



# 2017

## ANNUAL REPORT



*"enhancing your value"*



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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, 28 <sup>th</sup> November 2008
<b>Chairman</b>	: Mr. Oh Sei Young
<b>Managing Director</b>	: Mr. Tay Hong Heng
<b>Registered Office</b>	: 1st Floor, Kolao 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

Having reached 9 years in its journey, Indochina Bank has today achieved a remarkable business result which is reflected through the growth of balance sheet and revenue in 2017. Undoubtedly, our highest goal is still to ensure the highest satisfaction of our "customers" who are the heart of our business. The management team and all Indochina Bank colleagues are constantly working together to keep our eyes opened for any opportunities to fulfil customers' requirements.

Regardless of increasing challenges in the market, our business is still growing healthily. Total asset has increased by LAK212bn while momentum on profitability is maintained with the growth of 10% in 2017 relative to the previous year. As Chairman of the Bank, despite being satisfied with the performance, I have always emphasized the need to put our customers in our heart as the core value of any of the Bank's employees. I am a firm believer of customer-centric approach to doing business; Customer centricity is the key driver of a business and its sustainability.

It is not uncommon in any businesses in 2017 to face with increasing challenges. New entrants, change in operating landscape, the rapid move in technologies in the industry, more stringent regulations, international standard requirement and the like all contribute to how Banks shape their businesses.

Knowing where we are in terms of capabilities, Indochina Bank has never stopped working hard to make sure our products and services are easy to use and understand for our customers. Our teams of young talent are trained frequently to excel our services which is perceived to be our core competency. This is confirmed by feedbacks from our customers.

Indochina Bank is committed to continuous investment in response to fulfilment of customers' requirements and strong risk management. A number of projects have been in place and completed while some are still in the work-in-progress stage based on priority. The Bank has recently gone live with some compliance function automation such as those related to Know Your Customer (KYC), Sanction Screening, and Anti-Money Laundering (AML). Nevertheless, external consultants are also engaged for Basel II project as part of our commitment for better business management. Last but not least, we are also working with a number of vendors in either improving or replacing our existing technology in order to best serve our customers.

As Chairman of the Bank, I would like to express my heartfelt thanks and appreciation for the supports from our customers, the regulators and our Indochina Bank family members. The Bank is committed to relentlessly render the best services to its customers as well as adhering to the strongest corporate governance. Despite increasingly challenging business environment, we will at all cost never compromise on anything that will have an impact on the hard-earned trust from our customers but making sure there is always the best things for them.



Oh Sei Young  
Chairman



## 1.4. GENERAL OVERVIEW OF THE YEAR 2017

Based on a number of sources the country's GDP growth in the year is nearly 7% which is basically in line with that of 2016. Inflation remained low while generally the economy sees the outstanding improvement of trade deficit. Over all, we are seeing the significant role of hydropower sector in addition to infrastructure development projects as key drivers. Moreover, it is also noted that Government is still highly committed to its 2020 goal of taking the country off the list of Least Developed Country.

The emergence of Lao-China rail way project is one of many to be named as key infrastructure projects embarked on by the Government given its huge investment and capital influx. Upon completion, it will represent a number of business opportunities resulting from the connectivity geographically. That in turn also means that local businesses need to constantly improve themselves in order to remain competitive in the fast-changing-pace of the market and hence being able to capitalize on these changes.

The change of people's lifestyle which is driven by technology has inevitably determined the ways banking business should be operated. The increasing use of smart phones in life and banking has been rampantly witnessed at both the local and regional levels. Technology investment is a must in the new era of competition. Albeit the country has a modest size of population relative to the number of banks, competition is still on the rise.

### Performance of Indochina Bank: 2017

In spite of the modest growth of balance sheet, Indochina Bank still managed to maintain its profitability at a reasonable growth rate. This has served as an indicator for a healthy business model. Balance sheet growth has been funded by retail customer deposit growth of over 20% from LAK3.3 trillion to LAK4.05 trillion in 2016 and 2017 respectively. Our Bank's years of efforts have been paid off when many new customers have been on-boarded. Importantly there is always strong trust in Indochina Bank to enhance the value of their wealth via highly prudent and professional business management.

Profit before tax of LAK87 billion in 2017 represents a growth of 10% as compared to that of 2016. The growth was amid increased costs related to investment in modernizing our technology. Such a profitability relative to the balance sheet really indicates a good efficiency thanks to financial discipline embraced by the management of the Bank. With the lengthy experience and value within the management, all costs and investments of the Bank are always well managed with the aim to strive for cost effectiveness and optimized return.

The process of transitioning into more modern core banking was smooth in 2016 but it is not over yet; we are still pre-occupied with our desire to provide the best products and services for customers. We have engaged a number of consultants as well as building up our strong in-house talent to master the new system so that we can harness its capabilities.

2017 was a year in focus of improving efficiency. The Bank worked with its in-house development team to align its branches and service units with the Head Office. Some key human resources rotation was witnessed in response to the changing business environment and requirements. With the key focus on improving the performance of its branches and service units in the year, the Bank thus decided to put off the plan to roll out new branches in 2017. The strategy was proven right when a number of our business units ultimately met their annual business targets.

Success story continues with VIP customers segment of the Bank. Indochina Bank launched its newly designed modern VIP lounge in mid 2017. The launch attracted fantastic feedbacks from our customers and hence more and more satisfied our customers have become.

By doing the right things for our customers, the Bank has achieved another year of solid performance. The pace at which the Bank is moving is hardly matchable by any of its peers.

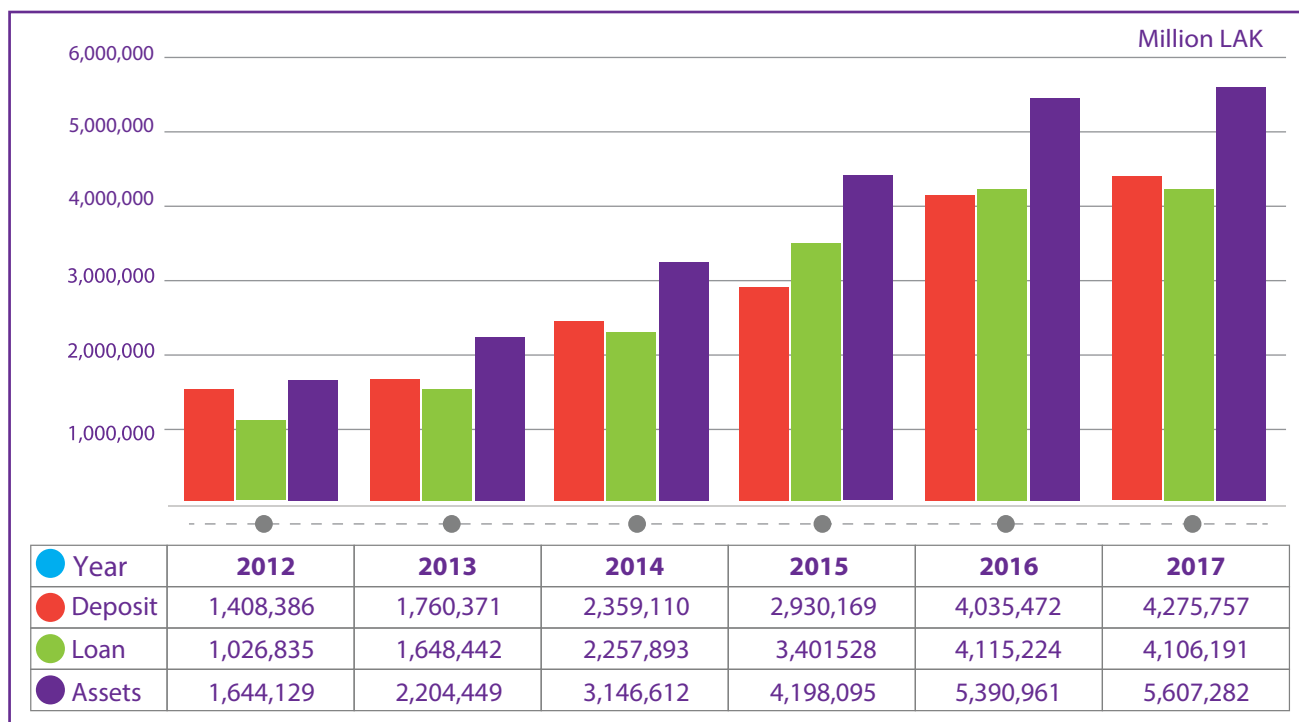


**Table of Comparative Performance 2017 VS 2016**

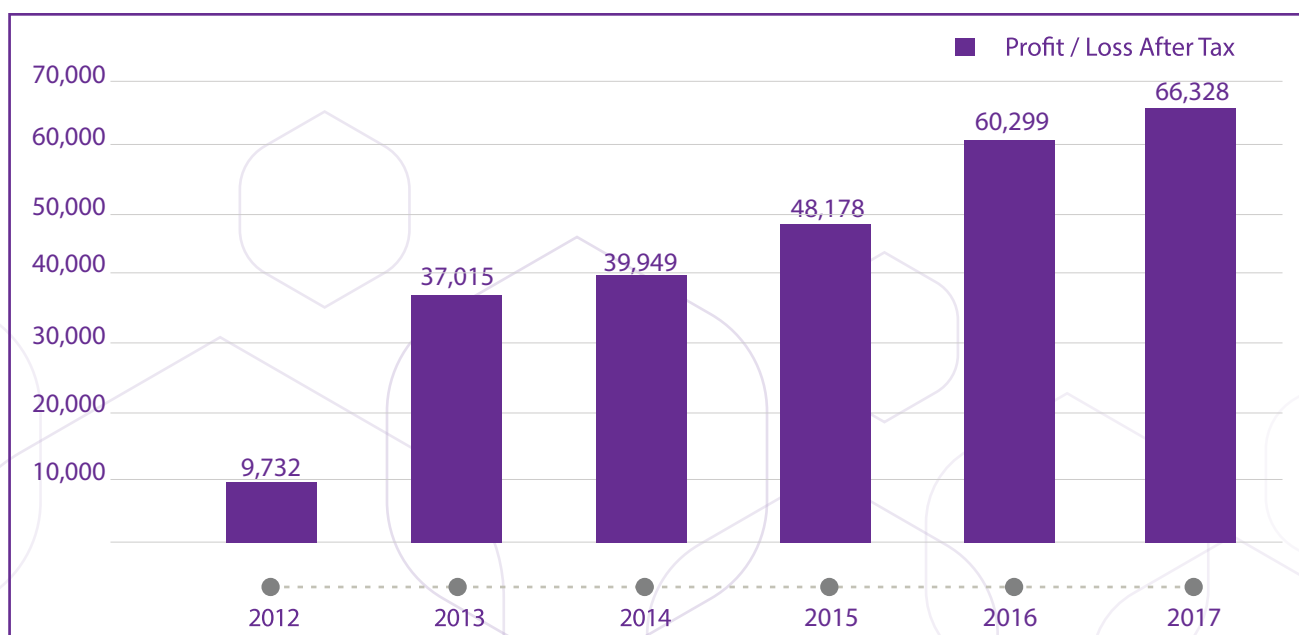
(In million Kip)

Description	2017		2016	2017 vs 2016	
	Budgeted	Performance		Amount increased	% increased
Deposits	4,450,056	4,275,757	4,065,587	210,170	5.17%
Loans	4,399,000	4,106,191	4,115,224	(9,033)	-0.22%
Assets	5,810,795	5,607,282	5,394,473	212,809	3.94%
Profit after Tax	66,788	66,328	60,299	6,029	10.00%

## THE GROWTH OF INDOCHINA BANK



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



## 1.5. PLAN AND BUSINESS OBJECTIVE OF INDOCHINA BANK 2018

Investment to continue in 2018 in the areas of technology and human resources. These commitments have been made in previous years and since been met in the following years with a phase-by-phase approach.

Although numerous manual works had been replaced with automation in 2017 especially in the area of risk management, the Bank will still continue to improve the usage of the newly deployed technology. The *raison d'être* of this is for well managed risks and more modernized business model.

Our technology team will continue working with competent vendors in improving and replacing some existing infrastructure of the Bank. With many projects in the pipeline, the key activities will be continuing until completion in the next 2 years.

More trainings, both in-house and external, have been budgeted for and will be spent on throughout 2018. The Bank sees the importance of humanized banking services relative to technology oriented. Slight growth of head counts will be seen while a lot of knowledge and efficiency enhancement activities will be carried out. Our long term goal is to have a business where our people is the core corporate competency with technology being secondary.

Expanding into other provinces will be considered on a best-merit basis. Presently, our coverage is in all key provinces where the majority of our clients are and can have access to our services at ease.

The Bank has engaged consultants for the Basel II project since 2017 and the phase I project will be completed in 2018. Basel II is a long term project for both Banks and regulator. A lot of efforts and financial resources are to be spent on this in order to make sure we are fully aligned with more modern banking practice.

Our community project team together with our Public Relations team have been working hard in creating action plan for CSR project in 2018-2019. On the sideline, different groups of our staff are doing a lot of community works and charity on their own as usual. We will continue working the right partners and effective projects for making positive impact in our society at large.

On the whole, 2018 is another exciting year, yet challenging, for us. Building a sustainable business model triggers the adoption of international standard while balancing it with local market practice. It has been proved that we have made the right move and thus will continue to move in that direction. Enhancing strong risk management framework, implanting the strong corporate culture within the staff, leveraging on new technology, and customer centricity are the key success factors for Indochina Bank.





## 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.



**Mr. Bounheng SOUPHIDA**  
**Deputy Chairman**

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



**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 Deputy Managing Director of the Indochina Bank.



**Mr. Wong Chew Huat**  
**Member**

Mr. Wong started off his banking career since 1991. He was working in various departments ranging from Operations to Finance and Credit. Between 2009 to 2013 he was a Senior Executive Officer at Operation & Bills department of Public Bank Berhad, Malaysia. He joined Indochina Bank since 2013 as a Senior General Manager.

## 2.3. BOARD OF MANAGEMENT

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

Name	Title	Date of appointment
Mr. Tay Hong Heng	Managing Director	Appointed on 20 April 2009
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 1 February 2014
Mrs. Khonemala Sitthilath	General Manager	Appointed on 01 January 2017

## 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

## PART 3. FINANCIAL REPORT

### 3.1. HISTORY OF EXTERNAL AUDITORS

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

### 3.2. FINANCIAL REPORT

#### INCOME STATEMENT

for the year ended 31 December 2017

Code	ITEMS	Notes	2017 LAKm	2016 LAKm
<b>A</b>	<b>OPERATING INCOME AND EXPENSES</b>			
<b>1.</b>	<b>Interest and similar income</b>	<b>3</b>	<b>453,677</b>	<b>417,021</b>
1.1	Interest and similar income from interbank transactions		1,424	169
1.2	Interest and similar income from loans to customers		445,583	412,885
1.3	Other interest and similar income		6,670	3,967
<b>2.</b>	<b>Interest and similar expense</b>	<b>3</b>	<b>(318,738)</b>	<b>(288,569)</b>
2.1	Interest and similar expense for interbank transactions		(88,918)	(87,413)
2.2	Interest and similar expense for customer deposits		(229,820)	(201,156)
<b>I.</b>	<b>NET INTEREST AND SIMILAR INCOME</b>	<b>3</b>	<b>134,939</b>	<b>128,452</b>
<b>3</b>	<b>Fees and commission income</b>	<b>4</b>	<b>33,349</b>	<b>20,275</b>
<b>4</b>	<b>Fees and commission expense</b>	<b>4</b>	<b>(3,117)</b>	<b>(3,498)</b>
<b>5</b>	<b>Net (loss)/ gain from dealing in foreign currencies and gold</b>		<b>361</b>	<b>(1,397)</b>
<b>II.</b>	<b>NET OPERATING INCOME</b>		<b>165,532</b>	<b>143,832</b>
<b>B</b>	<b>OTHER INCOME AND EXPENSES</b>			
<b>6</b>	<b>Other operating income</b>	<b>5</b>	<b>45,023</b>	<b>69,969</b>
<b>7</b>	<b>Administration expenses</b>		<b>(56,662)</b>	<b>(44,904)</b>
7.1	Payroll and other staff costs	6	(32,354)	(24,775)
7.2	Other administrative expenses	7	(24,308)	(20,129)
<b>8</b>	<b>Depreciation and amortization expenses</b>	<b>14</b>	<b>(13,736)</b>	<b>(9,483)</b>
<b>9</b>	<b>Other operating expenses</b>	<b>8</b>	<b>(50,221)</b>	<b>(78,675)</b>
<b>10</b>	<b>Net provision for non-performing loans</b>		<b>(2,662)</b>	<b>(1,399)</b>
10.1	Provision expense for non-performing loans	13.2	(11,266)	(2,342)
10.2	Reversal of provision for non-performing loans	13.2	8,604	943
<b>III.</b>	<b>TOTAL PROFIT BEFORE TAX</b>		<b>87,274</b>	<b>79,340</b>
<b>11</b>	<b>Current profit tax</b>	<b>18</b>	<b>(20,946)</b>	<b>(19,041)</b>
<b>IV.</b>	<b>PROFIT AFTER TAX</b>		<b>66,328</b>	<b>60,299</b>

## BALANCE SHEET

As at 31 December 2017

Code	ASSETS	Notes	31 December 2017 LAKm	31 December 2016 LAKm
<b>I</b>	<b>Cash and balances with the BOL</b>		<b>1,064,010</b>	<b>908,153</b>
1	Cash on hand	9	66,493	68,883
2	Balances with the BOL	10	997,517	839,270
<b>II</b>	<b>Due from other banks</b>	<b>11</b>	<b>240,830</b>	<b>202,368</b>
1	Demand deposits		176,830	202,368
2	Term deposits		64,000	-
<b>III</b>	<b>Investment in Securities</b>		<b>5,000</b>	<b>5,000</b>
1	Held-to-maturity securities	12	5,000	5,000
<b>IV</b>	<b>Loans to customers, net of provision for non-performing loans</b>	<b>13</b>	<b>4,106,191</b>	<b>4,115,224</b>
<b>V</b>	<b>Fixed assets</b>	<b>14</b>	<b>24,791</b>	<b>29,637</b>
1	Construction in progress	14.1	124	3,252
2	Intangible fixed assets	14.2	5,886	8,569
3	Tangible fixed assets	14.3	18,781	17,816
<b>VI</b>	<b>Other Assets</b>		<b>166,460</b>	<b>134,091</b>
1	Accrued interest receivables		25,362	24,453
2	Other assets	15	141,098	109,638
	<b>TOTAL ASSETS</b>		<b>5,607,282</b>	<b>5,394,473</b>

Code	LIABILITIES AND CAPITAL	Notes	31 December 2017 LAKm	31 December 2016 LAKm
<b>I</b>	<b>Due to banks and other financial institutions</b>	<b>16</b>	<b>909,929</b>	<b>1,415,469</b>
1	Term deposits		220,012	719,131
2	Borrowings from other banks		689,917	696,338
<b>II</b>	<b>Due to customers</b>	<b>17</b>	<b>4,055,745</b>	<b>3,346,456</b>
1	Demand and saving deposits		522,087	432,646
2	Term deposits		3,514,705	2,901,048
3	Other payables to customers		18,953	12,762
<b>III</b>	<b>Other liabilities</b>		<b>151,689</b>	<b>151,822</b>
1	Accrued interest payables		131,973	138,091
2	Taxes payable	18.1	4,706	4,725
3	Other payables	19	15,010	9,006
	<b>TOTAL LIABILITIES</b>		<b>5,117,363</b>	<b>4,913,747</b>
<b>IV</b>	<b>Capital and reserves</b>			
1	Paid-up capital	20	381,252	381,252
2	Regulatory reserve fund		25,181	18,548
3	General provision for credit activities	13.2	26,559	26,069
4	Retained earnings		56,927	54,270
5	Other reserve		-	587
	<b>TOTAL CAPITAL</b>		<b>489,919</b>	<b>480,726</b>
	<b>TOTAL LIABILITIES AND CAPITAL</b>		<b>5,607,282</b>	<b>5,394,473</b>

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>30,124</b>	<b>7,353</b>
1	Commitment for guarantees given to other banks		-	-
2	Commitment for guarantees given to customers		30,124	7,353
	<b>TOTAL COMMITMENTS GIVEN</b>		<b>30,124</b>	<b>7,353</b>
<b>II</b>	<b>Collaterals and Mortgages</b>			
<b>A</b>	<b>Collaterals and Mortgages for loans</b>		<b>23,924,376</b>	<b>11,230,260</b>
1	Collaterals and Mortgages for loans to other banks			
2	Collaterals and Mortgages for loans to customers		23,924,376	11,230,260
	<b>COLLATERALS AND MORTGAGES</b>		<b>23,924,376</b>	<b>11,230,260</b>

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	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 2016</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)
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
Adjustment to retained earnings	-	-	-	-	686	686
Adjustment to statutory reserve	-	(10)	-	-	10	-
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>
Dividend paid to shareholders	-	-	-	-	(55,374)	(55,374)
Net profit for the year	-	-	-	-	66,328	66,328
Net general provision charged during the year	-	-	153	-	-	153
Appropriation to regulatory reserves for the year	-	6,633	-	-	(6,633)	-
Reversal of other reserve	-	-	-	(587)	-	(587)
Other decrease (Note 19)	-	-	-	-	(1,664)	(1,664)
Foreign exchange difference	-	-	337	-	-	337
<b>Balances at 31 December 2017</b>	<b>381,252</b>	<b>25,181</b>	<b>26,559</b>	<b>-</b>	<b>56,927</b>	<b>489,919</b>

## CASH FLOW STATEMENT

for the year ended 31 December 2017

	Notes	2017 LAKm	2016 LAKm
<b>OPERATING ACTIVITIES</b>			
<b>Net profit before tax</b>		<b>87,274</b>	<b>79,340</b>
Adjustments for:			
Depreciation and amortization charges	14	13,340	9,483
Net loan loss provision expenses	13.2	2,815	6,170
Loss on asset disposals		540	7
<b>Cash flows from operation before changing in operating assets and liabilities</b>		<b>103,969</b>	<b>95,000</b>
(Increase)/Decrease in operating assets			
Due from other banks		(87,095)	(27,610)
Loans to customers		6,307	(715,030)
Accrued interest income		(909)	(5,087)
Other assets		(31,460)	(8,870)
Increase/(decrease) in operating liabilities			
Due to other banks		(505,540)	596,176
Due to customers		709,289	590,928
Accrued interest expense		(6,118)	20,994
Other liabilities		3,766	6,220
Profit tax paid during the year	18	(20,577)	(19,730)
<b>Net cash flows from operating activities</b>		<b>171,632</b>	<b>532,991</b>
<b>INVESTING ACTIVITIES</b>			
Payments for construction in progress and fixed asset acquisition		(9,036)	(6,367)
Proceed from asset disposals		2	-
Purchase of securities investments		-	(5,000)
<b>Net cash flows used in investing activities</b>		<b>(9,034)</b>	<b>(11,367)</b>
<b>FINANCING ACTIVITIES</b>			
Buy back preference shares		-	(38,262)
Dividend paid to shareholders		(55,374)	(44,124)
<b>Net cash flows used in financing activities</b>		<b>(55,374)</b>	<b>(82,386)</b>
<b>Net change in cash and cash equivalents</b>		<b>107,224</b>	<b>439,238</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>935,321</b>	<b>496,083</b>
<b>Effect of foreign exchange difference</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	21	<b>1,042,545</b>	<b>935,321</b>



## 1. INDEPENDENT AUDITORS' REPORT

To: The Owners of Indochina Bank Ltd

### Opinion

We have audited the financial statements of Indochina Bank Ltd ("the Bank"), which comprise the balance sheet as at 31 December 2017, 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 PDR and with the regulations stipulated by Bank of the LaoPDR relevant to preparation and presentation of financial statements.

### Basis for Opinion

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

### Other Matter

The supplementary information set out in Supplementary information for reference purpose does not form part of these financial statements and is included solely for information purposes. Such supplementary information is not within the scope of our audit and therefore, we do not give opinion on such information.

### 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 PDR and with the regulations stipulated by Bank of the LaoPDR 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 management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Ernst & Young Lao Ltd*

A circular blue stamp with a double border. The outer ring contains the text 'ກອບ ສາທາລະນະລາດ ລາວ' at the top and 'ຫລວງ ວຽງຈັນ' at the bottom. The inner circle contains the text 'ເອີ້ນ ເອີ້ນ ສາທາລະນະລາດ ລາວ' at the top, 'ລາວ ຈຳກັດ' in the middle, and 'ERNST & YOUNG LAO CO., LTD' at the bottom.

Vientiane, Lao PDR

11 April 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1. Statement of compliance

Management of the Bank states that the accompanying financial statements have been prepared in compliance with the Accounting Law of Lao PDR and the regulations stipulated by Bank of the LaoPDR 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 PDR dated 22 March 2000 and the Accounting Law of Lao PDR and the regulations stipulated by Bank of Lao PDR relevant to preparation and presentation of financial statements.

The accompanying financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Lao PDR. Accordingly, the income statement, 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 PDR'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 PDR.

### 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 an accrual basis using the 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 a 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”.

## 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 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 2017, the general provision rate for Normal or Pass loans is ranging from 0.5% to 1% in accordance with the Official Letter No. 242/BOL issued by Bank of the 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 (2016: 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 2017.

In accordance with the relevant accounting regulations as stipulated by Bank of the LaoPDR, 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 Held-to-maturity securities

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

Held-to-maturity securities are initially recognized at cost and subsequently presented at cost. Premiums and discounts arising from securities purchases are amortized in the 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 No.03/NA dated 26 December 2006, 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 appropriate at least 5% of profit after tax each year, after deducting retained losses, to regulatory reserve fund, until such fund reaches 10% of Tier-1 capital. Based on this requirement, management will decide the exact percentage of each year.



The Business expansion fund and other funds shall be created upon decision of the Board of Management.

Accordingly, the Bank has provided the following reserves for the year 2017:

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 2017 and as 31 December 2016 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.

		31 December 2017 LAK	31 December 2016 LAK
	United State Dollar ("USD")	8,279.00	8,167.00
	Thai baht ("THB")	253.26	228.32
	Euro ("EUR")	9,682.00	8,392.00
	Japanese yen ("JPY")	70.78	67.78
	Australian Dollar ("AUD")	6,192.00	5,680.00

## 2.15 Taxation

Provision is made for profit tax on the current year's profit, based on the Tax Law governing taxation within Lao PDR. 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 staff provident fund setup by the Bank. Each month, the Bank contributes 6% and each employee contributes 4% of the employee's monthly basic salary into the fund (maximum Bank's monthly contribution per employee is 500 USD). The benefit will be paid to each employee at the time of the retirement. The Bank has no further obligation concerning post-employment benefits for its employees other than this.

### Termination benefits

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

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 31 December 2017, 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

	2017 LAKm	2016 LAKm
Interest and similar income from:		
Interbank transactions	1,424	169
Loans to customers	445,583	412,885
Others	6,670	3,967
	<b>453,677</b>	<b>417,021</b>
Interest and similar expense for:		
Interbank transactions	(88,918)	(87,413)
Customer deposits	(229,820)	(201,156)
	<b>(318,738)</b>	<b>(288,569)</b>
Net interest and similar income	<b>134,939</b>	<b>128,452</b>

### 4. NET FEES AND COMMISSION INCOME

	2017 LAKm	2016 LAKm
<b>Fees and commission income from:</b>		
Fees on loans	3,166	6,651
Late payment penalties charged to customers	19,735	8,529
Telecommunication (fax, telegram)	1,567	1,476
Other activities	8,881	3,619
	<b>33,349</b>	<b>20,275</b>
<b>Fees and commission expense for:</b>		
Settlement services via Check, Fax, TT, Swift	(183)	(142)
Other financial services	(2,934)	(3,356)
	<b>(3,117)</b>	<b>(3,498)</b>
<b>Net fees and commission income</b>	<b>30,232</b>	<b>16,777</b>

### 5. OTHER OPERATING INCOME

	2017 LAKm	2016 LAKm
Reversal of general provision for credit losses (Note 13.2)	44,958	69,883
Others	65	86
	<b>45,023</b>	<b>69,969</b>

### 6. PAYROLL AND OTHER STAFF COSTS

	2017 LAKm	2016 LAKm
Wages and salaries	19,043	17,505
Other staff costs	13,311	7,270
	<b>32,354</b>	<b>24,775</b>

## 7. OTHER ADMINISTRATIVE EXPENSES

	2017 LAKm	2016 LAKm
Office rental	3,361	2,310
Fuel	285	272
Office stationery	290	319
Publication, marketing and promotion	6,486	3,814
Telecommunication	958	925
Repair and maintenance	1,082	869
Electricity and water	1,111	1,016
Audit and legal fees	-	278
Taxes and Duties	3,940	5,254
External services	1,021	150
Insurance fee	826	757
Others	4,948	4,165
	<b>24,308</b>	<b>20,129</b>

## 8. OTHER OPERATING EXPENSES

	2017 LAKm	2016 LAKm
General provision expenses (Note 13.2)	45,111	74,654
Depositor Protection Fund	2,775	2,405
Loss on disposals of assets	142	7
Others	2,193	1,609
	<b>50,221</b>	<b>78,675</b>

## 9. CASH ON HAND

	31 December 2017 LAKm	31 December 2016 LAKm
Cash on hand in LAK	31,098	38,807
Cash on hand in foreign currencies ("FC")	35,395	30,076
	<b>66,493</b>	<b>68,883</b>

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

	31 December 2017 LAKm	31 December 2016 LAKm
Demand deposits	799,222	664,070
Compulsory reserves (*)	198,001	174,906
Registered capital deposit (**)	294	294
	<b>997,517</b>	<b>839,270</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 (2016: 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 the BOL, commercial banks are required to maintain a minimum balance of special deposit at the 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 2017, the balance of this special deposit is 294 LAKm.

## 11. DUE FROM OTHER BANKS

	31 December 2017 LAKm	31 December 2016 LAKm
<b>Demand deposits</b>	<b>176,830</b>	<b>202,368</b>
<b>With domestic banks</b>	<b>42,782</b>	<b>136,228</b>
Banque pour le Commerce Exterieur Lao Public (BCEL)	41,969	135,446
Joint Development Bank (JDB)	813	767
Lao Development Bank (LDB)	-	15
<b>With overseas banks</b>	<b>134,048</b>	<b>66,140</b>
Standard Chartered Bank, New York	121,845	45,353
Standard Chartered Bank, Bangkok	5,414	1,553
Standard Chartered Bank, Frankfurt	287	314
Deutsche Bank Trust Company America, New York	-	18,920
KB Kookmin Bank	6,502	-
<b>Term deposits</b>	<b>64,000</b>	<b>-</b>
Vietinbank Lao Limited	16,000	-
Saigon Thuong Tin Lao Bank Limited	48,000	-
	<b>240,830</b>	<b>202,368</b>

Details of term deposits as at 31 December 2017 are as follows:

	31/12/2017 LAK	Currency	Term (month)	Interest rate % per annum
Vietinbank Lao Limited	16,000,000,000	LAK	12 months	5.00%
Sacombank Lao Branch	24,000,000,000	LAK	12 months	4.80%
Sacombank Lao Branch	24,000,000,000	LAK	12 months	3.50%

## 12. HELD-TO-MATURITY SECURITIES

	31 December 2017 LAKm	31 December 2016 LAKm
Bonds issued by the Ministry of Finance	5,000	5,000
	<b>5,000</b>	<b>5,000</b>

Bonds issued by the MOF have term of 1 year and earn interest at rates of 4.00% per annum.

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

### 13.1 Loansto customers

	31 December 2017 LAKm	31 December 2016 LAKm
Loans to customers	4,110,174	4,116,481
Less provision for non-performing loans	(3,983)	(1,257)
(Note 13.2)	<b>4,106,191</b>	<b>4,115,224</b>

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

	2017 Interest rates % per annum	2016 Interest rates % per annum
Loans in LAK	4.00%-16.00%	7.08% - 16.50%
Loans in USD	6.00%-15.00%	7.00% - 16.80%
Loans in THB	8.00% - 13.00%	8.00% - 13.00%

## Analysis by currency

	31 December 2017 LAKm	31 December 2016 LAKm
Loans in LAK	1,108,181	1,357,355
Loans in USD	2,617,773	2,489,951
Loans in THB	384,220	269,175
	<b>4,110,174</b>	<b>4,116,481</b>

## Analysis by status of loan

	31 December 2017 LAKm	31 December 2016 LAKm
Performing loans	4,100,359	4,110,091
- Normal or Pass	3,858,828	3,888,903
- Watch or Special Mention	241,531	221,188
Non-performing loans	9,815	6,390
- Substandard	3,063	6,390
- Doubtful	6,752	-
- Loss	-	-
	<b>4,110,174</b>	<b>4,116,481</b>

## 13.2 Provision for credit losses

Movements of provision for credit losses of the Bank during the year 2017 are as follows:

	Provision for NPL LAKm	General provision LAKm
<b>Balance as at 1 January 2016</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>
Provision charged to expense in the year	11,266	45,111
Reversal of provision in the year	(8,604)	(44,958)
Foreign exchange difference	64	337
<b>Balance at 31 December 2017</b>	<b>3,983</b>	<b>26,559</b>

The breakdown of loan classification and provision as required by the BOL as at 31 December 2017 are as follows:

Classification	Loan balance LAKm	Provision for NPL LAKm	General provision LAKm	Total provision LAKm
Performing loans				
- Normal or Pass	3,858,828	-	19,313	19,313
- Watch or Special Mention	241,531	-	7,246	7,246
Non-Performing loans (NPL)				
- Substandard	3,063	607	-	607
- Doubtful	6,752	3,376	-	3,376
- Loss	-	-	-	-
<b>Total</b>	<b>4,110,174</b>	<b>3,983</b>	<b>26,559</b>	<b>30,542</b>

## 14. FIXED ASSETS

### 14.1 Construction in progress

	2017 LAKm	2016 LAKm
Opening balance	3,252	9,410
Movement during the year		
- Increased during the year	9,034	5,265
- Transferred to fixed assets	(12,162)	(11,423)
<b>Closing balance</b>	<b>124</b>	<b>3,252</b>

### 14.2 Intangible fixed assets

Movements of intangible fixed assets for the year ended 31 December 2017 are as follows:

	Computer software LAKm	Total LAKm
<b>Cost:</b>		
As at 1 January 2017	12,871	12,871
Transferred from construction in progress	4,106	4,106
As at 31 December 2017	16,977	16,977
<b>Accumulated amortization:</b>		
As at 1 January 2017	4,302	4,302
Amortization for the year 2017	6,789	6,789
As at 31 December 2017	11,091	11,091
<b>Net book value:</b>		
As at 1 January 2017	8,569	8,569
As at 31 December 2017	5,886	5,886

Movements of intangible fixed assets for the year ended 31 December 2016 were 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

### 14.3 Tangible fixed assets

Movements of tangible fixed assets for the year ended 31 December 2017 are as follows:

	Building & improvements LAKm	Office equipment LAKm	Furniture & fixtures LAKm	Motor vehicles LAKm	Total LAKm
Cost:					
As at 1 January 2017	22,074	17,407	6,336	2,520	48,337
Transferred from construction in progress	1,480	5,872	497	207	8,056
Disposals	(7)	(442)	(91)	-	(540)
As at 31 December 2017	23,547	22,837	6,742	2,727	55,853
Accumulated depreciation:					
As at 1 January 2017	13,879	10,549	4,131	1,962	30,521
Charge for the year	1,763	3,457	1,382	345	6,947
Disposals	(5)	(324)	(67)	-	(396)
As at 31 December 2017	15,637	13,682	5,446	2,307	37,072
Net book value:					
As at 1 January 2017	8,195	6,858	2,205	558	17,816
As at 31 December 2017	7,910	9,155	1,296	420	18,781

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

Classification	Building & improvements LAKm	Office equipment LAKm	Furniture & fixtures LAKm	Motor vehicles LAKm	Total LAKm
Cost:					
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
Accumulated depreciation:					
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
Net book value:					
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

## 15. OTHER ASSETS

	31 December 2017 LAKm	31 December 2016 LAKm
Rental deposits	51,749	51,749
Prepayments	9,542	12,796
Checks waiting for clearance	23,827	14,355
Prepaid interests	55,761	30,150
Other receivables	219	588
	<b>141,098</b>	<b>109,638</b>



## 16. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2017 LAKm	31 December 2016 LAKm
Term deposits	<b>220,012</b>	<b>719,131</b>
VietinBank Lao Limited	16,558	55,000
Lao Viet Joint Venture Bank	-	40,835
Maybank Lao Branch	16,558	16,334
First Commercial Bank Limited, Vientiane Branch	56,158	31,667
Maruhan Japan Bank Lao Co., Ltd.	-	74,600
Depositors Protection Fund	16,000	24,000
Social Security Organization	6,000	3,000
Allianz General Laos	25,948	14,888
Lao Viet Insurance Co., Ltd	-	457
Heungkuk Life Insurance Co., Ltd	-	408,350
Saigon-Ha Noi Bank Lao Limited	-	50,000
Canadia Bank Lao	16,558	-
Saigon Thuong Tin Lao Bank Limited	66,232	-
Borrowings from other bank and financial institutions		
Heungkuk Life Insurance Co., Ltd	379,454	287,988
Cascof Holdings, LP	310,463	408,350
	<b>909,929</b>	<b>1,415,469</b>

Term deposits from other banks have terms ranging from 6 months to 36 months and bear interest at rates ranging from 4.50% to 6.80% per annum for LAK and 3.30% to 6.00% per annum for USD and 5.00% to 7.00% per annum for THB.

Borrowings from other banks and financial institutions comprise:

- Bonds issued to Cascof Holdings, LP amounting to USD 37,500,000 which have terms of 26 – 57 months and bear interest at rates of 11.00% per annum.
- Borrowing from Heungkuk Life Insurance Co., Ltd amounting USD 45,833,337 which have terms of 17-48 months and bear interest at rates of 8.30% per annum.

## 17. DUE TO CUSTOMERS

Balances of customer deposits and other amounts due to customers as of 31 December 2017 are as follow:

	31 December 2017 LAKm	31 December 2016 LAKm
<b>Demand deposits</b>	<b>151,054</b>	<b>103,296</b>
Demand deposits in LAK	36,411	61,628
Demand deposits in FC	114,643	41,668
<b>Saving deposits</b>	<b>371,033</b>	<b>329,350</b>
Saving deposits in LAK	121,315	120,554
Saving deposits in FC	249,718	208,796
<b>Fixed term deposits</b>	<b>3,514,705</b>	<b>2,901,048</b>
Fixed term deposits in LAK	877,073	826,327
Fixed term deposits in FC	2,637,632	2,074,721
<b>Other payables to customers</b>	<b>18,953</b>	<b>12,762</b>
	<b>4,055,745</b>	<b>3,346,456</b>

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

	2017 Interest rate (% p.a.)	2016 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%	1.91%
Saving deposits in USD	1.75%	1.75%
Saving deposits in THB	1.75%	1.75%
Fixed term deposits in LAK	3.09% - 14.00%	3.09% - 7.04%
Fixed term deposits in USD	4.00% - 8.55%	2.75% - 6.00%
Fixed term deposits in THB	3.00% - 7.55%	3.75% - 7.00%

## 18. TAXATION

### 18.1 Taxes payable

	31 December 2017 LAKm	31 December 2016 LAKm
Personal income tax payable	-	180
Profit tax payable	3,637	3,268
Value Added Tax payable	500	528
Withholding tax payable	569	749
	<b>4,706</b>	<b>4,725</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.70/NA dated 15 December 2015 which was effective on or after 24 May 2016.

Details of profit tax for the years 2017 and 2016 are as follows:

	2017 LAKm	2016 LAKm
Profit before tax of the year	87,274	79,340
<b>Taxable profit</b>	<b>87,274</b>	<b>79,340</b>
<b>PT expense, at the statutory rate of 24% (2015: 24%)</b>	<b>20,946</b>	<b>19,041</b>
PT payable at the beginning of the year	3,268	3,856
Adjustment for prior year tax according to Tax Inspection	-	102
PT paid during the year	(20,577)	(19,730)
<b>PT payable at the end of the year</b>	<b>3,637</b>	<b>3,268</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

	2017 LAKm	2016 LAKm
External accounts payable	8,030	5,868
Payables to staffs	2,083	1,301
Deferred income	10	150
Other payables (*)	4,887	1,687
	<b>15,010</b>	<b>9,006</b>

(\*) Included in this amount as at 31 December 2017 is LAK 1,664 being the provision for potential tax liability of 2016. This provision has been made from retained earnings reduction, under the request of the BOL as specified in its Inspection Minute dated 1 September 2017.

## 20. PAID-UP CAPITAL

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

	2017 LAKm	2016 LAKm
Opening balance	381,252	419,514
Preference shares bought back during the year	-	(38,262)
Closing balance	<b>381,252</b>	<b>381,252</b>

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

	31 December 2017 LAKm	31 December 2016 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 December 2017 LAKm	31 December 2016 LAKm
Cash on hand	66,493	68,883
Current accounts with the BOL	799,222	664,070
Current accounts with other banks	176,830	202,368
	<b>1,042,545</b>	<b>935,321</b>

## 22. OPERATING LEASE COMMITMENTS

Transactions with key management personnel of the Bank

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

	2017 LAKm	2016 LAKm
Salaries	6,241	4,778
Bonus and other benefits	6,405	1,841
	<b>12,646</b>	<b>6,619</b>

## 23. EVENTS AFTER THE BALANCE SHEET DATE

	31 December 2017 LAKm	31 December 2016 LAKm
Within 1 year	422	448
From 1 to less than 5 years	4,041	4,303
Over 5 years	-	-
	<b>4,463</b>	<b>4,751</b>

## 24. EVENTS AFTER THE BALANCE SHEET DATE

There is no 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  
Vientiane, Lao P.D.R  
31 March 2018

Approved by



**MR. TAY HONG HENG**  
Managing Director

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



## Location of the Branches and Service Units



### Savannakhet Province Savannakhet Branch

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



### 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



### 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



## PART 5. Events

### VIP appreciation Dinner 2017





## Blood Donation Activity



## Social Charity Relationship



## Big Cleaning Day Activity



## Children Library - Book Donation









