



ANNUAL REPORT 2020

- Corporate Summary •
- Organization Structure •
- Financial Report •
- Business Unit Network •
- Events •



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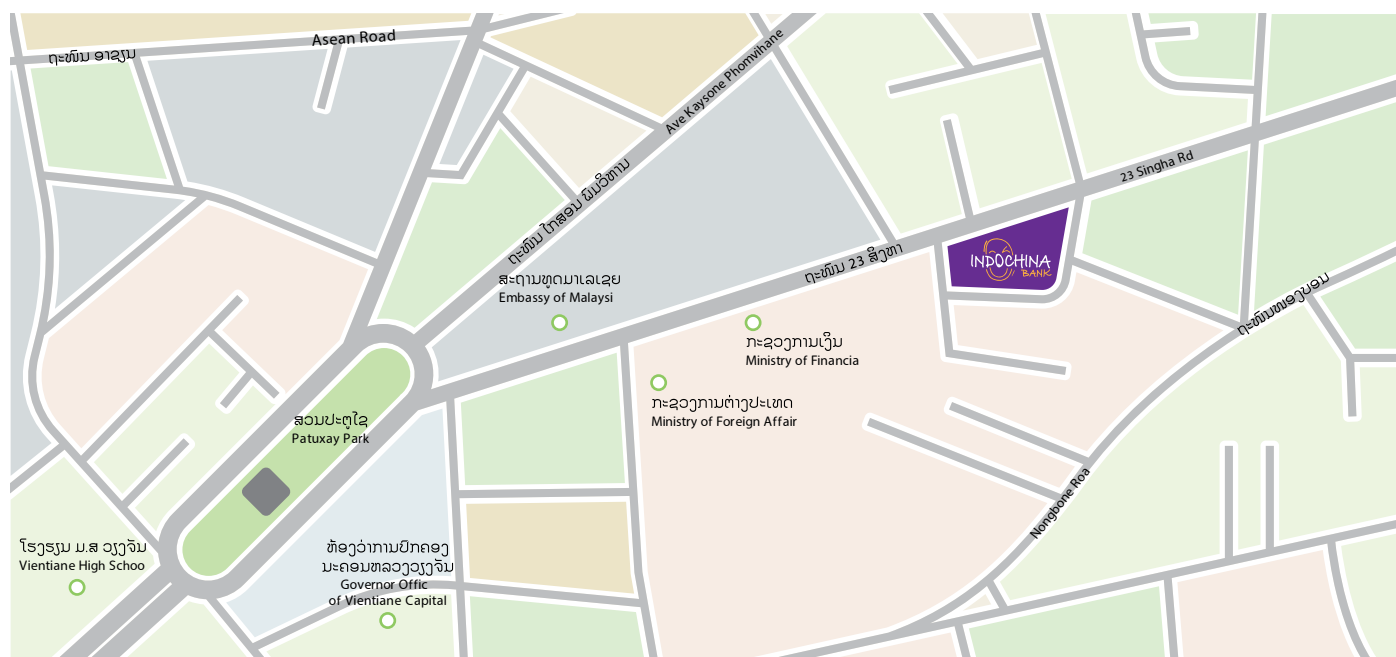


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Bank Name	: Indochina Bank Ltd.
Registration No.	: 53/BOL, 28 th November 2008
Chairman	: Mr. Oh Sei Young
Managing Director	: Mr. Tay Hong Heng
Registered Office	: 1 st -3 rd Floor, KOLAO Tower I, 23 Singha Road, Vientiane Capital, Lao PDR
Contact Numbers	: Tel: +856 21 455 000, Fax: +856 21 455 111
Website	: www.indochinabank.com



1.2. Corporate Background

Indochina Bank Ltd ("the Bank") is a foreign owned locally incorporated commercial bank. The Bank was incorporated in Lao People's Democratic Republic ("Lao PDR") on 26 May 2008 under a Foreign Investment License No.070-08/PI granted by Ministry of Planning and Investment and under Banking Business License No.53/BOL granted by the Bank of the Lao PDR ("BOL") on 28 November 2008.

Indochina Bank officially commenced its business on the 6th February 2009 in Vientiane Capital. The Bank's shareholders comprise of reputable individuals with strong and stable financial background.

1.3. Vision of the Bank

Indochina Bank is moving forward to establish a strong foothold in the country by taking advantage of the steady economic growth of Lao People's Democratic Republic. The vision of the bank is;

"To be the No.1 private bank in Laos, in terms of business growth, customer service, products, profit as well as branding, and continually enhancing its service to meet customer's highest level of satisfaction."

CHAIRMAN'S MESSAGE

Indochina Bank (IB) would like to express a heartfelt gratefulness to all our customers and regulators for all the support throughout 2020 despite the inevitable disruption by the pandemic. It is undeniable that 2020 is the year of enormous challenges among all industries across the world. Banking is not an exception. While COVID 19 cases continues to surge in many economies in the world, the Government of Laos has exerted greatest efforts and all resources to ensure the health and safety of all the Lao people and hence the cushion for Lao economy. Thanks to such a strong leadership and the harmony of Lao people, the country has been sailing through the hardship significantly well. Where there is a will there is a way. IB launched its new products, which has indicated a new era of its banking business. This has proven our commitment for development and modernisation of the business for a better client service proposition and hence customer satisfaction.

Despite all challenges and uncontrollable conditions in the market, IB has always stood out for our customers. We maintain the trust for depositors while customizing workable solutions for borrowers to suit their financial situation. We are a firm believer of pragmatism whereby we strive for the right balance between what we offer to depositors relative to what we get in return from partnership with businesses. There are times when we have to make bold decisions to help customers maneuver through difficult situations although that means some level of financial implications. This is however translated into a long-term partnership with our customers for a sustainable business model.

Please allow me as the Chairman of the Bank to express my most sincere thanks and appreciation to our customers, IB family members and the Government for the everlasting supports. Where IB is today has depicted a long journey of success which is not built in a day. We would not take a sit-back-and-relax approach but continue to work tirelessly in order to deliver the best services to our customers and community at large.

Last but not least, I would like to wish all our customers, staff members, the regulators and all Lao people the very best of health and happiness throughout the coming years. Indochina Bank will persevere in contributing to the improvement of your happy lives.



Oh Sei Young
Chairman



1.4. General overview of the year 2020

Due to the negative impact from the COVID 19 pandemic, the country's economy is expected to face with the most unfavourable GDP growth for the first time in the last 20 years. With strong leadership and all efforts by the Government, the impact is expected to be less prolonged.

The progress and completion of a number of infrastructure projects in 2020 have helped the local economy to a certain extent. However, the key dependencies do come from the economic situations in the neighbouring countries, many of which still struggle with the containment of COVID 19. Such a situation is anticipated to continue throughout the following years until when fully effective medicines and vaccines are rolled out.

While focusing on containing the virus, Lao Government has also been utilizing all its resources in maintaining political stability as well as stronger economic development. This can be seen in stronger fiscal control, improved revenue collection, and creating a better environment for the private sector.

On the whole, despite all the challenges making 2020 a less friendly year relative to 2019, positive sign of recovery is witnessed in the last quarter of the year. Businesses nevertheless have to learn to be more adaptive in their operations in order to strive for the sustainability amid unforeseeable adverse conditions.

Performance of Indochina Bank: 2020

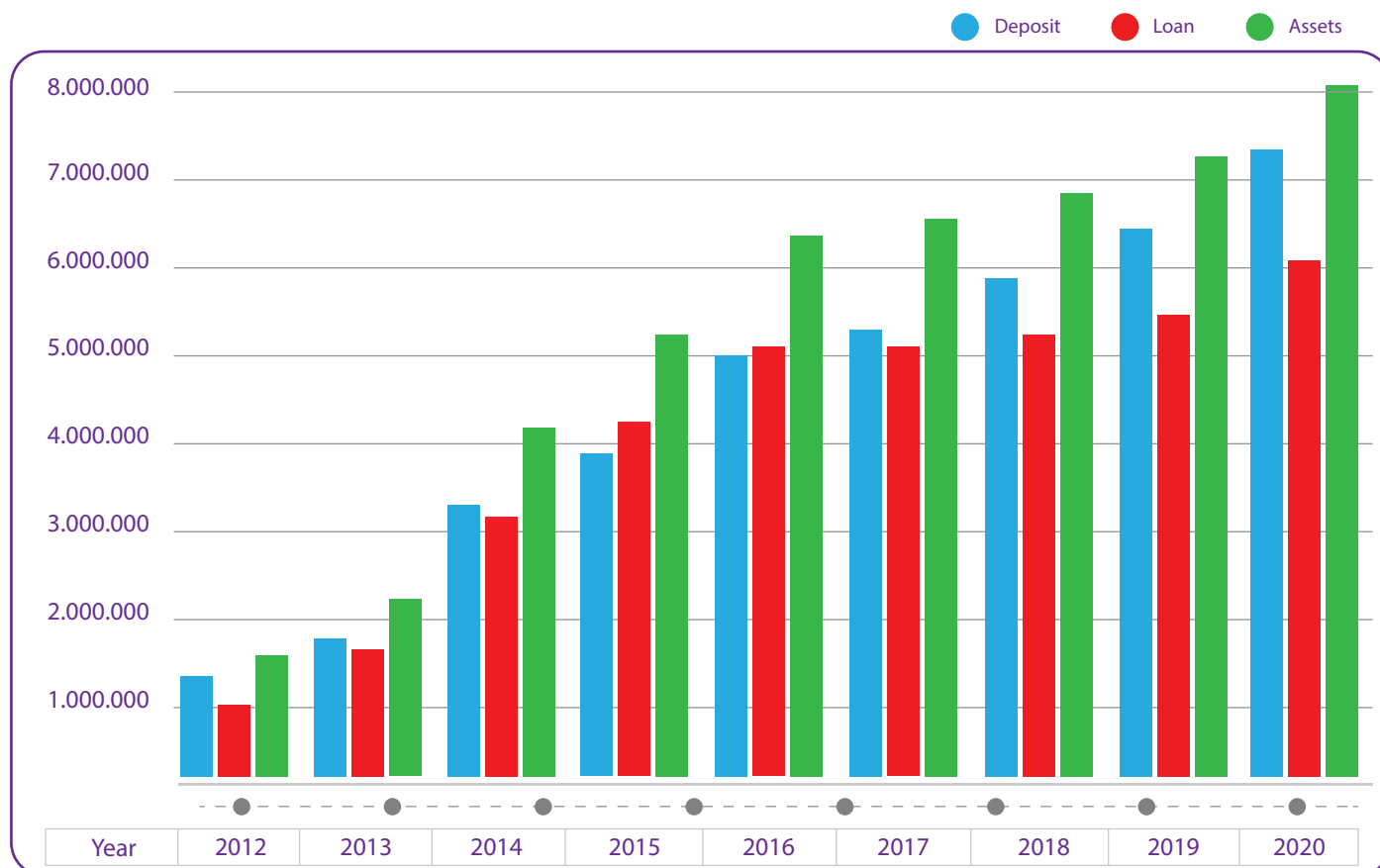
The bank's business has continued to grow despite slightly pressured bottom line which reflects on the actual market circumstances. The ongoing pandemic is undoubtedly a big challenge for all businesses across the globe including Laos. Thanks to the conservative approach to managing risk, IB still delivers a profitable performance in 2020 which is relatively at par with 2019. To be able to sustain profitability amid more stringent risk management measures is considered a reasonable achievement for the Bank.

Our balance has grown by more than 10% which is in line with deposit growth. Our retained earning has been accumulated and planned for additional capital increase as per required by the Bank of Lao PDR.

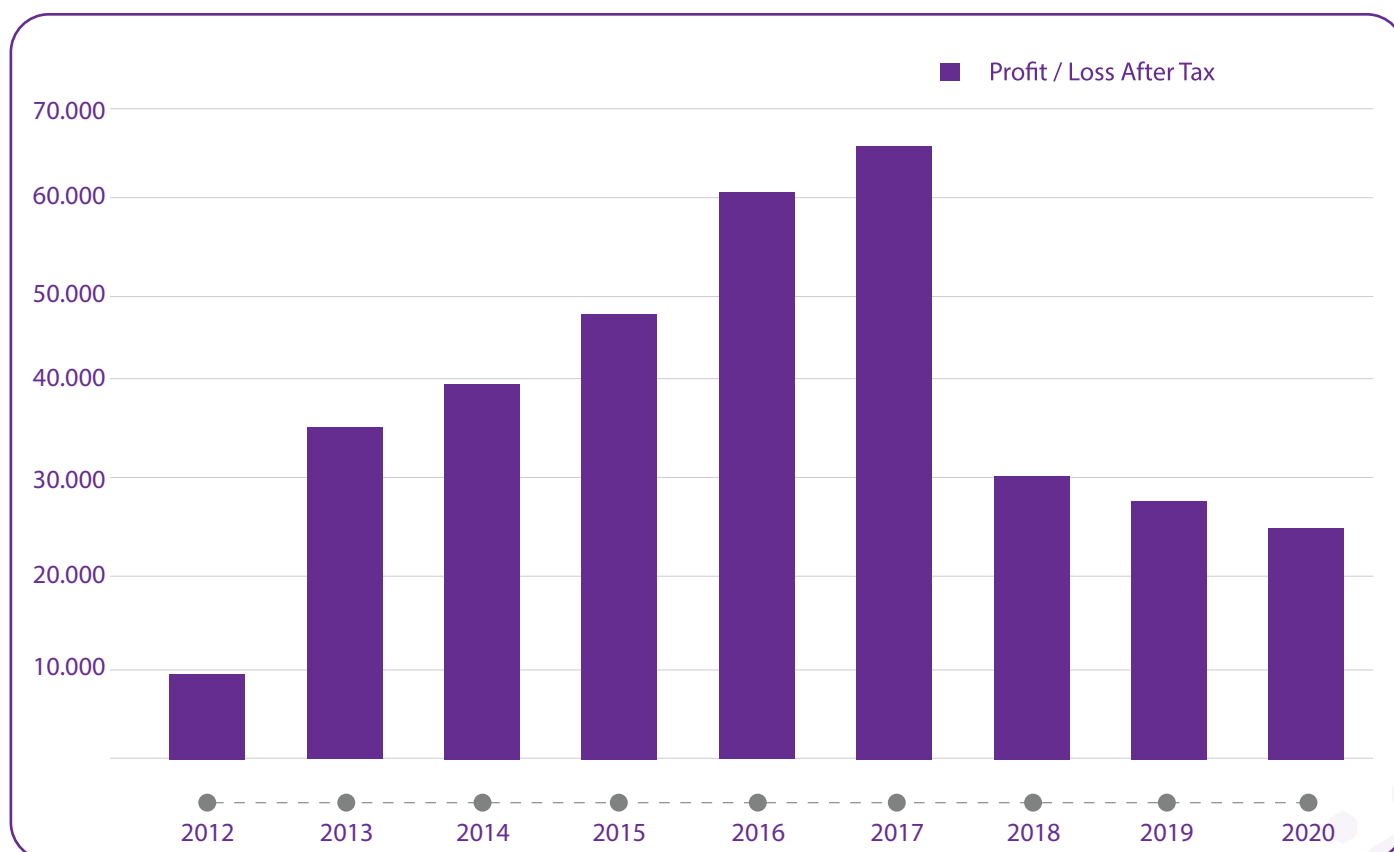
Lending asset witnessed a slight increase in parallel with that of deposit due to more prudent lending activities. This is a reflection of the overall market environment. In the lending space, what we have done in 2020 does not significantly differ from that in the previous years. We would rather focus on customers with lengthy relationship and good track record in extending further credit facilities to. The strategy has proven to be effective given the results in 2020.

Our investment in modernization of our products has continued throughout the year despite the roll out of new products. There are many more projects in the pipeline. There is still a long way to move ahead in our pursuit of success. We consider that we are still at the stage of laying a strong foundation for our business thus investment costs which are healthy ones are continuously required.

The Growth of Indochina Bank



Yearly Profit / Loss After Tax



1.5. Plan and Business objective of Indochina Bank 2021

IB will continue its journey of success by continuing with our investment in technology and human resources. Additional products will be rolled out in the electronic banking space to make our customers more satisfied with our services. We have been working on product enhancement to align better with the new banking trend in a regional context and hence meeting the customers' requirement even more. Having mentioned that, we anticipate more spending on improving our technology and hence a longer term but stable return on such a healthy investment.

While maintaining profitability, we have been gaining more momentum in diversifying the income from conventional streams into a more fee-based one. This can only be delivered by persistently upskilling our human resources and maintaining well-developed technology for more comprehensive client value propositions.

Despite being not too aggressive, we will continue to look at expanding our client coverage at some strategic locations where we see high business potential as well as more accessibility for our existing customers. A careful cost-vs-benefit exercise will be executed as a reflection of meaningful expansion. We want to ensure everything we do renders an optimized outcome.

With the lessons learnt from the current pandemic, albeit we have managed our risk at a reasonably satisfactory level we shall continue to enhance our risk management framework. We shall put in place more policies and procedures as a proactive approach to dealing with the health and well being of all our stakeholders. IB shall align our strategies with the regulators in order to avoid any disruptions to our customers and business.

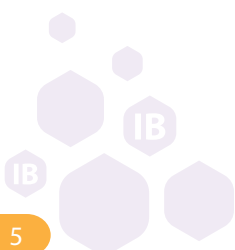
2021 is a very challenging but exciting year ahead given the pandemic and the change in people's normal lives. We are positive we have travelled on the right path with the success record as a proof. The Bank shall reassure our clients, all employees and stakeholders that we will keep on doing what we have done well in order to attain what we refer to as a sustainable business model.

ORGANIZATION STRUCTURE

2.1. List of shareholders

PART 2

No	Name of shareholders	Percentage
1	Mr. Oh Sei Young (Korean)	78.01%
2	LVMC Investment Ltd	11.99%
3	Mrs. Thavone Vongsombath	10.00%
	Total:	100.00%



2.2. Board of Directors



Mr. Oh Sei Young
Chairman

Mr. Oh is a prominent and successful businessman in Lao PDR. He is the Founder and Chairman of Kolao Group, which was incorporated in Lao PDR in May 1997.



Mrs. Thavone Vongsombath
Deputy Chairman

Mrs. Thavone Vongsombath is considered one of the most outstanding businesswomen in the country. She started her career right after her university degree in 1999 when she joined Kolao Business as an executive assistant. She has been a major driving force behind the success of many businesses including Kolao Group. Thanks to her strong entrepreneurship and charisma as a leader, she is now holding a position of president at Kolao Group.



Mr. Tay Hong Heng
Member

Mr. Tay started his banking career in 1976 with Public Bank Bhd, Malaysia. For 20 years he served domestic branches in various states in Malaysia in the capacity of Branch Manager. From 1996 to 2003 (7 years) he was the Country Head of Public Bank Vientiane Branch, Lao PDR. Thereafter up to 2008 (5 years) he was seconded as the General Director to VID Public Bank, Vietnam. Presently he is the Managing Director of Indochina Bank since its inception in 2008.



Mrs. Chanpheng Vongsombath
Member

Mrs. Chanpheng furthered her study at Levobskaya Engineering Economic Institute, Soviet in 1989. From 1995 to 2002 (7 years) she worked with Public Bank Bhd Vientiane Branch. Ms. Chanpheng joined Kolao as the Head of Finance Department before joining Indochina Bank in September 2008 and presently she is the Deputy Managing Director of the Indochina Bank.



Mr. Bounheng SOUPHIDA
Member

Mr. Bounheng graduated from Flinders University, Australia with a Master's degree in Business Administration. He started off his banking career with Public Bank in 1998 before joining ANZ in 2007 and Indochina Bank in 2014 and presently he is the Deputy Managing Director of the Indochina Bank.



Mrs. Phouvanh Phudphong
Member

Mrs. Phouvanh obtained her diploma in Business Administration from Pakpasak Technical College in 1998. She also completed the CPA course in 2002. She is currently the Director of Vientiane International Co, Ltd.



Mr. Jang Woojin
Member

Mr. Jang Woo Jin graduated from Shandong University, China. Holding a Bachelor's Degree in Economics, he has been working in the financial industry since 2013. He was a Chief Financial Officer of a private company in Myanmar for 4 years before moving to Laos where he continued to manage the business of Auto World (Kolao Developing) Co.,Ltd with the position of CFO. He has joined Indochina Bank on 1st Oct 2020 and is now a Strategic Planning Officer of the Bank.

2.3. Board of Management

Members of the Board of Management during the year and at the date of this report are as follows:

Name	Title	Date of appointment
Mr. Tay Hong Heng	Managing Director	Appointed on 20 April 2009
Mrs. Chanpheng Vongsombath	Deputy Managing Director	Appointed on 01 August 2014
Mr. Bounheng Souphida	Deputy Managing Director	Appointed on 01 August 2014
Mr. Voradeth Phanphengdy	Senior General Manager	Appointed on 01 July 2019
Mrs. Khonemala Sitthilath	General Manager	Appointed on 01 January 2017

2.4. Other Committees

1. Governance Committee

Name	Position	Date of Appointment
Mrs. Chanpheng VONGSOMBATH	Chairperson	01 December 2019
Mrs. Thavone VONGSOMBATH	Member	01 December 2019
Mr. Oh Sei Young	Member	01 December 2019

2. Audit Committee

Name	Position	Date of Appointment
Mrs. Phouvanh Phudphong	Chairperson	01 December 2019
Mrs. Khonemala Sitthilath	Member	01 December 2019
Mr. Tay Hong Heng	Member	01 December 2019
Mrs. Chanpheng Vongsombath	Member	01 December 2019
Mr. Bounheng Souphida	Member	01 December 2019
Mr. Voradeth Phanphengdy	Member	01 December 2019

3. Risk Management Committee

Name	Position	Date of Appointment
Mr. Voradeth Phanphengdy	Chairperson	01 December 2019
Mr. Tay Hong Heng	Member	01 December 2019
Mrs. Chanpheng Vongsombath	Member	01 December 2019
Mr. Bounheng Souphida	Member	01 December 2019
Mrs. Khonemala Sitthilath	Member	01 December 2019
Mrs. Malayphone Saksathith	Member	01 December 2019

4. Loans Committee

Name	Position	Date of Appointment
Mr. Tay Hong Heng	Chairman	01 December 2019
Mrs. Chanpheng Vongsombath	Member	01 December 2019
Mr. Bounheng Souphida	Member	01 December 2019

- 2009 and 2010 the Bank was audited by KPMG Lao Co., Ltd
- 2011 to 2017 the Bank was audited by Ernst & Young Lao Ltd
- 2018 to 2020 the Bank was audited by KPMG Lao Co., Ltd

3.2. Financial Reports

INDEPENDENT AUDITORS' REPORT

To: The owners of Indochina Bank Ltd.

Opinion

We have audited the financial statements of Indochina Bank Ltd. (the "Bank"), which comprise the statement of financial position as at 31 December 2020, the statements of comprehensive income, changes in capital and other reserves and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence standards) (IESBA Code) that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R, 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves 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.



KPMG Lao Co., Ltd.
Vientiane Capital, Lao P.D.R
31 March 2021

	Note	2020	2019 (Restated)	1 January 2019 (Restated)
Assets				
Cash and balances with the BOL		900.504	953.958	827.810
Cash on hand	11	98.535	61.726	61.442
Balances with the BOL	12	801.969	892.232	766.368
Due from other banks	13	478.908	293.713	310.240
Demand deposits		379.408	247.713	185.240
Term deposits		99.500	46.000	125.000
Investments		298.649	285.997	279.254
Investment in bond	14(a)	278.130	267.230	261.140
Investment in associate	14(b)	20.519	18.767	18.114
Loans and advances to customers, net of specific provision	15	5.092.367	4.529.276	4.244.249
Fixed and Intangibles assets		13.093	17.334	17.737
Intangible fixed assets	16.1	429	284	2.331
Construction in progress	16.2	41	3.754	1.015
Tangible fixed assets	16.3	12.623	13.296	14.391
Right of use assets	17	109.021	116.403	123.023
Other assets		368.366	161.761	118.950
Accrued interest receivables		68.761	52.124	30.964
Other assets	18	299.605	109.637	87.986
Total assets		7.260.908	6.358.442	5.921.263
Liabilities, capital and other reserves				
Due to banks and financial institutions	19	283.022	263.004	568.084
Demand deposits		15.543	45	-
Term deposits		267.479	152.447	289.413
Borrowings from financial institutions		-	110.512	278.671
Due to customers	20	6.173.754	5.344.247	4.646.743
Demand and saving deposits		516.790	449.010	503.978
Term deposits		5.271.546	4.876.937	4.115.794
Other payables to customers		385.418	18.300	26.971
Other liabilities		320.042	292.958	249.451
Lease liabilities		64.139	61.061	58.311
Accrued interest payable – due to customer		233.475	208.679	160.375
Taxes payable	21.1	370	4.482	9.860
Other payable	22	22.058	18.736	20.905
Total liabilities		6.776.818	5.900.209	5.464.278
Capital and other reserves				
Paid-up capital	23	381.252	381.252	381.252
Legal reserve		33.612	30.923	28.207
General provision for credit activities	15.2	24.009	21.613	20.063
Retained earnings		45.217	24.445	27.463
Total capital and other reserves		484.090	458.233	456.985
Total liabilities, capital and other reserves		7.260.908	6.358.442	5.921.263

The accompanying notes form an integral part of these financial statements.

	Note	2020	2019 (Restated)
Operating income and expenses			
Interest and similar income	5	571.989	516.108
Interest and similar income from interbank transactions		93.622	79.767
Interest and similar income from loans to customers		455.962	414.517
Interest income from investment in securities		22.405	21.824
Interest and similar expense	5	(461.611)	(417.907)
Interest and similar expense for interbank transactions		(96.374)	(95.870)
Interest and similar expense for customer deposits		(365.237)	(322.037)
Net interest and similar Income	5	110.378	98.201
Fees and Commission Income	6	47.058	42.788
Fees and Commission Expense	6	(802)	(974)
Net fee and commission Income		46.256	41.814
Share of profit from associate	14(b)	839	210
Net operating income		157.473	140.225
Other income and expenses			
Other Income		72.293	47.198
Net gain/(loss) on foreign exchange		878	(1.556)
Other operating income	7	71.415	48.754
Administration expenses		(76.105)	(71.741)
Payroll and other staff costs	8	(45.963)	(42.026)
Other administrative expenses	9	(30.142)	(29.715)
Depreciation and amortization expenses	16	(12.383)	(13.565)
Other operating expenses	10	(83.689)	(62.595)
Total expenses		(172.177)	(147.901)
Net operating profit		57.589	39.522
Net provision for non-performing loans	15.2	(24.522)	(3.261)
Provision expense for non-performing loans		(98.184)	(45.971)
Reversal of provision for non-performing loans		73.662	42.710
Profit before tax		33.067	36.261
Income tax	21.2	(6.613)	(9.100)
Profit after tax		26.454	27.161

The accompanying notes form an integral part of these financial statements.

	2020	2019 (Restated)
Cash flows from operating activities		
Net profit before tax	33.067	36.261
Adjustments for non-cash items:		
Loan impairment charges	26.168	4.289
Interest and similar income	(571.989)	(516.108)
Interest and similar expense	461.611	417.907
Net gain/(loss) from dealing in foreign currencies	(878)	1.556
Depreciation and amortization charges	12.383	13.565
Loss on disposal of tangible fixed assets	-	206
Share of profit from associate	(839)	(210)
Interest received	555.352	489.414
Interest paid	(436.814)	(375.137)
Income tax paid	(7.630)	(19.266)
Cash flows from operations before changing in operating assets and liabilities	70.431	52.477
Statutory deposit with BOL	1.803	(6.190)
Due from other banks	(53.500)	79.000
Loans and advances to customers	(609.411)	(285.027)
Other assets	(189.968)	(21.651)
Change in due to other banks and financial institutions	20.018	(305.080)
Amounts due to customers	829.507	697.505
Other liabilities	9.889	579
Net cash generated from operating activities	8.338	159.136
Cash flows from investing activities		
Purchase of property, equipment and intangible assets	(760)	(2.220)
Proceeds from disposal of property and equipment	35	500
Investment made during the year	2.000	-
Net cash generated from (used in) investing activities	1.275	(1.720)
Cash flows from financing activities		
Dividend paid to shareholders	-	(27.463)
Net cash generated from (used in) financing activities	-	(27.463)
Net change in cash and cash equivalents	80.044	182.430
Cash and amount due from other banks, 1 January	985.698	803.268
Cash and amount due from other banks, 31 December	1.065.742	985.698

The accompanying notes form an integral part of these financial statements.



	Paid-up capital	Legal Reserve	General provision for credit activities	Retained earnings	Total
Balance as at 1 January 2019	381.252	28.207	20.063	27.463	456.985
Dividend paid to shareholders	-	-	-	(27.463)	(27.463)
Net profit for the year - restated	-	-	-	27.161	27.161
Transfer to legal reserve - restated	-	2.716	-	(2.716)	-
General provision charged during the year	-	-	41.976	-	41.976
Reversal of general provision during the year	-	-	(40.948)	-	(40.948)
Foreign exchange difference	-	-	522	-	522
Balance as at 31 December 2019 - restated	381.252	30.923	21.613	24.445	458.233
Other adjustment	-	44	-	(3.037)	(2.993)
Net profit for the year	-	-	-	26.454	26.454
Transfer to legal reserve	-	2.645	-	(2.645)	-
General provision charged during the year	-	-	58.123	-	58.123
Reversal of general provision during the year	-	-	(56.477)	-	(56.477)
Foreign exchange difference	-	-	750	-	750
Balance as at 31 December 2020	381.252	33.612	24.009	45.217	484.090

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements For the year ended 31 December 2020

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1 Organization and principal activities

Indochina Bank Ltd. ("the Bank") is a foreign owned, locally incorporated commercial bank. The Bank was incorporated in Lao People's Democratic Republic ("Lao P.D.R") on 26 May 2008 under a Foreign Investment License No.217-11/PI granted by the Ministry of Planning and Investment and under Banking Business License No.53/BOL granted by Bank of LAO P.D.R on 28 November 2008.

The Bank is 78,01% owned by Mr. Oh Sei Young (Korean), 10% owned by Ms. Thavone Vongsombath and the remaining 11,99% owned by LVMC Investment Ltd. of Hong Kong.

The principal activities of the Bank are to provide comprehensive banking and related financial services in Lao P.D.R. As at 31 December 2020, the Bank had 201(2019: 204) employees.

Paid-up Capital

As at 31 December 2020, the paid-up capital of the bank was LAKm 381.252.(2019: LAKm 381.252)

2 Basis of preparation of the financial statements

(a) General basis of accounting

(i) Statement of compliance

Management of the Bank states that the accompanying financial statements have been prepared in compliance with the Accounting Law of Lao P.D.R and the regulations stipulated by Bank of the Lao P.D.R relevant to preparation and presentation of financial statements.

(ii) Basis of Preparation

The Bank maintains its accounting records in Lao Kip ("LAK") and prepares its financial statements in millions of LAK ("LAKm") in accordance Decree No. 02/PR by the Prime Minister of Lao P.D.R dated 22 March 2000 and the Accounting Law of Lao P.D.R and the regulations stipulated by Bank of Lao P.D.R relevant to preparation and presentation of financial statements.

The financial statements have been prepared in accordance with accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R, which may differ in some material respects from International Financial Reporting Standards and the generally accepted accounting principles and standards of other countries. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations, changes in equity, cash flows and notes thereto in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than the Lao P.D.R. Furthermore, their utilization is not designed for those who are not informed about the Lao P.D.R's accounting rules, procedures and practices.

New accounting standard IFRS 16 is effective for annual accounting periods on or after 1st January 2019. The application of IFRS 16 is pursuant to the BOL instruction no 1433/AF on implementation of International Financial Reporting Standard 16 Leases ("IFRS 16") dated 24 October 2019. On 25 February 2020 BOL postponed the implementation of IFRS 16 via letter no 216/AF. The initial application of new accounting standard has resulted in change of the Bank's accounting policy. The effect of this change is described in Note 3.

(iii) Basis of measurement

The financial statements have been prepared on the historical cost basis except as stated in the accounting policies. The accounting policies have been consistently applied by the Bank and are consistent with those used in the previous year except otherwise stated.

(iv) Use of judgements and estimates

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions based on the management's best knowledge of current events and actions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and the disclosures of contingent liabilities at the reporting date.

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual outcomes may differ from management's assessment and such differences could require revisions that are recognized in the period in which the estimates are revised and in any future periods affected.




(b) Fiscal Year

The fiscal year of the Bank starts on 1 January and end on 31 December.

(c) Foreign currency transactions

The Bank maintains its accounting system and records all transactions in original currencies. Monetary assets and liabilities denominated in foreign currencies at year end are translated into LAK at exchange rates ruling on the balance sheet date. Foreign exchange differences arising from the translation of monetary assets and liabilities on the balance sheet date are recognized in the statement of comprehensive income.

The applicable exchange rates for the LAK against foreign currencies were as follows:

	31 December 2020	31 December 2019
 United State Dollar ("USD")	9.271,00	8.841,00
 Thai baht ("THB")	299,77	289,00
 Euro ("EUR")	11.262,00	9.755,00

3 Adjustment of lease accounting

Except for the adjustment below, the Bank has consistently applied the accounting policies as set out in Note 4 to all periods presented in these financial statements.

The accounting policies applied in these financial statements are the same as those applied in the last annual financial statements except for adjustment of lease accounting of the following:

IFRS 16 Leases

(a) Leases

The Bank applied IFRS 16 using the modified retrospective approach. The adjustment of lease accounting has been applied retrospectively which impacts the capital and other reserve of the comparative financial year, the related account balances in the statement of financial position and the statement of comprehensive income.

(b) Definition of a lease

Previously, the Bank treated Lease contracts as operating leases and booked related lease expense as operating expense. The only lease contracts falling under the domain of IFRS 16 are head office, service units and branch office premises agreements. The Bank has now assessed whether the rental agreements fall under the definition of a lease, as explained in Note 17.

(c) As a lessee

As a lessee, the bank has head office, service units and branch office premises agreement. Under IFRS 16, the Bank recognizes right-of-use asset and lease liability i.e. this lease is recorded in the statement of financial position.

On transition, for this lease, lease liability was measured at the present value of the remaining lease payments, discounted at the Bank's weighted average rate of term deposit to customer for the year 2019.

The right-of-use are measured at their carrying amount which is equal to lease liability at the beginning of current year, discounted using the weighted average rate of term deposit to customer, adjusted for any accruals and prepayments.

The following table summarises the impact of the adjustment of lease accounting.

(in million LAK)

	Before Restatement (in million LAK)	Impact of adjustment of lease accounting (in million LAK)	After Restatement (in million LAK)
Statement of financial position as at 1 January 2019			
Assets			
Right of use Assets	-	123.023	123.023
Other assets	152.698	(64.712)	87.986
Liabilities			
Lease liabilities	-	58.311	58.311
Statement of financial position as at 31 December 2019			
Assets			
Right of use Assets	-	116.403	116.403
Other assets	166.633	(56.996)	109.637
Liabilities			
Lease liabilities	-	61.061	61.061
Capital and other reserve			
Legal Reserve	31.089	(166)	30.923
Retained earning	25.933	(1.488)	24.445
Statement of comprehensive income as at 31 December 2019			
Administration expenses			
Other administrative expenses	(34.681)	4.966	(29.715)
Depreciation and amortization expenses			
Depreciation and amortization expenses	(6.945)	(6.620)	(13.565)

4 Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Recognition of interest income and expense

Interest income and expense are recognized in the statement of comprehensive income on an accrual basis using the straight-line method and the interest rates stipulated in the lending/deposits contracts with customers.

The recognition of accrued interest income is suspended when the loans becoming non-performing or when management believes that the borrower has no ability to repay the interest and principal. Interest income on such loans is only recorded in the statement of comprehensive income when actually received.

(b) Recognition of fee and commission income

Fees and commissions consist of fees received from fund transfer transactions, trade settlement, foreign currency exchange transactions, ATM transactions and financial guarantees. Fee and commission income are recognized in to the statement of comprehensive income on cash basis.

Fee and commissions are recognized in the statement of comprehensive income on a cash basis.

Income from the various activities of the Bank is accrued using the following bases:

- (i) Loan arrangement fees and commissions on services and facilities extended to customers are recognized on the occurrence of such transactions;
- (ii) Commitment fees and guarantee fees on services and facilities extended to customers are recognized as income over the period in which the services and facilities are extended; and
- (iii) Service charges and processing fees are recognized when the service is provided.

(c) Cash and cash equivalents

Cash and cash equivalents consist of (i) cash; and (ii) due from banks and highly liquid short-term investments with an original maturity of less than or equivalent to 30 days that are readily convertible to known amount of cash.

(d) Loans to customers

Loans and advances are originated by the Bank providing money to a customer for purposes other than short-term profit taking. They are stated at the outstanding principal balances less an impairment allowance for bad debt and doubtful loans and advances, to reflect the estimated recoverable amount. Loans and advances, except bank overdrafts, are shown exclusive of accrued interest receivable.

(e) Provision for non-performing loans ("NPL")

Regulation 512/BOL applicable from 1 October 2018

In accordance with Regulation 512/BOL ("BOL 512") dated 29 June 2018 and effective from 1 October 2018, the Bank is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into Normal or Watch List or non-performing loans based on the payment arrears status and other qualitative factors. Loans classified as Normal or Pass (Group A) are considered as Normal or Pass loans, loans classified as Watch List or Special Mention (Group B) are considered as Watch List or Special Mention loans and loans classified as Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as non-performing loans.

According to BOL 512, general provision is created at the rate of 0,5% of the total balance of Normal or Pass loans as at the reporting date. Concurrently, specific provision for Watch or Special Mention, Substandard, Doubtful and Loss loans is established by multiplying the outstanding balance of each loan item less the value of collaterals (if any) in accordance with the regulation of BOL with the provision rates applicable to that loan classification as follows:

Classification	Number of days past due	Provision rate
Normal or Pass (A)	0-29 days	0,5%
Watch or Special mention (B)	30-89 days	3%
Substandard (C)	90-179 days	20%
Doubtful (D)	180-359 days	50%
Loss (E)	Over 360 days	100%

Maximum ratio of collateral benefits allowed under BOL 512 are as follows;

Type of collaterals	Maximum allowed ratio
(a) Deposits at the Bank	
- in the same currency with loans	100%
- in different currencies with those of loans	95%
(b) Gold kept at the Bank	90%
(c) Government bonds and BOL bonds	
- in the same currency with loans	
● With a remaining term of below 1 year	100%
● With a remaining term of between 1 year to 5 years	90%
● With a remaining term of over 5 years	80%
- in different currencies with those of loans	
● With a remaining term of below 1 year	95%
● With a remaining term of between 1 year to 5 years	85%
● With a remaining term of over 5 years	75%
(d) Deposits at other banks or financial institutions	
● With a remaining term of below 1 year	80%
● With a remaining term of between 1 year to 5 years	75%
● With a remaining term of over 5 years	70%
(e) Letter of Credit or Standby Letter of Credit	95%
(f) Letter of Guarantee or Bank Guarantee	90%
(g) Real estates	40%

Changes in specific provision is recorded to the statement of comprehensive income as “Net specific provision charges”. Accumulated specific provision reserve is recorded in the statement of financial position in “Loans and advances to customers, net of specific provision”.

In accordance with the relevant accounting regulations as stipulated by the Bank of Lao P.D.R, any changes in general provision for credit activities are recorded to the statement of comprehensive income as “Other operating expenses” for general provision expense and “Other operating income” for reversal of general provision expense and the balance of general provision reserve is recorded in the statement of financial position in “General provision for credit activities” under statement of changes in capital and other reserves.

Regulation 324/BOL applicable before 1 October 2018

In accordance with Regulation 324/BOL (“BOL324”) dated 19 April 2011, the Bank is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into Performing loans or Non-performing loans based on the payment arrears status and other qualitative factors. Loans classified as either Normal or Pass (Group A) or Watch or Special Mention (Group B) are considered as Performing loans. Loans classified as either Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as Non-performing loans.

According to BOL324, provision for loans to customers is established by multiplying the outstanding balance of each loan item with the provision rates applicable to that loan classification as follows:

Classification	Number of days past due	Provision
Normal or Pass (A)	0-29 days	0,5% - 1%
Watch or Special mention (B)	30-89 days	3%
Substandard (C)	90-179 days	20%
Doubtful (D)	180-359 days	50%
Loss (E)	Over 360 days	100%

Changes in provision for non-performing loans is recorded to the statement of comprehensive income as “Net provision charges for non-performing loans”. Accumulated specific provision reserve for non-performing loans is recorded in the statement of financial position in “Loans and advances to customers, net of specific provision for NPL”

In accordance with BOL324, the Bank is required to create a general provision for loan losses at the rate of 3% of the total balance of Watch or Special Mention loans as at the reporting date and general provision made for Normal or Pass loans shall be upon the BOL's notification for each year. For the year ended 31 December 2017, the general provision rate for Normal or Pass loans is ranging from 0,5% to 1% in accordance with the Official Letter No. 242/BOL issued by the Bank of Lao P.D.R on 2 April 2011. Accordingly, the Bank provided general provision at rate of 0,5% out of total balance of Normal or Pass loans.

The Bank complied with the BOL's regulations on general provision provided for Normal or Pass and Watch or Special loans for the period before 1 October 2018.

In accordance with the relevant accounting regulations as stipulated by the Bank of Lao P.D.R, any changes in general provision for credit activities are recorded to the statement of comprehensive income as “Other operating expenses” for general provision expense and “Other operating income” for reversal of general provision expense and the balance of general provision reserve is recorded in the statement of financial position in “General provision for credit activities” under capital and reserves of the Bank.

(f) Write-off

In accordance with BOL 512, loans are written off not later than 90 days after being classified to Loss group.

Loans written off are recorded as off-balance sheet items for following up and collection. The amounts collected from the loans previously written-off, including the proceeds from sales of collaterals against those debts, are recognised in the statement of comprehensive income upon receipt.

(g) Held-to-maturity securities

Held-to-maturity securities are debt securities with fixed or determinable payments and maturities, which the Bank has intention and ability to hold to maturity to earn interest. When they are sold before maturity date, these securities will be reclassified as trading securities or available-for-sale securities.

Held-to-maturity securities are initially recognized at cost and subsequently presented at cost. Premiums and discounts arising from securities purchases are amortized in the statement of comprehensive income using the straight-line method over the period from the acquisition dates to the maturity dates.

Periodically, the held-to-maturity securities are subject to review for impairment. Provision for impairment of these securities is made when there has been a significant or prolonged decline in the fair value below their cost. Provision for impairment, if any, is recognized as “Net gain/(loss) from securities investment” in the statement of comprehensive income.

(h) Investment in associates

An associate is an entity over which the investor has significant influence but does not have control over the financial and operating policies.

If an entity holds, directly or indirectly (for example through subsidiaries), 20 percent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case.

These financial statements include the bank's share of total recognized gains and losses of associates on equity accounting basis, from the date when significant influence commenced.

(i) Fixed and Intangible assets

Fixed assets include of tangible and intangible fixed assets. Tangible fixed assets consist of buildings and improvements, office equipment, furniture and fixtures, and motor vehicles. Intangible fixed assets consist of computer software

Fixed assets are stated at cost less accumulated depreciation and amortization, if any.

The cost of an asset comprises its purchase price plus any directly attributable costs of bringing the asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are capitalized and expenditures for maintenance and repairs are charged to the statement of comprehensive income.

When assets are sold or disposed, their cost and accumulated depreciation are removed from the statement of financial position and any gains or losses resulting from their disposal are posted to the statement of comprehensive income.

(j) Depreciation and amortization of fixed assets and intangible

Depreciation and amortization of fixed assets are provided on the straight-line basis at prescribed rates over their estimated useful life in accordance with the new Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016 stipulated by the President of the National Assembly. The following are the annual depreciation and amortization rates used:

Category	Depreciation rates
Computer equipment	50%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

(k) Legal Reserves

Under the requirement of the Law on Commercial Bank No.56/ dated 7 December 2018, commercial banks are required to appropriate net profit to following reserves:

- Regulatory reserve fund
- Business expansion fund and other funds

In accordance with the Law on Enterprise (Revision) No.46/NA dated 26 December 2013, the Bank is required to provide legal reserve at a rate of 10% on profit after deducting retained loss. The Bank can stop reserving when the legal reserve has reached up to 50 percentage of Registered Capital.

(I) Taxation

Provision is made for profit tax on the current year's profit, based on the Tax Law governing taxation within Lao P.D.R. The Bank is obliged to pay tax at rate of 20% of total profit before tax in accordance with the Tax Law No.67/NA dated 18 June 2019. The Bank's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations in many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

(i) Employee benefit

Post-employment benefits

Post-employment benefits are paid to retired employees of the Bank by staff provident fund setup by the Bank. Each month, the Bank contributes 6% and each employee contributes 4% of the employee's monthly basic salary into the fund (maximum Bank's monthly contribution per employee is 500 USD). The benefit will be paid to each employee at the time of the retirement. The Bank has no further obligation concerning post-employment benefits for its employees other than this.

Termination benefits

In accordance with Article 82 of the Amended Labour Law No. 43/NA approved by the President of the Lao People's

Democratic Republic on 28 January 2014, the Bank has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

- The employee lacks specialised skills or is not in good health and thus cannot continue to work;
- The employer considers it necessary to reduce the number of workers in order to improve the work within the labour unit.

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 31 December 2020, there are no employees of the Bank who were dismissed under the above-mentioned grounds; therefore, the Bank has not made a provision for termination allowance in the financial statements.

(j) Leases

The Bank applied IFRS 16 using the modified retrospective approach. The adjustment of lease accounting has been applied retrospectively. The details of accounting policies under Lao GAAP and related regulation are disclosed separately if they are different from those under IFRS 16. The impact of adjustment is disclosed in Note 3.

Policy applicable from 1 January 2019

Leases

The Bank assesses at the contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets include the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its weighted average rate of term deposit to customer because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Operating leases

In the comparative period, payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

5 Net interest and similar income

31 December (in million LAK)

	2020	2019
Interest and similar income from:		
Interbank transactions	93.622	79.767
Loans to customers	455.962	414.517
Investment in securities	22.405	21.824
	571.989	516.108
Interest and similar expense for:		
Interbank transactions	(96.374)	(95.870)
Customer deposits	(365.237)	(322.037)
	(461.611)	(417.907)
Net interest and similar income	110.378	98.201

6 Net fees and commission income

31 December (in million LAK)

	2020	2019
Fees and commission income from		
Fees on loans	3.644	3.871
Late payment penalties charged to customers	25.350	21.986
Telecommunication (fax, telegram)	1.200	1.163
Other activities	16.864	15.768
	47.058	42.788
Fees and commission expense for		
Settlement services via Check, Fax, TT, Swift	(260)	(228)
Other financial services	(542)	(746)
	(802)	(974)
Net fees and commission income	46.256	41.814

7 Other operating income 31 December (in million LAK)

	2020	2019
Reversal of general provision for credit losses	56.477	40.948
Others	14.938	7.806
	71.415	48.754

8 Payroll and other staff cost 31 December (in million LAK)

	2020	2019
Wages and Salaries	27.742	24.603
Other Staff Cost	18.221	17.423
	45.963	42.026

9 Other administrative expenses 31 December (in million LAK)

	2020	2019
Office rental	2.950	5.050
Fuel	984	1.302
Office stationery	1.381	1.848
Publication, marketing and promotion	1.747	1.786
Telecommunication	1.324	1.399
Repair and maintenance	5.102	4.848
Electricity and water	965	970
Audit and legal fees	1.841	2.613
Taxes and duties	-	29
Insurance fee	667	506
Commission	1.277	1.338
Interest on lease liability	4.512	4.066
Others	7.392	3.960
	30.142	29.715

10 Other operating expenses 31 December (in million LAK)

	2020	2019
General provision expenses (Note 15.2)	58.123	41.976
Depositor Protection Fund	4.676	3.489
Loss on disposals of assets	-	206
Others	20.890	16.924
	83.689	62.595

11 Cash on hand 31 December (in million LAK)

Cash on hand in LAK	38.028	34.471
Cash on hand in foreign currencies ("FC")	60.507	27.255
	98.535	61.726

12 Balances with the Bank of Lao P.D.R ("BOL")

31 December (in million LAK)

	2020	2019
Demand deposits	587.799	676.259
Compulsory reserves (*)	213.876	215.679
Registered capital deposit	294	294
	801.969	892.232

Balances with the BOL include demand deposits, compulsory reserves and registered capital deposit. These balances earn no interest.

(*) Under regulations of the BOL, the Bank is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 4,00% for LAK and 8,00% for foreign currencies (2019: 5,00% and 10,00%), on a bi-monthly basis, of customer deposits having original maturities of less than 12 months. In the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

13 Due from other banks

31 December (in million LAK)

	2020	2019
Demand deposits	379.408	247.713
With domestic banks	42.408	51.275
Banque pour le Commerce Exterieur Lao Public (BCEL)	41.935	50.837
Joint Development Bank (JDB)	473	438
With overseas banks	337.000	196.438
Standard Chartered Bank, New York	266.387	142.533
Standard Chartered Bank, Bangkok	5.222	3.767
Standard Chartered Bank, Frankfurt	20	47
KB Kookmin Bank, Korea	2.736	1.408
Kasikorn Bank Public Company Limited, Bangkok	62.635	48.683
Term deposits	99.500	46.000
Vietinbank Lao Limited	-	16.000
Saigon Thuong Tin Lao Bank Limited	18.500	-
Maruhan Japan Bank Lao Co., Ltd.	61.000	-
Bangkok Bank Public Co., Ltd.	-	30.000
Kasikorn Thai Bank Co., Ltd.	20.000	-
	478.908	293.713

14 Investment

14 (a) Investment in bond

31 December (in million LAK)

	2020	2019
Ministry of Finance bonds *	-	2.000
Convertible bonds **	278.130	265.230
	278.130	267.230



(*) The investment represents bonds with Ministry of Finance of the LAO P.D.R having term of 1 year with an interest rate of 4% per annum and it expired on 18 September 2020.

(**) During 2018, the Bank entered into an agreement to purchase Convertible Bonds from LMVC Holdings, a company incorporated under the laws of Cayman Islands, having term of 3 years.

14 (b) Investment in Associate

31 December (in million LAK)

	2020	2019
Investment in associate *	20.519	18.767
	20.519	18.767

(*) During 2018, the bank invested LAK 18.185 million to acquire 10% holding in KB Daehan Specialized Bank, formerly called as Tomato Specialized Bank Limited incorporated in Cambodia. The bank has assessed recoverable amount of investment in associate based on value in use calculation. The calculation has been made on the discounted cash flow methodology considering certain assumptions. Based on valuations, the recoverable amount exceeds the carrying amount and accordingly, no impairment has been recorded.

In 2019, KB Daehan's share capital has been increased from USD 18.750.000 to USD 43.750.000. The bank's share of investment is thereby reduced from 10,00% to 4,29%.

Movement of investment in associate

31 December (in million LAK)

	2020	2019
Balance as at 1 January	18.767	18.114
Share of profit up to 31 December	839	210
	19.606	18.324
Foreign Exchange Translation	913	443
Closing balance as at 31 December	20.519	18.767

15 Loans and advances to customers, net of specific provision

15.1 Loans to customers

31 December (in million LAK)

	2020	2019
Loans to customers	5.127.138	4.541.499
Less provision for non-performing loans (Note 15.2)	(34.771)	(12.223)
	5.092.367	4.529.276

Classified by interest rates (per annum)

31 December (in million LAK)

	2020	2019
LAK	5,00%-15,15%	4,00%-16,00%
USD	5,88%-24,36%	5,25%-14,64%
THB	6,00%-11,00%	6,00% - 12,00%

Classified by currency

31 December (in million LAK)

	2020	2019
LAK	1.228.316	1.265.391
USD	3.417.038	2.823.921
THB	481.784	452.187
	5.127.138	4.541.499

Classified by performance

31 December (in million LAK)

	2020	2019
- Normal or Pass	4.801.630	4.322.557
- Watch or Special Mention	220.199	188.921
Non- Performing loans		
- Substandard	81.830	28.311
- Doubtful	23.479	1.635
- Loss	-	75
	5.127.138	4.541.499

15.2 Provision for credit activities

(i) Specific provision for credit activities

31 December (in million LAK)

	2020	2019
Balance as at the beginning of the year	12.223	8.910
Provision made in the year	98.184	45.971
Reversal of provision in the year	(73.662)	(42.710)
Bad debt written off	(2.049)	-
Foreign exchange translation	75	52
Balance as at the of the year	34.771	12.223

(ii) General provision for credit activities

31 December (in million LAK)

	2020	2019
Balance as at the beginning of the year	21.613	20.063
Provision made in the year	58.123	41.976
Reversal of provision in the year	(56.477)	(40.948)
Foreign exchange translation	750	522
Balance as at the end of the year	24.009	21.613

16 Fixed and intangible assets

31 December (in million LAK)

	2020	2019
Intangible fixed assets (note 16.1)	429	284
Construction in progress (note 16.2)	41	3.754
Tangible fixed assets (note 16.3)	12.623	13.296
Total	13.093	17.334

16.1 Intangible fixed assets

31 December (in million LAK)

	2020	2019
Cost		
As at 1 January	17.076	16.977
Additions made during the year	297	99
As at 31 December	17.373	17.076
Amortization for the year		
As at 1 January	16.792	14.646
Amortization charged for the year	152	2.146
As at 31 December	16.944	16.792
Net book value:		
As at 1 January	284	2.331
As at December	429	284

16.2 Construction in progress

31 December (in million LAK)

	2020	2019
Opening balance	3.754	1.015
Movement during the year		
- Increased during the year	463	4.136
- Transferred to fixed assets	(4.176)	(1.397)
Closing balance	41	3.754

16.3 Tangible fixed assets

Movements of tangible fixed assets for the year ended 31 December 2020 are as follows:

	Office equipment LAK (in millions)	Furniture & fixtures LAK (in millions)	Motor vehicles LAK (in millions)	Total LAK (in millions)
Cost				
At 1 January 2020	27.021	30.654	1.055	58.730
Transfers	3.241	935	-	4.176
Write off	(23)	(324)	-	(347)
Disposals	(35)	-	-	(35)
At 31 December 2020	30.204	31.265	1.055	62.524
Accumulated depreciation				
At 1 January 2020	19.783	25.543	108	45.434
Reclassification	(386)	386	-	-
Charge for the year	3.027	1.617	205	4,849
Write off	(21)	(219)	-	(240)
Disposals	(29)	-	-	(29)
Others	(24)	(89)	-	(113)
At 31 December 2020	22.350	27.238	313	49.901
Net book value				
At 1 January 2020	7.238	5.111	947	13.296
At 31 December 2020	7.854	4.027	742	12.623

Movements of tangible fixed assets for the year ended 31 December 2019 were as follows:

	Office equipment LAK (in millions)	Furniture & fixtures LAK (in millions)	Motor vehicles LAK (in millions)	Total LAK (in millions)
Cost				
At 1 January 2019	24.767	30.901	44	55.712
Transfers	371	15	1.011	1.397
Additions	2.121	-	-	2.121
Disposals	(238)	(262)	-	(500)
At 31 December 2019	27.021	30.654	1.055	58.730
Accumulated depreciation				
At 1 January 2019	16.643	24.639	39	41.321
Charge for the year	3.345	1.385	69	4.799
Disposal	(205)	(262)	-	(467)
Others	-	(219)	-	(219)
At 31 December 2019	19.783	25.543	108	45.434
Net book value				
At 1 January 2019	8.124	6.262	5	14.391
At 31 December 2019	7.238	5.111	947	13.296

17 Lease

(i) Right-of-Use Assets

31 December (in million LAK)

	2020	2019 (Restated)
Cost		
As at 1 January	123.023	123.023
Additions made during the year	-	-
As at 31 December	123.023	123.023
Depreciation for the year		
As at 1 January	6.620	-
Charge for the year	7.382	6.620
As at 31 December	14.002	6.620
Net book value		
As at 1 January	116.403	-
As at 31 December	109.021	116.403

(ii) Amount recognized in profit or loss

31 December (in million LAK)

	2020	2019 (Restated)
Interest on lease liability	4.512	4.066
Depreciation charge for the year	7.382	6.620
Total	11.894	10.686

18 Other assets

31 December (in million LAK)

	2020	2019 (Restated)
Rental deposits	1.733	1.706
Prepayments	82.412	7.059
Prepaid interests	44.835	49.882
Other receivables	170.625	50.990
	299.605	109.637

19 Due to banks and financial institutions

31 December (in million LAK)

	2020	2019
Term and Demand deposits	283.022	152.492
VietinBank Lao Limited	55,626	79.569
First Commercial Bank Limited, Vientiane Bank	55.626	61.887
Maruhan Japan Bank Lao Co., Ltd.	64.897	-
Allianz General Laos	4.613	4.284
Canadia Bank Lao	47	-
National Social Security Fund Office	3.000	6.000
Prudential Life Assurance (Lao) Co., Ltd.	8	-
Sacom Bank - Lao Bank	37.084	-
Joint Development Bank	-	45
Lao Securities Exchange Co., Ltd	-	707
Kasikorn Thai Bank	18.542	-
Saigon-Hanoi Bank Lao	18.542	-
Dhipaya Insurance	8.344	-
Lanexang Insurance	1.205	-
Krungsri Leasing Laos	10.368	-
Kolao Developing Co.,ltd	412	-
Langxang Leasing Co.,ltd	927	-
KLD Computer Co. Ltd	401	-
Khamphat Money Exchange	283	-
KB Kolao Leasing Co.,ltd	101	-
Lao-Viet Insurance	24	-
Vanhphone Money Exchange	8	-
Thanasup Leasing Co.,ltd	6	-
DGB Lao Leasing Co.,ltd	2.955	-
Sengari Micro Leasing Co.,ltd	3	-
Borrowings from financial institutions*	-	110.512
Heungkuk Life Insurance Co., Ltd.	-	110.512
Cascof Holdings, LP	-	-
	283.022	263.004

Term deposits from other banks have terms ranging from 6 months to 48 months and bear interest at rate of 6,80% per annum for LAK and 3,35% to 5,50% per annum for USD and 5,00% per annum for THB.

(*) Borrowings from financial institutions comprise:

Borrowings amounting to USD 45.833.337 have been taken from Heungkuk Life Insurance Co., Ltd. having have terms of 17-48 months and bear interest @ 8,30% per annum and it expired on 31 August 2020.

20 Due to customers

Balances of customer deposits and other amounts due to customers as of 31 December 2020 are as follow:

31 December (in million LAK)		
	2020	2019
Demand deposits	131.016	98.110
Demand deposits in LAK	21.295	29.422
Demand deposits in FC	109.721	68.688
Saving deposits	385.774	350.900
Saving deposits in LAK	109.177	122.580
Saving deposits in FC	276.597	228.320
Fixed term deposits	5.271.546	4.876.937
Fixed term deposits in LAK	1.126.272	1.025.878
Fixed term deposits in FC	4.145.274	3.851.059
Other payables to customers	385.418	18.300
	6.173.754	5.344.247

Classified by interest rates (per annum)

31 December (in million LAK)		
	2020	2019
Demand deposits in LAK	No interest	No interest
Demand deposits in FC	No interest	No interest
Saving deposits in LAK	1,89%-4,00%	1,89%
Saving deposits in USD	1,25%-5,00%	1,75%
Saving deposits in THB	1,25%-4,00%	1,75%
Fixed term deposits in LAK	3,00%-7,50%	3,09-6,90%
Fixed term deposits in USD	3,95%-7,55%	2,75-6,55%
Fixed term deposits in THB	2,95%-6,55%	3,75-7,00%

21 Taxation

21.1 Taxes payable

31 December (in million LAK)		
	2020	2019
Personal income tax payable	3	46
Profit tax payable	367	1.382
Value Added Tax payable	-	500
Withholding tax payable	-	2.554
	370	4.482

21.2 Income tax

Details of income tax for the years 2020 and 2019 are as follows:

Income tax recognised in statement of comprehensive income

31 December (in million LAK)		
	2020	2019
Current tax expense		
Current year	6.613	9.100

Reconciliation of effective tax rate

31 December (in million LAK)

	Rate (%)	2020 LAKm	Rate (%)	2019 LAKm
Profit before income tax		33.067		36.261
Income tax using the				
corporation tax rate	20	6.613	24	8.703
Others		-		397
Total	20	6.613	24	9.100

The Bank's tax returns are subject to periodic examination by the tax authorities. Because the application of tax laws and regulations in many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

The Income Tax Law No. 67/NA dated 31 July 2020 reduced the profit tax rate from 24% to 20% of taxable profit for the fiscal years beginning on or after 1 January 2020.

22 Other payable

31 December (in million LAK)

	2020	2019
External accounts payable	7.878	5.777
Payables to staffs	5.121	7.586
Other payables	9.059	5.373
	22.058	18.736

23 Paid-up capital

31 December (in million LAK)

	2020	2019
Opening balance	381.252	381.252
Closing balance	381.252	381.252

According to article 12 of amended Law on Commercial Bank No. 56/NA dated 07 December 2018, the commercial bank is required minimum capital amounting to LAK 500 billion, and the commercial bank must inject the additional capital not less than 20% each year completely within 5 years commencing from September 2019.

There was no increase in capital during the fiscal year 2019-2020, which was approved by Bank of Lao PDR, the Bank has obtained extension from Bank of Lao P.D.R for the implementation of requirement of Law on Commercial Bank via letter no 53/ BSD dated 27 January 2020.

For the period 2020, the Bank has obtained another extension from Bank of Lao P.D.R for the implementation of requirement of Law on Commercial Bank via letter no 17/ BSD dated 7 January 2021 to extend the increasing of registered capital within quarter two of 2021.

24 Cash and cash equivalents

31 December (in million LAK)

	2020	2019
Cash on hand	98.535	61.726
Current accounts with BOL	587.799	676.259
Current accounts with other banks	379.408	247.713
	1.065.742	985.698

25 Related party transactions

Transactions with key management personnel of the Bank:

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

31 December (in million LAK)

	2020	2019
Salaries	20.049	17.639
Bonus and other benefits	2.887	1.116
	22.936	18.755

26 Commitments

31 December (in million LAK)

	2020	2019
Within 1 year	10.233	3.731
From 1 to less than 5 years	-	31.126
Over 5 years	-	181.480
	10.233	216,337

27 Events after the reporting date

Other than those disclosed elsewhere in these financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2020 that significantly impacted the financial position of the Bank as at 31 December 2020.

Prepared by



MR. MALAYPHONE SAKSATHITH

Head of Finance Division

Vientiane, Lao P.D.R

31 March 2021

Approved by



MR. TAY HONG HENG

Managing Director



4.2. Location of the Branches and Service Units

1. Vientiane Capital



Main Branch

Address: Kolao Tower I,
23 Singha Road, P.O.Box 6029,
Phone: (+856-21) 455 000
Fax: (+856-21) 455 111



Auto City Service Unit

Address: Asean Road, Ban Nakham,
Sikhottabong District,
Phone: (+856-21) 520 702-4
Fax: (+856-21) 520 705



Xaymoungkhoun Service Unit

Address: Ban Xaymoungkhoun, Road
No. 13 North, Naxaithong District
Phone: (+856-21) 612471-2
Fax: (+856-21) 612 473

Location of the Branches and Service Units



Champasack Province Pakse Branch

Address: Ban Phonekhong, Pakse,
Phone: (+856-31) 260 300-4, Fax: (+856-31) 260 305



Savannakhet Province Savannakhet Branch

Address: Huameuangtai Village, Kaysone Phomvihane District,
Phone: (+856-41) 250 000-4 Fax: (+856 41) 250 0005



Luang Namtha Province Luang Namtha Service Unit

Address: Phonxay Village, Luang Namtha District,
Phone: (+856-86) 212 256-7, Fax: (+856-86) 212 258



Xiengkhuang Province Xiengkhuang Service Unit

Address: Xaysana Road, Ban Theun, Paek District,
Phone: (+856-61) 313 001-2, Fax: (+856 61) 313 003



Khammouan Province Thakhek Service Unit

Address: Vientiane Rd, Ban Nabong, Thakhek District,
Phone: (+856-51) 625 600-3, Fax: (+856-51) 625 604



Bolikhamxay Province Paksan Service Unit

Address: 13 South Road, Sivilay Village, Paksan District,
Phone: (+856-54) 280 172-3, Fax: (+856-54) 280 174



Luangphabang Province Luangphabang Service Unit

Address: Phouvao Road, Ban Pongkham, Luangphabang District,
Phone: (+856-71) 215 000-1, Fax: (+856-71) 215 002



Oudomxay Province Oudomxay Service Unit

Northern Highway No. 13, Ban Navannoy, Xay District,
Phone: (+856-81) 260 023-5, Fax: (+856-81) 260 026

Campaign Health Check Up



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