

**Saigon Thuong Tin Bank Lao Co., Ltd**

Financial Statements

For the year ended 31 December 2020

# Saigon Thuong Tin Bank Lao Co., Ltd

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# Saigon Thuong Tin Bank Lao Co., Ltd

## GENERAL INFORMATION

### THE BANK

Saigon Thuong Tin Bank Lao Co., Ltd ("the Bank") was initially set up as a branch of Saigon Thuong Tin Commercial Joint Stock Bank ("Sacombank"), a bank incorporated in Vietnam. The Bank operates under Banking Business License No. 55 granted by Bank of the Lao PDR ("the BOL") on 9 December 2008.

On 1 August 2015, the legal status of the Bank was transformed into a private limited company which is wholly-owned by Sacombank pursuant to the approval by the BOL under indefinite term Banking License No. 15 dated 9 June 2014.

As at 31 December 2020, the actual paid-up capital of the Bank is LAK 317,130,539,793 (as at 31 December 2019: LAK 317,130,539,793).

The principal activities of the Bank are to provide comprehensive banking and related financial services in Lao PDR.

The Bank is located at No. 044 Haengboun Road, Haisok Village, Chanthabouly District, Vientiane Capital, Lao PDR, and has five (5) branches as at 31 December 2020.

### BOARD OF DIRECTORS

Members of the Board of Directors during the year ended 31 December 2020 and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Nguyen Thuc Vinh	Chairman	Appointed on 16 August 2019
Mr. Trinh Van Ty	Vice of Chairman cum Independent Member	Reappointed on 16 August 2019
Mr. Pham Quang Phu	Member	Reappointed on 16 August 2019
Mr. Phan Thanh Tuan	Member	Reappointed on 16 August 2019
Ms. Oulayphone Songeun	Member	Reappointed on 16 August 2019

### MANAGEMENT

The members of Management during the year ended 31 December 2020 and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of reappointment</i>
Mr. Pham Quang Phu	General Director	Reappointed on 1 August 2019
Mr. Phan Thanh Tuan	Deputy General Director	Reappointed on 1 August 2019
Ms. Oulayphone Songeun	Deputy General Director	Reappointed on 1 August 2019
Mr. Nguyen Hai Duy	Deputy General Director	Reappointed on 1 August 2019
Ms. Monvilay Boliboun	Deputy General Director	Reappointed on 10 August 2020

### LEGAL REPRESENTATIVE

The legal representative of the Bank during the year ended 31 December 2020 and at the date of this report is Mr. Pham Quang Phu - General Director.

### AUDITORS

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

# Saigon Thuong Tin Bank Lao Co., Ltd

## REPORT OF MANAGEMENT

Management of Saigon Thuong Tin Bank Lao Co., Ltd ("the Bank") is pleased to present this report and the Bank 's financial statements as at 31 December 2020 and for the year then ended.

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

Management of the Bank is responsible for the preparation of the financial statements of each financial year which give a true and fair view of the financial position of the Bank and the results of its operations and its cash flows for the year. In preparing those financial statements, management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Bank and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management confirmed that it has complied with the above requirements in preparing the accompanying financial statements.

### STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying financial statements are prepared in accordance with the Accounting Law of Lao PDR and the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements.

For and on behalf of Management:



Mr. Pham Quang Phu  
General Director

Vientiane, Lao PDR

31 March 2021



Ernst & Young Lao Co., Ltd  
6th Floor, Kolao Tower I  
23 Singha Road, Nongbone Village  
Saysetha District  
Vientiane Capital, Lao PDR

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Reference: 61079125/22224738

## **INDEPENDENT AUDITORS' REPORT**

**To: The Owners of Saigon Thuong Tin Bank Lao Co., Ltd**

### ***Opinion***

We have audited the financial statements of Saigon Thuong Tin Bank Lao Co.,Ltd ("the Bank"), which comprise the statement of financial position as at 31 December 2020, the income statement, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank are prepared, in all material respects, in accordance with Accounting Law of the Lao PDR and the regulations stipulated by the Bank of the Lao PDR relevant to preparation and presentation of financial statements.

### ***Basis for Opinion***

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

### ***Emphasis of Matter***

We draw attention to *Note 2* to the financial statements, which describes the accounting policies adopted by the Bank. These accounting policies are not intended to present the financial position, the results of operations and cash flows of the Bank in accordance with international generally accepted accounting principles.

We also draw attention to *Note 19 - Taxation* to the financial statements, which describes the request of the Ministry of Finance for commercial banks to recalculate profit tax for the years from 2016 to 2019 and the potential impact to deductible expenses for profit tax calculation during this period subject to pending clarification and detailed implementation guidance from authorized agencies.

Our opinion is not modified in respect of these matters.

### ***Responsibilities of the Bank's Management for the Financial Statements***

The Bank's management is responsible for the preparation and presentation of the financial statements in accordance with the Accounting Law of the Lao PDR and the regulations stipulated by the Bank of the Lao PDR relevant to preparation and presentation of financial statements and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.



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

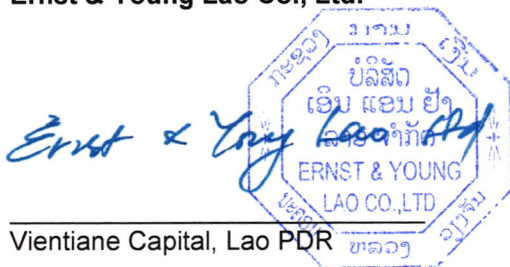
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

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

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Ernst & Young Lao Co., Ltd.**



Vientiane Capital, Lao PDR

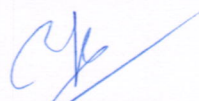
31 March 2021

# Saigon Thuong Tin Bank Lao Co., Ltd

INCOME STATEMENT  
for the year ended 31 December 2020

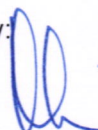
Code	ITEMS	Notes	2020 LAKm	2019 LAKm
<b>A.</b>	<b>OPERATING INCOME AND EXPENSES</b>			
<b>1</b>	<b>Interest and similar income</b>	<b>3</b>	<b>102,768</b>	<b>85,968</b>
<b>2</b>	<b>Interest and similar expenses</b>	<b>3</b>	<b>(54,620)</b>	<b>(44,130)</b>
<b>I.</b>	<b>NET INTEREST AND SIMILAR INCOME</b>		<b>48,148</b>	<b>41,838</b>
<b>3</b>	<b>Fees and commission income</b>	<b>4</b>	<b>8,767</b>	<b>6,695</b>
<b>4</b>	<b>Fees and commission expenses</b>	<b>4</b>	<b>(883)</b>	<b>(740)</b>
<b>5</b>	<b>Net gain from dealing in foreign currencies</b>	<b>5</b>	<b>3,706</b>	<b>4,591</b>
<b>II.</b>	<b>NET OPERATING INCOME</b>		<b>59,738</b>	<b>52,384</b>
<b>B</b>	<b>OTHER INCOME AND EXPENSES</b>			
<b>6</b>	<b>Other operating income</b>	<b>6</b>	<b>3,859</b>	<b>3,100</b>
<b>7</b>	<b>Administration expenses</b>		<b>(41,536)</b>	<b>(34,621)</b>
7.1	Payroll and other staff costs	7	(28,621)	(23,803)
7.2	Other administrative expenses	8	(12,915)	(10,818)
<b>8</b>	<b>Depreciation and amortization charges</b>		<b>(10,262)</b>	<b>(11,366)</b>
<b>9</b>	<b>Other operating expenses</b>	<b>9</b>	<b>(2,169)</b>	<b>(1,501)</b>
<b>10</b>	<b>Net (charge)/reversal of provision expense for credit losses</b>	<b>12.2</b>	<b>(1,641)</b>	<b>899</b>
<b>III.</b>	<b>TOTAL PROFIT BEFORE TAX</b>		<b>7,989</b>	<b>8,895</b>
<b>11</b>	<b>Current profit tax</b>		<b>(1,598)</b>	<b>(2,224)</b>
11.1	Current tax expense	19.2	(1,598)	(2,224)
<b>IV.</b>	<b>PROFIT AFTER TAX</b>		<b>6,391</b>	<b>6,671</b>

Prepared by:



Mr. Hoang Thanh Lam  
Head of Accounting - Administration

Reviewed by:



Ms. Oulayphone Songeun  
Deputy General Director

Approved by:



Mr. Pham Quang Phu  
General Director

Vientiane, Lao PDR  
31 March 2021

# Saigon Thuong Tin Bank Lao Co., Ltd

## STATEMENT OF FINANCIAL POSITION as at 31 December 2020

Code	ASSETS	Notes	31/12/2020 LAKm	31/12/2019 LAKm
<b>I</b>	<b>Cash and balances with Bank of the Lao PDR ("BOL")</b>	<b>10</b>	<b>172,585</b>	<b>153,666</b>
1	Cash on hand		27,450	20,076
2	Balances with the BOL		145,135	133,590
<b>II</b>	<b>Due from banks and financial institutions</b>	<b>11</b>	<b>500,183</b>	<b>390,869</b>
1	Demand deposits	11.1	263,635	288,965
2	Term deposits	11.2	236,548	101,904
<b>III</b>	<b>Loans to customers, net of specific provision for credit losses</b>	<b>12</b>	<b>1,013,918</b>	<b>863,834</b>
<b>IV</b>	<b>Fixed assets</b>		<b>90,361</b>	<b>98,852</b>
1	Intangible fixed assets	13.1	15,855	14,889
2	Tangible fixed assets	13.2	74,506	83,963
<b>V</b>	<b>Other assets</b>		<b>30,374</b>	<b>28,588</b>
1	Accrued interest receivables	14	18,125	11,314
2	Other assets	15	12,249	17,274
	<b>TOTAL ASSETS</b>		<b>1,807,421</b>	<b>1,535,809</b>



# Saigon Thuong Tin Bank Lao Co., Ltd

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

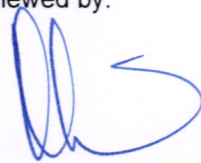
Code	LIABILITIES AND CAPITAL	Notes	31/12/2020 LAKm	31/12/2019 LAKm
<b>I</b>	<b>Due to banks and financial institutions</b>	<b>16</b>	<b>563,673</b>	<b>604,794</b>
1	Demand deposits		110,659	249,046
2	Term deposits		453,014	355,748
<b>II</b>	<b>Due to customers</b>	<b>17</b>	<b>867,306</b>	<b>521,391</b>
1	Demand deposits		64,844	45,009
2	Saving and margin deposits		77,018	56,836
3	Term deposits		725,444	419,546
<b>III</b>	<b>Other liabilities</b>		<b>30,161</b>	<b>49,924</b>
1	Accrued interest payables	18	25,113	14,808
2	Tax payables	19.1	472	697
3	Other liabilities	20	4,576	34,419
	<b>TOTAL LIABILITIES</b>		<b>1,461,140</b>	<b>1,176,109</b>
<b>IV</b>	<b>Capital and reserves</b>			
1	Paid-up capital		317,131	317,131
2	Regulatory reserve fund		9,504	8,865
3	General provision for normal loans	12.2	4,862	4,231
4	General banking reserve fund		4,083	4,083
5	Retained earnings		10,701	25,390
	<b>TOTAL CAPITAL</b>		<b>346,281</b>	<b>359,700</b>
	<b>TOTAL LIABILITES AND CAPITAL</b>		<b>1,807,421</b>	<b>1,535,809</b>

Prepared by:



Mr. Hoang Thanh Lam  
Head of Accounting - Administration

Reviewed by:



Ms. Oulayphone Songeun  
Deputy General Director

Approved by:



Mr. Pham Quang Phu  
General Director

Vientiane, Lao PDR

31 March 2021



# Saigon Thuong Tin Bank Lao Co., Ltd

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

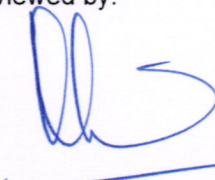
Code	OFF BALANCE SHEET ITEMS	Notes	Ending balance LAKm	Beginning balance LAKm
<b>I</b>	<b>Commitments given</b>		<b>(76,998)</b>	<b>1,332</b>
1	Commitments for guarantees given to customers		(76,998)	1,332
	<b>TOTAL COMMITMENTS GIVEN</b>		<b>(76,998)</b>	<b>1,332</b>
<b>II</b>	<b>Collaterals and Mortgages</b>			
<b>A</b>	<b>Collaterals and Mortgages for loans</b>		<b>2,942,286</b>	<b>2,638,945</b>
1	Collaterals and Mortgages for loans to customers		2,942,286	2,638,945
<b>B</b>	<b>Collaterals and Mortgages for guarantees</b>		<b>72,388</b>	<b>19,259</b>
1	Collaterals and Mortgages for guarantees given to customers		72,388	19,259
	<b>TOTAL COLLATERALS AND MORTGAGES</b>		<b>3,014,674</b>	<b>2,658,204</b>

Prepared by:



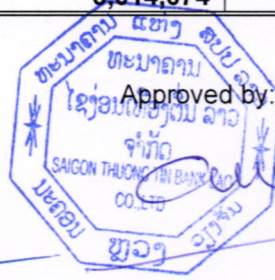
Mr. Hoang Thanh Lam  
Head of Accounting - Administration

Reviewed by:



Ms. Oulayphone Songeun  
Deputy General Director

Approved by:



Mr. Pham Quang Phu  
General Director

Vientiane, Lao PDR

31 March 2021

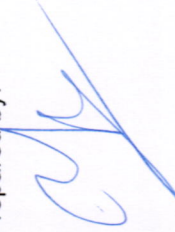


# Saigon Thuong Tin Bank Lao Co., Ltd

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

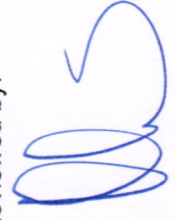
	Paid-up capital LAKm	Regulatory reserve fund LAKm	General provision for credit activities LAKm	General banking reserve fund LAKm	Retained earnings LAKm	Total LAKm
<b>Balance as at 1 January 2019</b>	<b>317,131</b>	<b>8,198</b>	<b>3,583</b>	<b>4,083</b>	<b>19,386</b>	<b>352,381</b>
Net profit for the year	-	-	-	-	6,671	6,671
Regulatory reserve fund created for the year	-	667	-	-	(667)	-
Net of general provision in the year	-	-	623	-	-	623
Foreign exchange difference	-	-	25	-	-	25
<b>Balance as at 1 January 2020</b>	<b>317,131</b>	<b>8,865</b>	<b>4,231</b>	<b>4,083</b>	<b>25,390</b>	<b>359,700</b>
Net profit for the year	-	-	-	-	6,391	6,391
Regulatory reserve fund created for the year	-	639	-	-	(639)	-
Net of general provision in the year	-	-	603	-	-	603
Transfer to parent bank	-	-	-	-	(18,397)	(18,397)
Tax 10% from transfer retained earnings to parent bank	-	-	-	-	(2,044)	(2,044)
Foreign exchange difference	-	-	28	-	-	28
<b>Balance as at 31 December 2020</b>	<b>317,131</b>	<b>9,504</b>	<b>4,862</b>	<b>4,083</b>	<b>10,701</b>	<b>346,281</b>

Prepared by:



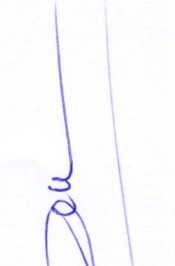
Mr. Hoang Thanh Lam  
Head of Accounting - Administration

Reviewed by:



Ms. Oulayphone Songeun  
Deputy General Director

Approved by:

Mr. Pham Quang Phu  
General Director

Vientiane, Lao PDR  
31 March 2021



Fig. 11  
A cross-section of a cylinder  
with a hole through the center.



# Saigon Thuong Tin Bank Lao Co., Ltd

STATEMENT OF CASH FLOWS  
for the year ended 31 December 2020

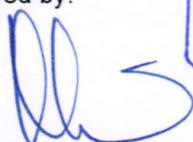
ITEMS	Notes	Current year LAKm	Previous year LAKm
<b>OPERATING ACTIVITIES</b>			
<b>Net profit before tax</b>		<b>7,989</b>	<b>8,895</b>
<i>Adjustments for:</i>			
Depreciation and amortization expenses		10,262	11,366
Provision expense for credit losses	12.2	3,075	(179)
Interest income		(102,768)	(85,968)
Interest expense		54,620	44,130
<b>Operating profit before changes in operating assets and liabilities</b>		<b>(26,822)</b>	<b>(21,756)</b>
Decrease/(increase) in operating assets			
Balances with credit institutions		(134,644)	130,600
Investment securities		-	19,924
Loans to customers		(152,556)	(122,710)
Other assets		3,670	(6,980)
(Decrease)/increase in operating liabilities			
Due to customers		345,915	200,477
Due to other banks and financial institutions		(41,121)	(161,106)
Other liabilities		(29,895)	(412)
Interest received		95,957	84,703
Interest paid		(44,315)	(40,811)
Profit tax paid during the year	19.2	(1,772)	(3,617)
<b>Net cash flows from operating activities</b>		<b>14,417</b>	<b>78,312</b>
<b>INVESTING ACTIVITY</b>			
Payment to acquire fixed assets	13.2	(415)	(483)
<b>Cash flows used in investing activity</b>		<b>(415)</b>	<b>(483)</b>
<b>FINANCING ACTIVITY</b>			
Transfer retained earning to the parent bank		(20,441)	-
<b>Cash flow used in financing activity</b>		<b>(20,441)</b>	<b>-</b>
<b>Net change in cash and cash equivalents during the year</b>		<b>(6,439)</b>	<b>77,829</b>
<b>Net foreign exchange difference on cash</b>		<b>28</b>	
<b>Cash and cash equivalents at the beginning of the year</b>		<b>442,626</b>	<b>364,797</b>
<b>Cash and cash equivalents at the end of year</b>	21	<b>436,215</b>	<b>442,626</b>

Prepared by:



Mr. Hoang Thanh Lam  
Head of Accounting - Administration

Reviewed by:



Ms. Oulayphone Songeun  
Deputy General Director

Approved by:



Mr. Pham Quang Phu  
General Director

Vientiane, Lao PDR

31 March 2021

# Saigon Thuong Tin Bank Lao Co., Ltd

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

## 1. CORPORATE INFORMATION

### *Establishment and operations*

Saigon Thuong Tin Bank Lao Co., Ltd ("the Bank") was initially set up as a branch of Saigon Thuong Tin Commercial Joint Stock Bank ("Sacombank"), a bank incorporated in Vietnam. The Bank operates under Banking Business License No. 55 granted by Bank of the Lao PDR ("the BOL") on 9 December 2008.

On 1 August 2015, the legal status of the Bank was transformed into a private limited company which is wholly-owned by Sacombank pursuant to the approval by the BOL under indefinite term Banking License No. 15 dated 9 June 2014.

The principal activities of the Bank are to provide comprehensive banking and related financial services in Lao PDR.

### *Paid-up capital*

As at 31 December 2020, the actual paid-up capital of the Bank as at 31 December 2020 is LAK 317,130,539,793 (as at 31 December 2019: LAK 317,130,539,793).

### *Location*

The Bank is located at No. 044 Haengboun Road, Haisok Village, Chanthabouly District, Vientiane Capital, Lao PDR, and has five (5) branches as at 31 December 2020.

### *Employees*

Total number of employees of the Bank as at 31 December 2020 are 204 persons (31 December 2019: 209 persons).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1. *Statement of compliance*

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

### 2.2 *Basis of preparation*

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

The accompanying financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Lao PDR. Accordingly, the income statement, statement of financial position, statement of changes in equity, cash flows statement and notes thereto are not designed for those who are not informed about Lao PDR's accounting principles, procedures and practices and furthermore are not intended to present the financial position of the Bank and its results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Lao PDR.

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



# Saigon Thuong Tin Bank Lao Co., Ltd

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

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

### 2.3 *Changes in accounting policies and disclosures*

The accounting policies adopted by the Bank in preparation of these financial statements are consistent with those used in preparation of the Bank's financial statements for the year ended 31 December 2019.

### 2.4 *Recognition of interest income and expenses*

Interest income and expenses are recognized in the income statement on an accrual basis using the straight-line method and interest rates stipulated in the loan/deposit contracts with customers.

The recognition of accrued interest income is suspended when the loans become non-performing (See *Note 2.8* for the definition of non-performing loans) or when management believes that the borrower has no ability to repay the interest and principal. Interest income on such loans is only recorded in the income statement upon actually received.

### 2.5 *Recognition of fees and commission income*

Fees and commission income consist of fees received for fund transfers (including trade settlement), fees arising for foreign currency exchange transactions and fees arising from financial guarantees.

Fee and commissions income is recognized in the income statement on a cash basis.

### 2.6 *Cash and cash equivalents*

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

### 2.7 *Loans to customers*

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

### 2.8 *Classification of loan and provision for credit activities*

#### *Loan classification*

In accordance with Regulation 512/BOL ("BOL512") dated 29 June 2018 and Official Letter No. 898/CBSD ("BOL898") dated 14 November 2018, the Bank has classified loans into 5 groups based on the payment arrears status and other qualitative factors. Loans classified as Normal or Pass (Group A) or Watch list or Special Mention (Group B) are considered as performing loans. Loans classified as Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as non-performing loans ("NPL").

Regarding the loans related to infrastructure development projects from the Government, which are overdue, but project repayments are within schedule by the Government, the Bank is allowed to classify these loans as Special Mention loans in accordance with Official Letter Number 172/BOL dated 15 May 2019 by Bank of the Lao PDR.

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

# Saigon Thuong Tin Bank Lao Co., Ltd

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

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

### 2.8 Classification of loan and provision for credit activities (continued)

#### Provision

In accordance with BOL512 and BOL898, the Bank creates provision for loans based on their classification groups as follows:

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

(i) Provision amount is calculated by the following formulas:

- a. General provision = Provision rate x Loan outstanding balance
- b. Specific provision = Provision rate x (Loan outstanding balance – discounted value of collateral)

where the Bank has not opted to include the discounted value of collateral in the provision calculation as allowed by BOL512 and BOL898.

(ii) The balance of provision for *performing loans classified in Group A* is recorded in the statement of financial position in "Provision reserve for performing loans" under capital and reserves of the Bank.

Accumulated balance of provision for *NPLs and performing loans classified in Group B* is recorded in the statement of financial position in "Loans to customers, net of provision for NPLs".

(iii) Changes in provision for *performing loans* is recorded to the income statement as "Other operating expenses" for provision expense and "Other operating income" for reversal of provision expense.

Changes in provision for *NPLs* are recorded to the income statement as "Net provision for NPLs charged to/(reversed out of) expense".

# Saigon Thuong Tin Bank Lao Co., Ltd

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

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

### 2.9 *Fixed assets*

Fixed asset includes tangible fixed assets and intangible fixed assets. Tangible fixed assets consist of buildings and improvements, office equipment, vehicles and furniture and fixtures. Intangible fixed assets consist of computer software and land use rights.

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

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

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

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

### 2.10 *Depreciation and amortization of fixed assets*

Depreciation and amortization of fixed assets are provided on the straight line basis at prescribed rates over their estimated useful lives 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:

Buildings & improvements	5%
Office equipment	20%
Vehicles	20%
Other tangible assets	20%
Software	50%

Land use rights acquired by the Bank with indefinite period of use are stated at cost and not amortised. The initial cost of land use rights comprise its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights.

### 2.11 *Leasing*

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

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

# Saigon Thuong Tin Bank Lao Co., Ltd

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

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

### 2.12 Statutory reserves

Under the requirement of the Law on Commercial Bank 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 Article 156, Enterprise Law dated 26 December 2013, the Bank is required to appropriate 10% of profit after tax each year into regulatory reserve fund. When this reserve fund reaches 50% of the registered capital, the Bank may suspend such provision, unless otherwise provided by the laws.

The Business expansion fund and other funds shall be created upon decision of the Board of Management. Accordingly, the Bank has made the following reserves for the year ended 31 December 2020:

<i>Reserve</i>	<i>% of profit after tax</i>
Regulatory reserve fund	10
Business expansion fund	-

### 2.13 Foreign currency transactions

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

Below are exchange rates of applicable foreign currencies against LAK:

	<i>31 December 2020</i>	<i>31 December 2019</i>
	<i>LAK</i>	<i>LAK</i>
United State Dollar ("USD")	9,292	8,841
Thai baht ("THB")	333.50	306.30

### 2.14 Taxation

Provision is made for profit tax on the current period's profits, based on the Tax Law governing taxation within Lao PDR. The Bank is obliged to pay profit tax at rate of 24% of total profit before tax in accordance with the new Tax Law No.67/NA dated 18 June 2019 which is effective on or after 1 January 2020. Accordingly, the Bank is subject to the tax rate of 20% for the year ended 31 December 2020 (2019: 24%). The Bank's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations in many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

# Saigon Thuong Tin Bank Lao Co., Ltd

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

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

### 2.15 *Employee benefit*

#### *Post-employment benefits*

Post-employment benefits are paid to retired employees of the Bank by the Social Security Fund Department which belongs to the Ministry of Labor and Social Welfare. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 6.00% of the ceiling of the insured salary. 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 24 December 2013, the Bank has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

- ▶ The worker lacks specialized skills or is not in good health and has a medical certificate, and after allowing the worker in question to undertake other, more appropriate work according to their ability and health, yet the person in question is still unable to work;
- ▶ The employer considers it necessary to reduce the number of workers in order to improve the work within the labour unit after consulting the trade union or employee representative or the majority of employees and has reported to the Labor Administration Agency.

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the last salary or wage multiplied by the total number of months worked (Article 90). 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.

### 2.16 *Standards issued but not yet to be applied*

The standards and interpretations that are issued, but not yet to be applied, up to the date of issuance of the Bank's financial statements are disclosed below.

#### *Leases*

The BOL issued the Notification No. 1433/BOL dated 24 October 2019 requesting commercial banks to apply IFRS 16 - Lease for preparation and presentation of financial statements.

The Bank received the BOL issue Letter No.198/BOL dated 18 March 2021 that allows the Bank to delay to apply IFRS 16 – Lease starting from the year 2021 for preparation and presentation of financial statements. For 2020, the Bank still consistently applied the accounting policy as described in *Note 2.11 – Leasing*.

# Saigon Thuong Tin Bank Lao Co., Ltd

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

## 3. NET INTEREST AND SIMILAR INCOME

	2020 LAKm	2019 LAKm
<b>Interest and similar income from:</b>		
Interbank transactions	4,939	5,482
Loans to customers	97,829	80,486
	<b>102,768</b>	<b>85,968</b>
<b>Interest and similar expense for:</b>		
Interbank transactions	(22,475)	(25,069)
Customer deposits	(32,019)	(19,061)
Others	(126)	-
	<b>(54,620)</b>	<b>(44,130)</b>
<b>Net interest and similar income</b>	<b>48,148</b>	<b>41,838</b>

## 4. FEES AND COMMISSION INCOME

	2020 LAKm	2019 LAKm
<b>Fees and commission income from:</b>		
Financial services fee	6,729	5,069
Settlement services fee	2,038	1,626
	<b>8,767</b>	<b>6,695</b>
<b>Fees and commission expenses for:</b>		
Interbank transactions	(878)	(737)
Others	(5)	(3)
	<b>(883)</b>	<b>(740)</b>
<b>Net fees and commission income</b>	<b>7,884</b>	<b>5,955</b>

## 5. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	2020 LAKm	2019 LAKm
Gain from dealing in foreign currencies	4,751	5,251
Loss from dealing in foreign currencies	(1,045)	(660)
	<b>3,706</b>	<b>4,591</b>

# Saigon Thuong Tin Bank Lao Co., Ltd

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

## 6. OTHER OPERATING INCOME

	2020 LAKm	2019 LAKm
Fees from banking services	2,431	1,531
Income from rental	1,313	1,066
Recovery on bad debt	-	452
Others	115	51
	<b>3,859</b>	<b>3,100</b>

## 7. PAYROLL AND OTHER STAFF COSTS

	2020 LAKm	2019 LAKm
Wages and allowances	27,485	22,803
Social insurance	890	457
Training expenses	113	259
Others	133	284
	<b>28,621</b>	<b>23,803</b>

## 8. OTHER ADMINISTRATIVE EXPENSES

	2020 LAKm	2019 LAKm
Marketing and promotion expenses	3,636	2,753
Office rental expenses	1,538	1,579
Repair, maintenance and renovation expenses	1,618	1,442
Telecommunication expenses	1,316	1,170
Electricity and water expenses	785	835
Stationery and printing expenses	625	429
Transportation expenses	288	410
Insurance fees	207	211
Training, meeting and seminar expenses	520	143
Lawyer and professional services fees	137	134
Others	2,245	1,712
	<b>12,915</b>	<b>10,818</b>

## 9. OTHER OPERATING EXPENSES

	2020 LAKm	2019 LAKm
Insurance paid for Protection Fund	714	318
Provision expense for performing loans	1,434	694
Others	21	489
	<b>2,169</b>	<b>1,501</b>

# Saigon Thuong Tin Bank Lao Co., Ltd

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

## 10. CASH AND BALANCES WITH THE BOL

	31/12/2020 LAKm	31/12/2019 LAKm
<b>Cash on hand</b>	<b>27,450</b>	<b>20,076</b>
Cash on hand in LAK	11,353	8,389
Cash on hand in foreign currencies	16,097	11,687
<b>Deposits with BOL</b>	<b>145,135</b>	<b>133,590</b>
Demand deposits	124,820	116,375
Compulsory deposit (*)	20,310	17,210
Registered capital deposit (**)	5	5
	<b>172,585</b>	<b>153,666</b>

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

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

(\*\*) Under regulations of Decree No. 02/PR of BOL, banks are required to maintain a minimum balance of special deposit at BOL which is equivalent to 25% of their paid-up capital to secure for their operational continuance. The Bank was then approved by the BOL in its Official Letter dated 15 January 2013 to withdraw from this deposit account to supplement its working capital. As at 31 December 2020, the balance of this special deposit is LAKm 5.

## 11. DUE FROM BANKS AND FINANCIAL INSTITUTIONS

### 11.1 Demand deposits

	31/12/2020 LAKm	31/12/2019 LAKm
<b>Demand deposits at domestic banks</b>	<b>3,753</b>	<b>2,852</b>
Lao Development Bank	1,147	1,884
Banque Pour Le Commerce Exterieur Lao Public	2,606	968
<b>Demand deposits at foreign banks</b>	<b>259,882</b>	<b>286,113</b>
Saigon Thuong Tin Commercial Joint Stock Bank	257,646	280,897
Wells Far Go Bank	2,234	5,214
Sacombank (Cambodia) Plc.	2	1
Military Commercial Joint Stock Bank - Cambodia Branch	-	1
	<b>263,635</b>	<b>288,965</b>



# Saigon Thuong Tin Bank Lao Co., Ltd

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

## 11. DUE FROM BANKS AND FINANCIAL INSTITUTIONS (continued)

### 11.2 Term deposits

	31/12/2020 LAKm	31/12/2019 LAKm
<b>Term deposits at domestic banks</b>		
Sai Gon – Ha Noi Bank Lao Limited	57,168	35,000
Aceda Bank Lao Limited	10,000	23,063
Joint Development Bank	37,168	20,000
RHB Bank Lao Limited	-	15,000
Lao China Bank Co., Ltd	27,876	8,841
Indochina Bank	37,168	-
ST Bank	18,584	-
Maruhan Japan Bank Lao	48,584	-
	<b>236,548</b>	<b>101,904</b>

Term deposits in LAK have terms from three (3) to twelve (12) months and interest at rates ranging from 3.3% to 6.1% per annum.

Term deposits in USD have terms of three (3) months and to twelve (12) months interest at rates ranging from 3.1% to 5% per annum.

## 12. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION FOR CREDIT LOSSES

	31/12/2020 LAKm	31/12/2019 LAKm
Loans to customers (Note 12.1)	1,017,553	864,997
Less specific provision for credit losses	(3,635)	(1,163)
<i>in which:</i>		
Special mention loans	(1,175)	(344)
Non-performing loans	(2,460)	(819)
	<b>1,013,918</b>	<b>863,834</b>

Annual interest rates of loans to customers at the year-end are as follows:

	31/12/2020 % per annum	31/12/2019 % per annum
Loans denominated in LAK	0.00 - 15.00	5.00 - 15.00
Loans denominated in USD	4.50 - 9.05	6.00 - 10.05
Loans denominated in THB	7.50 - 10.00	7.00 - 10.00

### 12.1 Analysis of loans to customers

*Analysis by currency*

	31/12/2020 LAKm	31/12/2019 LAKm
Loans denominated in LAK	910,786	729,712
Loans denominated in USD	70,698	111,563
Loans denominated in THB	36,069	23,722
	<b>1,017,553</b>	<b>864,997</b>

# Saigon Thuong Tin Bank Lao Co., Ltd

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

## 12. LOANS TO CUSTOMERS, NET OF SPECIFIC PROVISION FOR CREDIT LOSSES (continued)

### 12.1 Analysis of loans to customers (continued)

Analysis by original term

	31/12/2020 LAKm	31/12/2019 LAKm
Short-term loans	278,341	275,573
Medium-term loans	253,963	183,370
Long-term loans	485,249	406,054
	<b>1,017,553</b>	<b>864,997</b>

Analysis by type of industrial sectors

	31/12/2020 LAKm	31/12/2019 LAKm
Trading	161,773	140,736
Construction	85,984	133,314
Industries	47,812	49,758
Services	40,277	19,430
Others	681,707	521,759
	<b>1,017,553</b>	<b>864,997</b>

### 12.2 Provision for credit losses

Movement of provision for credit losses of the Bank during 2020 was as follows:

	Specific provision		General provision	
	NPLs	Special mention	for normal	Total
	LAKm	loans	loans	LAKm
	LAKm	LAKm	LAKm	LAKm
<b>Balance as at 1 January 2020</b>	<b>819</b>	<b>344</b>	<b>4,231</b>	<b>5,394</b>
Net provision charged	1,641	831	603	3,075
Foreign exchange difference	-	-	28	28
<b>Balance at as 31 December 2020</b>	<b>2,460</b>	<b>1,175</b>	<b>4,862</b>	<b>8,497</b>

Movement of provision for credit losses of the Bank during 2019 was as follows:

	Specific provision		General provision	
	NPLs	Special mention	for normal	Total
	LAKm	loans	loans	LAKm
	LAKm	LAKm	LAKm	LAKm
<b>Balance as at 1 January 2019</b>	<b>1,717</b>	<b>273</b>	<b>3,583</b>	<b>5,573</b>
Net provision (reversed)/charged	(899)	71	623	(205)
Foreign exchange difference	1	-	25	26
<b>Balance at as 31 December 2019</b>	<b>819</b>	<b>344</b>	<b>4,231</b>	<b>5,394</b>

# Saigon Thuong Tin Bank Lao Co., Ltd

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

## 12. LOANS TO CUSTOMERS, NET OF PROVISION FOR CREDIT LOSSES (continued)

### 12.2 Provision for credit losses (continued)

The result of loan classification and provision as required by the BOL at the year ended 31 December 2020 was as follows:

	<i>Loan balance</i> LAKm	<i>Provision</i> <i>for credit losses</i> LAKm
Performing loans:		
- <i>Normal or Pass</i>	972,476	4,862
- <i>Watch or Special mention</i>	39,183	1,175
Non-performing loans:		
- <i>Substandard</i>	1,768	354
- <i>Doubtful</i>	4,039	2,019
- <i>Loss</i>	87	87
	<b>1,017,553</b>	<b>8,497</b>

The result of loan classification and provision as required by the BOL at the year ended 31 December 2019 was as follows:

	<i>Loan balance</i> LAKm	<i>Provision</i> <i>for credit losses</i> LAKm
Performing loans:		
- <i>Normal or Pass</i>	846,282	4,231
- <i>Watch or Special mention</i>	11,474	344
Non-performing loans:		
- <i>Substandard</i>	123	25
- <i>Doubtful</i>	276	138
- <i>Loss</i>	6,842	656
	<b>864,997</b>	<b>5,394</b>

# Saigon Thuong Tin Bank Lao Co., Ltd

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

## 13. FIXED ASSETS

### 13.1 Intangible fixed assets

Movements of intangible fixed assets during the year ended 31 December 2020 are as follows:

	<i>Land use rights</i> LAKm	<i>Software</i> LAKm	<i>Total</i> LAKm
<b>Cost:</b>			
As at 1 January 2020	14,499	5,897	20,396
Other addition	1,356	-	1,356
As at 31 December 2020	<u>14,499</u>	<u>5,897</u>	<u>21,752</u>
<b>Accumulated amortization:</b>			
As at 1 January 2020	-	5,507	5,507
Amortization charges	-	390	390
As at 31 December 2020	<u>-</u>	<u>5,897</u>	<u>5,897</u>
<b>Net book value:</b>			
As at 1 January 2020	<u>14,499</u>	<u>390</u>	<u>14,889</u>
As at 31 December 2020	<u>15,855</u>	<u>-</u>	<u>15,855</u>

Movements of intangible fixed assets during the year ended 31 December 2019 are as follows:

	<i>Land use rights</i> LAKm	<i>Software</i> LAKm	<i>Total</i> LAKm
<b>Cost:</b>			
As at 1 January 2019	14,499	5,897	20,396
As at 31 December 2019	<u>14,499</u>	<u>5,897</u>	<u>20,396</u>
<b>Accumulated amortization:</b>			
As at 1 January 2019	-	4,040	4,040
Amortization charges	-	1,467	1,467
As at 31 December 2019	<u>-</u>	<u>5,507</u>	<u>5,507</u>
<b>Net book value:</b>			
As at 1 January 2019	<u>14,499</u>	<u>1,857</u>	<u>16,356</u>
As at 31 December 2019	<u>14,499</u>	<u>390</u>	<u>14,889</u>

# Saigon Thuong Tin Bank Lao Co., Ltd

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

## 13. FIXED ASSETS (continued)

### 13.2 Tangible fixed assets

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

	<i>Buildings &amp; improvements</i> LAKm	<i>Office equipment</i> LAKm	<i>Vehicles</i> LAKm	<i>Other tangible assets</i> LAKm	<i>Total</i> LAKm
<b>Cost:</b>					
As at 1 January 2020	116,972	22,425	3,600	1,509	144,506
New purchases	-	358	-	57	415
As at 31 December 2020	<u>116,972</u>	<u>22,783</u>	<u>3,600</u>	<u>1,566</u>	<u>144,921</u>
<b>Accumulated depreciation:</b>					
As at 1 January 2020	43,995	12,697	2,954	897	60,543
Depreciation charges	5,946	3,462	259	205	9,872
As at 31 December 2020	<u>49,941</u>	<u>16,159</u>	<u>3,213</u>	<u>1,102</u>	<u>70,415</u>
<b>Net book value:</b>					
As at 1 January 2020	<u>72,977</u>	<u>9,728</u>	<u>646</u>	<u>612</u>	<u>83,963</u>
As at 31 December 2020	<u>67,031</u>	<u>6,624</u>	<u>387</u>	<u>464</u>	<u>74,506</u>

Movements of tangible fixed assets during the year ended 31 December 2019 are as follows:

	<i>Buildings &amp; improvements</i> LAKm	<i>Office equipment</i> LAKm	<i>Vehicles</i> LAKm	<i>Other tangible assets</i> LAKm	<i>Total</i> LAKm
<b>Cost:</b>					
As at 1 January 2019	116,972	22,095	3,600	1,356	144,023
New purchases	-	330	-	153	483
As at 31 December 2019	<u>116,972</u>	<u>22,425</u>	<u>3,600</u>	<u>1,509</u>	<u>144,506</u>
<b>Accumulated depreciation:</b>					
As at 1 January 2019	38,065	9,292	2,573	714	50,644
Depreciation charges	5,930	3,405	381	183	9,899
As at 31 December 2019	<u>43,995</u>	<u>12,697</u>	<u>2,954</u>	<u>897</u>	<u>60,543</u>
<b>Net book value:</b>					
As at 1 January 2019	<u>78,907</u>	<u>12,803</u>	<u>1,027</u>	<u>642</u>	<u>93,379</u>
As at 31 December 2019	<u>72,977</u>	<u>9,728</u>	<u>646</u>	<u>612</u>	<u>83,963</u>

# Saigon Thuong Tin Bank Lao Co., Ltd

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

## 14. ACCRUED INTEREST RECEIVABLES

	31/12/2020 LAKm	31/12/2019 LAKm
Accrued interest receivable from:		
Due from banks	2,769	1,904
Due from customers	15,356	9,410
	<b>18,125</b>	<b>11,314</b>

## 15. OTHER ASSETS

	31/12/2020 LAKm	31/12/2019 LAKm
Prepaid interests for customer deposits	5,710	8,247
Prepaid expenses	5,167	7,102
Advances to suppliers	590	1,139
Receivables from Sacombank Remittance	370	246
Others	412	540
	<b>12,249</b>	<b>17,274</b>

## 16. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	31/12/2020 LAKm	31/12/2019 LAKm
<b>Demand deposits from domestic banks and financial institutions</b>	<b>2,195</b>	<b>4,735</b>
National Social Security Fund	144	3,354
Depositor Protection Fund	-	1,020
Federation of Lao trade Unions, Savannakhet	1,620	-
Others	431	361
<b>Demand deposit from foreign banks</b>	<b>108,464</b>	<b>244,311</b>
Saigon Thuong Tin Commercial Joint Stock Bank	108,464	244,311
<b>Term deposits from domestic banks and financial institutions</b>	<b>453,014</b>	<b>355,748</b>
National Social Security Fund	247,000	225,000
Depositors Protection Fund	30,000	33,000
World Bank - Department of Small and Medium Enterprise Promotion (DOSMEP)	86,430	32,930
Bank of the Lao PDR (Banking Operation Department)	11,533	-
Lane Xang Securities Public Company	7,000	22,000
Joint Development Bank	-	17,682
Allianz General Laos	14,139	14,651
Lane Xang Assurance Public Company	11,036	10,485
Lao China Bank Co., Ltd	10,000	-
Maruhan Japan Bank Lao	27,876	-
Federation of Lao Trade Unions, Savannakhet	8,000	-
	<b>563,673</b>	<b>604,794</b>

# Saigon Thuong Tin Bank Lao Co., Ltd

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

## 16. DUE TO BANKS AND FINANCIAL INSTITUTIONS (continued)

Term deposits in LAK have terms from three (3) to thirty six (36) months and interest at rates ranging from 3.16% to 6.90%.

Term deposits in USD have terms from three (3) to twenty four (24) months and interest at rates ranging from 2.92% to 5.80%.

Term deposits in THB have terms of twenty four (24) months and interest at rate of 5.00%.

## 17. DUE TO CUSTOMERS

Deposits and other amounts due to customers as at 31 December 2020 are as follows:

	31/12/2020 LAKm	31/12/2019 LAKm
<b>Demand deposits</b>	<b>64,844</b>	<b>45,009</b>
- in LAK	34,062	21,130
- in foreign currencies	30,782	23,879
<b>Saving deposits</b>	<b>75,086</b>	<b>54,028</b>
- in LAK	31,505	32,672
- in foreign currencies	43,581	21,356
<b>Term deposits</b>	<b>725,444</b>	<b>419,546</b>
- in LAK	238,237	163,021
- in foreign currencies	487,207	256,525
<b>Margin deposits</b>	<b>1,932</b>	<b>2,808</b>
- in LAK	964	54
- in foreign currencies	968	2,754
	<b>867,306</b>	<b>521,391</b>

Annual interest rates of amounts due to customers at the year-end are as follows:

	31/12/2020 Interest rate % per annum	31/12/2019 Interest rate % per annum
Demand deposits in LAK	0.00 - 1.00	0.00 - 1.00
Demand deposits in USD	0.00 - 0.50	0.00 - 0.50
Demand deposits in THB	0.00 - 0.30	0.00 - 0.30
Saving deposits in LAK	0.00 - 1.89	0.00 - 1.89
Saving deposits in USD	0.50 - 1.00	0.50 - 1.00
Saving deposits in THB	0.30 - 1.00	0.30 - 1.00
Term deposits in LAK	2.50 - 9.63	2.49 - 9.63
Term deposits in USD	1.30 - 7.30	1.30 - 7.30
Term deposits in THB	1.00 - 6.95	1.00 - 6.95

# Saigon Thuong Tin Bank Lao Co., Ltd

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

## 18. ACCRUED INTEREST PAYABLES

	31/12/2020 LAKm	31/12/2019 LAKm
<i>Interest payable for:</i>		
Due to banks and financial institutions	10,548	6,245
Customer deposits	14,565	8,563
	<b>25,113</b>	<b>14,808</b>

## 19. TAXATION

### 19.1. Taxes (receivable)/payable

	31/12/2020 LAKm	31/12/2019 LAKm
PIT payable	222	274
Profit tax payable	240	414
Other taxes	10	9
	<b>472</b>	<b>697</b>

### 19.2. Profit tax

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

	2020 LAKm	2019 LAKm
<b>Profit before tax</b>	<b>7,989</b>	<b>8,895</b>
<i>Less:</i>		
<i>Non-taxable income</i>	-	-
<i>Add:</i>		
<i>Non-deductible expenses</i>	5	370
<b>Taxable income</b>	<b>7,994</b>	<b>9,265</b>
<b>Current PT expense at the statutory rate of 20% (2019: 24%)</b>	<b>1,598</b>	<b>2,224</b>
Profit tax payable at the beginning of the year	414	1,807
Profit tax paid during the year	(1,772)	(3,617)
<b>Profit tax payable at the end of the year</b>	<b>240</b>	<b>414</b>

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



# Saigon Thuong Tin Bank Lao Co., Ltd

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

## 19. TAXATION (continued)

### 19.3. Contingent liabilities

On 6 November 2019, the Ministry of Finance issued Notification No. 4475/MOF requesting commercial banks to recalculate profit tax for the years from 2016 to 2019 in which provision for credit losses should be considered as non-deductible expenses. The Bank has submitted Official Letter No. 35A dated 20 January 2020 to Bank of the Lao PDR to seek for further clarification and detailed guidance on the implementation of such Notification. Until the date of the financial statements, the Bank has not yet received the responses from the Bank of the Lao PDR and the impact of this issue (if any) has not been yet defined. Therefore, the Bank has not booked any adjustments on the financial statements for the fiscal year 2020.

## 20. OTHER LIABILITIES

	31/12/2020 LAKm	31/12/2019 LAKm
Payables to Saigon Thuong Tin Commercial Joint Stock Bank	-	31,187
Transferring money payable for customers	-	1,706
Payable to suppliers	4,460	1,098
Payable to customers	-	338
Deferred rental income	111	89
Payable to employee	5	1
	<u>4,576</u>	<u>34,419</u>

## 21. CASH AND CASH EQUIVALENTS

	31/12/2020 LAKm	31/12/2019 LAKm
Cash on hand	27,450	20,076
Demand deposits with the BOL	145,130	133,585
Demand deposits with credit institutions	263,635	288,965
	<u>436,215</u>	<u>442,626</u>

## 22. TRANSACTIONS WITH RELATED PARTIES

Related party transactions include all transactions undertaken with other parties to which the Bank is related. A party is related to the Bank if:

- (a) directly, or indirectly through one or more intermediaries, the party:
- ▶ controls, is controlled by, or is under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries);
  - ▶ has an interest in the Bank that gives it significant influence over the Bank; or
  - ▶ has joint control over the Bank.
- (b) the party is a joint venture in which the Bank is a venture;
- (c) the party is a member of the key management personnel of the Bank or its parent;
- (d) the party is a close member of the family of any individual referred to in (a) or (c);

# Saigon Thuong Tin Bank Lao Co., Ltd

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

## 22. TRANSACTIONS WITH RELATED PARTIES (continued)

- (e) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or
- (f) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any entity that is a related party of the Bank.

Significant balances with related parties as at 31 December 2020 are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Receivable LAKm</i>	<i>Payable LAKm</i>
Sai Gon Thuong Tin Commercial Joint Stock Bank	Parent bank	Demand deposit	257,646	-
Sacombank (Cambodia) Plc.	Affiliate	Due to banks	-	108,464
Sacombank Remittance Express Co., Ltd	Affiliate	Deposit	2	-
		Receivables	370	-

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

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Current year LAKm</i>	<i>Previous year LAKm</i>
Sai Gon Thuong Tin Commercial Joint Stock Bank	Parent bank	Interest income	45	92
Remuneration	Board of Directors and Management	Salaries and bonus	3,376	3,553

## 23. LEASE COMMITMENTS

	<i>31/12/2020 LAKm</i>	<i>31/12/2019 LAKm</i>
Within 1 year	1,251	1,190
From 1 to less than 5 years	5,182	4,931
Over 5 years	3,401	3,236
	<b>9,834</b>	<b>9,357</b>

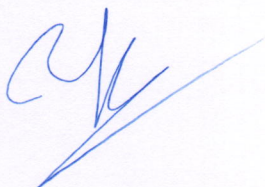
# Saigon Thuong Tin Bank Lao Co., Ltd

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

## 24. EVENTS AFTER THE BALANCE SHEET DATE

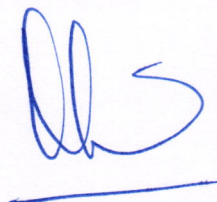
There is no matter or circumstance that has arisen since 31 December 2020 that requires adjustment or disclosure to be made in the financial statements of the Bank.

Prepared by:



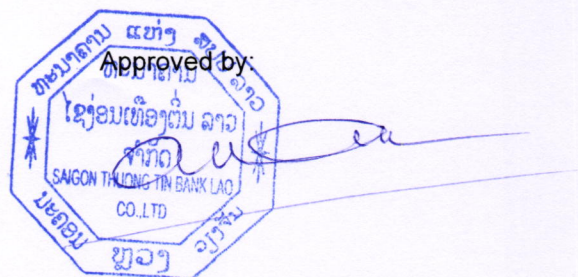
Mr. Hoang Thanh Lam  
Head of Accounting - Administration

Reviewed by:



Ms. Oulayphone Songeun  
Deputy General Director

Approved by:



Mr. Pham Quang Phu  
General Director

Vientiane, Lao PDR  
31 March 2021

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