



# 2016

## ANNUAL REPORT

SUCCESSFUL COOPERATION  
PROFESSIONAL MARKET  
EXCELLENCE  
HONESTY **GROWTH**  
SERVICE RELIABILITY  
RESPONSIBILITY



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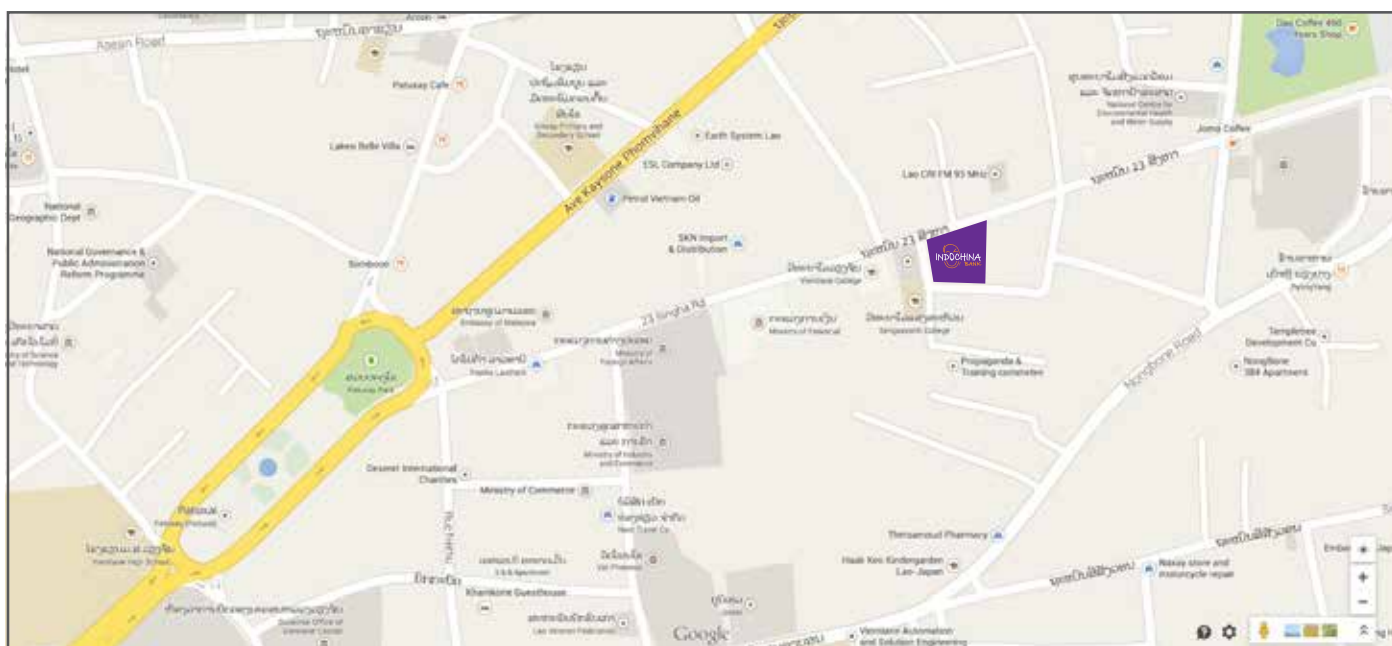
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## PART 1. SUMMARY CORPORATE BACKGROUND

### 1.1 CORPORATE INFORMATION

<b>Bank Name</b>	: Indochina Bank Ltd.
<b>Registration No.</b>	: 53/BOL, 28th November 2008
<b>Chairman</b>	: Mr. Oh Sei Young
<b>Managing Director</b>	: Mr. Tay Hong Heng
<b>Registered Office</b>	: 1st Floor, Capital Tower, 116, 23 Singha Road, Vientiane Capital, Lao PDR
<b>Contact Numbers</b>	: Tel: +856 21 455 000-2, Fax: +856 21 455 111
<b>Website</b>	: <a href="http://www.indochinabank.com">www.indochinabank.com</a>



### 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, and LVMC Investment Ltd.

### 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

The Bank is marking its 8th anniversary with a strong growth in both balance sheet and profit. Despite numerous challenges throughout 2016, the team has worked collaboratively in satisfying customers' banking needs and hence delivered another solid performance.

Our balance sheet witnessed the growth of 28% relative to the previous year thanks to the increase in deposits while there is a reasonable growth in lending asset. Momentum has been well maintained in terms of profitability. Profit before tax of LAK60 billion reflects on a double-digit growth rate compared to 2015. This would not have happened if there were not strong focus on building trust and relationship with our clients.

Admittedly, 2016 was another challenging year for banks across the market due to a number of factors. More stringent compliance requirement, increase in competition from both existing and new players, limited talent pool, the need to invest in modern infrastructure and products are all contributing to the pressure banks have to go through in their businesses.

With a strong vision, Indochina Bank has never lost its focus on putting customer satisfaction as the number one priority. We keep our eyes on the market and opportunities to ensure good client coverage network and best banking experience for our customers.

We keep on improving our competitive advantage resulting from our in-house-built talent pool. We value opportunities for young talent who love banking career and want to grow with us. A number of key initiatives and investment on human resource development have been executed in the last 12 months. "Our People" has always been the bank's long term strategy in shaping our business.

Our investment in infrastructure is an ongoing process for the better. With that in place, we will be able to enhance our risk management more effectively. We always make sure that we keep ourselves aligned with the best practice domestically and internationally.

In conclusion, I would like to take this opportunity to extend my gratitude and sincere thanks to our supportive customers, regulators and all family members of Indochina Bank for making 2016 a year of success. Our result has proven that we have progressed in the right direction and done the right things. It has never been easy endeavour to be able to stand out so strongly in such a rapidly changing landscape but Indochina Bank has made it happen. We shall continue to provide the best for our customers and all stakeholders which in turn will result in sustainable business.

Oh Sei Young  
Chairman



## 1.4. GENERAL OVERVIEW OF THE YEAR 2016

Despite all challenges 2016 still sees the GDP growth of nearly 7% while inflation was below 4%. Government yet continues all efforts in ensuring the country graduate from the Least Developed Country list by the targeted 2020. There have been a number of key initiatives aiming at addressing issues nation- wide such as budgetary deficit and efficiency improvement.

With the AEC (ASEAN Economic Community) being increasingly relevant the country is more open to investment and hence capital influx. The integration into the rest of the region represents both risks and opportunities in doing businesses. Banks must have all the readiness in terms of their competitiveness and sophisticated risk management framework in order to maintain sustainable business.

The rise of Fintech has been phenomenal in the regional context. Smart phones and technology have been increasing impacting the ways banks operate in many countries and Laos would be no exception. The market has started to see more innovative products and services offered by both local and foreign banks. This implied a significant investment by the key market players whose intention was to set the trend.

### Performance of Indochina Bank: 2016

Being strongly focused, Indochina Bank has achieved a great result for 2016. Business continues to grow in a healthy manner. Balance sheet grew by over LAK1 trillion of which the main driver is customer deposits. Our deposits grew by 38% when comparing 2016 to 2015 while lending assets increased from LAK3.4 trillion to LAK4.1 trillion. The Bank's profit after tax for 2016 has reached a record high at LAK60 billion which represents a growth of over 25%.

2016 was the year of transition for Indochina Bank. The team worked hard in migrating into new core banking system which is a significant investment in the bank's history. This change is aimed at bringing a great new banking experience for customers. All staff of the bank has been readying themselves for the new chapter of their banking career. A lot of efforts were put into making sure people go through this learning curve smoothly and gracefully while ensuring minimal impact on customers. We are very grateful for the continuous support and understanding from all our valued clients during the transitional period.

Due to opportunities in better servicing customers, Indochina Bank has rolled out 2 new service units in Vientiane Capital and Savannakhet. The extension of client coverage network has reflected on the bank's long term commitment and strategy that focuses on customers' satisfaction as a priority.

Our VIP customers have contributed tremendously to the successful 2016 and over many years. The number in this segment has grown substantially over the years and is foreseen to grow even bigger thanks to the services and continuous improvement we have always embraced.

Apart from running day to day business, the Bank also participated in community projects. We sponsored the donation of education materials to physically-challenged students in Vientiane Province. We believe giving opportunities via education is the best way to make an impact for the individuals and community as a whole.

The success is not created in a day. It is rather a lengthy process with long term strategy. Our result in 2016 has shown that the Bank has been moving in the right direction.

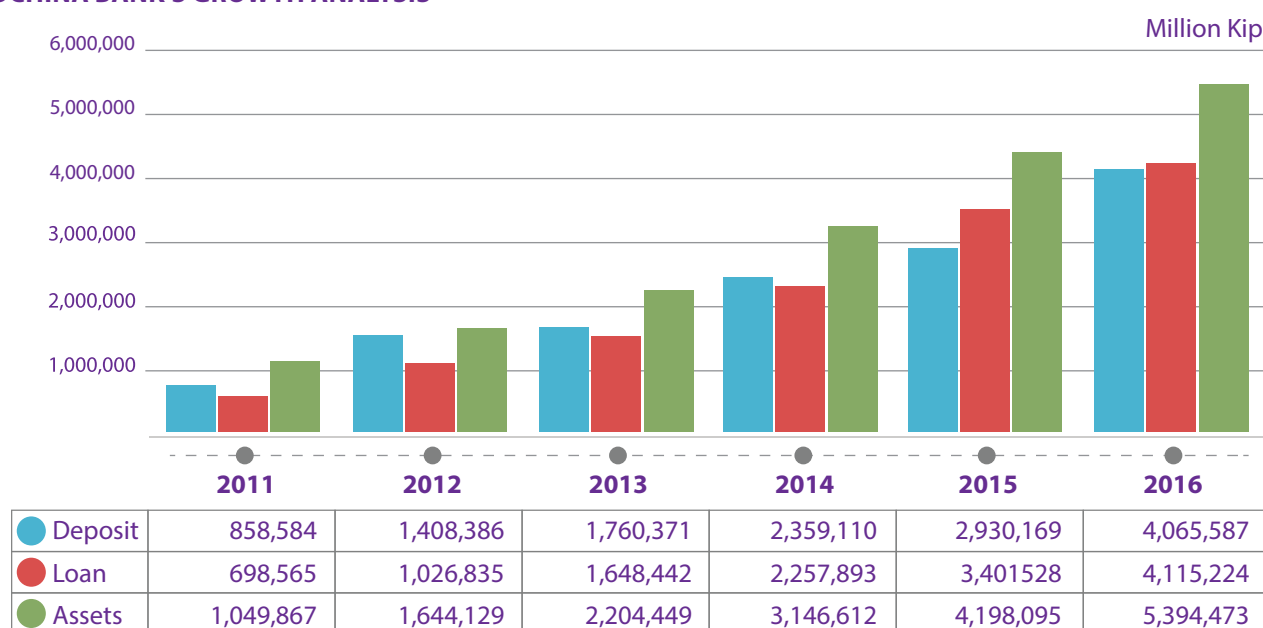
**Table of Comparative Performance 2016 VS 2015**

(In million Kip)

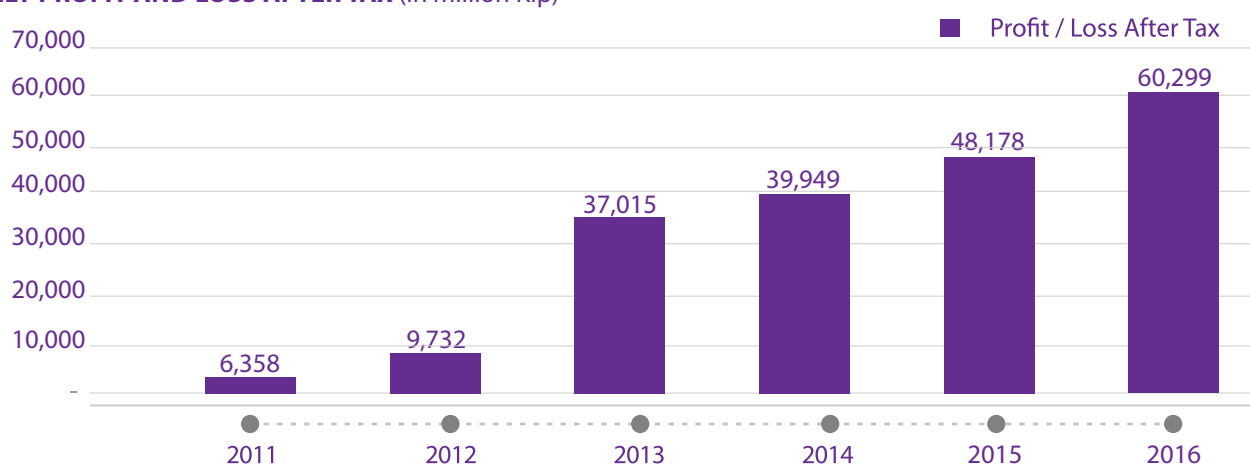
Description	2016		2015	2016 vs 2015	
	Budgeted	Performance%		Amount increased	increased
Deposits	3,220,435	4,065,587	2,930,169	1,135,418	38.75%
Loans	3,673,650	4,115,224	3,401,528	713,696	20.98%
Assets	4,491,962	5,394,473	4,198,095	1,196,378	28.50%
Profit after Tax	56,518	60,299	48,178	12,121	25.16%

## THE GROWTH OF INDOCHINA BANK

### INDOCHINA BANK'S GROWTH ANALYSIS



### YEARLY PROFIT AND LOSS AFTER TAX (in million Kip)



## 1.5. PLAN AND BUSINESS OBJECTIVE OF INDOCHINA BANK 2017

Indochina Bank will continue to modernize its business by leveraging on the newly on-boarded core banking system. We will improve operational efficiency by replacing some manual processes with automation.

Investment on infrastructure to manage risks will be completed by third quarter of the year. This is to ensure there is no compromise on compliance matters in our business which is a reflection of sustainability.

People is always on our business agenda as far as skill development is concerned. We have put in place resources to execute the trainings and development of our bankers. This exercise which requires a persistent focus will bring in results only in a long term. We are committed to producing the best in class bankers for our customers.

As business continues to expand our hiring manager will keep themselves preoccupied with recruitment. Our staff strength has increased year by year thanks to the business growth.

A few more service units will be rolled out in key locations to cater for more business and improve outreach to existing customer base. We foresee the increase in the number of customers as well as the volume of banking transactions thus the expansion is strategically important.

The value of giving back to the society is implanted in the hearts of all staff members of Indochina Bank. Plans to do community projects at both corporate and individual levels are in place every year. This year is of no difference, our Community Project Team have been connecting with key partners in making this happen as annual initiatives.

After all, many key deliverables are bound to be seen and brought about in 2017. The critical success factor for us is a sustainable business model which is about a firm focus on doing the right things for our customers, our people, our shareholders and the community.

## PART 2. ORGANIZATION STRUCTURE

### 2.1. LIST OF SHAREHOLDERS

No	Name of shareholders	Percentage
1	Mr Oh Sei Young (Korean)	88.01%
2	LVMC Investment Ltd	11.99%
Total:		100.00%

### 2.2. BOARD OF DIRECTORS

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



**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.



**Dr. 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. 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.



**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.



**Mr. Bounheng SOPHIDA**  
**Member**

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



## 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	Appointed on 20 April 2009
Ms. Chanpheng Vongsombath	Deputy Managing Director	Appointed on 01 August 2014
Mr. Bounheng Souphida	Deputy Managing Director	Appointed on 01 August 2014
Mr. Wong Chew Huat	Senior General Manager	Appointed on 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
Head of IT Dept.	Member	01 February 2014
Head of Finance Division	Member	01 February 2014

### 4. Loans Committee

Name	Position	Date of Appointment
Mr. Tay Hong Heng	Chairman	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 to 2016 the Bank was audited by Ernst & Young Lao Ltd

## 3.2. FINANCIAL REPORT

### INCOME STATEMENT

for the year ended 31 December 2016

Code	ITEMS	Notes	2016 LAKm	2015 LAKm
<b>A</b>	<b>OPERATING INCOME AND EXPENSES</b>			
<b>1.</b>	<b>Interest and similar income</b>	<b>3</b>	<b>417,021</b>	<b>308,317</b>
1.1	Interest and similar income from interbank transactions		169	218
1.2	Interest and similar income from loans to customers		412,885	304,437
1.3	Other interest and similar income		3,967	3,662
<b>2.</b>	<b>Interest and similar expense</b>	<b>3</b>	<b>(288,569)</b>	<b>(212,698)</b>
2.1	Interest and similar expense for interbank transactions		(87,413)	(35,816)
2.2	Interest and similar expense for customer deposits		(201,156)	(176,882)
<b>I.</b>	<b>NET INTEREST AND SIMILAR INCOME</b>	<b>3</b>	<b>128,452</b>	<b>95,619</b>
<b>3</b>	<b>Fees and commission income</b>	<b>4</b>	<b>20,275</b>	<b>17,580</b>
<b>4</b>	<b>Fees and commission expense</b>	<b>4</b>	<b>(3,498)</b>	<b>(2,907)</b>
<b>5</b>	<b>Net (loss)/ gain from dealing in foreign currencies and gold</b>		<b>(1,397)</b>	<b>1,508</b>
<b>II.</b>	<b>NET OPERATING INCOME</b>		<b>143,832</b>	<b>111,800</b>
<b>B</b>	<b>OTHER INCOME AND EXPENSES</b>			
<b>6</b>	<b>Other operating income</b>	<b>5</b>	<b>69,969</b>	<b>9,490</b>
<b>7</b>	<b>Administration expenses</b>		<b>(44,904)</b>	<b>(33,810)</b>
7.1	Payroll and other staff costs	6	(24,775)	(21,590)
7.2	Other administrative expenses	7	(20,129)	(12,220)
<b>8</b>	<b>Depreciation and amortization expenses</b>		<b>(9,483)</b>	<b>(5,919)</b>
<b>9</b>	<b>Other operating expenses</b>	<b>8</b>	<b>(78,675)</b>	<b>(18,169)</b>
<b>10</b>	<b>Net provision for non-performing loans</b>		<b>(1,399)</b>	<b>-</b>
10.1	Provision expense for non-performing loans	13.2	(2,342)	-
10.2	Reversal of provision for non-performing loans	13.2	943	-
<b>III.</b>	<b>TOTAL PROFIT BEFORE TAX</b>		<b>79,340</b>	<b>63,392</b>
<b>11</b>	<b>Current profit tax</b>	<b>18</b>	<b>(19,041)</b>	<b>(15,214)</b>
<b>IV.</b>	<b>PROFIT AFTER TAX</b>		<b>60,299</b>	<b>48,178</b>

## BALANCE SHEET

As at 31 December 2016

Code	ASSETS	Notes	31 December 2016 LAKm	31 December 2015 LAKm
<b>I</b>	<b>Cash and balances with the BOL</b>		<b>908,153</b>	<b>541,408</b>
1	Cash on hand	9	68,883	85,111
2	Demand deposits	10	664,070	313,227
3	Compulsory reserves and registered capital deposit	10	175,200	143,070
<b>II</b>	<b>Amounts due from other banks</b>	<b>11</b>	<b>202,368</b>	<b>102,265</b>
1	Demand deposits		202,368	97,745
2	Term deposits		-	4,520
<b>III</b>	<b>Investment in Securities</b>		<b>5,000</b>	<b>-</b>
1	Held to maturity securities	12	5,000	-
<b>IV</b>	<b>Loans to customers, net of provision for non-performing loans</b>	<b>13</b>	<b>4,115,224</b>	<b>3,401,528</b>
<b>V</b>	<b>Fixed assets</b>	<b>14</b>	<b>29,637</b>	<b>32,753</b>
1	Construction in progress	14.1	3,252	9,410
2	Intangible fixed assets	14.2	8,569	1,049
3	Tangible fixed assets	14.3	17,816	22,294
<b>VI</b>	<b>Other Assets</b>		<b>134,091</b>	<b>120,140</b>
1	Accrued interest receivables		24,453	19,366
2	Other assets	15	109,638	100,774
	<b>TOTAL ASSETS</b>		<b>5,394,473</b>	<b>4,198,094</b>

## BALANCE SHEET (continued)

as at 31 December 2016

Code	LIABILITIES AND CAPITAL	Notes	31 December 2016 LAKm	31 December 2015 LAKm
<b>I</b>	<b>Due to banks and other financial institutions</b>	<b>16</b>	<b>1,415,469</b>	<b>819,293</b>
1	Term deposits		719,131	174,641
2	Borrowings from other banks		696,338	644,652
<b>II</b>	<b>Due to customers</b>	<b>17</b>	<b>3,346,456</b>	<b>2,755,528</b>
1	Demand and saving deposits		432,646	366,718
2	Term deposits		2,901,048	2,386,309
3	Other payables to customers		12,762	2,501
<b>III</b>	<b>Other liabilities</b>		<b>151,822</b>	<b>126,167</b>
1	Accrued interest payables		138,091	117,097
2	Taxes payable	18	4,725	4,426
3	Other payables	19	9,006	4,644
	<b>TOTAL LIABILITIES</b>		<b>4,913,747</b>	<b>3,700,988</b>
<b>IV</b>	<b>Capital and reserves</b>			
1	Paid-up capital	20	381,252	419,514
2	Regulatory reserve fund		18,548	12,528
3	General provision for credit activities	13.2	26,069	21,233
4	Retained earnings		54,270	43,531
5	Other reserve		587	300
	<b>TOTAL CAPITAL</b>		<b>480,726</b>	<b>497,106</b>
	<b>TOTAL LIABILITIES AND CAPITAL</b>		<b>5,394,473</b>	<b>4,198,094</b>

**BALANCE SHEET** (continued)

as at 31 December 2016

Code	OFF BALANCE SHEET ITEMS	Notes	31 December 2016 LAKm	31 December 2015 LAKm
<b>I</b>	<b>Commitments given</b>		-	-
<b>A</b>	<b>Commitments for financing given</b>		-	-
1	Commitments for financing given to other banks		-	-
2	Commitments for financing given to customers			
<b>B</b>	<b>Commitment for guarantees given</b>		<b>7,353</b>	<b>5,223</b>
1	Commitment for guarantees given to other banks		-	-
2	Commitment for guarantees given to customers		7,353	5,223
	<b>TOTAL COMMITMENTS GIVEN</b>		<b>7,353</b>	<b>5,223</b>
<b>II</b>	<b>Collaterals and Mortgages</b>			
<b>A</b>	<b>Collaterals and Mortgages for loans</b>		<b>11,230,260</b>	<b>10,775,923</b>
1	Collaterals and Mortgages for loans to other banks			-
2	Collaterals and Mortgages for loans to customers		11,230,260	10,775,923
	<b>COLLATERALS AND MORTGAGES</b>		<b>11,230,260</b>	<b>10,775,923</b>

**STATEMENT OF CHANGES IN EQUITY**

for the year ended 31 December 2016

	Paid-up capital LAKm	Regulatory reserve fund LAKm	General provision for credit activities LAKm	Other reserve LAKm	Retained earnings LAKm	Total LAKm
<b>Balances at 1 January 2015</b>	<b>419,514</b>	<b>7,737</b>	<b>16,092</b>	-	<b>35,954</b>	<b>479,297</b>
Additional tax for prior year in accordance with Tax Inspection	-	-	-	-	(101)	(101)
Adjust statutory reserve in 2015	-	(27)	-	-	27	-
Dividend paid to shareholders	-	-	-	-	(35,709)	(35,709)
Net profit for the year	-	-	-	-	48,178	48,178
Net general provision charged during the year	-	-	5,192	-	-	5,192
Appropriation to regulatory reserves for the year	-	4,818	-	-	(4,818)	-
Others	-	-	-	300	-	300
Foreign exchange difference	-	-	(51)	-	-	(51)
<b>Balances at 31 December 2015</b>	<b>419,514</b>	<b>12,528</b>	<b>21,233</b>	<b>300</b>	<b>43,531</b>	<b>497,106</b>
Additional tax for prior year in accordance with Tax Inspection	-	-	-	-	(102)	(102)
Adjust retain earning 2016	-	-	-	-	686	686
Adjust statutory reserve in 2016	-	(10)	-	-	10	-
Buy back preference shares during the year	(38,262)	-	-	-	-	(38,262)
Dividend paid to shareholders	-	-	-	-	(44,124)	(44,124)
Net profit for the year	-	-	-	-	60,299	60,299
Net general provision charged during the year	-	-	4,771	-	-	4,771
Appropriation to regulatory reserves for the year	-	6,030	-	-	(6,030)	-
Other reserve	-	-	-	287	-	287
Foreign exchange difference	-	-	65	-	-	65
<b>Balances at 31 December 2016</b>	<b>381,252</b>	<b>18,548</b>	<b>26,069</b>	<b>587</b>	<b>54,270</b>	<b>480,726</b>

## CASH FLOW STATEMENT

for the year ended 31 December 2016

	Notes	2016 LAKm	2015 LAKm
<b>OPERATING ACTIVITIES</b>			
<b>Net profit before tax</b>		<b>79,340</b>	<b>63,392</b>
Adjustments for:			
Depreciation and amortization charges	14	9,483	5,919
Net loan loss provision expenses	13.2	6,170	5,192
Loss on asset disposals		7	6
<b>Cash flows from operation before changing in operating assets and liabilities</b>		<b>95,000</b>	<b>74,509</b>
(Increase)/Decrease in operating assets			
Balances with other banks		(27,610)	(31,078)
Loans to customers		(715,030)	(1,143,635)
Accrued interest income		(5,087)	(8,000)
Other assets		(8,870)	(13,840)
Increase/(decrease) in operating liabilities			
Deposits and borrowings from other banks		596,176	486,194
Customer deposits and other amounts due to customers		590,928	495,885
Accrued interest expense		20,994	51,098
Other liabilities		6,220	866
Profit tax paid during the year	18	(19,730)	(15,436)
<b>Net cash flows from/(used in) operating activities</b>		<b>532,991</b>	<b>(103,437)</b>
<b>INVESTING ACTIVITIES</b>			
Construction of fixed assets		(5,265)	(9,405)
Payments for fixed asset acquisition		(1,102)	(2,276)
Proceed from asset disposals		-	20
(Increase)/decrease of securities investments		(5,000)	21,000
<b>Net cash flows (used in)/from investing activities</b>		<b>(11,367)</b>	<b>9,339</b>
<b>FINANCING ACTIVITIES</b>			
Buy back preference shares		(38,262)	-
Dividend paid to shareholders		(44,124)	(35,709)
<b>Net cash flows used in financing activities</b>		<b>(82,386)</b>	<b>(35,709)</b>
<b>Net change in cash and cash equivalents</b>		<b>439,238</b>	<b>(129,807)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>496,083</b>	<b>625,890</b>
<b>Effect of foreign exchange difference</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>21</b>	<b>935,321</b>	<b>496,083</b>



## 1. INDEPENDENT AUDITORS' REPORT

To: The Owners of Indochina Bank

### *Opinion*

We have audited the financial statements of Indochina Bank ("the Bank"), which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity and cash flow statement 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 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.

### *Basis for Opinion*

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

### *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. Our opinion is not modified in respect of this matter.

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

The Bank's management is responsible for the preparation of the financial statements 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, 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.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

We communicate with those charged with governance 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.

  *Young Lao Ltd*  
Vientiane, Lao P.D.R.  
31 March 2017

## 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 P.D.R and the regulations stipulated by the Bank of Lao P.D.R relevant to preparation and presentation of financial statements.

### 2.2 Basis of preparation

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

The accompanying financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Lao P.D.R. Accordingly, the income statement, the balance sheet, the statement of changes in equity, the cash flow statement 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 of the Bank and the results of its operations and its cash flows in accordance with accounting principles and practices generally accepted in countries other than Lao P.D.R.

### 2.3 Fiscal year

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

### 2.4 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 customers.

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

### 2.5 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.

### 2.6 Cash and cash equivalents

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

### 2.7 Loans to customers

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

### 2.8 Provision for non-performing loans ("NPL")

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 non-performing loans is established by multiplying the outstanding balance of each loan item with the provision rates applicable to that loan classification as follows:

No	Category	Provision rate
1	Substandard	20%
2	Doubtful	50%
3	Loss	100%

Changes in provision for non-performing loan are recorded to the income statement as “Provision expense for non-performing loans” or “Reversal of provision for non-performing loans”. Accumulated provision reserve for non-performing loans is recorded in the balance sheet in “Loans to customers, net of provision for non-performing loans”.

Details on the loans classification and provision for non-performing loans and the provision amount actually booked by the Bank as at 31 December 2016 are presented in Note 13.2.

## 2.9 General provision for credit activities

In accordance with Regulation 324/BOL (“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 balance sheet date and general provision made for Normal or Pass loans shall be created upon the BOL’s notification for each year. For the year ended 31 December 2016, the general provision rate for Normal or Pass loans is ranging from 0.5% to 1% in accordance with the Official Letter No. 242/BOL issued by the Bank of Lao PRD on 2 April 2011. Accordingly, the Bank provided general provision at rate of 0.5% out of total balance of Normal or Pass loans (2015: 0.5%).

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 2016.

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. When they are sold before maturity date, these securities will be reclassified as trading securities or available-for-sale securities.

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

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

## 2.11 Fixed assets

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

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

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

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

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

## 2.12 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 life in accordance with the new Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016 stipulated by the President of the National Assembly. The following are the annual depreciation and amortization rates used:

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 2001 by the Governor of the Bank of Lao P.D.R and other relevant guidance, commercial banks are required to provide for regulatory reserve fund at the rate between 5% to 10% of profit after tax depending on the decision of the Board of Directors. The business expansion fund and other funds shall be created upon decision of the Board of Directors. Accordingly, the Bank has provided the following reserves for the year 2016:

Reserves	% 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 2016 and as 31 December 2015 presented below). Foreign exchange differences arising from the translation of monetary assets and liabilities on the balance sheet date are recognized in the income statement in accordance with Notice No 164/AD issued by the BOL.



		31 December 2016 LAK	31 December 2015 LAK
	United State Dollar ("USD")	8,167.00	8,128.00
	Thai baht ("THB")	228.32	226.00
	Euro ("EUR")	8,392.00	8,749.00
	Japanese yen ("JPY")	67.78	65.33
	Australian Dollar ("AUD")	5,680.00	5,728.00

## 2.15 Taxation

Provision is made for profit tax on the current year's profit, based on the Tax Law governing taxation within Lao P.D.R. The Bank is obliged to pay tax at rate of 24% of total profit before tax in accordance with the Tax Law No.70/NA dated 15 December 2015. 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.

## 2.16 Employee benefit

### Post employment benefits

Post-employment benefits are paid to retired employees of the Bank by retirement reserve setup by the Bank. The Bank's policy is to deduct a certain monthly amount from employees' salary and contribute by bank to such reserve. Currently, the applied rate is 4% of employees' monthly basic salary for employee and 6% of employees' monthly basic salary for bank's contribution (maximum monthly contribution by employee and bank is 500 USD). The Bank has no further obligation concerning post employment benefits for its employees other than this.

### Termination benefits

In accordance with Article 82 of the Amended Labour Law No. 43/NA approved by the President of the Lao People's Democratic Republic on 28 January 2014, the Bank has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 31 December 2016, 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.

### 3. NET INTEREST AND SIMILAR INCOME

	2016 LAKm	2015 LAKm
Interest and similar income from:		
Interbank transactions	169	218
Loans to customers	412,885	304,437
Others	3,967	3,662
	<b>417,021</b>	<b>308,317</b>
Interest and similar expense for:		
Interbank transactions	(87,413)	(35,816)
Customer deposits	(201,156)	(176,882)
	<b>(288,569)</b>	<b>(212,698)</b>
<b>Net interest and similar income</b>	<b>128,452</b>	<b>95,619</b>

### 4. NET FEES AND COMMISSION INCOME

	2016 LAKm	2015 LAKm
<b>Fees and commission income from:</b>		
Fees on loans	6,651	5,363
Late payment penalties charged to customers	8,529	7,839
Telecommunication (fax, telegram)	1,476	1,436
Other activities	3,619	2,942
	<b>20,275</b>	<b>17,580</b>
<b>Fees and commission expense for:</b>		
Settlement services via Check, Fax, TT, Swift	(142)	(84)
Other financial services	(3,356)	(2,823)
	<b>(3,498)</b>	<b>(2,907)</b>
<b>Net fees and commission income</b>	<b>16,777</b>	<b>14,673</b>

### 5. OTHER OPERATING INCOME

	2016 LAKm	2015 LAKm
Reversal of general provision for credit losses (Note 13.2)	69,883	9,392
Others	86	98
	<b>69,969</b>	<b>9,490</b>

### 6. PAYROLL AND OTHER STAFF COSTS

	2016 LAKm	2015 LAKm
Wages and salaries	17,505	15,615
Other staff costs	7,270	5,975
	<b>24,775</b>	<b>21,590</b>

## 7. OTHER ADMINISTRATIVE EXPENSES

	2016 LAKm	2015 LAKm
Office rental	2,310	2,363
Fuel	272	639
Office stationery	319	212
Publication, marketing and promotion	3,814	2,674
Telecommunication	925	1,153
Repair and maintenance	869	496
Electricity and water	1,016	843
Audit and legal fees	278	268
Taxes and Duties	5,254	125
External services	150	34
Insurance fee	757	757
Others	4,165	2,656
	<b>20,129</b>	<b>12,220</b>

## 8. OTHER OPERATING EXPENSES

	2016 LAKm	2015 LAKm
General provision expenses (Note 13.2)	74,654	14,584
Depositor Protection Fund	2,405	2,054
Loss on disposals of assets	7	6
Others	1,609	1,525
	<b>78,675</b>	<b>18,169</b>

## 9. CASH ON HAND

	31-Dec-16 LAKm	31-Dec-15 LAKm
Cash on hand in LAK	38,807	39,050
Cash on hand in foreign currencies ("FC")	30,076	46,061
	<b>68,883</b>	<b>85,111</b>

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

	31-Dec-16 LAKm	31-Dec-15 LAKm
Demand deposits	664,070	313,227
Compulsory reserves (*)	174,906	142,776
Registered capital deposit (**)	294	294
	<b>839,270</b>	<b>456,297</b>

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

(\*) Under regulations of the BOL, the Bank is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 5.00% for LAK and 10.00% for foreign currencies (2015: 5.00% and 10.00%), on a bi-monthly basis, of customer deposits having original maturities of less than 12 months.

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

(\*\*) According to Decree No. 02/PR of BOL, commercial 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 Official Letter No. 266/BSO dated 15 August 2014 to withdraw from this deposit account to supplement its working capital. As at 31 December 2016, the balance of this special deposit is 294 LAKm.

## 11. DUE FROM OTHER BANKS

	31-Dec-16 LAKm	31-Dec-15 LAKm
<b>Demand deposits</b>	<b>202,368</b>	<b>97,745</b>
<b>Balances with domestic banks</b>	<b>136,228</b>	<b>28,818</b>
Banque pour le Commerce Extérieur Lao Public (BCEL)	135,446	28,277
Joint Development Bank (JDB)	767	528
Lao Development Bank (LDB)	15	13
<b>Balances with oversea banks</b>	<b>66,140</b>	<b>68,927</b>
Standard Chartered Bank, New York	45,353	11,770
Standard Chartered Bank, Bangkok	1,553	7,917
Standard Chartered Bank, Frankfurt	314	272
Deutsche Bank Trust Company America, New York	18,920	48,968
<b>Term deposits</b>	<b>-</b>	<b>4,520</b>
Saigon Thuong Tin Commercial Joint Stock Bank – Lao Branch	-	4,520
	<b>202,368</b>	<b>102,265</b>

## 12. HELD-TO-MATURITY SECURITIES

	31-Dec-16 LAKm	31-Dec-15 LAKm
Bonds issued by the Ministry of Finance	5,000	-
	<b>5,000</b>	<b>-</b>

## 13. LOANSTO CUSTOMERS, NET OF PROVISION FOR NON-PERFORMING LOANS

### 13.1 Loansto customers

	31-Dec-16 LAKm	31-Dec-15 LAKm
Loans to customers	4,116,481	3,401,528
Less provision for non-performing loans (Note 13.2)	(1,257)	-
	<b>4,115,224</b>	<b>3,401,528</b>

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

	2016 Interest rates % per annum	2015 Interest rates % per annum
Loans in LAK	7.08% - 16.50%	8.28% - 15.00%
Loans in USD	7.00% - 16.80%	8.00% - 12.00%
Loans in THB	8.00% - 13.00%	8.00% - 12.00%

### Analysis by currency

	31-Dec-16 LAKm	31-Dec-15 LAKm
Loans in LAK	1,357,355	1,277,333
Loans in USD	2,489,951	1,864,382
Loans in THB	269,175	259,813
	<b>4,116,481</b>	<b>3,401,528</b>

## Analysis by status of loan

	31-Dec-16 LAKm	31-Dec-15 LAKm
Performing loans	<b>4,110,091</b>	<b>3,401,528</b>
- Normal or Pass	3,888,903	3,232,552
- Watch or Special Mention	221,188	168,976
Non-performing loans	<b>6,390</b>	-
- Substandard	6,390	-
- Doubtful	-	-
- Loss	-	-
	<b>4,116,481</b>	<b>3,401,528</b>

## 13.2 Provision for credit losses

Movements of provision for credit losses of the Bank during the year 2016 are as follows:

	31-Dec-16 LAKm	31-Dec-15 LAKm
<b>Balance as at 1 January 2015</b>	-	<b>16,092</b>
Provision charged to expense in the year	-	14,584
Reversal of provision in the year	-	(9,392)
Foreign exchange difference	-	(51)
<b>Balance at 31 December 2015</b>	-	<b>21,233</b>
Provision charged to expense in the year	2,342	74,654
Reversal of provision in the year	(943)	(69,883)
Foreign exchange difference	(142)	65
<b>Balance at 31 December 2016</b>	<b>1,257</b>	<b>26,069</b>

The breakdown of loan classification and provision as required by the BOL as at 31 December 2016 are as follows:

Classification	Loan balance LAKm	Provision for NPL LAKm	General provision LAKm	Total provision LAKm
Performing loans				
- Normal or Pass	3,888,903	-	19,433	19,433
- Watch or Special Mention	221,188	-	6,636	6,636
Non-Performing loans (NPL)				
- Substandard	6,390	1,257	-	1,257
- Doubtful	-	-	-	-
- Loss	-	-	-	-
<b>Total</b>	<b>4,116,481</b>	<b>1,257</b>	<b>26,069</b>	<b>27,326</b>

## 14. FIXED ASSETS

### 14.1 Construction in progress

	2016 LAKm	2015 LAKm
Opening balance	9,410	1,278
Movement in the year		
- Increase in the year	5,265	9,377
- Transferred to fixed assets	(11,423)	(1,245)
Closing balance	<b>3,252</b>	<b>9,410</b>



## 14.2 Intangible fixed assets

Movements of intangible fixed assets for the year ended 31 December 2016 are as follows:

	Computer software LAKm	Total LAKm
<b>Cost:</b>		
As at 1 January 2016	1,448	1,448
Transferred from construction in progress	11,423	11,423
As at 31 December 2016	12,871	12,871
<b>Accumulated amortization:</b>		
As at 1 January 2016	399	399
Amortization for the year 2016	3,903	3,903
As at 31 December 2016	4,302	4,302
<b>Net book value:</b>		
As at 1 January 2016	1,049	1,049
As at 31 December 2016	8,569	8,569

Movements of intangible fixed assets for the year ended 31 December 2015 were as follows:

	Computer software LAKm	Total LAKm
<b>Cost:</b>		
As at 1 January 2015	2,004	2,004
Additions	772	772
Disposals	(1,328)	(1,328)
As at 31 December 2015	1,448	1,448
<b>Accumulated amortization:</b>		
As at 1 January 2015	1,399	1,399
Amortization for the year 2015	328	328
Disposals	(1,328)	(1,328)
As at 31 December 2015	399	399
<b>Net book value:</b>		
As at 1 January 2015	605	605
As at 31 December 2015	1,049	1,049

## 14.3 Tangible fixed assets

Movements of tangible fixed assets for the year ended 31 December 2016 are as follows:

Classification	Building & improvements LAKm	Office equipment LAKm	Furniture & fixtures LAKm	Motor vehicles LAKm	Total LAKm
<b>Cost:</b>					
As at 1 January 2016	22,074	16,669	6,028	2,510	47,281
Additions	-	784	308	10	1,102
Disposals	-	(46)	-	-	(46)
As at 31 December 2016	22,074	17,407	6,336	2,520	48,337
<b>Accumulated depreciation:</b>					
As at 1 January 2016	12,453	8,183	2,790	1,561	24,987
Charge for the year	1,426	2,412	1,341	401	5,580
Disposals	-	(46)	-	-	(46)
As at 31 December 2016	13,879	10,549	4,131	1,962	30,521
<b>Net book value:</b>					
As at 1 January 2016	9,621	8,486	3,238	949	22,294
As at 31 December 2016	8,195	6,858	2,205	558	17,816

Movements of tangible fixed assets for the year ended 31 December 2015 were as follows:

Classification	Building & improvements LAKm	Office equipment LAKm	Furniture & fixtures LAKm	Motor vehicles LAKm	Total LAKm
<b>Cost:</b>					
As at 1 January 2015	20,815	15,563	5,655	2,657	44,690
Additions	1,259	638	379	-	2,276
Transfer from construction in progress	-	473	-	-	473
Disposals	-	(5)	(6)	(147)	(158)
As at 31 December 2015	22,074	16,669	6,028	2,510	47,281
<b>Accumulated depreciation:</b>					
As at 1 January 2015	10,270	6,020	2,056	1,135	19,481
Charge for the year	2,183	2,165	737	506	5,591
Disposals	-	(2)	(3)	(80)	(85)
As at 31 December 2015	12,453	8,183	2,790	1,561	24,987
<b>Net book value:</b>					
As at 1 January 2015	10,545	9,543	3,599	1,522	25,209
As at 31 December 2015	9,621	8,486	3,238	949	22,294

## 15. OTHER ASSETS

	2016 LAKm	2015 LAKm
Rental deposits	51,749	50,983
Prepayments	12,796	8,288
Guarantee deposit	-	8,188
Check waiting for clearing	14,355	7,290
Prepaid interest	30,150	20,259
Other receivables	588	5,766
	<b>109,638</b>	<b>100,774</b>

## 16. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2016 LAKm	2015 LAKm
<b>Term deposits</b>	<b>719,131</b>	<b>174,641</b>
VietinBank, Laos Branch	55,000	56,747
Lao Viet Bank (LVB)	40,835	24,384
Maybank Lao Branch	16,334	16,256
First Commercial Bank Limited, Vientiane Branch	31,667	24,384
Maruhan Japan Bank Lao Co., Ltd.	74,600	10,000
Depositors Protection Fund	24,000	23,500
Social Security Organization	3,000	3,000
Allianz General Laos	14,888	13,931
Lao Viet Insurance Co., Ltd	457	2,439
Heungkuk Life Insurance Co., Ltd	408,350	-
Saigon-Ha Noi Bank Lao Limited	50,000	-
<b>Borrowings from other bank and financial institutions</b>		
Maruhan Japan Bank Lao Co., Ltd	-	40,000
Heungkuk Life Insurance Co., Ltd	287,988	198,252
Cascof Holdings, Lp	408,350	406,400
	<b>1,415,469</b>	<b>819,293</b>

Term deposits from other banks have terms ranging from 6 months to 36 months and bear interest at rates ranging from 3.20% to 12.00% per annum for LAK and 4.00% per annum for USD.

Borrowings from other banks and financial institutions comprise:

- ▶ Bonds issued to Heungkuk Life Insurance Company Limited amounting to USD 38,662,351 which have terms of 1 – 12 months and bear interest at rates of 6.80% - 7.90% per annum.
- ▶ Bond issued to CASCOF Holdings, LP amounting to USD 50,000,000 which has a term of 5 years and bears interest at rate of 11.00% per annum.

## 17. DUE TO CUSTOMERS

Balances of customer deposits and other amounts due to customers as of 31 December 2016 are as follow:

	31-Dec-16 LAKm	31-Dec-15 LAKm
<b>Demand deposits</b>	<b>103,296</b>	<b>72,607</b>
Demand deposits in LAK	61,628	27,500
Demand deposits in FC	41,668	45,107
<b>Saving deposits</b>	<b>329,350</b>	<b>294,111</b>
Saving deposits in LAK	120,554	96,589
Saving deposits in FC	208,796	197,522
<b>Fixed term deposits</b>	<b>2,901,048</b>	<b>2,386,309</b>
Fixed term deposits in LAK	826,327	785,857
Fixed term deposits in FC	2,074,721	1,600,452
<b>Other payables to customers</b>	<b>12,762</b>	<b>2,501</b>
	<b>3,346,456</b>	<b>2,755,528</b>

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

	2016 Interest rate (% p.a.)	2015 Interest rate (% p.a.)
Demand deposits in LAK	No interest	No interest
Demand deposits in FC	No interest	No interest
Saving deposits in LAK	1.91%	2%
Saving deposits in USD	1.75%	1.75%
Saving deposits in THB	1.75%	1.75%
Fixed term deposits in LAK	3.09% - 7.04%	3.34% - 12.00%
Fixed term deposits in USD	2.75% - 6.00%	3.00% - 6.00%
Fixed term deposits in THB	3.75% - 7.00%	4.00% - 7.00%

## 18. TAXATION

### 18.1 Taxes payable

	31-Dec-16 LAKm	31-Dec-15 LAKm
Personal income tax payable	180	-
Profit tax payable	3,268	3,856
Value Added Tax payable	528	500
Withholding tax payable	749	70
	<b>4,725</b>	<b>4,426</b>

### 18.2 Profit tax

The Bank is obliged to pay profit tax ("PT") at rate of 24% of total profit before tax in accordance with the Tax Law No.05 dated 15 December 2015 which was effective on or after 24 May 2016.

Details of profit tax for the years 2016 and 2015 are as follows:

	2016 LAKm	2015 LAKm
Profit before tax of the year	79,340	63,392
<b>Taxable profit</b>	<b>79,340</b>	<b>63,392</b>
<b>PT expense, at the statutory rate of 24% (2014: 24%)</b>	<b>19,041</b>	<b>15,214</b>
PT payable at the beginning of the year	3,856	4,061
Adjustment for prior year tax according to Tax authority's assessment	102	17
PT tax paid during the year	(19,730)	(15,436)
<b>PT payable at the end of the year</b>	<b>3,268</b>	<b>3,856</b>

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

## 19. OTHER PAYABLES

	31-Dec-16 LAKm	31-Dec-15 LAKm
External account payable	5,868	906
Deferred income	150	895
Payables to staffs	1,301	2,186
Other payables	1,687	657
	<b>9,006</b>	<b>4,644</b>

## 20. PAID-UP CAPITAL

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

	2016 LAKm	2015 LAKm
Opening balance	419,514	419,514
Preference shares bought back during the year	(38,262)	-
Closing balance	<b>381,252</b>	<b>419,514</b>

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

	31-Dec-16 LAKm	31-Dec-15 LAKm
Ordinary shares	381,252	381,252
Preference shares	-	38,262
	<b>381,252</b>	<b>419,514</b>

## 21. CASH AND CASH EQUIVALENTS

	31-Dec-16 LAKm	31-Dec-15 LAKm
Cash on hand	68,883	85,111
Current accounts with the BOL	664,070	313,227
Current accounts with other banks	202,368	97,745
	<b>935,321</b>	<b>496,083</b>

## 22. OPERATING LEASE COMMITMENTS

	31-Dec-16 LAKm	31-Dec-15 LAKm
Within 1 year	448	2
From 1 to less than 5 years	4,303	3,354
Over 5 years	-	1,573
	<b>4,751</b>	<b>4,929</b>

## 23. EVENTS AFTER THE BALANCE SHEET DATE

There is not matter or circumstance that has arisen since the balance sheet date that requires adjustment or disclosure in the financial statements of the Bank.

Prepared by



**MR. MALAYPHONE SAKSATHITH**  
Head of Finance Division

Approved by



**MR. TAY HONG HENG**  
Managing Director

Vientiane, Lao P.D.R  
31 March 2017



## PART 4. BUSINESS UNIT NETWORK

### 4.1. Map of all Branches and Service Units within country



### 4.2. Location of the Branches and Service Units

#### 1. 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 District,  
Phone: (+856-21) 520 702-4  
Fax: (+856-21) 520 705



##### Vangthong Market Service Unit

Address: Ban Thongkhankham,  
Chanthabuly District,  
Tel. : (+856-21) 255 395-6  
Fax: (+856-21) 255 397



##### Xaymoungkhoun Service Unit

Address: Ban Xaymoungkhoun, Road No.  
13 North, Naxaithong District  
Tel: 021 612471-2  
Fax: 021 612473



**Champasack Province  
Pakse Branch**

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



**Savannakhet Province  
Savannakhet Branch**

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



**Khammouan Province  
Thakhek Service Unit**

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



**Luang Namtha Province  
Luang Namtha Service Unit**

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



**Luangphabang Province  
Luangphabang Service Unit**

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



**Xiengkhuang Province  
Xiengkhuang Service Unit**

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



**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) 280 172-3, Fax: (+856-54) 280 174



**Savannakhet Province  
8KM Service Unit**

Address: Road No.9, Ban Oudomvilay,  
Kaysone Phomvihane District.  
Phone: (+856 41) 253 555-6, Fax: (+856 41) 253 557



## PART 5. Events

### VIP Appreciation Dinner 2016











KM 8 Service Unit Opening at Savannakhet





ທະນາຄານອິນໂດຈີນ



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