

2013

INDOCHINA BANK
ANNUAL REPORT



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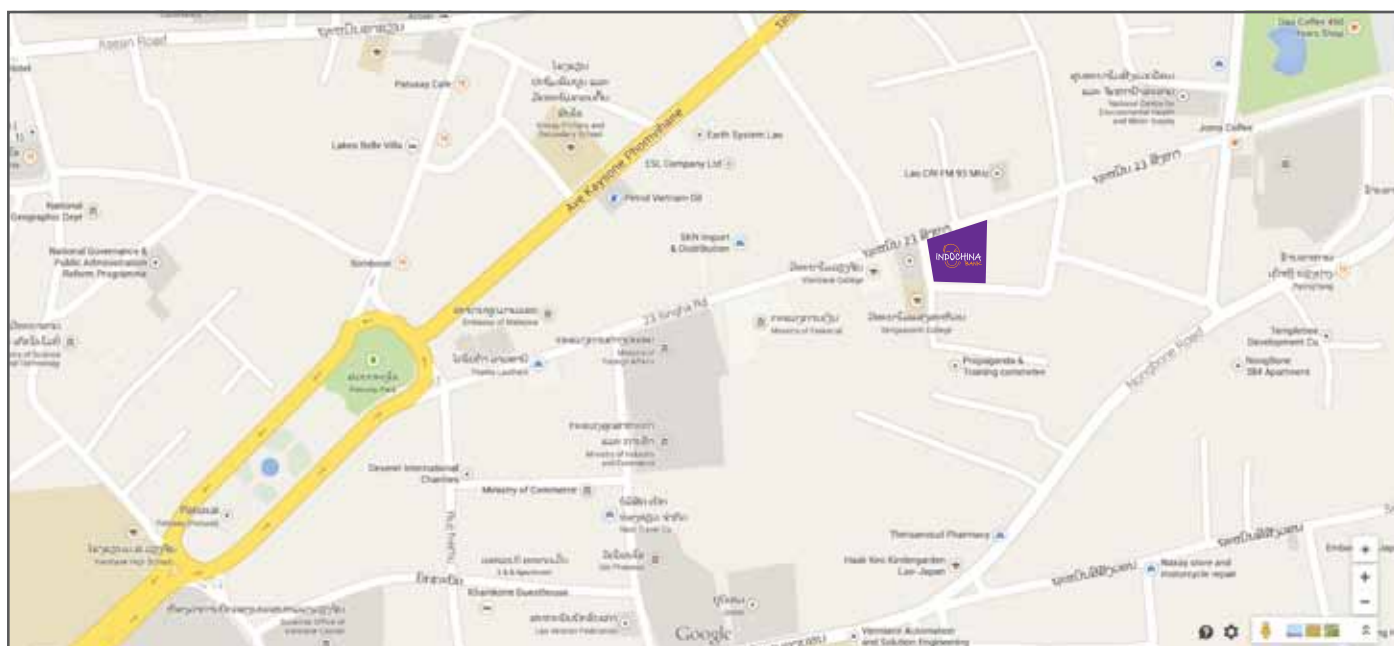
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Part 1. Summary Corporate Background »

1.1 Corporate Information

Bank Name	: Indochina Bank Ltd.
Registration No.	: 53/BOL, 28th November 2008
Chairman	: Mr. Oh Sei Young
Managing Director	: Mr. Tay Hong Heng
Registered Office:	1st Floor, Capital Tower, 116, 23 Singha Road, Vientiane Capital, Lao PDR
Contact Numbers	: Tel: +856 21 455 000-3, 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 started operation on 6 February 2009 in Vientiane Capital. The Bank’s shareholders comprise of reputable Corporations and individual with strong and stable financial background, namely Mr. Oh Sei Young (Korean), The Public Official Benefit Association of Korea and Soulbei Indochina Private Equity Fund of Korea.

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 our service to meet customer’s highest level of satisfaction.”



Chairman's Message »

Indochina Bank has reached its fifth anniversary with a record performance and growth of balance sheet. FY2013 net profit after tax of LAK37 billion is more than double that in 2012 while balance sheet has grown above 30%. With the increasing trust and satisfaction from our clients, the increase in our deposits has significantly contributed to the growth of the balance sheet while our lending assets have also reached a remarkable level.

We will continue to develop our products and services to best serve our customers and the community. The bank is committed to on-going investment in expanding customer coverage network, our human resources and technology while thoroughly managing risk. Our staff with large pool of talent has been on-boarded and equipped with customer-centric approach to doing business which is aiming at maximizing the benefits for our customers.

The current competitive market situation has presented the bank with the opportunity to emerge as a leading local bank who always extends support to the clients in protecting their wealth, enhancing the value of their investment and helping manage the growth of their businesses. Our "Extreme Banking" concept will continue to ensure best services, lowest fees, safest deposit and highest deposit interest rates are offered as our unique client value proposition.

With sincere gratitude, I would like to take this opportunity to thank our customers, the regulators, all staff and management of Indochina Bank for their continued supports throughout the year. Without the above, we would not have achieved such a great result. I reaffirm that Indochina Bank will stay focused on our customers and what we have done well in order to deliver an even better performance in the next year.

Oh Sei Young
Chairman

1.4. General Performance of the Bank in the Year 2013 »

1.4.1 Overview for the Year 2013 »

8 percent was projected for the Lao economic growth in 2013. The major driving sectors are hydropower, infrastructure, service and manufacturing. Lao PDR's accession to the World Trade Organization (WTO) in 2013 was a major step towards the country's socio-economic development. Though medium-term growth projections remain positive, regional and global uncertainties may affect Lao PDR's ability to comfortably absorb macroeconomic shocks. Overall inflation has risen considerably since the end of 2012 to over 6% in 2013.

The banking sector continues to expand and credit growth remains relatively high. As the number of banks has increased their total assets have also increased, although the sector is still dominated by state-owned commercial banks. Commercial bank lending supported by continued growth in the construction, services and commerce sectors has been moving upward.

Figure 1: Real GDP growth (at factor cost): Contribution by Sector (percentage points)

Source: The World Bank

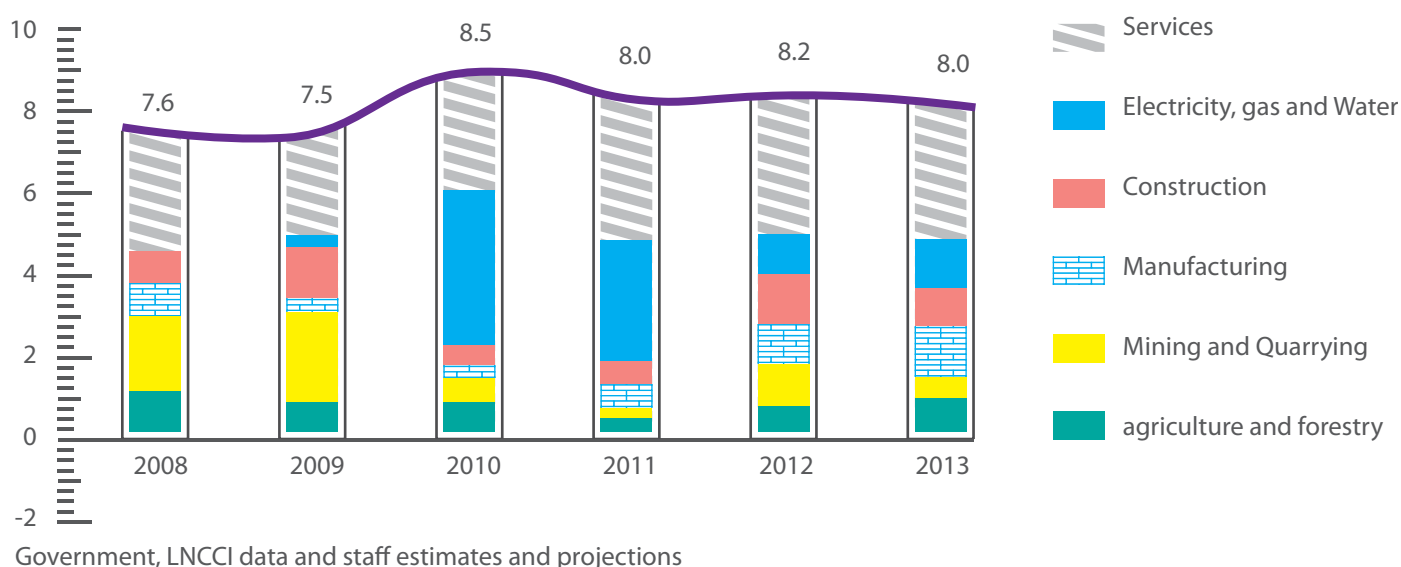
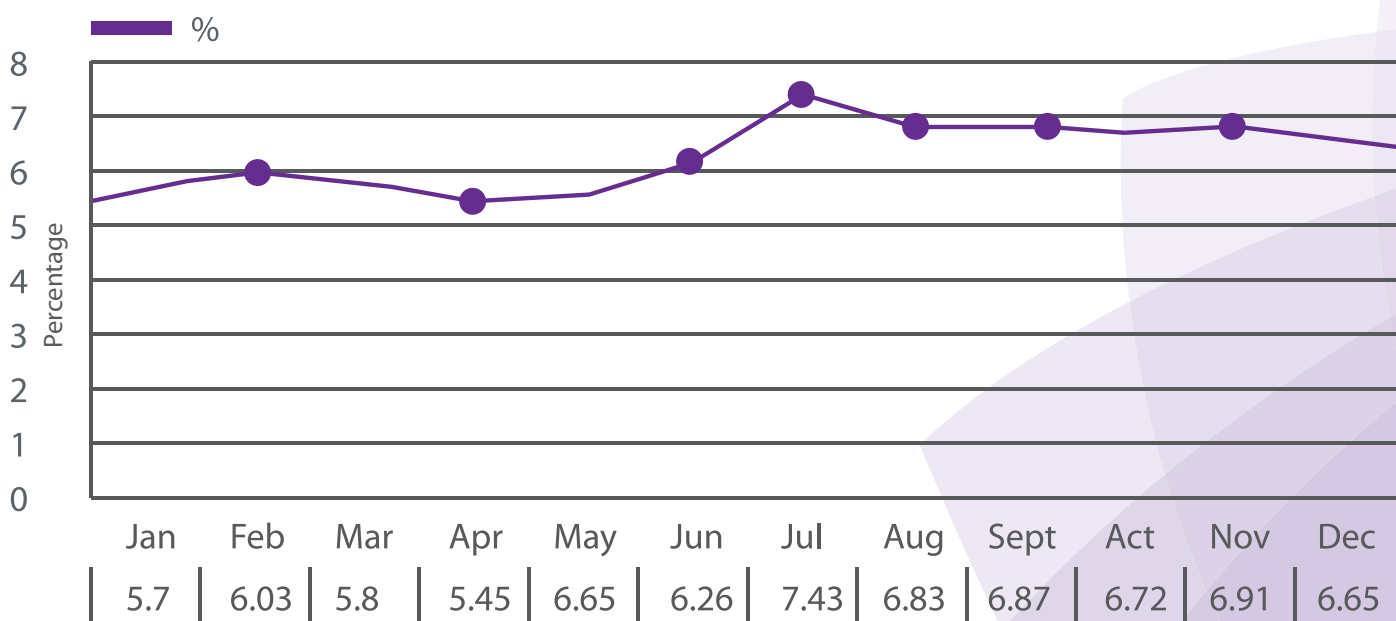


Figure 2: Monthly inflation (percent change)



Source: Bank of Lao PDR.

1.4.2 Performance of Indochina Bank : 2013 vs 2012 »

2013 was another good year for Indochina Bank. The Bank has been making profit since year 3 of the operation and its net profit after tax has been on the rise at an excellent rate. With strong knowledge and understanding of the local market, the management of the bank has brought the business a long way ahead of many of its peers.

The Bank recorded strong growth in total assets from LAK1,644,129 million (FY2012) to LAK2,204,449 million (FY2013), representing an increase of 34.08%. Thanks to the support from our large customer base, the Bank's total deposits grew from LAK1,408,386 million to LAK1,760,373 million (from FY2012 to FY2013). At the same time, our lending assets continued to rise by 60.54% with a very healthy portfolio. The major contributors to our balance sheet growth are customer deposits and the increase in capital which was brought in ahead of the schedule set by the regulator. The overall growth in business has brought about the record-high net profit after tax of LAK37,015 million which is 280.34% increase relative to FY2012.

The establishment of Savannakhet branch in 2013 has reflected our strong commitment in increasing market penetration and "easy-to-access" services for our customers regardless of geographies. The Bank is still planning further expansion in different strategic locations for ensuring customers' best banking experience with us.

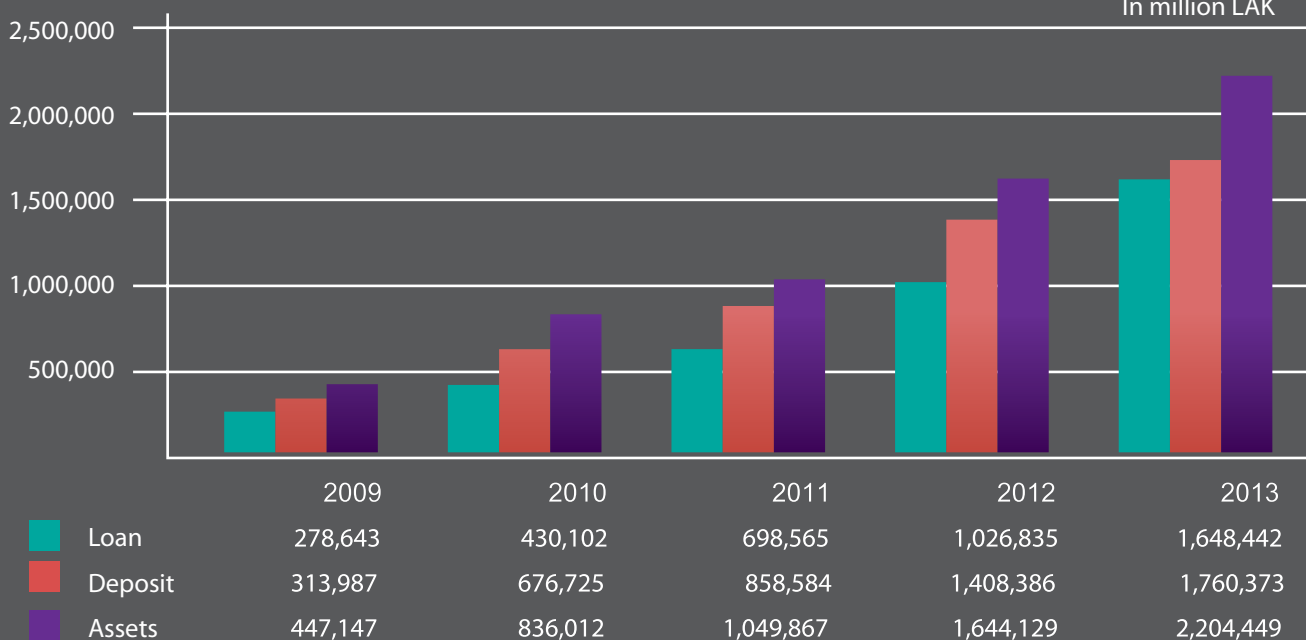
Table of Comparative Performance 2013 VS 2012

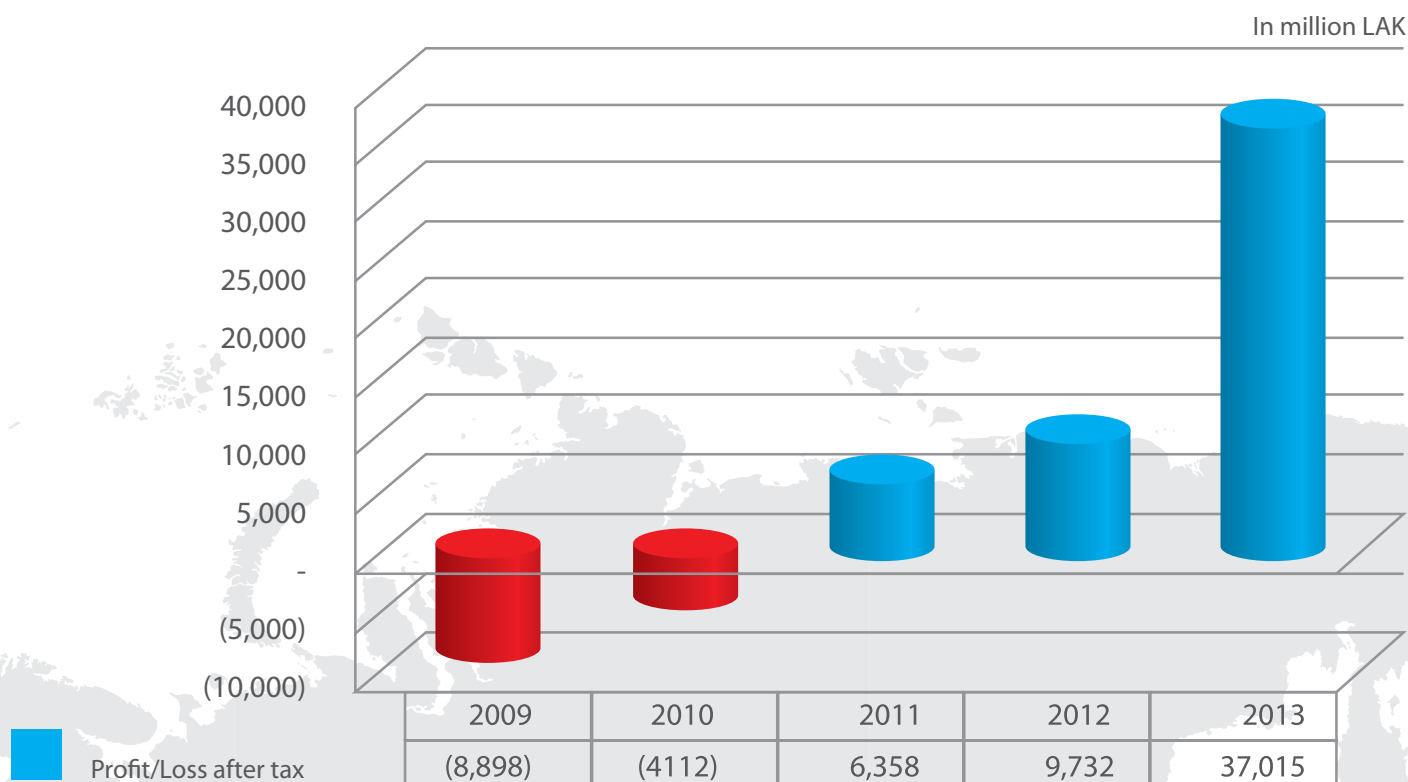
(in million LAK)

Description	2013		2012	2013 vs 2012	
	Budgeted	Performance		(%) Increased	Amt. increased
Loans	1,120,000	1,648,442	1,026,835	60.54%	621,607
Deposits	1,600,000	1,760,373	1,408,386	24.99%	351,987
Assets	1,864,000	2,204,449	1,644,129	34.08%	560,320
Profit after Tax	13,376	37,015	9,732	280.34%	27,283

The growth of Indochina Bank

In million LAK





1.5 Indochina Bank in 2014 »

2014 will be another challenging year for all banks given the number of new entrants and the liquidity constraint in the market. Indochina Bank will continue to focus on our customers. We will maintain the market leader status with innovative products and services which inevitably implies the investment in IT infrastructure.

Expanding our network coverage in other provinces is being planned out strategically to best serve our existing and potential clients. We will enhance the same Indochina-Bank experience regardless of where our customers are. Our business growth is inseparable with the growth of our customers' wealth and businesses.

We will further invest on human resource by increasing the number of head counts and building up good bankers. This will further strengthen our market position and enhance customers satisfaction.

The Bank will continue to emphasize on risk management to sustain the business growth in the changing environment, which at the same time is to ensure the maintenance of good brand image.

More efforts will be inserted into community works as part of our Corporate Social Responsibility. A specific team has been assigned to take lead in CSR activities from time to time.

All of the above will help position Indochina Bank to weather any challenges ahead and provide our customers with best benefits.

Part 2. Organization Structure

2.1. Shareholders

No	Shareholders	Share (%)
1	Mr. Oh Sei Young (Chairman of Indochina Bank)	51.83%
2	Soulbei Indochina Private Equity Fund of Korea	31.17%
3	Public Official Benefit Association of Korea (POBA)	17.00%
	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.



Mr. Sung Sang Yong
Deputy Chairman

Dr. Sang Yong Sung started his financial career with Korea Ratings in 1998. He is an expert in corporate financing and strategic planning and currently also serves as a vice president and chief financial officer of Indochina Bank's group affiliate, Kolao Holdings. Prior to joining the Company, Dr. Sung worked at Shinhan Investment Corp. Dr. Sung graduated from Washington University of St. Louis with a master's degree in business administration and Chung-Ang University with a Ph.D in business administration.



Mr. So Sungil
Member

Mr. So is a shareholder dispatched from Public Officials Benefit Association (POBA). POBA is a major strategic partner of Indochina Bank since 2008, and one of the big investment institution in South Korea, which manages a total asset of 7 billion US Dollars.



Mr. Kim Tai Hoon
Member

Mr. Kim built his career in financial industry with Shinhan Investment Corporation and Kyobo Securities over the last 16 years after graduating from Yonsei University with Bachelors in Business Administration. His specialty lies in M&A and PEF management in Investment Banking Division. His outstanding M&A and PEF deals have been with financial and telecom companies. He is currently the Chief Investment Officer in Soulbei Private Equity Fund



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.



Mr. Teo Kim Siong
Member

Mr. Teo started his banking career in 1983 with Public Bank Bhd, Malaysia. He has accumulated a vast knowledge significantly on banking operations and development. His last position held was Deputy Country Head of Vientiane Branch. Mr Teo joined Vientiane Commercial Bank Ltd, Lao PDR presently known as ANZ Bank in 2003 as General Manager. Under ANZ Bank he was designated to Chief of Staff, heading the Operations. He is now the Deputy Managing Director of Indochina Bank since its inception in 2008.



Ms. Chanpheng Vongsombath
Member

Ms. 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 joined Indochina Bank in September 2008 and presently she is the General Manager of the Indochina 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	Position	Date of Appointment
Mr. Tay Hong Heng	Managing Director	20 April 2009
Mr. Teo Kim Siong	Deputy Managing Director	20 April 2009
Mr. Kheuap Insarn	Deputy Managing Director	20 April 2009
Ms. Chanpheng Vongsombath	Senior General Manager	20 April 2009
Mr. Wong Chew Huat	Senior General Manager	01 February 2014
Mr. Bounheng Souphida	Senior General Manager	01 February 2014

2.4. Other Committees »

1. Governance Committee

Name	Position	Date of Appointment
Ms. Chanpheng VONGSOMBATH	Chairperson	2 June 2010
Ms. Thavone VONGSOMBATH	Member	2 June 2010
Mr. Oh Sei Young	Member	2 June 2010

2. Audit Committee

Name	Position	Date of Appointment
Ms. Khonemala Sitthilath	Chairperson	01 February 2014
Mr. Tay Hong Heng	Member	01 February 2014
Ms. Chanpheng Vongsombath	Member	01 February 2014
Mr. Bounheng Souphida	Member	01 February 2014
Mr. Wong Chew Huat	Member	01 February 2014

3. Risk Management Committee

Name	Position	Date of Appointment
Ms. Khonemala Sitthilath	Chairperson	01 February 2014
Mr. Tay Hong Heng	Member	01 February 2014
Ms. Chanpheng Vongsombath	Member	01 February 2014
Mr. Bounheng Souphida	Member	01 February 2014
Mr. Wong Chew Huat	Member	01 February 2014
Mr. Kingnguen Bounkeua	Member	01 February 2014
Mr. Chanhxay Khanthavong	Member	01 February 2014

4. Loans Committee

Name	Position	Date of Appointment
Mr. Tay Hong Heng	Chairman	01 February 2014
Mr. Teo Kim Siong	Member	01 February 2014
Mr. Kheuap Insarn	Member	01 February 2014
Ms. Chanpheng Vongsombath	Member	01 February 2014
Mr. Bounheng Souphida	Member	01 February 2014

3.1. History of External Auditors

- 2009 and 2010 the Bank was audited by KPMG Lao Co., Ltd
- 2011, 2012 and 2013 the Bank was audited by Ernst & Young Lao Ltd

3.2. Financial Report »

Indochina Bank Ltd
INCOME STATEMENT

for the year ended 31 December 2013

Code	ITEMS	Notes	2013 LAKm	2014 LAKm
A.	OPERATING INCOME AND EXPENSES			
1	Interest and similar income	3	165,332	102,245
1.1	Interest and similar income from interbank		268	373
1.2	Interest and similar income from customers		155,889	97,252
1.3	Other interest and similar income		9,175	4,620
2	Interest and similar expense	3	(104,430)	(73,654)
2.1	Interest and similar expense for interbank		(865)	(1,033)
2.2	Interest and similar expense for customers		(103,565)	(72,621)
I.	NET INTEREST AND SIMILAR INCOME	3	60,902	28,591
9	Fee and commission income	4	19,705	12,473
10	Fee and commission expense	4	(303)	(229)
13	Net gain from dealing in foreign currencies and gold		2,398	494
II.	NET OPERATING INCOME		82,702	41,329
B	OTHER INCOME AND EXPENSES			
15	Other operating income	5	9,648	3,917
16	Administration expenses		(26,785)	(21,495)
16.1	Payroll and other staff costs	6	(16,256)	(12,692)
16.2	Other administrative expenses	7	(10,529)	(8,803)
17	Depreciation and amortization expenses		(5,895)	(4,691)
18	Other operating expenses	8	(10,966)	(5,543)
19	Net specific provision for loans and advances to customers		-	-
19.1	Specific provision expense		-	-
19.2	Reversal of specific provision		-	-
23	Enterprise income tax	18	(11,689)	(3,785)
IV.	PROFIT AFTER TAX		37,015	9,732

Indochina Bank Ltd

Balance sheet

as at 31 December 2013

Code	ASSETS	Notes	31 December 2013 LAKm	31 December 2012 LAKm
I	Cash and balances with the BOL		272,169	277,971
1	Cash on hand	9	49,792	37,975
2	Demand deposits	10	144,855	130,223
3	Compulsory reserves and registered capital deposit	10	77,522	109,773
II	Amounts due from other banks	11	21,970	152,148
1	Demand deposits		21,970	86,660
2	Term deposits		-	65,488
III	Investment in Securities	12	151,075	86,930
1	Held to maturity securities		151,075	86,930
V	Loans and advances to customers, net of specific provision	13	1,648,442	1,026,835
VIII	Fixed assets		29,757	30,643
1	Work in progress		668	795
2	Intangible fixed assets	14.1	1,607	1,654
3	Tangible fixed assets	14.2	27,482	28,194
X	Other Assets		81,036	69,602
1	Accrued interest receivables		8,411	5,630
2	Other assets	15	72,625	63,972
	TOTAL ASSETS		2,204,449	1,644,129

Indochina Bank Ltd Balance sheet (Continued)

as at 31 December 2013

Code	LIABILITIES AND CAPITAL	Notes	31 December 2013 LAKm	31 December 2012 LAKm
I	Amounts due to other banks		18,902	29,460
1	Term deposits	16	18,900	29,420
2	Other payables to other banks		2	40
II	Amounts due to customers	17	1,741,471	1,378,926
1	Demand and saving deposits		303,984	333,657
2	Term deposits		1,437,487	1,045,269
V	Other liabilities		58,455	47,247
1	Accrued interest payables		48,073	35,541
2	Tax payable	18	3,305	1,680
3	Other liabilities	19	7,077	10,026
	TOTAL LIABILITIES		1,818,828	1,455,633
VI	Capital and reserves			
1	Paid-up capital		339,035	181,866
2	Regulatory reserve fund	20	3,772	71
3	General provision for credit activities			
4	Retained earnings	13.2	9,501	5,544
			33,313	1,015
	TOTAL CAPITAL		385,621	188,496
	TOTAL LIABILITIES AND CAPITAL		2,204,449	1,644,129

Indochina Bank Ltd

Statement of Changes in Equity

For the year ended 31 December 2013

	Paid-up capital LAKm	Regulatory reserve fund LAKm	General provision for credit activities LAKm	Retained earnings LAKm	Total LAKm
Balances as at 1 January 2012	164,866	-	4,084	(9,019)	159,931
Additional paid-up capital during the year	17,000	-	-	-	17,000
Net profit for the year	-	-	-	9,732	9,732
Net general provision charged during the year	-	-	1,454	-	1,454
Appropriation to regulatory reserves for the year	-	71	-	(71)	-
Others	-	-	6	373	379
Balances at 31 December 2012	181,866	71	5,544	1,015	188,486
Additional paid-up capital during the year	157,169	-	-	-	157,169
Dividend paid to shareholder	-	-	-	(956)	(956)
Net profit for the year	-	-	-	37,015	37,015
Net general provision charged during the year	-	-	3,977	-	3,977
Appropriation to regulatory reserves for the year	-	3,701	-	(3,701)	-
Others	-	-	(20)	(60)	(80)
Balances at 31 December 2013	339,035	3,772	9,501	33,313	385,621

	Notes	2013 LAKm	2012 LAKm
Net profit after tax		37,015	9,732
Adjustments for:			
Enterprise income tax expenses	18	11,689	3,785
Depreciation and amortization charges	14	5,895	4,691
Loan loss provision expenses	13.2	3,977	1,454
Loss on asset disposals		102	-
Cash flows from operating profit before changing in operating assets and liabilities		58,678	19,662
(Increase)/Decrease in operating assets			
Balances with other banks		97,739	(84,180)
Loans and advances to customers		(621,607)	(328,270)
Accrued interest income		(2,781)	(2,500)
Other assets		(8,653)	(4,527)
Increase/(Decrease) in operating liabilities			
Deposits and borrowings from other banks		(10,558)	(3,080)
Customer deposits and other amounts due to customers		362,545	552,926
Enterprise income tax paid during the year	18	(10,197)	(2,321)
Accrued interest expense		12,532	15,129
Other liabilities		(2,950)	3,015
Net cash flows (used in)/from operating activities		(125,252)	165,854
INVESTING ACTIVITIES			
Work in progress		127	(37)
Payments for fixed asset acquisition		(5,393)	(8,411)
Proceed from asset disposals		83	3,067
Investment in securities		(64,145)	(86,930)
Net cash flows used in investing activities		(69,328)	(92,311)
FINANCING ACTIVITIES			
Capital contribution		157,169	17,000
Net cash flows from financing activities		157,169	17,000
Net (decrease)/increase in cash and cash equivalents		(37,411)	90,543
Cash and cash equivalents at the beginning of the year		254,858	163,978
Effect of foreign exchange difference		(830)	337
Cash and cash equivalents at the end of the year	21	216,617	254,858

1. INDEPENDENT AUDITORS' REPORT

To: **The Shareholders of Indochina Bank Ltd.**

We have audited the accompanying financial statements of Indochina Bank Ltd ("the Bank"), which comprise the balance sheet as at 31 December 2013, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Law of Lao P.D.R and the accounting regulations stipulated by the Bank of Lao P.D.R relevant to preparation and presentation of financial statements, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Bank as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Law of Lao P.D.R and with the regulations stipulated by the Bank of Lao P.D.R relevant to preparation and presentation of financial statements.

We draw attention to Note 2.2 to the financial statement on basis of preparation, which describes the purpose of presenting reference figures in USD in addition to LAK. The equivalent amounts in USD are presented in the attached supplementary information for the purpose of the Bank's internal use only and should not be used for any other purpose.

Ernst & Young Lao Ltd

A blue circular stamp with a double border. The outer border contains the text "ERNST & YOUNG" at the top and "LAO CO., LTD" at the bottom, separated by Lao script. The inner circle contains the text "ERNST & YOUNG" and "LAO CO., LTD" in the center, also surrounded by Lao script.

Vientiane, Lao P.D.R
30 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES »

The significant accounting policies adopted in the preparation of these financial statements are set out below:

2.1 Basis of preparation

The Bank maintains its 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 Enterprise Accounting Law of Lao P.D.R and other relevant accounting regulations as stipulated by Bank of Lao P.D.R ("LAS").

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

Solely for reference purpose of internal use, the Branch also translates the financial information into US Dollar ("USD") equivalent. Financial information presented in the financial statements is translated into USD equivalent using the exchange rate ruling at the balance sheet date, which was 8,005 LAK/USD as at 31 December 2013.

2.2 Fiscal year

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

2.3 Recognition of interest income and expense

Interest income and expense are recognized in the income statement on accrual basis using straight-line method and the interest rates stipulated in the lending/depositing contracts with clients.

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 income statement when actually received.

2.4 Recognition of fee and commission income

Fee and commission consists of fees received for fund transfer services, trade finance, credit line fee and others. Fee and commissions are recognized in the income statement on cash basis.

2.5 Net gain/(loss) from dealing in foreign currency

Net gain/(loss) from dealing in foreign currencies comprise realised and unrealised foreign exchange differences arising from foreign currencies trading and translation of foreign currencies monetary assets and liabilities. Net gain/(loss) from dealing in foreign currencies during the year are converted into LAK at rates ruling at the month end. Translation of monetary items originated in foreign currencies at the month end is also recorded as income or expense during the financial year.

2.6 Cash and cash equivalents

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

2.7 Loans and advances to customers

Loans and advances to customers are recognized at cost and presented at outstanding balance less specific provision for loans and advances to customers as at 31 December 2013.

2.8 Specific provision for loans and advances to customers

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 BOL 324, provision for loans and advances to customers is established by multiplying the outstanding balance of each loan item with the provision rates applicable to that loan classification as follows:

Group	Category	Specific provision rate
A	Normal or Pass	0%
B	Watch or Special Mention	0%
C	Substandard	20%
D	Doubtful	50%
E	Loss	100%

Changes in specific provision is recorded to the income statement as "Net specific provision charges/(reversal) for loans and advances to customers". Accumulated specific provision reserve is recorded in the balance sheet in "Loans and advances to customers, net of specific provisions".

Details on the loan classification and specific provision and the provision amount that were actually booked by the Bank as at 31 December 2013 are presented in Note 13.2.

2.9 General provision for credit activities

In accordance with BOL324, the Bank is required to create a general provision for loan losses at the rate 3.00% 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 2013, the general provision rate for Normal or Pass loans is ranging from 0.50 to 1% in accordance with the Official Letter No. 242/BOL issued by the Bank of Lao PRD on 2 April 2011. Accordingly, the Bank provided general provision at rate of 0.50% 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 Mention loans for the year ended 31 December 2013.

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

2.10 Investment securities

Held-to-maturity securities

Held-to-maturity investment 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. These securities have determined values and maturities. 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.

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 declined in the fair value below their cost. Provision for impairment is recognized as "Net gain/(loss) from securities investment in the income statement.

2.11 Fixed assets

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

Fixed assets are stated at cost less accumulated depreciation, 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.

Cost and accumulated depreciation of sold or disposed assets are derecognized in the balance sheet and any gains or losses resulting from their disposal are posted to the income statement.

2.12 Depreciation and amortization

Depreciation and amortization of fixed assets are provided on the straight line basis at prescribed rates over their estimated useful life in accordance with the new Tax Law No.05 dated 20 December 2011 which was effective on or after 1 January 2013 stipulated by the President of the National Assembly. The following are the annual rates used:

Computer software	50%
Building& improvements	5%
Office equipment	20%
Furniture & fixtures	20%
Motor vehicles	20%

2.13 Statutory reserves

Under the requirement of the Law on Commercial Bank dated 16 January 2007, commercial banks are required to appropriate net profit to following reserves:

Regulatory reserve fund






Business expansion fund and other funds

In accordance with the Regulation on capital adequacy No.1/BOL dated 28 August 2002 by the Governor of the Bank of Lao P.D.R and other relevant guidance, commercial banks are required to provide statutory reserve at the rate between 5% to 10% of profit after tax depending on the decision of the Board of Director. Accordingly, the Bank has provided the following reserves for the year 2013:

erves	% of profit after tax (after deduction of accumulated losses)
Regulatory reserve fund	10%
Business expansion fund and other funds	-

2.14 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 (see the list of exchange rates of applicable foreign currencies against LAK on 31 December 2013 as presented below). Income and expenses arising in foreign currencies during the year are converted into LAK at year end rates. Foreign exchange differences arising from the translation of monetary assets and liabilities on the balance sheet date are recognized in the income statement.

	31-Dec-13 LAK	31-Dec-12 LAK
 United State Dollar ("USD")	8,005.00	7,965.00
 Thai baht ("THB")	245.85	260.23
 Euro ("EUR")	10,874.00	10,418.00
 Japanese yen ("JPY")	74.20	89.66
 Australian Dollar ("AUD")	6,904.00	8,034.00

2.15 Taxation

Provision is made for taxation on the current year's profits, based on the Tax Law governing taxation within Lao P.D.R. The Bank was obliged to pay tax at rate of 24% of total profit before tax in accordance with the Tax Law No.05 dated 20 December 2011 which was effective on or after 1 January 2013 (2012: the Bank was obliged to pay the higher amount of 28% of total profit before tax and 1% of total revenue in accordance with the old Tax Law No.001 dated 1 March 2011). 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.

3. NET INTEREST AND SIMILAR INCOME

	2013 LAKm	2012 LAKm
Interest and similar income:		
Interest income from interbank	268	373
Interest income from customers	155,889	97,252
Other interest and similar income	9,175	4,620
	165,332	102,245
Interest and similar expense:		
Interest expense from borrowings from other banks	(865)	(1,033)
Interest expense from customer deposits	(103,565)	(72,621)
	(104,430)	(73,654)
Net interest and similar income	60,902	28,591

4. NET FEES AND COMMISSION INCOME

	2013 LAKm	2012 LAKm
Fees and commission income from:		
Domestic banks	122	108
Travel checks, bank checks and other valuables	104	84
Commission from import credit	1,467	1,303
Securities	31	17
Telecommunication (fax, telegram)	1,349	1,153
Fee on transferring money	118	84
Fees on Loan	4,219	2,668
Income from other services	5,040	3,653
Fees from exchanges	72	50
Other income from financial services and customers	7,183	3,353
	19,705	12,473
Fees and commission expense:		
Other commission	(216)	(108)
Fees for settlement services via Check, Fax, TT, Swift	(42)	(68)
Other financial services	(45)	(53)
	(303)	(229)
Net fees and commission income	19,402	12,244

5. OTHER OPERATING INCOME »

	2013 LAKm	2012 LAKm
Income from returned expenses	4,880	1,423
Reversal of general provision (see Note 13.2)	4,667	2,342
Others	101	152
	9,648	3,917

6. PAYROLL AND OTHER STAFF COSTS »

	2013 LAKm	2012 LAKm
Wages and salaries	12,362	11,082
Other staff costs	3,894	1,610
	16,256	12,692

7. OTHER ADMINISTRATIVE EXPENSES »

	2013 LAKm	2012 LAKm
Office rental expenses	1,801	1,640
Fuel expenses	555	270
Office stationery expenses	228	243
Publication, marketing and promotion expenses	1,497	1,247
Telecommunication expenses	872	742
Repair and maintenance expenses	553	579
Electricity and water expenses	569	538
Audit and legal fees	252	83
Expenses on welcoming guests	9	6
Other expenses	3,449	2,166
External services	136	641
Insurance fee	608	648
	10,529	8,803

8. OTHER OPERATING EXPENSES »

	2013 LAKm	2012 LAKm
General provision expenses (see Note 13.2)	8,644	3,796
Depositor Protection Fund	1,225	891
Returned income	1	-
Loss on disposals of assets	102	104
Others	994	752
	10,966	5,543

9. CASH ON HAND »

	31-Dec-13 LAKm	31-Dec-12 LAKm
Cash on hand in LAK	22,669	15,824
Cash on hand in foreign currencies	27,123	22,151
	49,792	37,975

10. BALANCES WITH THE BANK OF LAO P.D.R ("BOL") »

	31-Dec-13 LAKm	31-Dec-12 LAKm
Demand deposits	144,855	130,223
Compulsory reserves and registered capital deposit	77,522	109,773
	222,377	239,996

Balances with the BOL include demand deposits, compulsory reserves and registered capital deposit. These balances bear 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 5.00% for LAK and 10.00% for USD and THB, on a bi-monthly basis, (2012: 5.00% and 10.00%) of customer deposits having original maturities of 12 months and below.

In the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

11. AMOUNTS DUE FROM OTHER BANKS »

	31-Dec-12 LAKm	31-Dec-12 LAKm
Demand deposits	21,970	86,660
Balances with domestic banks	12,574	16,397
Banque pour le Commerce Extérieur Lao (BCEL)	12,556	15,282
Joint Development Bank (JDB)	18	1,115
Balances with overseas banks	9,396	70,263
Standard Chartered Bank, New York	7,338	65,189
Standard Chartered Bank, Bangkok	347	1,882
Standard Chartered Bank, Frankfurt	685	657
Deutsche Bank Trust Company America, New York	1,026	2,535
Term deposits	-	65,488
Vietin Bank-Laos Branch	-	25,593
Sacombank-Laos Branch	-	8,000
Lao Development Bank (LDB)	-	8,000
International Commercial Bank Lao Limited	-	23,895
	21,970	152,148

12. INVESTMENT IN SECURITIES »

	31-Dec-13 LAKm	31-Dec-13 LAKm
Held-to-maturity securities		
Bonds issued by the Bank of Lao P.D.R	120,075	55,930
Bonds issued by the Ministry of Finance	31,000	31,000
	151,075	86,930

12.1 Bonds issued by the Bank of Lao P.D.R

Bonds issued by the Bank of Lao P.D.R are as follow:

Issuance date	LAKm equivalent	Term	Interest rate (% p.a)
3-Dec-13	40,025	3 months	2.00%
3-Dec-13	40,025	6 months	2.75%
3-Dec-13	40,025	12 months	3.75%
	120,075		

12.2 Bonds issued by the Ministry of Finance

Bonds issued by the Ministry of Finance are as follows:

Issuance date	LAKm equivalent	Term	Interest rate (% p.a)
25-Jul-12	21,000	2 years	3.00%
1-Mar-12	5,000	2 years	3.00%
18-Sep-12	5,000	3 years	3.50%
	31,000		

13. LOANS AND ADVANCES TO CUSTOMERS, NET OF SPECIFIC PROVISION »

13.1 Loans and advances to customers

	31-Dec-13 LAKm	31-Dec-12 LAKm
Loans and advances to customers	1,648,442	1,026,835
Less specific provision for loans (Note 13.2)	-	-
	1,648,442	1,026,835

Interest rates for commercial loans during the year are as follows:

	2013 Interest rates % per annum	2012 Interest rates % per annum
Loans and advances denominated in LAK	8.4% - 19.2%	10% - 18%
Loans and advances denominated in USD	8.0% - 19.2%	7.0% - 18%
Loans and advances denominated in THB	9.0% - 30.0%	7.0% - 18%

Analysis by currency

	31-Dec-13 LAKm	31-Dec-12 LAKm
Loans and advances denominated in LAK	879,259	376,683
Loans and advances denominated in USD	611,208	528,379
Loans and advances denominated in THB	157,975	121,773
	1,648,442	1,026,835

Analysis by status of loan

	31-Dec-13 LAKm	31-Dec-12 LAKm
Performing loans	1,648,442	1,026,835
- Normal or Pass	1,598,079	1,011,474
- Watch or Special Mention	50,363	15,361
Non-performing loans	-	-
- Substandard	-	-
- Doubtful	-	-
- Loss	-	-
	1,648,442	1,026,835

13.2 Provision for credit losses

Movements of loan loss provision of the Bank during the year 2013 are as follows:

	Specific provision in LAKm	General provision in LAKm
Balance as at 1 January 2012	-	4,084
Provision charged to expense in the year	-	3,796
Reversal of provision in the year	-	(2,342)
Foreign exchange difference	-	6
Balance at 31 December 2012	-	5,544
Provision charged to expense in the year	-	8,644
Reversal of provision in the year	-	(4,667)
Foreign exchange difference	-	(20)
Balance at 31 December 2013	-	9,501

The breakdown of loan classification and provision as required by the BOL as at 31 December 2013 are as follows:

	Loan balance LAKm	Specific provision LAKm	General provision LAKm	Total provision LAKm
Classification Performing loans	1,648,442	-	9,501	9,501
- Normal or Pass	1,598,079	-	7,990	7,990
- Watch or Special Mention	50,363	-	1,511	1,511
Non-Performing loans (NPL)	-	-	-	-
Total	1,648,442	-	9,501	9,501

14. FIXED ASSETS »

14.1 Intangible fix assets

Movements of intangible fixed assets for the year ended 31 December 2013 are as follows:

	Computer software LAKm	Total LAKm
Cost:		
As at 1 January 2013	4,848	4,848
Additions	1,308	1,308
Disposal	-	-
As at 31 December 2013	6,156	6,156
Accumulated amortization:		
As at 1 January 2013	3,194	3,194
Amortize for the year 2013	1,355	1,355
Disposal	-	-
As at 31 December 2013	4,549	4,549
Net book value:		
As at 1 January 2013	1,654	1,654
As at 31 December 2013	1,607	1,607

Movements of intangible fixed assets for the year ended 31 December 2012 were as follows:

	Computer software LAKm	Total LAKm
Cost:		
As at 1 January 2012	4,488	4,488
Additions	360	360
Disposal	-	-
As at 31 December 2012	4,848	4,848
Accumulated amortization:		
As at 1 January 2012	2,291	2,291
Amortize for the year 2012	903	903
Disposal	-	-
As at 31 December 2012	3,194	3,194
Net book value:		
As at 1 January 2012	2,197	2,197
As at 31 December 2012	1,654	1,654

14.2 Tangible fix assets

Movements of tangible fixed assets for the year ended 31 December 2013 are as follows:

	Building & improvements in LAKm	Office equipment in LAKm	Furniture & fixtures in LAKm	Motor vehicles in LAKm	Total in LAKm
Cost:	17,793	11,870	7,131	2,513	39,307
As at 1 January 2013	220	2,311	306	1,248	4,085
Additions	2,472	-	(2,472)	-	-
Reclassify	-	(88)	-	(674)	(762)
Disposal	20,485	14,093	4,965	3,087	42,630
As at 31 December 2013					
Accumulated depreciation:					
As at 1 January 2013	6,181	2,740	998	1,194	11,113
Charge for the year	2,541	1,487	-	512	4,540
Reclassify	(513)	-	513	-	-
Disposal	-	(29)	-	(476)	(505)
As at 31 December 2013	8,209	4,198	1,511	1,230	15,148
Net book value:					
As at 1 January 2013	11,612	9,130	6,133	1,319	28,194
As at 31 December 2013	12,276	9,895	3,454	1,857	27,482

Movements of tangible fixed assets for the year ended 31 December 2012 were as follows:

	Building & improvements in LAKm	Office equipment in LAKm	Furniture & fixtures in LAKm	Motor vehicles in LAKm	Total in LAKm
Cost:					
At 1 January 2012	15,468	9,949	6,800	2,322	34,539
Additions	4,797	2,502	331	421	8,051
Disposal	(2,472)	(581)	-	(230)	(3,283)
At 31 December 2012	17,793	11,870	7,131	2,513	39,307
Accumulated depreciation:					
At 1 January 2011	4,351	1,736	588	866	7,541
Charge for the year	1,830	1,070	410	478	3,788
Disposal	-	(66)	-	(150)	(216)
At 31 December 2012	6,181	2,740	998	1,194	11,113
Net book value:					
At 1 January 2012	11,117	8,213	6,212	1,456	26,998
At 31 December 2012	11,612	9,130	6,133	1,319	28,194

15. OTHER ASSETS »

	31-Dec-13 LAKm	31-Dec-12 LAKm
Rental deposits	50,499	49,768
Prepayments	2,790	3,695
Others	19,336	10,509
	72,625	63,972

16. AMOUNTS DUE TO OTHER BANKS »

	31-Dec-13 LAKm	31-Dec-12 LAKm
Term deposits		
VietinBank, Laos Branch	16,400	16,520
Lanexang Securities Public Company	-	10,400
Depositors Protection Fund	2,500	2,500
	18,900	29,420

Term deposits from other banks represents amount due to VietinBank, Lao Branch, Lanexang Securities Public Company and Depositors Protection Fund. These term deposits have term of ranging from 6 months to 24 months and bear interest at rates ranging from 5% to 11% per annum.

17. AMOUNTS DUE TO CUSTOMERS »

Balances of customer deposits and other amounts due to customers as of 31 December 2013 are as follow:

	31-Dec-13 LAKm	31-Dec-12 LAKm
Demand deposits	83,386	74,431
Demand deposits in LAK	35,697	23,367
Demand deposits in FC	47,689	51,064
Saving deposits	220,598	259,226
Saving deposits in LAK	57,536	48,898
Saving deposits in FC	163,062	210,328
Fixed term deposits	1,437,487	1,045,269
Fixed term deposits in LAK	538,762	352,823
Fixed term deposits in FC	898,725	692,446
	1,741,471	1,378,926

The interest rates for amount due to customers are as follows:

	2013 Interest rate (% p.a.)	2012 Interest rate (% p.a.)
Demand deposits in LAK	No interest	No interest
Demand deposits in foreign currencies	No interest	No interest
Saving deposits in LAK	3.50%	3.50%
Saving deposits in USD	1.75%	1.75%
Saving deposits in THB	1.75%	1.75%
Fixed term deposits in LAK	5.75% - 13.50%	5.75% - 13.50%
Fixed term deposits in USD	3.75% - 8.00%	3.75% - 8.00%
Fixed term deposits in THB	2.75% - 7.00%	2.75% - 7.00%

18. TAXATION »

The Bank is obliged to pay tax at rate of 24% of total profit before tax in accordance with the Tax Law No.05 dated 20 December 2011 which was effective on or after 1 January 2013 (2012: the Bank is obliged to pay the higher amount of 28% of total profit before tax and 1% of total revenue in accordance with the old Tax Law No.001 dated 1 March 2011).

Detailed corporate income tax for the year 2012 and 2013 are as follows:

	2013 LAKm	2012 LAKm
Profit before tax of the year	48,704	13,517
Taxable profit	48,704	13,517
Enterprise Income Tax expense, at the statutory rate of 24% (2012: 28%)	11,689	3,785
EIT payable at the beginning of the year	1,680	216
Adjustment for overstated tax expense for the prior year according to Tax authority's assessment	133	-
EIT tax paid during the year	(10,197)	(2,321)
EIT payable at the end of the year	3,305	1,680

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.

19. OTHER PAYABLES »

	31-Dec-13 LAKm	31-Dec-12 LAKm
External account payable	3,579	8,233
Deferred income	55	819
Other payables	3,443	974
	7,077	10,026

20. PAID-UP CAPITAL »

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

	2013 LAKm	2012 LAKm
Opening balance	181,866	164,866
Additional paid-up capital during the year	157,169	17,000
Closing balance	339,035	181,866

Breakdown of paid-up capital of the Bank is as follows:

	31-Dec-13 LAKm	31-Dec-12 LAKm
Ordinary shares	300,773	181,866
Preference shares	39,262	-
	339,035	181,866

21. CASH AND CASH EQUIVALENTS »

	31-Dec-13 LAKm	31-Dec-12 LAKm
Cash on hand	49,792	37,975
Current accounts with the BOL	144,855	130,223
Current accounts with other banks	21,970	86,660
	216,617	254,858

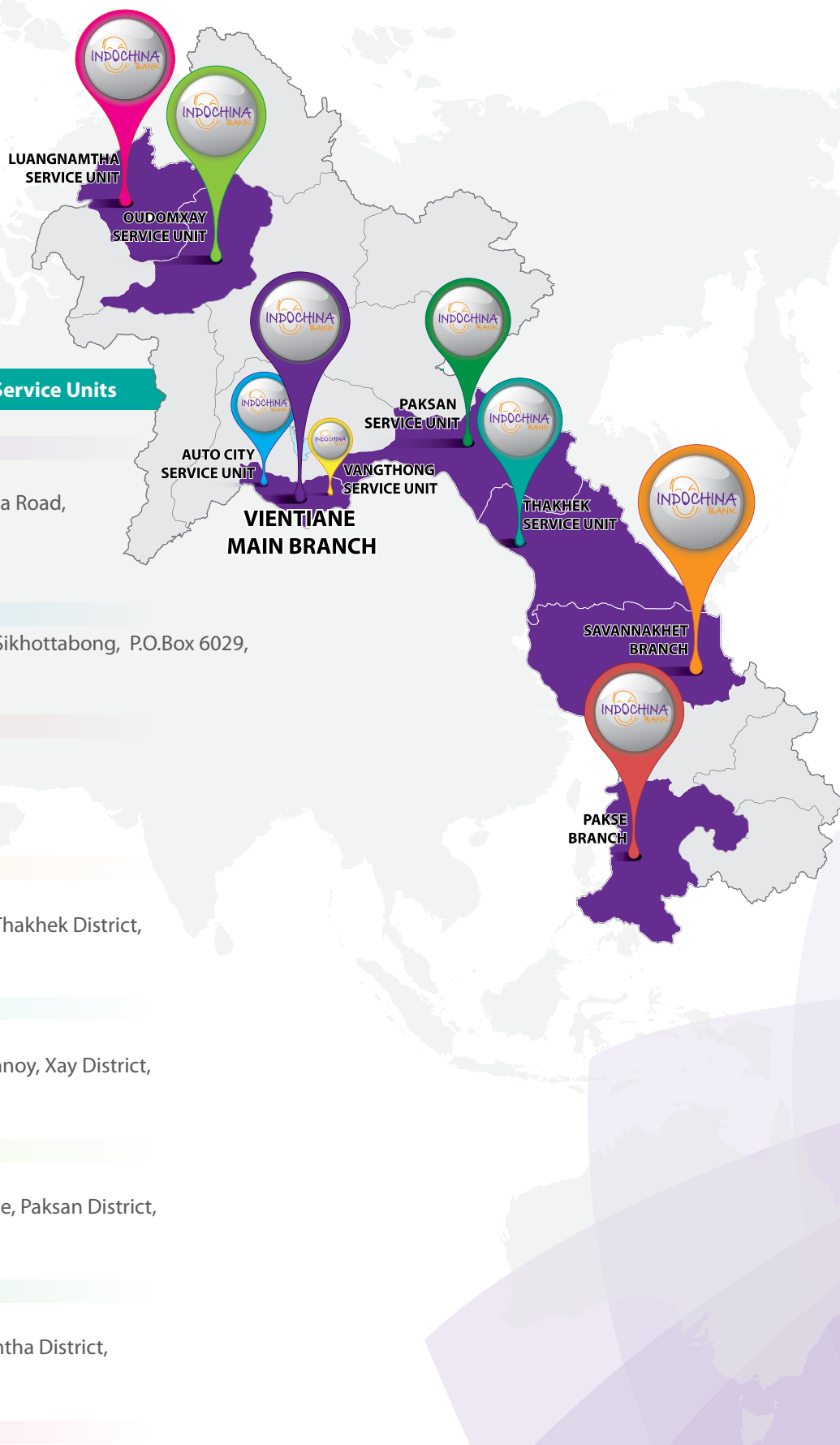


ທ່ານ ເຕ ຮິງ ເຮັງ
ຜູ້ອຳນວຍການໃຫຍ່

ທ່ານ ຈັນໄຊ ຂັນທະວົງ
ຜູ້ຈັດການຝ່າຍການເງິນ

PART 4. Network of the Bank »

4.1. Map of all Branches within country



4.2. Location of the Branches and Service Units

Vientiane Capital

Main Branch

Address: Capital Tower, 116, 23 Singha Road,
P.O.Box 6029,

Tel. : (+856-21) 455 000-3

Fax: (+856-21) 455 111

Auto City Service Unit

Address: Asean Road, Ban Nakham, Sikhottabong, P.O.Box 6029,

Phone: (+856-21) 520 702-4

Fax: (+856-21) 520 705

Champasack Province

Pakse Branch

Address: Ban Phonekhong, Pakse,

Phone: (+856-31) 260 300-4

Fax: (+856-31) 260 305

Khammouan Province

Thakhek Service Unit

Address: Vientiane Rd, Ban Nabong, Thakhek District,

Phone: (+856-51) 625 600-3

Fax: (+856-51) 625 604

Oudomxay Province

Oudomxay Service Unit

Northern Highway No. 13, Ban Navannoy, Xay District,

Phone: (+856-81) 260 023-5

Fax: (+856-81) 260 026

Bolikhamxay Province

Paksan Service Unit

Address: 13 South Road, Sivilay Village, Paksan District,

Phone: +856-54-280172-3

Fax: +856-54-280174

Luang Namtha Province

Luang Namtha Service Unit

Address: Phonxay Village, Luang Namtha District,

Phone: +856-86-212256-7

Fax: +856-86-212258

Savannakhet Province

Savannakhet Branch

Address: Huameuangtai Village, Kaysone Phomvihane District,

Phone: +856 41 250 000-4,

Fax: +856 41 250 0005

5. Events »

Children donation



Community Projects



VIP Appreciation Dinner 2013





ຄິດເຖິງ ຜົນຕອບແທນທີ່ສູງກວ່າ
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“enhancing your value”