



# 2019

## ANNUAL REPORT



- **CORPORATE SUMMARY**
- **ORGANIZATION STRUCTURE**
- **FINANCIAL REPORT**
- **BUSINESS UNIT NETWORK**
- **EVENTS**



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## PART 1. CORPORATE SUMMARY

### 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>	: 1 <sup>st</sup> -3 <sup>rd</sup> Floor, KOLAO Tower I, 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 the Ministry of Planning and Investment and under Banking Business License No.53/BOL granted by the Bank of the Lao PDR (“BOL”) on 28 November 2008.

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

### 1.3. Vision of the Bank

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

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

## CHAIRMAN'S MESSAGE

Without a doubt, Indochina Bank (IB) has continued its achievements in 2019 despite all external challenges. Our efforts have paid off, as the Bank has sailed through the year despite a number of unfavourable conditions. This has proved to all stakeholders including our customers, government, and community at large that our Bank is well managed, thanks to a well laid out risk management framework.

Economic growth within a limited range in 2019 has resulted in a slowdown in public spending and private investment on top of global economic pressures, which in turn brought about challenges in the banking sector. Having said that, IB always ensures we adhere to sustainable business management, be it more conservative approach to lending, cost management or streamlining revenue generation process.

We are meticulous in what we do to ensure that we do not create any negative impacts to our customers. We always bear in mind that trust is difficult to be earned and is even more difficult to be maintained. One of our key focus is strong corporate governance which has been embedded within our corporate culture. Our employees are being groomed to live up with the IB standard which looks beyond local context but international standard. Discipline and service-mindedness are well embraced among all members of IB family.

With a significant increase in the value of transactions, 2019 delivers a balance sheet growth of over 7% relative to previous year. A more prudent lending portfolio management has resulted in higher credit costs and hence a slight impact on profitability. IB continues to invest in its technology in preparation for the launch of our suite of new electronic products. This is a reflection of our long-term orientation in pursuit of a more sustainable business model. Although these inevitable costs have an impact on the bank's profit, in short to medium term, they are healthy investments for better customer experiences and services.

As Chairman of IB, I would like to reiterate that all employees of the bank will work tirelessly in order to deliver the best class services to our customers. We will never be over complacent with our recent achievements but strive for even a higher level of success. With the right management team, highly adaptive strategies and highly motivated talent pool, IB will create a better future with our customers and our community.

Last but not least, I would like to convey my heartfelt appreciation to our customers for the trust given, to the Government for the kind support provided, and finally to the staff of Indochina Bank for their hard work throughout the year.



Oh Sei Young  
Chairman



## **1.4. General overview of the year 2019**

The economy grew at a slower pace, but has transitioned into a more realistic and sustainable path, largely in part due to the Lao Government's strategies. The growth of just over 6%, which is slightly below the rate approved by the National Assembly is still perceived to be reasonable despite many hindrances such as floods, drought and animal diseases in some areas. The Government's efforts on strong fiscal control and improving revenue collections will pay off in the long term and will put in place a strong foundation for solid growth.

The Lao-China railway project has seen good traction and is expected to be completed on time in 2021. Upon full capacity operation, the infrastructure should create enormous economic benefits to the country on basis of good management framework.

Government of Laos has been inserting extra efforts in improving the national ranking in Ease of Doing Business Index of the World Bank. The achievement in this exercise should help create a better environment for foreign investments and help cope with national foreign reserve pressure.

On the whole, 2019 is seen as a consolidation of the previous year. Businesses had to adopt and adapt to dynamic strategies in order to maintain profitability and hence sustainability.

### **Performance of Indochina Bank: 2019**

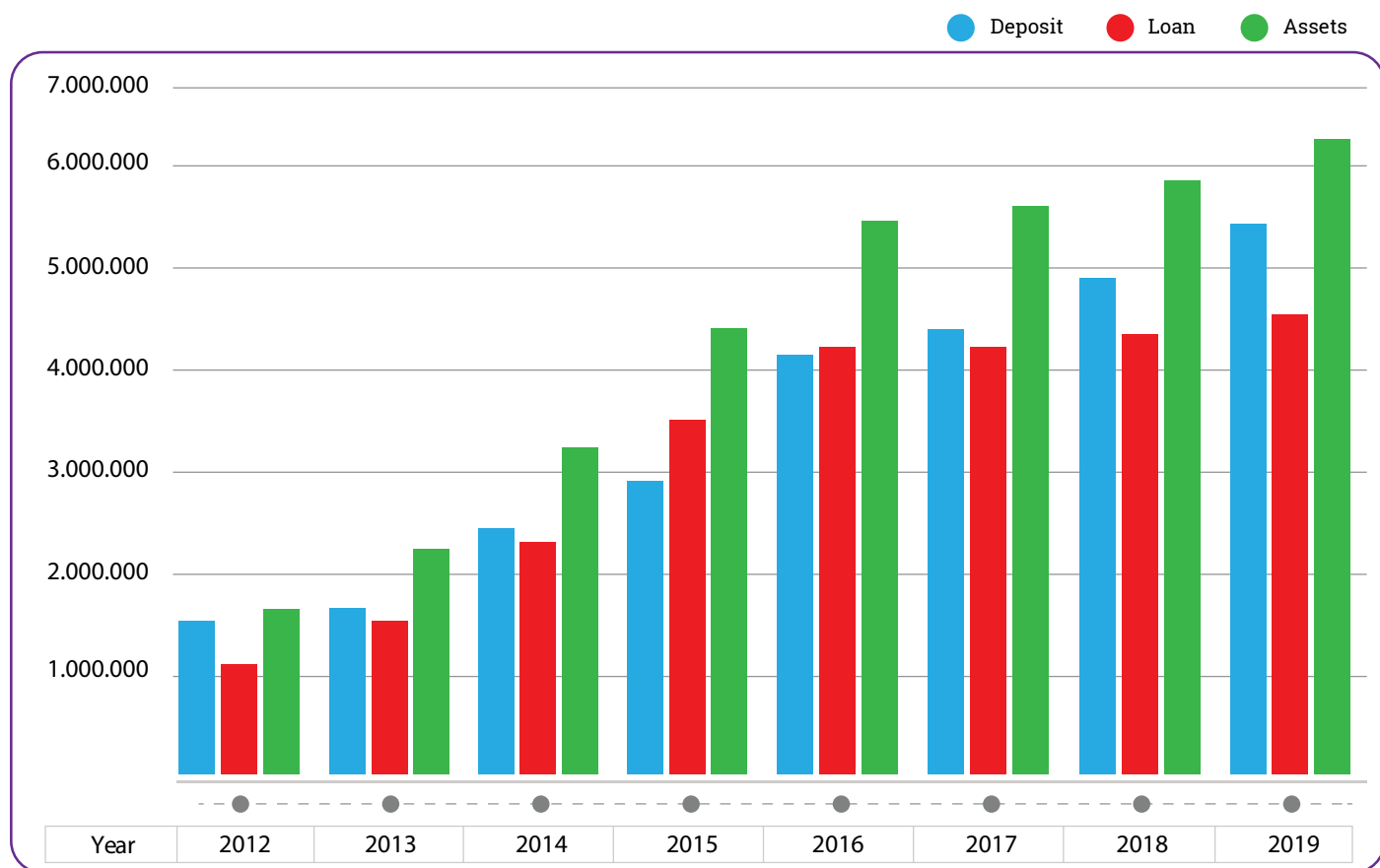
The Bank has maintained its growth momentum relative to 2018. Deposit increased by over 11% while loans is just over 6% which is in line with asset growth. Stronger growth in deposit is a result of increased business volume mainly from existing customers as the number of new customers was moderate. This is a reflection of more quality and higher value accounts for the bank, thanks to the strategy of skimming the cream off the milk. By this exercise, IB has been able to provide better tailored services to the focused group of customers and attain higher customer satisfaction.

Lending portfolio delivered modest increase, which is aligned with the Bank's strategy determined during the challenging market situation. More competition in the lending space has spurred unnecessary debt burden for customers in general. In many circumstances, push-marketing strategy lead to unsound credit decision amongst a number of financial institutions and hence the borrowers' discipline in financial management. Taking into account this principle, IB has been more conservative on onboarding new borrowing customers but rather deepening relationship with existing clients.

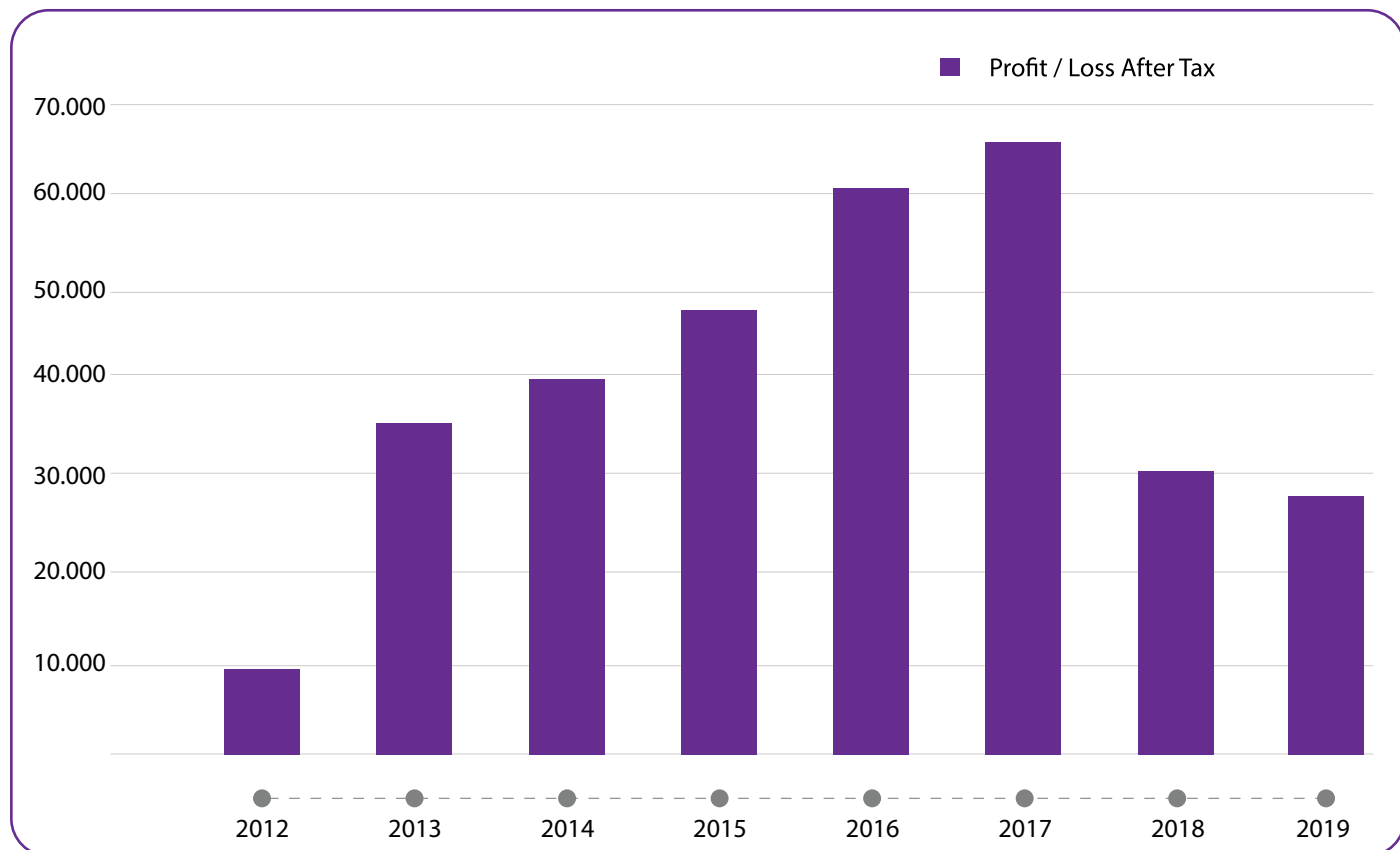
The year has also seen a continuation of investment, especially in our systems due to the decision to broaden the scope for optimized results. We have progressed significantly in the expansion and upgrading of our infrastructure. Inevitable expenditure in this segment has impacted on the Bank's bottom line but is justified. IB is in pursuit of better value proposition (transforming conventional banking into a more electronic-based banking business) for all its clients. As such resources were allocated, which will create long-term benefits for both the Bank and its customers.

IB is placing itself to be the best value-enhancing bank through a suite of new products and tailored banking services. Through the way we bench mark ourselves in the market, our key strength is not interest rates but the quality of service and the competitive pricing. In line with the industry, we have adjusted our pricing strategies to capitalise on our key strengths where all stakeholders including customers, ourselves and community at large can harmoniously enjoy the economic benefits together although this would imply more pressured profit margin. At the same time, attention is paid to investing in developing human resources for high quality bankers. Quality is not possible without the right set of people skills. The Bank strongly believes this concept leads to a more sustainable business model for the long term.

## The Growth of Indochina Bank



## Yearly Profit /Loss After Tax





## 1.5. Plan and Business objective of Indochina Bank 2020

New products will be launched in third quarter of the year. The launch shall follow a phase-by-phase approach to ensure customers go through the best experience. The focus shall be very niche at the onset as we need to match, if not buffer, the resources with the pilot group of customers. IB can never disappoint our clients with what we offer thus we are planning our activities more strategically and meticulously. We anticipate that with the amount of financial resources, time spent and hard work contributed by our team will bring priceless value and satisfaction to the first-time product users.

Our fee-based income has seen an upward move from 2019 and this trend is expected to continue in 2020 and the coming years. This will be achievable due to our well-developed people's skills and strategic investment in better tools.

Cost management will continue to receive attention from the management. 2020 is anticipated to be more challenging economy wise. It is the time all businesses should heavily focus on streamlining their processes and pursuing efficiency gains within their workforce. IB will align our strategies periodically with the market conditions to ensure we achieve the best outcomes to our profitability.

Given the recent incident of global pandemic, all our customers are undoubtedly impacted. IB shall take initiatives in working with our customers to ensure they plan their financials soundly through the services and advice from us. While the businesses in general are slow, we will continue with our role of supporting our customers to cushion against possible distress by maintaining strong risk management framework as a safest financial institution.

The health and well-being of the community are also another focus of IB. Whenever there is an opportunity, be it at corporate or individual levels, we have no hesitation but to volunteer to contribute to the society. We have allocated budget for community activities and our specific team is working with stakeholders in planning for community contributions to selected segments for the highest possible impact.

On the whole, our business in 2020 will be driven by improved infrastructure, upgraded technology combined with our young bankers equipped with better skills sets. It is a very interesting and nothing less than exciting year in pursuit of our double success.

## PART 2. ORGANIZATION STRUCTURE

### 2.1. List of shareholders

No	Name of shareholders	Percentage
1	Mr. Oh Sei Young (Korean)	78,01%
2	LVMC Investment Ltd	11,99%
3	Mrs. Thavone Vongsombath	10,00%
	Total:	100,00%



## 2.2. Board of Directors



**Mr. Oh Sei Young**  
**Chairman**

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



**Mrs. Thavone Vongsombath**  
**Deputy Chairman**

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



**Mr. Tay Hong Heng**  
**Member**

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



**Mrs. Chanpheng Vongsombath**  
**Member**

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



**Mr. Bounheng SOUPHIDA**  
**Member**

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



**Mrs. Phouvanh Phudphong**  
**Member**

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

## 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
Mr. Tay Hong Heng	Managing Director
Mrs. Chanpheng Vongsombath	Deputy Managing Director
Mr. Bounheng Souphida	Deputy Managing Director
Mr. Wong Chew Huat	Senior General Manager
Mr. Voradeth Phanphengdy	Senior General Manager
Mrs. Khonemala Sitthilath	General Manager

## 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
- 2018 to 2019 the Bank was audited by KPMG Lao Co., Ltd

### 3.2. Financial Reports

#### INDEPENDENT AUDITORS' REPORT

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

##### *Opinion*

We have audited the financial statements of Indochina Bank Ltd. (the "Bank"), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in capital and other reserves and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R.

##### *Basis for Opinion*

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

##### Responsibilities of Management for the Financial Statements

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

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

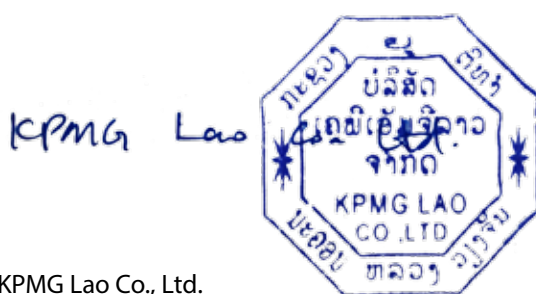
#### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



KPMG Lao Co., Ltd.  
Vientiane Capital, Lao P.D.R  
31 March 2020

	Notes	2019	2018
<b>Assets</b>			
<b>Cash and balances with the BOL</b>		<b>953.958</b>	<b>827.810</b>
Cash on hand	10	61.726	61.442
Balances with the BOL	11	892.232	766.368
<b>Due from other banks</b>	12	<b>293.713</b>	<b>310.240</b>
Demand deposits		247.713	185.240
Term deposits		46.000	125.000
<b>Investments</b>		<b>285.997</b>	<b>279.254</b>
Investment in bond	13(a)	267.230	261.140
Investment in associate	13(b)	18.767	18.114
<b>Loans and advances to customers, net of specific provision</b>	14	<b>4.529.276</b>	<b>4.244.249</b>
<b>Fixed and Intangibles assets</b>		<b>17.334</b>	<b>17.737</b>
Intangible fixed assets	15.1	284	2.331
Construction in progress	15.2	3.754	1.015
Tangible fixed assets	15.3	13.296	14.391
<b>Other assets</b>		<b>218.757</b>	<b>183.662</b>
Accrued interest receivables		52.124	30.964
Other assets	16	166.633	152.698
<b>Total assets</b>		<b>6.299.035</b>	<b>5.862.952</b>
<b>Liabilities, capital and other reserves</b>			
<b>Due to banks and financial institutions</b>	17	<b>263.004</b>	<b>568.084</b>
Demand deposits		45	-
Term deposits		152.447	289.413
Borrowings from financial institutions		110.512	278.671
<b>Due to customers</b>	18	<b>5.344.247</b>	<b>4.646.743</b>
Demand and saving deposits		449.010	503.978
Term deposits		4.876.937	4.115.794
Other payables to customers		18.300	26.971
<b>Other liabilities</b>		<b>231.897</b>	<b>191.140</b>
Accrued interest payable – due to customer		208.679	160.375
Taxes payable	19.1	4.482	9.860
Other payable	20	18.736	20.905
<b>Total liabilities</b>		<b>5.839.148</b>	<b>5.405.967</b>
<b>Capital and other reserves</b>			
Paid-up capital	21	381.252	381.252
Legal reserve		31.089	28.207
General provision for credit activities	14.2	21.613	20.063
Retained earnings		25.933	27.463
<b>Total capital and other reserves</b>		<b>459.887</b>	<b>456.985</b>
<b>Total liabilities, capital and other reserves</b>		<b>6.299.035</b>	<b>5.862.952</b>

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

	Notes	2019	2018
<b>Operating income and expenses</b>			
<b>Interest and similar income</b>	4	<b>516.108</b>	<b>511.416</b>
Interest and similar income from interbank transactions		79.767	63.571
Interest and similar income from loans to customers		414.517	447.645
Interest income from investment in securities		21.824	200
<b>Interest and similar expense</b>	4	<b>(417.907)</b>	<b>(395.803)</b>
Interest and similar expense for interbank transactions		(95.870)	(111.226)
Interest and similar expense for customer deposits		(322.037)	(284.577)
<b>Net interest and similar Income</b>	4	<b>98.201</b>	<b>115.613</b>
Fees and Commission Income	5	42.788	33.032
Fees and Commission Expense	5	(974)	(2.136)
<b>Net fee and commission Income</b>		<b>41.814</b>	<b>30.896</b>
<b>Share of profit/ (loss) from associate</b>	13(b)	<b>210</b>	<b>(200)</b>
<b>Net operating income</b>		<b>140.225</b>	<b>146.309</b>
<b>Other income and expenses</b>			
<b>Other Income</b>		<b>47.198</b>	<b>159.464</b>
Net (loss)/gain on foreign exchange		(1.556)	2.630
Other operating income	6	48.754	156.834
<b>Administration expenses</b>		<b>(76.707)</b>	<b>(73.114)</b>
Payroll and other staff costs	7	(42.026)	(39.831)
Other administrative expenses	8	(34.681)	(33.283)
<b>Depreciation and amortization expenses</b>	15	<b>(6.945)</b>	<b>(14.454)</b>
<b>Other operating expenses</b>	9	<b>(62.595)</b>	<b>(166.685)</b>
<b>Total expenses</b>		<b>(146.247)</b>	<b>(254.253)</b>
<b>Net operating profit</b>		<b>41.176</b>	<b>51.520</b>
<b>Net provision for non-performing loans</b>			
Provision expense for non-performing loans	14.2	<b>(3.261)</b>	<b>(7.662)</b>
Reversal of provision for non-performing loans		(45.971)	(22.036)
		42.710	14.374
<b>Profit before tax</b>		<b>37.915</b>	<b>43.858</b>
Income tax		(9.100)	(13.344)
<b>Profit after tax</b>	19.2	<b>28.815</b>	<b>30.514</b>

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



	Paid-up capital	Legal Reserve	General provision for credit activities	Retained earnings	Total
<b>Balance as at 1 January 2018</b>	<b>381.252</b>	<b>25.181</b>	<b>26.559</b>	<b>56.927</b>	<b>489.919</b>
Dividend paid to shareholders	-	-	-	(56.927)	(56.927)
Net profit for the year	-	-	-	30.514	30.514
Transfer to legal reserve	-	3.051	-	(3.051)	-
General provision charged during the year	-	-	152.876	-	152.876
Reversal of general provision during the year	-	-	(152.999)	-	(152.999)
Reclassified to Specific provision during the year	-	-	(6.915)	-	(6.915)
Foreign exchange difference	-	(25)	542	-	517
<b>Balance as at 31 December 2018</b>	<b>381.252</b>	<b>28.207</b>	<b>20.063</b>	<b>27.463</b>	<b>456.985</b>
Dividend paid to shareholders (Note 21)	-	-	-	(27.463)	(27.463)
Net profit for the year	-	-	-	28.815	28.815
Transfer to legal reserve	-	2.882	-	(2.882)	-
General provision charged during the year	-	-	41.976	-	41.976
Reversal of general provision during the year	-	-	(40.948)	-	(40.948)
Foreign exchange difference	-	-	522	-	522
<b>Balance as at 31 December 2019</b>	<b>381.252</b>	<b>31.089</b>	<b>21.613</b>	<b>25.933</b>	<b>459.887</b>

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



	Notes	2019	2018
<b>Cash flows from operating activities</b>			
Net profit before tax		<b>37.915</b>	<b>43.858</b>
<b>Adjustments for non-cash items:</b>			
Loan impairment charges		4.289	7.539
Interest and similar income		(519.979)	(511.416)
Interest and similar expense		417.907	395.803
Net (loss)/gain from dealing in foreign currencies		1.556	(2.630)
Depreciation and amortization charges		6.945	14.454
Loss on disposal of tangible fixed assets		206	(53)
Share of profit/(loss) from associate		(210)	200
Interest received		489.414	505.814
Interest paid		(375.137)	(416.989)
Income tax paid		(19.266)	(10.676)
<b>Cash flows from operations before changing in operating assets and liabilities</b>		<b>47.511</b>	<b>25.904</b>
Statutory deposit with BOL		(6.190)	(11.487)
Due from other banks		79.000	-
Loans and advances to customers		(285.027)	(138.059)
Other assets		(13.935)	(11.598)
Change in due to other banks and financial institutions		(305.080)	(341.845)
Amounts due to customers		697.505	553.661
Other liabilities		(2.170)	18.271
<b>Net cash generated from operating activities</b>		<b>164.102</b>	<b>68.943</b>
<b>Cash flows from investing activities</b>			
Purchase of property, equipment and intangible assets		(2.220)	(3.508)
Proceeds from disposal of property and equipment		500	565
Investment made during the year		-	(274.254)
<b>Net cash used in investing activities</b>		<b>(1.720)</b>	<b>(277.197)</b>
<b>Cash flows from financing activities</b>			
Dividend paid to shareholders		(27.463)	(56.927)
<b>Net cash generated used in financing activities</b>		<b>(27.463)</b>	<b>(56.927)</b>
Net change in cash and cash equivalents		182.430	(239.277)
Cash and amount due from other banks, 1 January		803.268	1.042.545
<b>Cash and amount due from other banks, 31 December</b>		<b>985.698</b>	<b>803.268</b>

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



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## 1 Organization and principal activities

Indochina Bank Ltd. ("the Bank") is a foreign owned, locally incorporated commercial bank. The Bank was incorporated in Lao People's Democratic Republic ("Lao P.D.R") on 26 May 2008 under a Foreign Investment License No.217-11/PI granted by the Ministry of Planning and Investment and under Banking Business License No.23/BOL granted by Bank of LAO P.D.R on 8 November 2017.

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

The principal activities of the Bank are to provide comprehensive banking and related financial services in Lao P.D.R. As at 31 December 2019, the Bank had 204 (2018: 205) employees.

### Paid-up Capital

As at 31 December 2019, the paid-up capital of the bank was LAKm 381.252. (2018: LAKm 381.252)

## **2 Basis of preparation of the financial statements**

### **(a) General basis of accounting**

#### **(i) Statement of compliance**

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

#### **(ii) Basis of Preparation**

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

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

#### **(iii) Basis of measurement**

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

#### **(iv) Use of judgements and estimates**

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

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




### **(b) Fiscal Year**

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

### **(c) Foreign currency transactions**

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

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

	31 December 2019	31 December 2018
 <b>United State Dollar ("USD")</b>	<b>8.841,00</b>	<b>8.538,00</b>
 <b>Thai baht ("THB")</b>	<b>289,00</b>	<b>264,85</b>
 <b>Euro ("EUR")</b>	<b>9.755,00</b>	<b>9.590,00</b>

### 3 Significant accounting policies

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

#### (a) Recognition of interest income and expense

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

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

#### (b) Recognition of fee and commission income

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

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

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

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

#### (c) Cash and cash equivalents

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

#### (d) Loans to customers

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

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

**Regulation 512/BOL applicable from 1 October 2018**

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

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

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

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

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

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

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

#### **Regulation 324/BOL applicable before 1 October 2018**

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

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

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

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

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

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

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

**(f) Write-off**

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

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

**(g) Held-to-maturity securities**

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

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

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

**(h) Investment in associates**

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

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

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

**(i) Fixed and Intangible assets**

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

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

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

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

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

**(j) Depreciation and amortization of fixed assets and intangible**

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

Category	Depreciation Rates
Computer software	50%
Office equipment	20%
Furniture & fixtures	20%
Motor vehicles	20%

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

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

## (l) 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.

### (i) Employee benefit

#### Post-employment benefits

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

#### Termination benefits

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

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

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 31 December 2018, 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.



#### 4 Net interest and similar income

31 December (in million LAK)

	2019	2018
<b>Interest and similar income from:</b>		
Interbank transactions	79.767	63.571
Loans to customers	414.517	447.645
Investment in securities	21.824	200
	<b>516.108</b>	<b>511.416</b>
<b>Interest and similar expense for:</b>		
Interbank transactions	(95.870)	(111.226)
Customer deposits	(322.037)	(284.577)
	<b>(417.907)</b>	<b>(395.803)</b>
Net interest and similar income	<b>98.201</b>	<b>115.613</b>

#### 5 Net fees and commission income

31 December (in million LAK)

	2019	2018
<b>Fees and commission income from</b>		
Fees on loans	3.871	3.746
Late payment penalties charged to customers	21.986	15.822
Telecommunication (fax, telegram)	1.163	1.379
Other activities	15.768	12.085
	<b>42.788</b>	<b>33.032</b>
<b>Fees and commission expense for</b>		
Settlement services via Check, Fax, TT, Swift	(228)	(205)
Other financial services	(746)	(1.931)
	<b>(974)</b>	<b>(2.136)</b>
Net fees and commission income	<b>41.814</b>	<b>30.896</b>

#### 6 Other operating income

31 December (in million LAK)

	2019	2018
Reversal of general provision for credit losses	40.948	152.999
Others	7.806	3.835
	<b>48.754</b>	<b>156.834</b>

#### 7 Payroll and other staff cost

31 December (in million LAK)

	2019	2018
Wages and Salaries	24.603	21.727
Other Staff Cost	17.423	18.104
	<b>42.026</b>	<b>39.831</b>

## 8 Other administrative expenses

31 December (in million LAK)

	2019	2018
Office rental	14.082	10.803
Fuel	1.302	1.152
Office stationery	1.848	1.133
Publication, marketing and promotion	1.786	1.523
Telecommunication	1.399	1.427
Repair and maintenance	4.848	2.433
Electricity and water	970	1.006
Audit and legal fees	2.613	2.425
Taxes and duties	29	2.300
Insurance fee	506	501
Commission	1.338	2.438
Others	3.960	6.142
	<b>34.681</b>	<b>33.283</b>

## 9 Other operating expenses

31 December (in million LAK)

	2019	2018
General provision expenses (Note 14.2)	41.976	152.876
Depositor Protection Fund	3.489	3.136
Loss on disposals of assets	206	11
Others	16.924	10.662
	<b>62.595</b>	<b>166.685</b>

## 10 Cash on hand

31 December (in million LAK)

	2019	2018
Cash on hand in LAK	34.471	31.543
Cash on hand in foreign currencies ("FC")	27.255	29.899
	<b>61.726</b>	<b>61.442</b>

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

31 December (in million LAK)

	2019	2018
Demand deposits	676.259	556.586
Compulsory reserves (*)	215.679	209.488
Registered capital deposit	294	294
	<b>892.232</b>	<b>766.368</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 (2018: 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.

## 12 Due from other banks

31 December (in million LAK)

	2019	2018
<b>Demand deposits</b>	<b>247.713</b>	<b>185.240</b>
<b>With domestic banks</b>	<b>51.275</b>	<b>89.459</b>
Banque pour le Commerce Extérieur Lao Public (BCEL)	50.387	88.565
Joint Development Bank (JDB)	438	894
<b>With overseas banks</b>	<b>196.438</b>	<b>95.781</b>
Standard Chartered Bank, New York	142.533	91.755
Standard Chartered Bank, Bangkok	3.767	30
Standard Chartered Bank, Frankfurt	47	258
KB Kookmin Bank, Korea	1.408	3.738
Kasikorn Bank Public Company Limited, Bangkok	48.683	-
<b>Term deposits</b>	<b>46.000</b>	<b>125.000</b>
Vietinbank Lao Limited	16.000	33.000
Saigon Thuong Tin Lao Bank Limited	-	58.000
Maruhan Japan Bank Lao Co., Ltd.	-	17.000
Bangkok Bank Public Co., Ltd.	30.000	17.000
	<b>293.713</b>	<b>310.240</b>

## 13 Investment

### 13(a) Investment in bond

31 December (in million LAK)

	2019	2018
Ministry of Finance bonds *	2.000	5.000
Convertible bonds **	265.230	256.140
	<b>267.230</b>	<b>261.140</b>

(\*) The investment represents bonds with Ministry of Finance of the LAO P.D.R having term of 1 year with an interest rate of 4% per annum.

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

### 13 (b) Investment in Associate

31 December (in million LAK)

	2019	2018
Investment in associate *	18.767	18.114
	<b>18.767</b>	<b>18.114</b>

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

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

**Movement of investment in associate**

31 December (in million LAK)

	2019	2018
Balance as at 1 January	18.114	-
Investment made during the year	-	18.185
Share of profit/(loss) up to 31 December	210	(200)
	<b>18.324</b>	<b>17.985</b>
Foreign Exchange Translation	443	129
Closing balance as at 31 December	<b>18.767</b>	<b>18.114</b>

**14 Loans and advances to customers, net of specific provision**
**14.1 Loans to customers**

31 December (in million LAK)

	2019	2018
Loans to customers	4.541.499	4.253.159
Less provision for non-performing loans (Note 14.2)	(12.223)	(8.910)
	<b>4.529.276</b>	<b>4.244.249</b>

**Classified by interest rates (per annum)**

31 December (in million LAK)

	2019	2018
LAK	4,00%-16,00%	5,00%-15,50%
USD	5,25%-14,64%	6,00%-12,50%
THB	6,00% - 12,00%	6,00% - 11,00%

**Classified by currency**

31 December (in million LAK)

	2019	2018
LAK	1.265.391	1.108.140
USD	2.823.921	2.764.517
THB	452.187	380.502
	<b>4.541.499</b>	<b>4.253.159</b>

**Classified by performance**

31 December (in million LAK)

	2019	2018
- Normal or Pass	4.322.557	4.012.692
- Watch or Special Mention	188.921	230.491
-		
Non- Performing loans		
- Substandard	28.311	9.976
- Doubtful	1.635	-
- Loss	75	-
	<b>4.541.499</b>	<b>4.253.159</b>

**14.2 Provision for credit activities**  
**(i) Specific provision for credit activities**

31 December (in million LAK)

	2019	2018
Balance as at the beginning of the year	8.910	3.983
Reclassified from general provision during the year	-	6.915
Provision made in the year	45.971	22.036
Reversal of provision in the year	(42.710)	(14.374)
Bad debt written off	-	(9.970)
Foreign exchange translation	52	320
Balance as at the of the year	<b>12.223</b>	<b>8.910</b>

**(ii) General provision for credit activities**

31 December (in million LAK)

	2019	2018
Balance as at the beginning of the year	20.063	26.559
Reclassified to specific provision during the year	-	(6.915)
Provision made in the year	41.976	152.876
Reversal of provision in the year	(40.948)	(152.999)
Foreign exchange translation	522	542
Balance as at the end of the year	<b>21.613</b>	<b>20.063</b>

**15 Fixed and intangible assets**

	2019 LAK (in millions)	2018 LAK (in millions)
Intangible fixed assets (note 15.1)	284	2.331
Construction in progress (note 15.2)	3.754	1.015
Tangible fixed assets (note 15.3)	13.296	14.391
<b>Total</b>	<b>17.334</b>	<b>17.737</b>

**15.1 Intangible fixed assets**

31 December (in million LAK)

	2019	2018
<b>Cost</b>		
As at 1 January	16.977	16.977
Additions made during the year	99	-
<b>As at 31 December</b>	<b>17.076</b>	<b>16.977</b>
<b>Amortization for the year</b>		
As at 1 January	14.646	11.091
Amortization charged for the year	2.146	3.555
<b>As at 31 December</b>	<b>16.792</b>	<b>14.646</b>
<b>Net book value:</b>		
<b>As at 1 January</b>	<b>2.331</b>	<b>5.886</b>
<b>As at December</b>	<b>284</b>	<b>2.331</b>

## 15.2 Construction in progress

31 December (in million LAK)

	2019	2018
Opening balance	1.015	124
Movement during the year		
- Increased during the year	4.136	919
- Transferred to fixed assets	(1.397)	(28)
<b>Closing balance</b>	<b>3.754</b>	<b>1.015</b>

## 15.3 Tangible fixed assets

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

31 December (in million LAK)

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

Movements of tangible fixed assets for the year ended 31 December 2018 were as follows:

31 December (in million LAK)

	Office equipment LAK (in millions)	Furniture & fixtures LAK (in millions)	Motor vehicles LAK (in millions)	Total LAK (in millions)
<b>Cost</b>				
At 1 January 2018	22.837	30.289	2.727	55.853
Transfers	-	28	-	28
Additions	1.935	682	-	2.617
Disposals	(5)	(98)	(2.683)	(2.786)
<b>At 31 December 2018</b>	<b>24.767</b>	<b>30.901</b>	<b>44</b>	<b>55.712</b>
<b>Accumulated depreciation</b>				
At 1 January 2018	13.682	21.083	2.307	37.072
Charge for the year	3.301	3.587	78	6.966
Disposal	(340)	(31)	(2.346)	(2.717)
<b>At 31 December 2018</b>	<b>16.643</b>	<b>24.639</b>	<b>39</b>	<b>41.321</b>
<b>Net book value</b>				
At 1 January 2018	9.155	9.206	420	18.781
<b>At 31 December 2018</b>	<b>8.124</b>	<b>6.262</b>	<b>5</b>	<b>14.391</b>

## 16 Other assets

31 December (in million LAK)

	2019	2018
Rental deposits	1.706	1.592
Prepayments	64.055	65.648
Prepaid interests	49.882	53.445
Other receivables	50.990	32.013
	<b>166.633</b>	<b>152.698</b>

## 17 Due to banks and financial institutions

31 December (in million LAK)

	2019	2018
<b>Term and Demand deposits</b>	<b>152.492</b>	<b>289.413</b>
VietinBank Lao Limited	79.569	76.842
First Commercial Bank Limited, Vientiane Bank	61.887	68.304
Maruhan Japan Bank Lao Co., Ltd.	-	17.076
Allianz General Laos	4.284	26.741
Canadia Bank Lao	-	17.674
National Social Security Fund Office	6.000	6.000
Prudential Life Assurance (Lao) Co., Ltd.	-	8.472
Sacom Bank - Lao Bank	-	68.304
Joint Development Bank	45	-
Lao Securities Exchange Co., Ltd	707	-
<b>Borrowings from financial institutions</b>	<b>110.512</b>	<b>278.671</b>
Heungkuk Life Insurance Co., Ltd.	110.512	249.025
Cascof Holdings, LP	-	29.646
	<b>263.004</b>	<b>568.084</b>

Term deposits from other banks have terms ranging from 6 months to 48 months and bear interest at rates ranging from 6,0% to 6,80% per annum for LAK and 3,0% to 8,30% per annum for USD and 5,00% per annum for THB.

Borrowings from financial institutions comprise:

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

## 18 Due to customers

Balances of customer deposits and other amounts due to customers as of 31 December 2019 are as follow:

31 December (in million LAK)

	2019	2018
<b>Demand deposits</b>	<b>98.110</b>	<b>168.455</b>
Demand deposits in LAK	29.422	24.806
Demand deposits in FC	68.688	143.649
<b>Saving deposits</b>	<b>350.900</b>	<b>335.523</b>
Saving deposits in LAK	122.580	111.210
Saving deposits in FC	228.320	224.313
<b>Fixed term deposits</b>	<b>4.876.937</b>	<b>4.115.794</b>
Fixed term deposits in LAK	1.025.878	936.965
Fixed term deposits in FC	3.851.059	3.178.829
<b>Other payables to customers</b>	<b>18.300</b>	<b>26.971</b>
	<b>5.344.247</b>	<b>4.646.743</b>



## 19 Taxation

### 19.1 Taxes payable

31 December (in million LAK)

	2019	2018
Personal income tax payable	46	-
Profit tax payable	1.382	3.487
Value Added Tax payable	500	500
Withholding tax payable	2.554	5.873
	<b>4.482</b>	<b>9.860</b>

### 19.2 Income tax

Details of income tax for the years 2019 and 2018 are as follows:

**Income tax recognised in statement of comprehensive income**

31 December (in million LAK)

	2019	2018
Current tax expense		
Current year	<b>9.100</b>	<b>13.344</b>

### Reconciliation of effective tax rate

	Rate (%)	2019 LAKm	Rate (%)	2018 LAKm
Profit before income tax		37.915		43.858
Income tax using the				
corporation tax rate	24	9.100	24	10.526
Prior year adjustment		-		2.818
<b>Total</b>	<b>24</b>	<b>9.100</b>	<b>24</b>	<b>13.344</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.

The Income Tax Law No. 67/NA dated 31 July 2019 reduced the profit tax rate from 24% to 20% of taxable profit for the fiscal years beginning on or after 1 January 2020.

## 20 Other payable

31 December (in million LAK)

	2019	2018
External accounts payable	5.777	9.346
Payables to staffs	7.586	8.400
Other payables	5.373	3.159
	<b>18.736</b>	<b>20.905</b>

## 21 Paid-up capital

31 December (in million LAK)

	2019	2018
Opening balance	381.252	381.252
<b>Closing balance</b>	<b>381.252</b>	<b>381.252</b>

There was no increase in capital during the year 2019 and 2018.

During the year, the shareholders of the bank during its Board Meeting held on 8 April 2019, declared a dividend of LAK 27.463 million which was subsequently paid to shareholders on 5 June 2019.

With reference to the Law on Commercial Bank No. 56/NA, dated 7/12/2018 (Amended), a commercial bank which is established under this law shall have a registered capital not less than five hundred billion Kip. Each branch of a foreign commercial bank which is established in Lao PDR shall have investment capital not less than three hundred billion Kip.

The Bank has obtained extension from Bank of Lao P.D.R for the implementation of requirement of Law on Commercial Bank via letter no 53/BSO dated 27 January 2020.

## 22 Cash and cash equivalents

	2019 LAKm	2018 LAKm
Cash on hand	61.726	61.442
Current accounts with BOL	676.259	556.586
Current accounts with other banks	247.713	185.240
	<b>985.698</b>	<b>803.268</b>

## 23 Related party transactions

Transactions with key management personnel of the Bank:

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

	2019 LAKm	2018 LAKm
Salaries	17.639	16.204
Bonus and other benefits	1.116	1.037
	<b>18.755</b>	<b>17.241</b>

## 24 Commitments

31 December (in million LAK)

	2019	2018
Within 1 year	3.731	3.470
From 1 to less than 5 years	31.126	23.029
Over 5 years	181.480	27.005
	<b>216.337</b>	<b>53.504</b>

## 25 Events after the reporting date

Other than those disclosed elsewhere in these financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2019 that significantly impacted the financial position of the Bank as at 31 December 2019.

Prepared by



**MR. MALAYPHONE SAKSATHITH**  
Head of Finance Division  
Vientiane, Lao P.D.R  
31 March 2020

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 I,  
23 Singha Road, P.O.Box 6029,  
Phone: (+856-21) 455 000-2  
Fax: (+856-21) 455 111



#### Auto City Service Unit

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



#### Xaymoungkhoun Service Unit

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

## Location of the Branches and Service Units



### **Champasack Province**

#### **Pakse Branch**

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



### **Savannakhet Province**

#### **Savannakhet Branch**

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



### **Luang Namtha Province**

#### **Luang Namtha Service Unit**

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



### **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



### **Xiengkhuang Province**

#### **Xiengkhuang Service Unit**

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



### **Luangphabang Province**

#### **Luangphabang Service Unit**

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



### **Bolikhamxay Province**

#### **Paksan Service Unit**

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



### **Oudomxay Province**

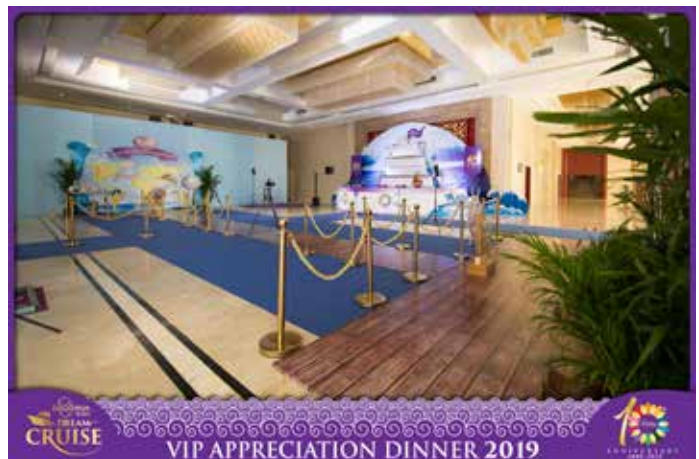
#### **Oudomxay Service Unit**

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



## PART 5. Events

### VIP Appreciation Dinner 2019





## IB Activities



## Campaign Health Check Up







*“enhancing your value”*

