating assets and liabilities:			
Decrease (increase) in operating assets:			
Interbank and money market items		42,011,491,226	(575,472,024)
Statutory deposits		(9,339,672,502)	31,475,059,573
Due from Head Office and other branches		86,851,557,485	(195,758,433,656)
Loans to customers		(47,063,413,585)	81,966,784,144
Other assets		263,944,986	(105,484,625)
Increase (decrease) in operating liabilities:			
Deposits		(104,543,968,734)	156,289,445,213
Interbank and money market items		17,135,743,836	20,371,420,099
Due to Head Office and other branches		(100,789,847,369)	(2,966,923,980)
Other liabilities		<u>(253,079,628)</u>	<u>3,767,738,039</u>
Net cash provided by (used in) operating activities		<u>(90,932,524,762)</u>	<u>119,163,278,580</u>

BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

UNIT : LAK

	Notes	2019	2018 "Restated"
Cash flows from investing activities			
Purchases of held-to-maturity investments		-	(137,306,376,000)
Proceeds from disposal of held-to-maturity investments		137,306,376,000	-
Purchases of leasehold improvements and equipment	12.2	(195,512,768)	(27,581,000)
Net cash provided by (used in) investing activities		<u>137,110,863,232</u>	<u>(137,333,957,000)</u>
Cash flows from financing activities			
		-	-
Net increase (decrease) in cash and cash equivalents			
		46,178,338,470	(18,170,678,420)
Cash and cash equivalents at beginning of the year		<u>176,552,341,555</u>	<u>194,723,019,975</u>
Cash and cash equivalents at end of the year		<u>222,730,680,025</u>	<u>176,552,341,555</u>
Cash and cash equivalents			
Cash on hand	12.1	18,155,569,132	11,108,639,269
Deposits within three months from other banks	4.4	<u>204,575,110,893</u>	<u>165,443,702,286</u>
		<u>222,730,680,025</u>	<u>176,552,341,555</u>

Notes to the financial statements form an integral part of these statements

**BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. GENERAL INFORMATION

Bangkok Bank Public Company Limited (the “Bank”) is incorporated in Thailand. Bangkok Bank Public Company Limited - Vientiane Branch (the “Branch”) is a branch office of the Bank that operates in the Lao People’s Democratic Republic (“Lao PDR”) under a banking license (License No. 04/93/BoL) granted by Bank of the Lao PDR (“BoL”) on February 25, 1993. The Branch’s main business is commercial banking in the Lao PDR.

These financial statements were approved for issue by the Branch’s management on March 30, 2020.

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The Branch is not a separate legal entity. The financial statements have been prepared from the records of the Branch and reflected only transactions recorded locally.

The Branch’s financial statements have been prepared in accordance with the accounting policies as described in Note 3. These accounting policies are primarily based on International Financial Reporting Standards (“IFRSs”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretation. However, this is not a complete set of general purpose financial statements prepared in accordance with IFRS as the Branch has not adopted IFRS 9 “Financial Instruments” and IFRS 16 “Leases” as following the guidance stipulated in Official Letter No. 1659/BoL dated December 14, 2018 and No. 216/BoL dated February 25, 2020, respectively, for the year ended December 31, 2019.

The Branch’s financial statements have been prepared on an accrual basis under the measurement basis of historical cost as disclosed in the accounting policies (see Note 3).

The financial statements are prepared solely for the use of the Branch, the Head Office and Bank of the Lao PDR.

The Branch’s financial statements are presented in LAK, which is the Branch’s presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Recognition of income

The Branch recognizes interest on an accrual basis, except for interest from lending which was accrued over three months, such interest is recognized when received. The Branch reverses all accrued interest income for items which are no longer on an accrual basis.

The Branch recognizes fee income on an accrual basis when the service has been provided or upon satisfaction of performance obligations.

3.2 Recognition of expenses

The Branch recognizes interest and fee expenses on an accrual basis.

3.3 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, balances with Central Bank, deposits with other banks and other short-term highly liquid investments with original maturities of three months or less.

3.4 Investments

Investments for which the Branch has the intent and the ability to hold until maturity are classified as held-to-maturity debt securities and carried at the amortized cost, net of valuation allowances for impairment (if any).

3.5 Loans to customers

The Branch recognizes loans to customers at cost when cash is advanced to a borrower and derecognizes when getting repayment or writing off.

Overdraft are carried at the drawn amounts including interest. Other loans to customers are carried at the principal amounts.

3.6 Allowance for doubtful accounts

Loan classification and provision for losses are made in accordance with BoL regulations No.512/BoL dated June 29, 2018 on Article 9. These classifications are applied as guidance to assist the Branch to better estimate its loan loss provision as follows:

Classification	Number of days past due	Provision rate (No. 512/BoL)	Provision rate (The Branch)
Normal	1 to 30 days	0.50%	1.20%*
Special mentioned	31 to 90 days	3.00%	3.00%
Substandard	91 to 180 days	20.00%	36.00%**
Doubtful	181 to 360 days	50.00%	50.00%
Loss	Over 360 days	100.00%	100.00%

* The Branch used the Head Office's provision rate of 1.20%, which has been approved by the BoL in accordance with the Official letter No. 37/BoL dated January 30, 2014.

** The Branch used the Head Office's provision rate of 36.00%, which has been approved by the BoL in accordance with the Official Letter No. 304/BoL dated September 11, 2014.

Changes in allowance for doubtful accounts are recorded to the statement of profit of loss and other comprehensive income as allowance for doubtful debt or reverse on allowance for doubtful debt. Allowance for doubtful accounts is recorded in the statement of financial position in allowance for doubtful accounts as a contra account of loans to customers.

3.7 Property and equipment

Property and equipment are stated at cost net of accumulated depreciation and allowance for impairment (if any).

Depreciation is calculated by the straight-line method, based on the legal rates applicable.

Leasehold improvements	10 years
Furniture and fixtures	5 years
Computer equipment	5 years
Motor vehicles	5 years

When property and equipment become impaired, the allowance for impairment is recorded to recognize loss on impairment as other operating expense.

Gains or losses on disposal of property and equipment are recognized as other operating income or expenses upon disposal.

3.8 Intangible assets

Intangible assets are stated at cost net of accumulated amortization and allowance for impairment (if any).

Amortization is calculated by the straight-line method, based on the legal rates applicable.

Computer software	2 years
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When intangible assets become impaired, the allowance for impairment is recorded to recognize loss on impairment as other operating expense.

Gains or losses on disposal of intangible assets are recognized as other operating income or expenses upon disposal.

3.9 Income taxes

Income taxes comprise of current tax and deferred tax.

Current tax is recognized at the amount expected to be paid or recovered from the tax authorities by calculating from taxable profit or loss for the period and using tax rates enacted or substantively enacted by the reporting date.

Deferred tax is recognized on temporary differences arising between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss (tax base). The Branch recognized deferred tax assets and liabilities arising from such temporary differences at the amount of expected benefit to be received from the assets or paid for the liabilities in profit or loss except to the extent that it relates to items recognized in equity, in which case it is recognized directly in equity.

Deferred tax assets and liabilities are offset, if the Branch has a legally enforceable right to offset current tax assets and current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be sufficiently available to allow the temporary differences to be utilized. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that the related tax benefit will be realized.

3.10 Provisions

Provisions are recognized when the Branch has a present obligation (legal or constructive) as a result of a past event, it is probable that the Branch will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The Branch recognizes no provisions for future operating losses.

The Branch recognizes the provisions as other operating expenses and as provisions in the statements of financial position.

The Branch reviews the provisions on a regular basis, and recognizes the changes in the provisions as increase or decrease in other operating expenses.

3.11 Segment information

The Branch operates within one business segment, commercial banking, and within one geographical segment, which is the Lao PDR.

3.12 Foreign currency translation

Items included in the financial statements are measured using Lao Kip ("LAK").

Foreign currency transactions are translated into LAK using the exchange rates prevailing at the date of the transactions.

Foreign currency assets and liabilities outstanding at the statement of financial positions date and income and expenses for each statement of income presented are translated into LAK using the reference rates of exchange of the Bangkok Bank Public Company Limited ruling at that date.

Gains and losses resulting from the settlement of such transactions when incurred and from the foreign exchange translation are recognized in the statement of income.

3.13 Use of management's judgments

The preparation of financial statements in conformity with the regulations of Bank of the Lao PDR and the Branch's accounting policies as described in Note 3 to the financial statements requires the Branch's management to exercise judgment in order to determine the accounting policies, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the last date of the reporting period and the reported amounts of revenue and expense during the reporting period. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates.

4. FINANCIAL RISK MANAGEMENT

The Branch's business involves taking on risks in a targeted manner and managing them professionally primarily through the Bank at consolidated level and by the Branch itself to comply with local regulators' requirements.

At the Branch level, the core functions of the Branch's risk management are to identify all key risks for the Branch, measure these risks, manage the risk positions and determine capital allocations. The Branch complies with the Bank's risk management policies.

The Branch's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Branch's financial performance.

The Branch defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

At the Bank level, the Bank's Risk Management Committee ("RMC") plays a significant role in prescribing the risk management policy, reviewing the sufficiency of the risk management policy and system, defining the strategy for risk management, and monitoring the Bank's risk to an appropriate level, in compliance with the Bank's risk management policy which has been approved by the Board of Directors based on the Risk Management Committee's recommendation. The objectives are to manage the relevant risks within designated boundaries, in particular the maintenance of capital in accordance with the revised capital adequacy requirements under the Basel III guidelines and to achieve an appropriate rate of return.

The key principle of the risk management system is that business units shall be responsible for continuously managing their risk exposures in order to ensure that the risk is within the specified limits and in compliance with the overall risk management policy approved by the Board of Directors, while the Risk Management unit is responsible for monitoring and controlling the risks on a regular basis.

The Branch is exposed to financial risks, which include credit risk, interest rate risk, foreign exchange risk and liquidity risk.

4.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Branch's customers, clients or market counterparties fail to fulfil their contractual obligations to the Branch. Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit.

The Branch, however, is not in a position to manage most parts of its own credit risk. It acts as a marketing arm of the Bank, to solicit and acquire potential credit customers, to maintain both existing and potential credit customers. The Branch, as a local representative of the Bank, performs most of credit operation functions. All the Branch's credit applications are submitted to the Bank's relevant credit departments to be prepared, analyzed and underwritten. After approval, all of the Branch's credit portfolio is aggregated to the Bank's credit portfolios which are subjected the Bank's credit risk management and control.

Credit risk is the single largest risk for both the Bank's and the Branch's business; management therefore carefully manages the exposure to credit risk. The credit risk management and control are centralized in a credit risk management team, which reports to the Board of Directors and head of each business unit regularly.

4.1.1 Credit risk exposure

Credit risk exposures relating to on-statement of financial position as at December 31, are as follows:

	2019 LAK	2018 LAK
Loan corporate entities	<u>262,973,935,555</u>	<u>296,602,171,932</u>
Total	<u>262,973,935,555</u>	<u>296,602,171,932</u>

Credit risk exposures relating to off-statement of financial position as at December 31, are as follows:

	2019 LAK	2018 LAK
Undrawn loan commitments	28,522,366,664	23,597,238,303
Letters of credit	12,896,744,000	1,018,856,960
Letters of Guarantee	514,005,961,355	472,047,666,192
Bills sent for collection	15,354,778,365	7,594,270,666
Total	<u>570,779,850,384</u>	<u>504,258,032,121</u>

4.1.2 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Branch's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as classified by geographical region as of December 31, are as follows.

	2019 LAK	2018 LAK
Residents	<u>262,973,935,555</u>	<u>296,602,171,932</u>
Total	<u>262,973,935,555</u>	<u>296,602,171,932</u>

(b) Industry sectors

The following table breaks down the Branch's credit exposure at carrying amounts (without taking into account any collateral held or other credit support), classified by the industry sectors of the Branch's counterparties as at December 31, are as follows:

	2019 LAK	2018 LAK
Industrial service companies	89,327,185,473	68,001,736,704
Logistic companies	-	78,712,558,673
Trading companies	86,923,454,478	90,295,714,123
Service companies	86,723,295,604	59,592,162,432
Total	<u>262,973,935,555</u>	<u>296,602,171,932</u>

4.2 Interest rate risk

Interest rate risk is the risk that arises from the potential change in interest rates which may have an adverse effect on the net interest income of the Branch in the current reporting period, and/or in future periods. Interest rate risk arises from the structure and characteristics of the Branch's assets and liabilities, and in the mismatch in repricing dates of its assets and liabilities.

The Bank assesses, monitors, and controls interest rate risk to be at an acceptable level and to comply with the policy set by the Asset-Liability Management Committee ("ALCO") and the Risk Management Committee. The Branch manages interest rate risk in order to achieve business return targets and control the potential impact on capital to be within a specified limit.

The Branch has significant financial assets and financial liabilities categorized by the earlier of contractual repricing or maturity dates as at December 31, as follows:

As at December 31, 2019							
	Call to 1 month LAK	1-3 months LAK	3-12 months LAK	1-5 years LAK	Over 5 years LAK	Non-interest bearing LAK	Total LAK
Financial assets							
Interbank and money market items	188,703,107,834	15,872,003,059	41,316,055,556	193,320,323,290	-	-	439,211,489,739
Due from Head Office and other branches	292,567,237,805	7,493,246,562	-	-	-	-	300,060,484,367
Statutory deposits	-	-	-	-	-	52,377,441,704	52,377,441,704
Loans to customers and accrued interest receivables	24,580,361,638	29,074,617,542	10,711,312,439	100,280,999,651	98,594,686,878	-	263,241,978,148
Financial liabilities							
Deposits	359,017,878,621	69,001,324,402	31,905,874,578	5,633,000,000	-	89,702,222,818	555,260,300,419
Interbank and money market items	121,082,403,758	10,000,000,000	-	-	-	-	131,082,403,758
Due to Head Office and other branches	15,000,000,000	-	-	195,495,300,000	-	16,016,416,585	226,511,716,585
As at December 31, 2018							
	Call to 1 month LAK	1-3 months LAK	3-12 months LAK	1-5 years LAK	Over 5 years LAK	Non-interest bearing LAK	Total LAK
Financial assets							
Interbank and money market items	151,347,940,454	41,047,232,143	248,146,646,465	-	-	-	440,541,819,062
Due from Head Office and other branches	377,630,786,090	9,316,622,153	-	-	-	1,143,824	386,948,552,067
Statutory deposits	-	-	-	-	-	43,037,769,202	43,037,769,202
Investments	-	-	27,461,275,000	109,845,101,000	-	-	137,306,376,000
Loans to customers and accrued interest receivables	35,951,441,198	33,890,160,157	10,943,197,992	179,658,292,170	36,438,650,902	-	296,881,742,419
Financial liabilities							
Deposits	376,303,723,346	58,836,411,637	36,969,485,092	853,600,000	-	186,841,049,078	659,804,269,153
Interbank and money market items	61,946,659,922	35,000,000,000	17,000,000,000	-	-	-	113,946,659,922
Due to Head Office and other branches	50,608,000,000	265,958,400,000	-	-	-	10,735,163,954	327,301,563,954

Interest rate risk is the current and prospective impact to the financial condition due to adverse changes in interest rates to which the Branch statement of financial position is exposed. The Branch's mismatched assets and liabilities positions have undesired outcomes over the short term. The Branch's objective is to manage interest rate risk to achieve stable and sustainable net interest income in the long term.

4.3 Foreign exchange risk

Foreign exchange risk is the risk that arises when the Branch deals in foreign currency transactions which lead to overbought or oversold positions in any individual foreign currency positions. The Branch may incur gains or losses as a result of changes in foreign exchange rates.

The Branch manages its foreign currency positions in compliance with regulatory guidelines and the internal risk limits set by ALCO and RMC.

The table below summarizes the Branch's exposure to foreign currency exchange rate risk, included in the table are the Branch's financial instruments at carrying amounts, categorized by currency as at December 31, as follows:

	2019				
	LAK	USD	THB	Others	Total
	LAK	LAK	LAK	LAK	LAK
Financial assets					
Cash on hand	2,850,978,000	9,718,660,952	5,585,930,180	-	18,155,569,132
Interbank and money market items	74,034,092,115	257,783,346,383	107,394,051,241	-	439,211,489,739
Due from Head Office and other branches	-	222,927,717,561	77,120,970,928	11,795,878	300,060,484,367
Statutory deposits	2,288,270,000	30,430,949,120	19,658,222,584	-	52,377,441,704
Loans to customers and accrued interest receivables	148,708,771,295	103,386,801,032	11,146,405,821	-	263,241,978,148
Financial liabilities					
Deposits	46,145,385,851	316,758,069,977	192,356,844,591	-	555,260,300,419
Interbank and money market items	10,000,000,000	100,799,344,755	20,283,059,003	-	131,082,403,758
Due to Head Office and other branches	28,491,452,952	197,045,490,044	974,773,589	-	226,511,716,585
	2018				
	LAK	USD	THB	Others	Total
	LAK	LAK	LAK	LAK	LAK
Financial assets					
Cash on hand	1,582,163,500	4,516,687,824	5,009,787,945	-	11,108,639,269
Interbank and money market items	50,440,129,948	328,857,920,720	61,243,768,394	-	440,541,819,062
Due from Head Office and other branches	-	274,612,944,253	112,306,978,930	28,628,884	386,948,552,067
Statutory deposits	218,100,000	22,530,003,760	20,289,665,442	-	43,037,769,202
Investments	137,306,376,000	-	-	-	137,306,376,000
Loans to customers and accrued interest receivables	107,253,497,853	163,893,297,722	25,734,946,844	-	296,881,742,419
Financial liabilities					
Deposits	42,465,254,379	405,661,515,669	211,677,499,105	-	659,804,269,153
Interbank and money market items	62,000,000,000	50,707,154,529	1,239,505,393	-	113,946,659,922
Due to Head Office and other branches	46,325,672,871	278,295,764,065	2,680,127,018	-	327,301,563,954

4.4 Liquidity risk

Liquidity risk arises from failure to pay debts and contingent liabilities by the due date because of an inability to convert assets into cash; it also relates to failure to obtain sufficient funds, or finding that this comes at a higher cost, thus adversely affecting income and capital funds.

The Branch manages liquidity risk in accordance with policies and guidelines established by ALCO and the liquidity reserve requirement as well as other relevant regulatory requirements. Treasury Division is in charge of managing the Bank's liquidity, while the Market Risk unit of the Risk Management unit is responsible for identifying, assessing, monitoring, reporting and controlling risks to be within the specified limits and reports to ALCO on a regular basis.

The Branch has diversified funding sources. Its major funding source is customer deposits which are well-diversified in different deposit types and maturities. Moreover, the Branch manages its liquidity through domestic money and through international money in currencies such as US dollar and Thai Baht. The Branch aims to balance the cost of liquidity against liquidity risks as deemed appropriate based on market conditions and acceptable risk levels. The Branch also closely manages short-term and long-term liquidity positions. In addition to funding diversification, the Branch maintains high-quality liquid assets which can be liquidated or realized as needed in order to meet its financial obligations under both business-as-usual and crisis situations.

The Branch has financial assets and financial liabilities categorized by maturity profile as at December 31, as follows:

	2019						Total
	Call to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	
	LAK	LAK	LAK	LAK	LAK	LAK	LAK
Financial Assets							
Interbank and money							
market items	188,703,107,834	15,872,003,059	41,316,055,556	-	193,320,323,290	-	439,211,489,739
Due from Head Office							
and other branches	292,567,237,805	7,493,246,562	-	-	-	-	300,060,484,367
Statutory deposits	52,377,441,704	-	-	-	-	-	52,377,441,704
Loans to customers and							
accrued interest receivables	14,026,321,158	35,832,445,949	13,351,437,975	25,895,089,249	174,136,683,817	-	263,241,978,148
Financial liabilities							
Deposits	444,217,430,954	12,851,265,867	92,558,603,598	5,633,000,000	-	-	555,260,300,419
Interbank and money							
market items	121,082,403,758	10,000,000,000	-	-	-	-	131,082,403,758
Due to Head Office							
and other branches	16,016,416,585	15,000,000,000	-	-	195,495,300,000	-	226,511,716,585

	2018						Total LAK
	Call to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	
	LAK	LAK	LAK	LAK	LAK	LAK	
Financial Assets							
Interbank and money							
market items	151,347,940,453	14,095,761,833	275,098,116,776	-	-	-	440,541,819,062
Due from Head Office							
and other branches	351,033,028,818	35,915,523,249	-	-	-	-	386,948,552,067
Statutory deposits	43,037,769,202	-	-	-	-	-	43,037,769,202
Investments	-	-	27,461,275,000	109,845,101,000	-	-	137,306,376,000
Loans to customers and							
Accrued interest receivables	23,081,196,870	46,760,404,485	10,406,466,415	111,865,502,828	104,768,171,821	-	296,881,742,419
Financial liabilities							
Deposits	560,015,493,659	10,782,763,834	88,152,411,660	853,600,000	-	-	659,804,269,153
Interbank and money							
market items	51,946,659,922	45,000,000,000	17,000,000,000	-	-	-	113,946,659,922
Due to Head Office							
and other branches	10,735,163,954	316,566,400,000	-	-	-	-	327,301,563,954

4.5 Fair value of financial assets and liabilities

Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Fair values of financial instrument not carried at fair value

For financial assets and liabilities not carried at fair value on the financial statement as follows, the carrying amount is a reasonable approximation of fair value because, for example, they are short-term in nature or reprice to current market rates frequently:

	Carrying value/ Fair value	
	2019 LAK	2018 LAK
Financial assets		
Cash on hand	18,155,569,132	11,108,639,269
Interbank and money market items, net	439,211,489,739	440,541,819,062
Due from Head Office and other Branches	300,060,484,367	386,948,552,067
Statutory deposits	52,377,441,704	43,037,769,202
Investments	-	137,306,376,000
Loans to customers and accrued interest receivables, net	263,241,978,148	296,881,742,419
Financial liabilities		
Deposits	555,260,300,419	659,804,269,153
Interbank and money market	131,082,403,758	113,946,659,922
Due to Head Office and other Branches	226,511,716,585	327,301,563,954
Off-statement of financial position financial instruments		
Guarantees, acceptances and other financial facilities	570,779,850,384	504,258,032,121

The following methods and assumptions are used in estimating fair value of financial assets and liabilities:

- For financial assets (excluding statutory deposits and loans to customers) and financial liabilities, the carrying amounts in the statement of financial position approximate the fair value of the items as they are short-term.
- For statutory deposits, the carrying amounts in the statement of financial position approximate the fair value of the items as there is no interest earning.
- The fair value for loans to customers is based on the carrying value of the loans to customers, net of the allowance for doubtful accounts as presented in the statement of financial position. The carrying amount is considered to approximate their fair value since financial instruments are predominately subject to market interest rate.
- The fair value for investments, the value quoted by reliable international financial institutions will be used.

The Branch has financial assets and financial liabilities categorized by level of the fair value as at December 31, are as follows:

	2019				2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	LAK	LAK	LAK	LAK	LAK	LAK	LAK	LAK
Items not measured at fair value								
Financial assets								
Investments	-	-	-	-	-	-	137,306,376,000	137,306,376,000

4.6 Capital management

The Branch's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking market of the Branch such as the Bank of the Lao PDR;
- To safeguard the Branch's ability to continue as a going concern so that it can continue to provide returns for Head Office and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

5. CORRECTIONS OF PRIOR PERIOD'S ERRORS AND RECLASSIFICATIONS

5.1 Corrections of prior period's errors

During the year ended December 31, 2019, the Branch discovered errors regarding the transactions in the statement of profit or loss and other comprehensive income and other related accounts because transactions dominated in foreign currencies were not translated into local currency at the rates of exchange prevailing at the transaction dates. Additionally, the Branch had under recorded allowance for doubtful accounts for loans to interbank, and under recorded deferred tax assets. Therefore, the Branch corrected such errors by retrospectively adjusted the financial statements for the year ended December 31, 2018 which were presented as comparative information. The effects from correction of such errors to the financial statements for the year ended December 31, 2018 are as follows:

Impacts on the statement of financial position as at December 31, 2018 are as follows:

	Previously reported	Adjustments from correction of errors increase (decrease)	As restated
	LAK	LAK	LAK
Interbank and money market items (assets)	443,553,319,862	(3,011,500,800)	440,541,819,062
Deferred tax assets	8,828,452,049	1,967,337,285	10,795,789,334

Impacts on the statement of changes in Head Office account for the year ended December 31, 2018 are as follows:

	Previously reported	Adjustments from correction of errors increase (decrease)	As restated
	LAK	LAK	LAK
Retained earnings - Unappropriated as at January 1, 2018	58,269,076,482	2,078,142,600	60,347,219,082
Retained earnings - Unappropriated as at December 31, 2018	83,349,797,009	(1,044,166,070)	82,305,630,939

Impacts on the statement of profit or loss and other comprehensive income for the year ended December 31, 2018 are as follows:

	Previously reported	Adjustments from correction of errors increase (decrease)	As restated
	LAK	LAK	LAK
Interest income	41,270,519,312	(444,546,536)	40,825,972,776
Interest expenses	(20,223,162,235)	236,761,775	(19,986,400,460)
Fees and service income	16,269,526,503	(123,752,234)	16,145,774,269
Fees and service expenses	(383,009,213)	706,581	(382,302,632)
Gain on foreign exchange transactions	5,097,475,102	262,043,660	5,359,518,762
Other operating income	442,997	(1,358)	441,639
Other operating expenses			
Employee's expenses	(5,543,236,250)	1,367,453	(5,541,868,797)
Others	(4,173,113,565)	60,450,145	(4,112,663,420)
Impairment loss of loans (expense)/ reversal	4,983,211,560	(3,004,530,288)	1,978,681,272
Income tax expenses	(7,922,608,787)	(110,807,870)	(8,033,416,657)
Net profit	28,517,981,129	(3,122,308,670)	25,395,672,459

5.2 Reclassifications

Reclassifications have been made in the financial statements for the year ended December 31, 2018 to conform to the classifications used in the financial statements for the year ended December 31, 2019 as follows:

Account	Previous presentation	Current presentation	Amount LAK
Deposits from other branch	Other assets	Due from Head Office and other branches	1,143,824
Accrued interest receivables - investments	Investments	Other assets	2,956,663,966
Computer software	Other assets	Intangible assets	2
Accrued interest payables - deposits	Deposits	Other liabilities	5,598,183,362
Accrued interest payables - interbank and money market items (liabilities)	Interbank and money market items (liabilities)	Other liabilities	1,061,460,032
Due to other branch	Other liabilities	Due to Head Office and other branches	704,268,096

6. NET INTEREST INCOME

Net interest income for the years ended December 31, are as follows:

	2019	2018
	LAK	“Restated”
		LAK
Interest income		
Interest income - from interbanks	21,863,422,049	21,675,747,494
Interest income - from customers	16,036,585,916	16,193,561,316
Interest income - from held-to-maturity investments (reversal)	<u>(2,956,663,966)</u>	<u>2,956,663,966</u>
	<u>34,943,343,999</u>	<u>40,825,972,776</u>
Interest expenses		
Interest expenses - for interbanks	(12,385,421,992)	(14,883,335,221)
Interest expenses - for customers	<u>(5,092,016,632)</u>	<u>(5,103,065,239)</u>
	<u>(17,477,438,624)</u>	<u>(19,986,400,460)</u>
Net interest income	<u>17,465,905,375</u>	<u>20,839,572,316</u>

7. NET FEES AND SERVICE INCOME

Net fees and service income for the years ended December 31, are as follows:

	2019	2018
	LAK	“Restated”
		LAK
Fees and service income		
Acceptance, aval and guarantee of loans	8,647,996,140	6,037,559,458
Others	<u>6,635,152,814</u>	<u>10,108,214,811</u>
Total fees and service income	15,283,148,954	16,145,774,269
Fees and service expenses	<u>(426,178,206)</u>	<u>(382,302,632)</u>
Net fees and service income	<u>14,856,970,748</u>	<u>15,763,471,637</u>

8. EMPLOYEE'S EXPENSES

Employee's expenses for the years ended December 31, are as follows:

	2019	2018
	LAK	“Restated”
		LAK
Wages and salaries	4,538,813,919	4,266,645,712
Bonuses	682,692,650	693,121,950
Other benefits	<u>605,308,600</u>	<u>582,101,135</u>
	<u>5,826,815,169</u>	<u>5,541,868,797</u>

9. DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization expenses for the years ended December 31, are as follows:

	2019	2018
	LAK	“Restated”
		LAK
Depreciation of property and equipment (see Note 17)	671,348,817	857,115,922
Amortization of computer software (see Note 18)	-	948,371
	<u>671,348,817</u>	<u>858,064,293</u>

10. IMPAIRMENT LOSS OF LOANS

Impairment loss of loans for the years ended December 31, are as follows:

	2019	2018
	LAK	“Restated”
		LAK
Interbank and money market items (reversal)	(781,981,200)	(430,214,400)
Loans to customers	<u>40,138,773,868</u>	<u>(1,548,466,872)</u>
	<u>39,356,792,668</u>	<u>(1,978,681,272)</u>

11. INCOME TAX EXPENSES AND TAX PAYABLE

Income tax expenses for the years ended December 31, are as follows:

	2019	2018
	LAK	“Restated”
		LAK
Current tax expenses for the years	7,419,199,625	7,884,935,155
Net deferred tax expenses for the years (see Note 19)	<u>9,475,397,926</u>	<u>148,481,502</u>
	<u>16,894,597,551</u>	<u>8,033,416,657</u>

Tax payable as at December 31, are as follows:

	2019	2018
	LAK	“Restated”
		LAK
Tax payable at the beginning of the year	8,095,795,410	7,855,053,704
Income tax expenses for the years	7,419,199,625	7,884,935,155
Income tax paid during the years	<u>(8,581,440,353)</u>	<u>(7,644,193,449)</u>
Tax payable at the end of the year	<u>6,933,554,682</u>	<u>8,095,795,410</u>

Reconciliation of effective tax rate

	2019	2018
	LAK	“Restated” LAK
Profit (Loss) before tax	(10,337,594,444)	33,429,089,116
Income tax at the domestic tax rate (24%)	<u>(2,481,022,667)</u>	<u>8,022,981,388</u>
Tax effect of income and expenses that are not taxable and not deductible for tax purposes	<u>19,375,620,218</u>	<u>10,435,269</u>
Income tax as per statement of profit or loss and other comprehensive income	<u>16,894,597,551</u>	<u>8,033,416,657</u>
Effective tax rate	(163.43%)	24.03%

12. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

12.1 Cash on hand

Cash on hand as at December 31, consists of the following:

	2019	2018
	LAK	LAK
Cash on hand in LAK	2,850,978,000	1,582,163,500
Cash on hand in USD	9,718,660,952	4,516,687,824
Cash on hand in THB	<u>5,585,930,180</u>	<u>5,009,787,945</u>
	<u>18,155,569,132</u>	<u>11,108,639,269</u>

12.2 Non-cash items

Non-cash items for the years ended December 31, are as follows:

	2019	2018
	LAK	LAK
Fixed asset payables at beginning of the year	-	-
<u>Add</u> Purchases of tangible assets	195,512,768	27,581,000
Purchases of intangible assets	-	-
Unrealized gain on exchange rate	-	-
<u>Less</u> Cash payments for tangible assets	(195,512,768)	(27,581,000)
Cash payments for intangible assets	-	-
Fixed asset payables at ending of the year	<u>-</u>	<u>-</u>

13. INTERBANK AND MONEY MARKET ITEMS (ASSETS)

Interbank and money market items (assets) as at December 31, consists of the following:

	2019	2018
	LAK	“Restated” LAK
Demand deposits at other banks		
Bank of the Lao PDR	154,753,999,144	131,093,720,697
Other domestic banks	33,949,108,690	20,254,219,756
Foreign banks	-	-
Total	<u>188,703,107,834</u>	<u>151,347,940,453</u>
Time deposits at other banks		
Domestic banks	<u>55,841,700,000</u>	<u>40,613,850,000</u>
Total	55,841,700,000	40,613,850,000
Loans and advance		
Bank of the Lao PDR	195,495,300,000	250,958,400,000
Less Allowance for doubtful accounts	<u>(2,345,943,600)</u>	<u>(3,011,500,800)</u>
Total	193,149,356,400	247,946,899,200
Accrued interest receivables	<u>1,517,325,505</u>	<u>633,129,409</u>
	<u>439,211,489,739</u>	<u>440,541,819,062</u>

14. STATUTORY DEPOSITS

Statutory deposits as at December 31, consists of the following:

	2019	2018
	LAK	LAK
Customer deposits	52,372,441,704	43,032,769,202
Branch capital	<u>5,000,000</u>	<u>5,000,000</u>
	<u>52,377,441,704</u>	<u>43,037,769,202</u>

Statutory deposits on customers deposits with BoL is maintained in compliance with applicable BoL regulations, the amounts of which are determined as a defined percentage of customers' deposits with the Branch, i.e. 5% on deposits of Lao Kip and 10% on deposits of foreign currencies. These deposits do not earn interest.

Statutory deposits on branch capital are maintained with the BoL in compliance with BoL regulations. These deposits do not earn interest.

15. INVESTMENTS

Investments as at December 31, consists of the following:

	2019 LAK	2018 LAK
Held-to-maturity debt security		
Bonds issued by the Ministry of Finance (MOF)	-	137,306,376,000
	<u>-</u>	<u>137,306,376,000</u>

Details of bonds as at December 31, 2018 (2019 : Nil) are as follows:

Term	Issued date	Maturity date	Interest rate % p.a.	2018 LAK
1 year	17-May-18	17-May-19	3.00%	27,461,275,000
2 years	17-May-18	17-May-20	3.20%	27,461,275,000
3 years	17-May-18	17-May-21	3.40%	27,461,275,000
4 years	17-May-18	17-May-22	3.60%	27,461,275,000
5 years	17-May-18	17-May-23	3.80%	27,461,276,000
				<u>137,306,376,000</u>

16. LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET

Loans to customers and accrued interest receivables, net as at December 31, are as follows:

	2019 LAK	2018 LAK
Loans to customers	262,973,935,555	296,602,171,932
Accrued interest receivables	268,042,593	279,570,487
	<u>263,241,978,148</u>	<u>296,881,742,419</u>
<u>Less</u> Allowance for doubtful accounts	<u>(3,155,687,265)</u>	<u>(41,970,954,756)</u>
Loans to customers and accrued interest receivables, net	<u>260,086,290,883</u>	<u>254,910,787,663</u>

16.1 Loan to customers are classified as follows:

16.1.1 Classified by product type as at December 31, are as follows:

	2019 LAK	2018 LAK
Overdraft	8,303,842,975	7,491,892,961
Loans	252,653,200,420	287,809,350,931
Bills	2,016,892,160	1,300,928,040
	<u>262,973,935,555</u>	<u>296,602,171,932</u>

16.1.2 Classified by currency as at December 31, are as follows:

	2019	2018
	LAK	LAK
LAK	148,511,427,764	107,108,601,472
USD	103,326,599,473	163,786,295,377
THB	11,135,908,318	25,707,275,083
	<u>262,973,935,555</u>	<u>296,602,171,932</u>

16.1.3 Classified by performance as at December 31, are as follows:

	2019	2018
	LAK	LAK
Performing loans	262,973,935,555	217,889,613,259
Non-performing loans ("NPL")	-	78,712,558,673
	<u>262,973,935,555</u>	<u>296,602,171,932</u>

16.2 Allowance for doubtful accounts

Allowance for doubtful accounts as at December 31, consist of the following:

	2019	2018
	LAK	LAK
Beginning balance	41,970,954,756	42,264,648,483
Doubtful accounts during the years	40,138,773,868	(1,548,466,872)
Bad debt written-off	(80,691,649,962)	-
Foreign exchange translation difference	1,737,608,603	1,254,773,145
Ending balance	<u>3,155,687,265</u>	<u>41,970,954,756</u>

The breakdown of loan classification and allowance for doubtful accounts as at December, 31, are as follows:

	2019		2018	
	Loan balance LAK	Allowance for doubtful accounts LAK	Loan balance LAK	Allowance for doubtful accounts LAK
Performing loans				
Normal	262,973,935,555	3,155,687,265	217,889,613,259	2,614,675,377
Special mentioned	-	-	-	-
Total	<u>262,973,935,555</u>	<u>3,155,687,265</u>	<u>217,889,613,259</u>	<u>2,614,675,377</u>
Non-performing loans				
Substandard	-	-	-	-
Doubtful	-	-	78,712,558,673	39,356,279,379
Loss	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>78,712,558,673</u>	<u>39,356,279,379</u>
	<u>262,973,935,555</u>	<u>3,155,687,265</u>	<u>296,602,171,932</u>	<u>41,970,954,756</u>

As at December 31, 2019 and 2018 the Branch has allowance for doubtful accounts in the statement of financial position as allowance for doubtful accounts of LAK 3,155,687,265 and LAK 41,970,954,756, respectively.

17. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment as at December 31, consist of the following:

As at December 31, 2019

	Balance as at January 1, 2019 LAK	Additions LAK	Disposals LAK	Balance as at December 31, 2019 LAK
Cost:				
Leasehold improvements	8,773,579,229	-	-	8,773,579,229
Furniture and fixtures	1,021,971,177	1,760,000	-	1,023,731,177
Computer equipment	1,377,075,456	193,752,768	-	1,570,828,224
Motor vehicles	1,270,696,236	-	-	1,270,696,236
Total cost	<u>12,443,322,098</u>	<u>195,512,768</u>	<u>-</u>	<u>12,638,834,866</u>
Accumulated depreciation:				
Leasehold improvements	(1,463,643,739)	(302,337,268)	-	(1,765,981,007)
Furniture and fixtures	(961,073,045)	(39,977,447)	-	(1,001,050,492)
Computer equipment	(1,015,172,063)	(168,644,402)	-	(1,183,816,465)
Motor vehicles	(821,046,084)	(160,389,700)	-	(981,435,784)
Total accumulated depreciation	<u>(4,260,934,931)</u>	<u>(671,348,817)</u>	<u>-</u>	<u>(4,932,283,748)</u>
Leasehold improvements and equipment	<u>8,182,387,167</u>			<u>7,706,551,118</u>

As at December 31, 2018

	Balance as at January 1, 2018 LAK	Additions LAK	Disposals LAK	Balance as at December 31, 2018 LAK
Cost:				
Leasehold improvements	8,773,579,229	-	-	8,773,579,229
Furniture and fixtures	1,021,971,177	-	-	1,021,971,177
Computer equipment	1,364,834,456	12,241,000	-	1,377,075,456
Motor vehicles	1,255,356,236	15,340,000	-	1,270,696,236
Total cost	<u>12,415,741,098</u>	<u>27,581,000</u>	<u>-</u>	<u>12,443,322,098</u>
Accumulated depreciation:				
Leasehold improvements	(1,161,306,462)	(302,337,277)	-	(1,463,643,739)
Furniture and fixtures	(795,362,049)	(165,710,996)	-	(961,073,045)
Computer equipment	(785,830,444)	(229,341,619)	-	(1,015,172,063)
Motor vehicles	(661,320,054)	(159,726,030)	-	(821,046,084)
Total accumulated depreciation	<u>(3,403,819,009)</u>	<u>(857,115,922)</u>	<u>-</u>	<u>(4,260,934,931)</u>
Leasehold improvements and equipment	<u>9,011,922,089</u>			<u>8,182,387,167</u>

Depreciation for the years ended December 31,

2019

LAK 671,348,817

2018

LAK 857,115,922

18. INTANGIBLE ASSETS

Intangible assets as at December 31, consist of the following:

As at December 31, 2019

	Balance as at January 1, 2019 LAK	Additions LAK	Disposals LAK	Balance as at December 31, 2019 LAK
Cost:				
Computer software	63,708,800	-	-	63,708,800
Total cost	<u>63,708,800</u>	<u>-</u>	<u>-</u>	<u>63,708,800</u>
Accumulated amortization:				
Computer software	(63,708,798)	-	-	(63,708,798)
Total accumulated amortization	<u>(63,708,798)</u>	<u>-</u>	<u>-</u>	<u>(63,708,798)</u>
Intangible assets	<u>2</u>			<u>2</u>

As at December 31, 2018

	Balance as at January 1, 2018 LAK	Additions LAK	Disposals LAK	Balance as at December 31, 2018 LAK
Cost:				
Computer software	63,708,800	-	-	63,708,800
Total cost	<u>63,708,800</u>	<u>-</u>	<u>-</u>	<u>63,708,800</u>
Accumulated amortization:				
Computer software	(62,760,427)	(948,371)	-	(63,708,798)
Total accumulated amortization	<u>(62,760,427)</u>	<u>(948,371)</u>	<u>-</u>	<u>(63,708,798)</u>
Intangible assets	<u>948,373</u>			<u>2</u>

Amortization for the years ended December 31,

2019

LAK

-

2018

LAK

948,371

19. DEFERRED TAX ASSETS

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred income taxes are calculated on all temporary differences using an effective tax rate of 24%.

Deferred tax assets as at December 31, are as follows:

	2019 LAK	2018 "Restated" LAK
Deferred tax assets	<u>1,320,391,408</u>	<u>10,795,789,334</u>

Movements in deferred tax assets during the years ended December 31, are as follows:

	2019	2018
	LAK	“Restated”
		LAK
As at January 1,	10,795,789,334	10,944,270,836
Changed to profit and loss	(9,475,397,926)	(148,481,502)
Tax changed directly to other comprehensive income	-	-
As at December 31,	<u>1,320,391,408</u>	<u>10,795,789,334</u>

Movements in deferred tax assets during the years ended December 31, are as follows:

	2019			
	Balance as at	Items as	Item as	Balance as at
	January 1,	recognized in	recognized	December 31,
	2019	profit and loss	in other	2019
			comprehensive	
			income	
	LAK	LAK	LAK	LAK
Deferred tax assets				
Loans to customers	10,795,789,334	(9,475,397,926)	-	1,320,391,408
Total	<u>10,795,789,334</u>	<u>(9,475,397,926)</u>	<u>-</u>	<u>1,320,391,408</u>
	2018			
	Balance as at	Items as	Item as	Balance as at
	January 1,	recognized in	recognized	December 31,
	2018	profit and loss	in other	2018
			comprehensive	
			income	
	LAK	LAK	LAK	“Restated”
				LAK
Deferred tax assets				
Loans to customers	10,944,270,836	(148,481,502)	-	10,795,789,334
Total	<u>10,944,270,836</u>	<u>(148,481,502)</u>	<u>-</u>	<u>10,795,789,334</u>

20. OTHER ASSETS

Other assets as at December 31, consists of the following:

	2019	2018
	LAK	LAK
Prepaid expenses	14,499,333,374	14,533,303,056
Accrued interest receivables - investments	-	2,956,663,966
Others	205,469,389	435,444,693
	<u>14,704,802,763</u>	<u>17,925,411,715</u>

21. DEPOSITS

Deposits as at December 31, consists of the following:

	2019	2018
	LAK	LAK
Demand deposits		
Current deposits	89,702,222,818	186,841,049,079
Saving deposits	<u>341,731,065,050</u>	<u>361,394,967,298</u>
Total	431,433,287,868	548,236,016,377
Time deposits		
Fixed deposits	<u>123,827,012,551</u>	<u>111,568,252,776</u>
Total	<u>123,827,012,551</u>	<u>111,568,252,776</u>
	<u>555,260,300,419</u>	<u>659,804,269,153</u>

Deposits classified by currency as at December 31, are as follows:

	2019	2018
	LAK	LAK
LAK	46,145,385,851	42,465,254,379
USD	316,758,069,977	405,661,515,669
THB	<u>192,356,844,591</u>	<u>211,677,499,105</u>
	<u>555,260,300,419</u>	<u>659,804,269,153</u>

22. INTERBANK AND MONEY MARKET ITEMS (LIABILITIES)

Interbank and money market items (liabilities) as at December 31, consists of the following:

	2019	2018
	LAK	LAK
Demand deposits at other banks		
Domestic banks	<u>121,082,403,758</u>	<u>51,946,659,922</u>
Total	121,082,403,758	51,946,659,922
Time deposits at other banks		
Domestic banks	<u>10,000,000,000</u>	<u>62,000,000,000</u>
Total	<u>10,000,000,000</u>	<u>62,000,000,000</u>
	<u>131,082,403,758</u>	<u>113,946,659,922</u>

23. OTHER LIABILITIES

Other liabilities as at December 31, consists of the following:

	2019	2018
	LAK	LAK
Other payable	789,501,958	-
Accrued interest payable		
Deposits	2,573,322,305	2,185,433,728
Interbank and money market items	158,278,671	835,092,995
	<u>2,731,600,976</u>	<u>3,020,526,723</u>
Certified cheque	74,171,424	182,408,183
Cashier cheque	127,631,631	776,751,812
Accrued expenses	2,524,943,197	3,111,575,412
Advance payment from customers	3,515,043,349	3,230,341,257
Value-added tax payable	16,705,477	-
	<u>9,779,598,012</u>	<u>10,321,603,387</u>

24. BRANCH CAPITAL

The Branch has an initial registered branch capital amount of USD 5 million. In accordance with the Agreement on Increasing Minimum Registered Capital and Investment Capital of Commercial Bank No.141/PM dated September 24, 2009 by the BoL, the branch of foreign bank in the Lao PDR should maintain the minimum registered capital of LAK 100 billion by 2012.

According to Amended Law on Commercial Bank No. 56/NA dated on December 7, 2018 which was published in Lao Official Gazette on June 7, 2019 and in effective on June 21, 2019, the branch of foreign commercial bank in the Lao PDR should maintain the minimum registered capital of LAK 300 billion. The BoL allows the Branch to increase capital either on a one-time basis or in phases over the five-year period. The Branch obtained an approval from the BoL to inject the first capital injection by the first quarter of 2020, and the Branch has already increased the registered branch capital in the amount of LAK 40 billion to LAK 140 billion on January 2, 2020 (see Note 28.1).

As at December 31, 2019 and 2018, the Branch has registered branch capital of LAK 100 billion.

25. LEGAL RESERVE

A legal reserve shall be maintained in accordance with the BoL regulations, comprising annual appropriation of 10% of net income.

26. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances as at December 31, are as follows:

	2019	2018
	LAK	LAK
Due from Head Office and other branches		
Deposits	300,008,726,933	386,860,284,418
Accrued interest receivables	51,757,434	88,267,649
	<u>300,060,484,367</u>	<u>386,948,552,067</u>
Due from Head Office and other branches		
Due from Head Office	71,606,449,641	208,056,336,158
Due from other branches	228,402,277,292	178,803,948,260
	<u>300,008,726,933</u>	<u>386,860,284,418</u>
Accrued interest receivables	51,757,434	88,267,649
	<u>300,060,484,367</u>	<u>386,948,552,067</u>
	2019	2018
	LAK	LAK
Due to Head Office and other branches		
Deposits	31,016,416,585	50,735,163,954
Borrowings	195,495,300,000	276,566,400,000
	<u>226,511,716,585</u>	<u>327,301,563,954</u>
Due to Head Office and other branches		
Due to Head Office	195,495,300,000	276,566,400,000
Due to other branches	31,016,416,585	50,735,163,954
	<u>226,511,716,585</u>	<u>327,301,563,954</u>

Due from Head Office and other branches as at December 31, are classified as follows:

	2019	2018
	LAK	LAK
a) By type:		
Demand deposits	253,679,226,933	329,788,534,418
Time deposits	46,329,500,000	57,071,750,000
	<u>300,008,726,933</u>	<u>386,860,284,418</u>
b) By currencies:		
USD	222,927,717,561	274,612,944,253
THB	77,069,213,494	112,218,711,281
EUR	11,795,878	28,628,884
	<u>300,008,726,933</u>	<u>386,860,284,418</u>

Interest rates on deposits due from Head Office and other branches for the year ended December 31, 2019 and 2018 are 0.50% - 3.25% and 0.20% - 3.25% per annum, respectively.

Due to Head Office and other branches as at December 31, are classified as follows:

	2019	2018
	LAK	LAK
a) By type:		
Demand deposits	16,016,416,585	10,735,163,954
Time deposits	15,000,000,000	40,000,000,000
Borrowings	195,495,300,000	276,566,400,000
	<u>226,511,716,585</u>	<u>327,301,563,954</u>
b) By currencies:		
LAK	28,491,452,952	46,325,672,871
USD	197,045,490,044	278,295,764,065
THB	974,773,589	2,680,127,018
	<u>226,511,716,585</u>	<u>327,301,563,954</u>

Interest rates on deposits due to other branches for the years ended December 31, 2019 and 2018 are 1.90% - 3.60% and 3.25% - 3.00% per annum, respectively.

Interest rates on borrowings due to Head Office for the years ended December 31, 2019 and 2018 are LIBOR 3 months + 1.75% per annum.

Significant transactions with related parties during the years ended December 31, are conducted on normal commercial terms as follows:

	2019	2018
	LAK	LAK
Interest income		
Other branches	2,163,611,543	1,357,251,830
Interest expenses		
Head Office	10,883,925,882	12,122,220,598
Other branches	777,601,591	1,303,077,637

27. CONTINGENT LIABILITIES

Contingent liabilities as at December 31, consists of the following:

	2019	2018
	LAK	LAK
Undrawn loan commitments	28,522,366,664	23,597,238,303
Letters of credit	12,896,744,000	1,018,856,960
Letter of guarantee	514,005,961,355	472,047,666,192
Bills for collection	15,354,778,365	7,594,270,666
	<u>570,779,850,384</u>	<u>504,258,032,121</u>

28. EVENTS AFTER THE REPORTING PERIOD

- 28.1 According to Amended Law on Commercial Bank No. 56/NA dated on December 7, 2018 which was published in Lao Official Gazette on June 7, 2019 and in effective on June 21, 2019, the branch of foreign commercial bank in the Lao PDR should maintain the minimum registered capital of LAK 300 billion. The BoL allows the Branch to increase capital either on a one-time basis or in phases over the five-year period.

The branch capital for the Branch will be increased over the five-year period. In addition, the Branch obtained an approval from the BoL to inject the first capital injection by the first quarter of 2020. Therefore, the Branch increased the registered branch capital in the amount of LAK 40 billion to LAK 140 billion on January 2, 2020.

- 28.2 According to Income Tax Law No. 67/NA dated on June 18, 2019 which was published in Lao Official Gazette on February 3, 2020 and in effective on February 17, 2020, the corporate tax rate will be decreased from 24% to 20% of taxable income starting from January 1, 2020. There will be decreasing of deferred tax assets in the financial statements when the law is effective in the amount of LAK 220,065,235.