

*BANGKOK BANK PUBLIC COMPANY LIMITED
- PAKSE BRANCH*

Financial Statements

Year ended December 31, 2020



ບໍລິສັດ ດີລອຍ (ລາວ) ຈຳກັດ
ອາຄານຕະຫຼາດຫຼັກຊັບລາວ
ບ້ານໂພນທັນ, ຖະໜົນ T4
ເມືອງໄຊເສດຖາ
ຕໍາແໜ່ນ 2017, ນະຄອນຫຼວງວຽງຈັນ
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REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion

We have audited the financial statements of Bangkok Bank Public Company Limited - Pakse Branch (the "Branch"), which comprise the statement of financial position as at December 31, 2020, 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, 2020 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 Matter - Basis of Accounting and Restriction on Use

We draw your attention to Notes 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. Our opinion is not modified in respect of this matter.



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 Tienpasertkiat

Certified Public Accountant

DELOITTE (LAO) SOLE COMPANY LIMITED

VIENTIANE

March 30, 2021

Bangkok Bank Public Company Limited - Pakse Branch

Branch information

Branch	Bangkok Bank Public Company Limited - Pakse Branch
Registration number	40/BoL
Registered office	3 Sala Kiew-Dongjong Road Phonsavanh Village, Pakse District Champasak Province, 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, 2020, 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.

Ch. Luatchat



Ms. Chadaphorn Uratchat
Branch Manager

March 30, 2021

BANGKOK BANK PUBLIC COMPANY LIMITED - PAKSE BRANCH

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

UNIT : LAK

	Notes	2020	2019
ASSETS			
Cash on hand	11.1	1,733,199,345	4,301,854,875
Interbank and money market items	12	69,911,213,029	37,866,475,331
Due from other branch	23	52,225,038,911	31,119,916,585
Statutory deposits	13	2,302,910,074	410,512,239
Investments	14	-	20,000,000,000
Loans to customers and accrued interest receivables, net	15		
Loans to customers		5,737,545,000	15,895,444,521
Accrued interest receivables		5,095,888	83,011,502
Total Loans to customers and accrued interest receivables		<u>5,742,640,888</u>	<u>15,978,456,023</u>
Less Allowance for doubtful accounts		<u>(68,850,540)</u>	<u>(190,745,333)</u>
Total Loans to customers and accrued interest receivables, net		5,673,790,348	15,787,710,690
Property and equipment	16	4,888,091,233	2,189,795,596
Intangible assets	17	126,516,749	1
Deferred tax assets	18	-	45,778,880
Current tax assets	10	66,335,409	-
Other assets	19	19,332,270	4,009,737,754
TOTAL ASSETS		<u><u>136,946,427,368</u></u>	<u><u>115,731,781,951</u></u>

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

BANGKOK BANK PUBLIC COMPANY LIMITED - PAKSE BRANCH

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2020

UNIT : LAK

	Notes	2020	2019
LIABILITIES AND HEAD OFFICE ACCOUNT			
Deposits	20	29,461,053,554	9,351,029,522
Due to other branch	23	5,688,740,000	7,472,500,000
Other liabilities	21	458,822,562	236,807,788
TOTAL LIABILITIES		<u>35,608,616,116</u>	<u>17,060,337,310</u>
HEAD OFFICE ACCOUNT			
Branch capital	22	101,650,000,000	101,650,000,000
Accumulated deficit			
Unappropriated (deficit)		(312,188,748)	(2,978,555,359)
TOTAL HEAD OFFICE ACCOUNT		<u>101,337,811,252</u>	<u>98,671,444,641</u>
TOTAL LIABILITIES AND HEAD OFFICE ACCOUNT		<u><u>136,946,427,368</u></u>	<u><u>115,731,781,951</u></u>

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

BANGKOK BANK PUBLIC COMPANY LIMITED - PAKSE BRANCH
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

UNIT : LAK

	Notes	2020	2019
Interest income	5	3,384,232,306	3,467,790,063
Interest expenses	5	(469,750,344)	(323,921,384)
Net interest income	5	<u>2,914,481,962</u>	<u>3,143,868,679</u>
Fees and service income	6	600,044,649	258,350,156
Fees and service expenses	6	(40,116,666)	(39,692,000)
Net fees and service income	6	<u>559,927,983</u>	<u>218,658,156</u>
Gain on foreign exchange transactions		2,271,267,703	2,138,131,564
Other operating income		27,838	43,573
Total operating income		<u>5,745,705,486</u>	<u>5,500,701,972</u>
Other operating expenses			
Employee's expenses	7	(864,701,210)	(2,038,642,252)
Depreciation and amortization expenses	8	(1,287,980,397)	(585,832,723)
Others		(674,073,667)	(1,224,711,576)
Total operating expenses		<u>(2,826,755,274)</u>	<u>(3,849,186,551)</u>
Impairment loss of loans (expenses)/ reversal	9	128,148,632	(2,249,475)
Profit before income tax		3,047,098,844	1,649,265,946
Income tax (expenses) income	10	(380,732,233)	4,831,381
Net profit		<u>2,666,366,611</u>	<u>1,654,097,327</u>
Total comprehensive income		<u><u>2,666,366,611</u></u>	<u><u>1,654,097,327</u></u>

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

BANGKOK BANK PUBLIC COMPANY LIMITED - PAKSE BRANCH
STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2020

UNIT : LAK

	Branch Capital	Unappropriated (Deficit)	Total Head Office Account
Beginning balance as at January 1, 2019	101,650,000,000	(4,632,652,686)	97,017,347,314
Total comprehensive income	-	1,654,097,327	1,654,097,327
Ending balance as at December 31, 2019	<u>101,650,000,000</u>	<u>(2,978,555,359)</u>	<u>98,671,444,641</u>
Beginning balance as at January 1, 2020	101,650,000,000	(2,978,555,359)	98,671,444,641
Total comprehensive income	-	2,666,366,611	2,666,366,611
Ending balance as at December 31, 2020	<u>101,650,000,000</u>	<u>(312,188,748)</u>	<u>101,337,811,252</u>

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

BANGKOK BANK PUBLIC COMPANY LIMITED - PAKSE BRANCH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

UNIT : LAK

	Notes	2020	2019
Cash flows from operating activities			
Profit before income tax income		3,047,098,844	1,649,265,946
Adjustments to reconcile net loss for the year			
to cash received (paid) from operating activities:			
Depreciation and amortization	8	1,287,980,397	585,832,723
Provision for doubtful accounts charges/ (reversal)	9	(128,148,632)	2,249,475
Unrealized loss on exchange	15.2	6,253,839	17,881,278
Interest income		(3,384,232,306)	(3,467,790,063)
Interest expenses		469,750,344	323,921,384
Cash generated from operations		<u>1,298,702,486</u>	<u>(888,639,257)</u>
Interest received		2,624,272,066	3,556,780,207
Interest paid		(265,017,390)	(324,660,313)
Income tax paid	10	<u>(401,288,762)</u>	<u>-</u>
Profit from operating before changes in operating assets and liabilities		3,256,668,400	2,343,480,637
Changes in operating assets and liabilities:			
Decrease (increase) in operating assets:			
Interbank and money market items		(48,573,258,215)	(4,982,741,785)
Statutory deposits		(1,892,397,835)	87,805,377
Due from other branch		(21,133,622,326)	19,717,603,546
Loans to customers		10,157,899,521	(1,677,562,857)
Other assets		57,554,151	611,647,969
Increase (decrease) in operating liabilities:			
Deposits		20,110,024,032	1,806,017,261
Due to other branch		(1,783,760,000)	(1,818,250,000)
Other liabilities		17,281,820	29,725,602
Net cash provided by (used in) operating activities		<u>(39,783,610,452)</u>	<u>16,117,725,750</u>

BANGKOK BANK PUBLIC COMPANY LIMITED - PAKSE BRANCH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2020

UNIT : LAK

	Notes	2020	2019
Cash flows from investing activities			
Purchases of investments		-	(20,000,000,000)
Proceeds from redemption of investments		20,000,000,000	20,000,000,000
Purchases of property and equipment	11.2	(203,285,977)	-
Purchases of intangible assets	11.2	(126,655,472)	-
Net cash provided by investing activities		<u>19,670,058,551</u>	<u>-</u>
Cash flows from financing activities			
		<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents		(20,113,551,901)	16,117,725,750
Cash and cash equivalents at beginning of the year		<u>32,010,844,095</u>	<u>15,893,118,345</u>
Cash and cash equivalents at end of the year		<u><u>11,897,292,194</u></u>	<u><u>32,010,844,095</u></u>
Cash and cash equivalents			
Cash on hand	11.1	1,733,199,345	4,301,854,875
Deposits within three months from other banks	4.4	<u>10,164,092,849</u>	<u>27,708,989,220</u>
		<u><u>11,897,292,194</u></u>	<u><u>32,010,844,095</u></u>

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

**BANGKOK BANK PUBLIC COMPANY LIMITED - PAKSE BRANCH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. GENERAL INFORMATION

Bangkok Bank Public Company Limited (the “Bank”) is incorporated in Thailand. Bangkok Bank Public Company Limited - Pakse 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. 40/BoL) granted by the Bank of the Lao PDR (“BoL”) on December 10, 2015. The Branch commenced its main business as a commercial bank in the Lao PDR on January 5, 2016.

These financial statements were approved for issue by the Branch’s management on March 30, 2021.

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

2.1 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”). 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” as following the guidance stipulated in Official Letter No. 1659/BoL dated December 14, 2018 for the year ended December 31, 2020.

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.

2.2 IFRSs affecting the presentation and disclosure in the current period financial statements

International Financial Reporting Standards No. 16 “Leases” (“IFRS 16”)

The Branch has applied IFRS 16 using the cumulative catch-up approach which does not restate the comparatives and recognized the cumulative effect of initially applying IFRS 16 as at January 1, 2020.

The following table shows the operating lease commitments disclosed applying IAS 17 “Leases” as at December 31, 2019, discounted using incremental borrowing rate at the date of initial application and the lease liabilities recognized in the statement of financial position at the date of initial application.

The impact on the statement of financial position as at January 1, 2020 from changes in accounting policies due to the adoption of IFRS 16 is presented as follows:

	As at December 31, 2019	The impact of IFRS 16	Unit : LAK As at January 1, 2020
Assets			
Property and equipment	2,189,795,596	3,782,851,333	5,972,646,929
Other assets	4,009,737,754	(3,782,851,333)	226,886,421

Upon initial application of IFRS 16, the Branch recognized lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted using the Branch’s incremental borrowing rate as at January 1, 2020 as follows:

	LAK
Operating lease agreements as at December 31, 2019	3,782,851,333
<u>Less</u> Prepaid expenses	<u>(3,782,851,333)</u>
Lease liabilities as at January 1, 2020	<u>-</u>

The adjustments of right-of-use assets due to IFRS 16 adoption as at January 1, 2020, consist of following:

	LAK
Office building	3,782,851,333

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%	20.00%
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.

Changes in allowance for doubtful accounts are recorded to the statement of profit or loss and other comprehensive income as allowance for doubtful debt or reversal 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	20 years
Furniture and fixtures	5 years
Computer equipment	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 - 5 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 Leases

The Branch as tenants recognizes liabilities under rental contracts at the present value of the obligations under the lease agreements, and recognizes right-of-use assets with the value of lease liabilities plus the initial direct costs and the right-of-use is amortized over the straight-line method throughout the lease term.

3.10 Income tax expenses

Income tax expenses (if any) 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.

3.11 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.

3.12 Segment information

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

3.13 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.

3.14 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 includes credit risk, interest rate risk, foreign exchange rate 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 the Bank's and the Branch's business; management therefore carefully manages its 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:

	2020 LAK	2019 LAK
Loans to corporate entity	5,737,545,000	1,820,000,000
Loans to individual	-	14,075,444,521
Total	<u>5,737,545,000</u>	<u>15,895,444,521</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:

	2020 LAK	2019 LAK
Residents	5,737,545,000	15,895,444,521
Total	<u>5,737,545,000</u>	<u>15,895,444,521</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:

	2020 LAK	2019 LAK
Trading company	5,737,545,000	1,820,000,000
Construction	-	14,075,444,521
Total	<u>5,737,545,000</u>	<u>15,895,444,521</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, are as follows:

	2020						Total LAK
	Call to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	
	LAK	LAK	LAK	LAK	LAK	LAK	
Financial assets							
Interbank and money market items	10,164,092,849	-	59,747,120,180	-	-	-	69,911,213,029
Due from other branch	32,150,038,911	20,075,000,000	-	-	-	-	52,225,038,911
Statutory deposits	-	-	-	-	-	2,302,910,074	2,302,910,074
Loans to customers and accrued interest receivables	5,742,640,888	-	-	-	-	-	5,742,640,888
Financial liabilities							
Deposits	1,979,505,308	200,998,160	18,313,384,147	366,799,653	-	8,600,366,286	29,461,053,554
Due to other branch	50,690,000	5,638,050,000	-	-	-	-	5,688,740,000
	2019						Total LAK
	Call to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	
	LAK	LAK	LAK	LAK	LAK	LAK	
Financial assets							
Interbank and money market items	22,709,326,224	10,080,357,440	5,076,791,667	-	-	-	37,866,475,331
Due from other branch	31,025,604,668	-	-	-	-	94,311,917	31,119,916,585
Statutory deposits	-	-	-	-	-	410,512,239	410,512,239
Investments	-	-	20,000,000,000	-	-	-	20,000,000,000
Loans to customers and accrued interest receivables	-	-	1,822,919,583	-	14,155,536,440	-	15,978,456,023
Financial liabilities							
Deposits	1,802,951,837	175,550,959	491,915,864	489,116,505	-	6,391,494,357	9,351,029,522
Due to other branch	-	7,472,500,000	-	-	-	-	7,472,500,000

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, are as follows:

	2020				
	LAK	USD	THB	Others	Total
	LAK	LAK	LAK	LAK	LAK
Financial assets					
Cash on hand	851,892,000	77,072,346	804,234,999	-	1,733,199,345
Interbank and money market items	47,760,242,125	18,854,698,901	3,296,272,003	-	69,911,213,029
Due from other branch	49,748,839,490	395,812,098	2,080,387,323	-	52,225,038,911
Statutory deposits	129,790,000	1,478,449,300	694,670,774	-	2,302,910,074
Loans to customers and accrued interest receivables	-	-	5,742,640,888	-	5,742,640,888
Financial liabilities					
Deposits	5,589,556,699	18,512,410,286	5,359,086,569	-	29,461,053,554
Due to other branch	50,690,000	-	5,638,050,000	-	5,688,740,000
	2019				
	LAK	USD	THB	Others	Total
	LAK	LAK	LAK	LAK	LAK
Financial assets					
Cash on hand	2,346,252,000	160,891,302	1,794,711,573	-	4,301,854,875
Interbank and money market items	34,992,633,149	1,685,090,579	1,188,751,603	-	37,866,475,331
Due from other branch	28,594,952,952	1,550,190,044	974,773,589	-	31,119,916,585
Statutory deposits	13,330,000	123,237,400	273,944,839	-	410,512,239
Investments	20,000,000,000	-	-	-	20,000,000,000
Loans to customers and accrued interest receivables	3,524,105,058	-	12,454,350,965	-	15,978,456,023
Financial liabilities					
Deposits	5,679,761,401	1,155,889,766	2,515,378,355	-	9,351,029,522
Due to other branch	-	-	7,472,500,000	-	7,472,500,000

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 the US dollar and the 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, are as follows:

	2020						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	10,164,092,849	-	59,747,120,180	-	-	-	69,911,213,029
Due from other branch	32,150,038,911	20,075,000,000	-	-	-	-	52,225,038,911
Statutory deposits	2,302,910,074	-	-	-	-	-	2,302,910,074
Loans to customers and accrued interest receivables	5,742,640,888	-	-	-	-	-	5,742,640,888
Financial liabilities							
Deposits	10,579,871,594	200,998,160	18,313,384,147	366,799,653	-	-	29,461,053,554
Due to other branch	50,690,000	5,638,050,000	-	-	-	-	5,688,740,000
	2019						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	17,628,631,780	10,080,357,440	10,157,486,111	-	-	-	37,866,475,331
Due from other branch	31,119,916,585	-	-	-	-	-	31,119,916,585
Statutory deposits	410,512,239	-	-	-	-	-	410,512,239
Investments	-	-	20,000,000,000	-	-	-	20,000,000,000
Loans to customers and accrued interest receivables	-	-	1,822,919,583	-	14,155,536,440	-	15,978,456,023
Financial liabilities							
Deposits	8,194,446,194	175,550,959	491,915,864	489,116,505	-	-	9,351,029,522
Due to other branch	-	7,472,500,000	-	-	-	-	7,472,500,000

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 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level 2 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 3 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	
	2020	2019
	LAK	LAK
Financial assets		
Cash on hand	1,733,199,345	4,301,854,875
Interbank and money market items	69,911,213,029	37,866,475,331
Due from other Branch	52,225,038,911	31,119,916,585
Statutory deposits	2,302,910,074	410,512,239
Investments	-	20,000,000,000
Loans to customers and accrued interest receivables, net	5,742,640,888	15,978,456,023
Financial liabilities		
Deposits	29,461,053,554	9,351,029,522
Due to other Branch	5,688,740,000	7,472,500,000

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:

	2020				2019			
	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	-	-	-	-	-	-	20,000,000,000	20,000,000,000

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. NET INTEREST INCOME

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

	2020 LAK	2019 LAK
Interest income		
Interest income from interbanks	1,925,025,636	1,261,389,992
Interest income from investments	850,000,000	1,060,555,556
Interest income from customers	609,206,670	1,145,844,515
	<u>3,384,232,306</u>	<u>3,467,790,063</u>
Interest expenses		
Interest expenses for interbank	(211,857,683)	(275,478,914)
Interest expenses for customers	(257,892,661)	(48,442,470)
	<u>(469,750,344)</u>	<u>(323,921,384)</u>
Net interest income	<u>2,914,481,962</u>	<u>3,143,868,679</u>

6. NET FEES AND SERVICE INCOME

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

	2020 LAK	2019 LAK
Fees and service income	600,044,649	258,350,156
Fees and service expenses	(40,116,666)	(39,692,000)
Net fees and service income	<u>559,927,983</u>	<u>218,658,156</u>

7. EMPLOYEE'S EXPENSES

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

	2020 LAK	2019 LAK
Wages and salaries	533,480,612	1,700,936,815
Bonuses	88,950,000	75,700,000
Other benefits	242,270,598	262,005,437
	<u>864,701,210</u>	<u>2,038,642,252</u>

8. DEPRECIATION AND AMORTIZATION EXPENSES

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

	2020 LAK	2019 LAK
Depreciation of property and equipment (see Note 16)	1,287,841,673	585,832,723
Amortization of computer software (see Note 17)	138,724	-
	<u>1,287,980,397</u>	<u>585,832,723</u>

9. IMPAIRMENT LOSS OF LOANS EXPENSES/(REVERSAL)

Impairment loss of loans expenses/ (reversal) for the years ended December 31, are as follows:

	2020 LAK	2019 LAK
Loans to customers	(128,148,632)	2,249,475
	<u>(128,148,632)</u>	<u>2,249,475</u>

10. CURRENT TAX ASSETS AND INCOME TAX EXPENSES (INCOME)

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

	2020 LAK	2019 LAK
Current tax expenses for the years	334,953,353	-
Net deferred tax expense (revenue) for the years (see Note 18)	45,778,880	(4,831,381)
	<u>380,732,233</u>	<u>(4,831,381)</u>

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

	2020	2019
	LAK	LAK
Current tax assets at the beginning of the years	-	-
Income tax expenses for the years	334,953,353	-
Income tax paid during the years	<u>(401,288,762)</u>	<u>-</u>
Current tax assets at the end of the years	<u>66,335,409</u>	<u>-</u>

Reconciliation of effective tax rate

	2020	2019
	LAK	LAK
Profit before tax	3,047,098,844	1,649,265,946
Income tax at the domestic tax rate (2020 : 20%, 2019 : 24%)	609,419,769	395,823,827
Tax effect of income and expenses that are not taxable and not deductible for tax purposes	51,876,056	(4,831,381)
Unused tax loss for the years	<u>(280,563,592)</u>	<u>(395,823,827)</u>
Income tax expenses (revenue) as per statement of profit or loss and other comprehensive income	<u>380,732,233</u>	<u>(4,831,381)</u>
Effective tax rate	12.49%	(0.29%)

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 decreased from 24% to 20% of taxable income starting from January 1, 2020.

11. CASH ON HAND

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

	2020	2019
	LAK	LAK
Cash on hand in LAK	851,892,000	2,346,252,000
Cash on hand in USD	77,072,346	160,891,302
Cash on hand in THB	804,234,999	1,794,711,573
	<u>1,733,199,345</u>	<u>4,301,854,875</u>

11.2 Non-cash items

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

	2020 LAK	2019 LAK
Fixed asset payables at beginning of the year	-	-
<u>Add</u> Purchases of tangible assets	203,285,977	-
Purchases of intangible assets	126,655,472	-
Unrealized gain on exchange rate	-	-
<u>Less</u> Cash payments for tangible assets	(203,285,977)	-
Cash payments for intangible assets	(126,655,472)	-
Fixed asset payables at ending of the year	<u>-</u>	<u>-</u>

12. INTERBANK AND MONEY MARKET ITEMS (ASSETS)

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

	2020 LAK	2019 LAK
Demand deposits at Bank of the Lao PDR	10,164,092,849	17,628,631,780
Time deposits at other banks	58,556,000,000	20,063,099,225
Accrued interest receivables	1,191,120,180	174,744,326
	<u>69,911,213,029</u>	<u>37,866,475,331</u>

13. STATUTORY DEPOSITS

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

	2020 LAK	2019 LAK
Customer deposits reserve	2,297,910,074	405,512,239
Branch capital	5,000,000	5,000,000
	<u>2,302,910,074</u>	<u>410,512,239</u>

Statutory deposits on customers deposits reserve 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. 4% on deposits of LAK and 8% 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.

14. INVESTMENTS

Investments as at December 31, consist of the following:

	2020	2019
	LAK	LAK
Held-to-maturity debt security		
Bonds issued by the Ministry of Finance (MOF)	-	20,000,000,000
	<u>-</u>	<u>20,000,000,000</u>

Details of bonds as at December 31, 2019 are as follows:

Term	Issued date	Maturity date	Interest rate	2019
			% p.a.	LAK
1 year	November 1, 2019	November 1, 2020	5.00	10,000,000,000
1 year	November 15, 2019	November 15, 2020	5.00	10,000,000,000
				<u>20,000,000,000</u>

15. LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET

Loans to customers and accrued interest receivables, net as at December 31, consist of the following:

	2020	2019
	LAK	LAK
Loans to customers	5,737,545,000	15,895,444,521
Accrued interest receivables	5,095,888	83,011,502
	<u>5,742,640,888</u>	<u>15,978,456,023</u>
<u>Less</u> Allowance for doubtful accounts	<u>(68,850,540)</u>	<u>(190,745,333)</u>
Loans to customers and accrued interest receivables, net	<u>5,673,790,348</u>	<u>15,787,710,690</u>

15.1 Loan to customers are classified as follows:

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

	2020	2019
	LAK	LAK
Loans	<u>5,737,545,000</u>	<u>15,895,444,521</u>
	<u>5,737,545,000</u>	<u>15,895,444,521</u>

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

	2020	2019
	LAK	LAK
LAK	-	3,451,186,523
THB	<u>5,737,545,000</u>	<u>12,444,257,998</u>
	<u>5,737,545,000</u>	<u>15,895,444,521</u>

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

	2020	2019
	LAK	LAK
Performing loans	<u>5,737,545,000</u>	<u>15,895,444,521</u>
	<u>5,737,545,000</u>	<u>15,895,444,521</u>

15.2 Allowance for doubtful accounts

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

	2020	2019
	LAK	LAK
Beginning balance	190,745,333	170,614,580
Doubtful accounts during the years (reversal)	(128,148,632)	2,249,475
Foreign exchange translation difference	<u>6,253,839</u>	<u>17,881,278</u>
Ending balance	<u>68,850,540</u>	<u>190,745,333</u>

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

	2020		2019	
	Loan balance	Allowance for	Loan balance	Allowance for
	LAK	doubtful accounts	LAK	doubtful accounts
		LAK		LAK
Performing loans				
Normal	5,737,545,000	68,850,540	15,895,444,521	190,745,333
Special mentioned	-	-	-	-
Total	<u>5,737,545,000</u>	<u>68,850,540</u>	<u>15,895,444,521</u>	<u>190,745,333</u>
Non-performing loans				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>5,737,545,000</u>	<u>68,850,540</u>	<u>15,895,444,521</u>	<u>190,745,333</u>

As at December 31, 2020 and 2019, the Branch has allowance for doubtful accounts in the statement of financial position as allowance for doubtful accounts of LAK 68,850,540 and LAK 190,745,333, respectively.

16. PROPERTY AND EQUIPMENT

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

As at December 31, 2020

	Balance as at January 1, 2020 LAK	Adjustment of Beginning Balance LAK	Increase LAK	Decrease LAK	Balance as at December 31, 2020 LAK
Cost:					
Leasehold improvements	2,108,532,178	-	-	-	2,108,532,178
Right-of-use assets	-	3,782,851,333	-	-	3,782,851,333
Furniture and fixtures	1,736,306,266	-	-	-	1,736,306,266
Computer equipment	645,105,008	-	203,285,977	-	848,390,985
Total cost	4,489,943,452	3,782,851,333	203,285,977	-	8,476,080,762
Accumulated depreciation:					
Leasehold improvements	(427,791,133)	-	(110,365,693)	-	(538,156,826)
Right-of-use assets	-	-	(667,562,000)	-	(667,562,000)
Furniture and fixtures	(1,362,351,343)	-	(347,838,276)	-	(1,710,189,619)
Computer equipment	(510,005,380)	-	(162,075,704)	-	(672,081,084)
Total accumulated depreciation	(2,300,147,856)	-	(1,287,841,673)	-	(3,587,989,529)
Property and equipment	2,189,795,596				4,888,091,233

As at December 31, 2019

	Balance as at January 1, 2019 LAK	Increase LAK	Decrease LAK	Balance as at December 31, 2019 LAK
Cost:				
Leasehold improvements	2,108,532,178	-	-	2,108,532,178
Furniture and fixtures	1,736,306,266	-	-	1,736,306,266
Computer equipment	645,105,008	-	-	645,105,008
Total cost	4,489,943,452	-	-	4,489,943,452
Accumulated depreciation:				
Leasehold improvements	(317,726,987)	(110,064,146)	-	(427,791,133)
Furniture and fixtures	(1,015,463,444)	(346,887,899)	-	(1,362,351,343)
Computer equipment	(381,124,702)	(128,880,678)	-	(510,005,380)
Total accumulated depreciation	(1,714,315,133)	(585,832,723)	-	(2,300,147,856)
Property and equipment	2,775,628,319			2,189,795,596
Depreciation				
2020			LAK	1,287,841,673
2019			LAK	585,832,723

17. INTANGIBLE ASSETS

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

As at December 31, 2020

	Balance as at January 1, 2020 LAK	Increase LAK	Decrease LAK	Balance as at December 31, 2020 LAK
Cost:				
Computer software	65,024,000	126,655,472	-	191,679,472
Total cost	65,024,000	126,655,472	-	191,679,472
Accumulated amortization:				
Computer software	(65,023,999)	(138,724)	-	(65,162,723)
Total accumulated amortization	(65,023,999)	(138,724)	-	(65,162,723)
Intangible assets	1			126,516,749

As at December 31, 2019

	Balance as at January 1, 2019 LAK	Increase LAK	Decrease LAK	Balance as at December 31, 2019 LAK
Cost:				
Computer software	65,024,000	-	-	65,024,000
Total cost	65,024,000	-	-	65,024,000
Accumulated amortization:				
Computer software	(65,023,999)	-	-	(65,023,999)
Total accumulated amortization	(65,023,999)	-	-	(65,023,999)
Intangible assets	1			1

Amortization

2020

LAK

138,724

2019

LAK

-

18. 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 20%. (2019 : 24%)

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

	2020 LAK	2019 LAK
Deferred tax assets	<u>-</u>	<u>45,778,880</u>

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

	2020 LAK	2019 LAK
As at January 1,	45,778,880	40,947,499
Changed to profit and loss	(45,778,880)	4,831,381
Tax changed directly to other comprehensive income	-	-
As at December 31,	<u>-</u>	<u>45,778,880</u>

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

	2020			
	Balance as at January 1, 2020	Items as recognized in profit and loss	Item as Recognized in other comprehensive Income	Balance as at December 31, 2020
	LAK	LAK	LAK	LAK
Deferred tax assets				
Loans to customers	45,778,880	(45,778,880)	-	-
Total	<u>45,778,880</u>	<u>(45,778,880)</u>	<u>-</u>	<u>-</u>
	2019			
	Balance as at January 1, 2019	Items as recognized in profit and loss	Item as Recognized in other comprehensive Income	Balance as at December 31, 2019
	LAK	LAK	LAK	LAK
Deferred tax assets				
Loans to customers	40,947,499	4,831,381	-	45,778,880
Total	<u>40,947,499</u>	<u>4,831,381</u>	<u>-</u>	<u>45,778,880</u>

19. OTHER ASSETS

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

	2020	2019
	LAK	LAK
Prepaid expenses	16,917,270	3,803,997,933
Accrued interest receivables - investments	-	150,000,000
Others	2,415,000	55,739,821
	<u>19,332,270</u>	<u>4,009,737,754</u>

20. DEPOSITS

Deposits as at December 31, consist of the following:

	2020	2019
	LAK	LAK
Demand deposits		
Current deposits	8,600,366,286	6,391,494,357
Savings deposits	1,650,576,713	1,673,807,770
Total	<u>10,250,942,999</u>	<u>8,065,302,127</u>
Time deposits		
Fixed deposits	19,210,110,555	1,285,727,395
Total	<u>19,210,110,555</u>	<u>1,285,727,395</u>
	<u>29,461,053,554</u>	<u>9,351,029,522</u>

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

	2020	2019
	LAK	LAK
LAK	5,589,556,699	5,679,761,401
USD	18,512,410,286	1,155,889,766
THB	5,359,086,569	2,515,378,355
	<u>29,461,053,554</u>	<u>9,351,029,522</u>

21. OTHER LIABILITIES

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

	2020	2019
	LAK	LAK
Accrued interest payables		
Deposits	238,252,975	15,508,686
Due to other branch	2,451,030	20,462,365
Cashier cheque	-	9,016,000
Accrued expenses	213,574,577	191,820,737
Other payable	4,543,980	-
	<u>458,822,562</u>	<u>236,807,788</u>

22. BRANCH CAPITAL

The Branch has an initial registered branch capital amount of USD 12.5 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.

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 submitted Capital Increment Plan to the BoL on June 29, 2020 and the Branch obtained an approval from the BoL on July 24, 2020 to inject the first capital injection by the second quarter of 2021.

23. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances as at December 31, consist of the followings:

	2020	2019
	LAK	LAK
Due from other branch		
Deposits	52,150,038,911	31,016,416,585
Accrued interest receivables	75,000,000	103,500,000
	<u>52,225,038,911</u>	<u>31,119,916,585</u>
Due to other branch		
Deposits	<u>5,688,740,000</u>	<u>7,472,500,000</u>

Due from other branch as at December 31, are classified as follows:

	2020	2019
	LAK	LAK
a) By type:		
Demand deposits	32,150,038,911	16,016,416,585
Time deposits	20,000,000,000	15,000,000,000
	<u>52,150,038,911</u>	<u>31,016,416,585</u>
b) By currencies:		
LAK	49,673,839,490	28,491,452,952
USD	395,812,098	1,550,190,044
THB	2,080,387,323	974,773,589
	<u>52,150,038,911</u>	<u>31,016,416,585</u>

Interest rates on deposits due from other branch for the years ended December 31, 2020 and 2019 are 3.00% - 3.60% per annum and 3.60% per annum, respectively.

Due to other branch as at December 31, are classified as follows:

	2020	2019
	LAK	LAK
a) By type:		
Demand deposits	50,690,000	-
Time deposits	5,638,050,000	7,472,500,000
	<u>5,688,740,000</u>	<u>7,472,500,000</u>
b) By currencies:		
LAK	50,690,000	-
THB	5,638,050,000	7,472,500,000
	<u>5,688,740,000</u>	<u>7,472,500,000</u>

Interest rates on deposits due to other branch for the years ended December 31, 2020 and 2019 are 3.10% - 3.25% per annum and 3.125% - 3.25% per annum, respectively.

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

	2020	2019
	LAK	LAK
Interest income		
Other branch	376,869,863	743,041,095
Interest expenses		
Other branch	211,857,683	275,478,914

24. CORONAVIRUS DISEASE 2019 PANDEMIC

The Coronavirus disease 2019 ("COVID-19") pandemic is continuing to evolve, resulting in an economic slowdown and adversely impacting most businesses and industries. This situation may bring uncertainties and have an impact on the environment in which the Branch operates. Nevertheless, the Branch's management will continue to monitor the ongoing development and regularly assess the financial impact in respect of valuation of assets, provisions and contingent liabilities.