
***BANGKOK BANK PUBLIC COMPANY LIMITED
- VIENTIANE BRANCH***

Financial Statements

Year ended December 31, 2017



ບໍລິສັດ ດີລອຍ (ລາວ) ຈຳກັດຜູ້ດຽວ
ອາຄານຕະຫຼາດຫຼັກຊັບລາວ
ບ້ານໂພນທັນ, ຖະໜົນ T4
ເມືອງໄຊເສດຖາ
ຕັ້ງໄປສະນີ 2017, ນະຄອນຫຼວງວຽງຈັນ
ສປປ ລາວ

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REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE BRANCH MANAGER OF BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH

Opinion

We have audited the financial statements of Bangkok Bank Public Company Limited - Vientiane Branch (the “Branch”), which comprise the statement of financial position as at December 31, 2017, and the related statements of income, changes in Head Office account and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bangkok Bank Public Company Limited - Vientiane Branch as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with the regulations of the Bank of Lao PDR and accounting policies set out in Note 3 to the financial statements.

Basis for Opinion

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

Emphasis of Matter - Basis of Accounting and Restriction of Use

We draw attention to Note 2 and 3 to the financial statements, which describe the basis of accounting and significant accounting policies. The financial statements are prepared to provide information for internal uses by the Branch. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the regulations of the Bank of Lao PDR and accounting policies set out in Note 3 to the financial statements, 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 Branch'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 Branch or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 Branch'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 Branch'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 Branch 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.

VIENTIANE
March 28, 2018



Chavala Tienpasertkij
Certified Public Accountant

DELOITTE (LAO) SOLE COMPANY LIMITED



Bangkok Bank Public Company Limited - Vientiane Branch

Branch information

Branch	Bangkok Bank Public Company Limited Vientiane Branch
Registration number	04/93/BoL
Registered office	Unit 12, Samsenthai Road Xieng Nguen Village, Chanthabouly District P.O. Box 5400 Vientiane Capital, Lao PDR
Branch Manager	Ms. Chadaphorn Uratchat
Auditor	Deloitte (Lao) Sole Company Limited

Manager's responsibility in respect of the financial statements

The Branch Manager is responsible for ascertaining that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Branch as at December 31, 2017, and the related statements of income, changes in Head Office account and cash flows for the year then ended. In preparing these financial statements, the Branch Manager is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) comply with regulations of the Bank of Lao PDR and accounting policies set out in Note 3 to the financial statements and ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Branch will continue operations in the foreseeable future; and
- v) control and direct effectively the Branch in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Branch Manager confirms that the Branch has complied with the above requirements in preparing the financial statements.



Ms. Chadaphorn Uratchat
Branch Manager

March 28, 2018

BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

UNIT : LAK

	Notes	2017	2016
ASSETS			
Cash and Deposits with Central Bank		212,087,578,617	161,382,752,236
Cash on hand	4.1	15,364,775,600	15,466,950,276
Deposits with Central Bank	5	196,722,803,017	145,915,801,960
Due from Other Banks	6	330,712,806,276	617,024,742,158
Demand deposits		1,374,286,276	45,768,793,358
Time deposits		54,635,000,000	266,247,900,000
Loan and advance, net		274,703,520,000	305,008,048,800
Loan to Customers, net	7	339,919,549,344	259,801,064,579
Fixed Assets, net		9,012,870,462	9,933,373,758
Intangible assets	8	948,373	11,129,426
Tangible assets	9	9,011,922,089	9,922,244,332
Other Assets		16,638,636,976	17,885,843,102
Accrued receivables	10	1,775,376,120	2,680,358,120
Others	11	14,863,260,856	15,205,484,982
TOTAL ASSETS		908,371,441,675	1,066,027,775,833

Notes to the financial statements form an integral part of these statements

BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2017

UNIT : LAK

	Notes	2017	2016
LIABILITIES AND HEAD OFFICE ACCOUNT			
Due to Other Banks	12	93,876,281,887	114,780,004,645
Demand deposits		28,575,239,823	43,374,120,369
Time deposits		65,000,000,000	64,000,000,000
Other liabilities		301,042,064	7,405,884,276
Due to Customers	13	504,561,558,869	581,391,930,062
Demand deposits		371,689,171,477	359,575,855,883
Time deposits		131,825,652,463	220,675,233,299
Other liabilities		1,046,734,929	1,140,840,880
Other Liabilities		12,204,025,349	7,032,666,956
Accrued payables	14	2,163,412,569	2,093,011,076
Tax payable	15	7,855,053,704	3,498,062,377
Others		2,185,559,076	1,441,593,503
TOTAL LIABILITIES		610,641,866,105	703,204,601,663
HEAD OFFICE ACCOUNT			
Branch capital	16	100,000,000,000	100,000,000,000
Due from Head Office and other branches	19	(191,101,850,762)	(108,301,806,309)
Due to Head Office and other branches	19	330,268,487,933	329,873,016,948
Legal reserve	17	5,544,748,114	3,900,308,562
General provision for credit activities	7.2	3,615,241,751	2,748,662,404
Retained earnings		49,402,948,534	34,602,992,565
TOTAL HEAD OFFICE ACCOUNT		297,729,575,570	362,823,174,170
TOTAL LIABILITIES AND HEAD OFFICE ACCOUNT		908,371,441,675	1,066,027,775,833

Notes to the financial statements form an integral part of these statements

BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

UNIT : LAK

	Notes	2017	2016
Interest Income		42,663,101,215	41,342,336,436
Interest income from interbank		7,304,317,675	10,222,107,971
Interest income from customers		35,358,783,540	31,120,228,465
Interest Expenses		(16,171,765,013)	(12,758,547,632)
Interest expenses for interbank		(12,009,795,838)	(7,322,597,380)
Interest expenses for customers		(4,161,969,175)	(5,435,950,252)
Net Interest Income and Expense		26,491,336,202	28,583,788,804
Income from Fee and Financial Services		10,898,313,574	11,246,265,604
Expenses for Fee and Financial Services		(340,113,411)	(456,105,826)
Net operating income		37,049,536,365	39,373,948,582
Profit from Foreign Exchange		7,835,645,738	3,321,691,928
Other Income		1,383,930,119	2,347,707,647
Operating Expenses		(9,054,418,930)	(8,089,885,458)
Employee's expenses		(5,163,421,023)	(4,823,890,922)
Other operating expenses		(3,890,997,907)	(3,265,994,536)
Depreciation and Amortization	8, 9	(946,235,528)	(767,622,838)
Other Expenses		(1,725,636,317)	(4,600,686,243)
General provision for credit activities		(1,705,636,317)	(4,532,686,243)
Other expenses		(20,000,000)	(68,000,000)
Charge of Allowance for Doubtful Debt	7.2	(10,381,434,599)	(24,397,157,003)
Profit Before Income Tax		24,161,386,848	7,187,996,615
Income Tax Expenses	15	(7,716,991,327)	(6,536,949,357)
Net Profit for the Year		16,444,395,521	651,047,258

Notes to the financial statements form an integral part of these statements

BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH

STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2017

	Notes	Branch capital	Net balance of inter-office accounts with Head Office and other branches under the same entity	Legal reserve	General provision for credit activities	Retained earnings	Total Head Office account
Opening balance as at January 1, 2016		100,000,000,000	(275,654,230,519)	3,835,203,836	4,257,090,730	34,017,050,033	(133,544,885,920)
Increase during the year		-	497,225,441,158	-	-	-	497,225,441,158
Net profit for the year	17	-	-	-	-	651,047,258	651,047,258
Transfer to legal reserve		-	-	65,104,726	-	(65,104,726)	-
General provision for credit activities	7.2	-	-	-	(1,508,428,326)	-	(1,508,428,326)
Closing balance as at December 31, 2016		<u>100,000,000,000</u>	<u>221,571,210,639</u>	<u>3,900,308,562</u>	<u>2,748,662,404</u>	<u>34,602,992,565</u>	<u>362,823,174,170</u>
Opening balance as at January 1, 2017		100,000,000,000	221,571,210,639	3,900,308,562	2,748,662,404	34,602,992,565	362,823,174,170
Increase during the year		-	(82,404,573,468)	-	-	-	(82,404,573,468)
Net profit for the year	17	-	-	-	-	16,444,395,521	16,444,395,521
Transfer to legal reserve		-	-	1,644,439,552	-	(1,644,439,552)	-
General provision for credit activities	7.2	-	-	-	866,579,347	-	866,579,347
Closing balance as at December 31, 2017		<u>100,000,000,000</u>	<u>139,166,637,171</u>	<u>5,544,748,114</u>	<u>3,615,241,751</u>	<u>49,402,948,534</u>	<u>297,729,575,570</u>

UNIT : LAK

Notes to the financial statements form an integral part of these statements

BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

UNIT : LAK

	Notes	2017	2016
Cash flows from operating activities			
Profit before income tax expenses		24,161,386,848	7,187,996,615
Adjustments to reconcile net profit for the year			
to cash received (paid) from operating activities:			
Depreciation and amortization	8, 9	946,235,528	767,622,838
Provision for doubtful accounts charges	7.2	10,381,434,599	24,397,157,003
General provision for credit activities		436,366,113	2,188,932,082
Unrealized loss on exchange		431,077,501	23,484,669
Gain on disposal of tangible assets		(114,659,998)	(3,953,486)
Interest income		(42,663,101,215)	(41,342,336,436)
Interest expenses		16,171,765,013	12,758,547,632
Cash generated from operations		9,750,504,389	5,977,450,917
Interest received		43,568,083,215	41,799,605,054
Interest paid		(16,101,363,520)	(12,894,044,648)
Income tax paid	15	(3,360,000,000)	(6,735,009,825)
Net cash provided by operating activities before			
changes in operating assets and liabilities		33,857,224,084	28,148,001,498
Changes in operating assets and liabilities :			
Decrease (increase) in operating assets:			
Due from other banks		211,612,900,000	12,271,550,000
Statutory deposits		5,637,322,291	31,071,209,702
Due from other banks - loans and advance		30,672,600,000	(308,712,600,000)
Loans to customers		(90,868,854,831)	74,028,630,432
Other assets		342,224,126	2,103,226,862
Increase (decrease) in operating liabilities:			
Due to other banks		(20,903,722,758)	(20,864,961,034)
Due to customers		(76,830,371,193)	(324,962,474,618)
Other liabilities		728,388,727	318,922,836
Net cash provided by (used in) operating activities		94,247,710,446	(506,598,494,322)

BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

UNIT : LAK

	Notes	2017	2016
Cash flows from investing activities			
Purchases of tangible assets		(10,155,388)	(1,349,862,073)
Proceeds from disposal tangible assets		114,660,000	3,953,500
Purchases of intangible assets		-	(20,390,000)
Net cash provided by (used in) investing activities		104,504,612	(1,366,298,573)
Cash flows from financing activities			
Net balance of inter-office accounts with			
Head Office and other branches under the same entity		(82,404,573,468)	497,225,441,158
Net cash (used in) provided by financing activities		(82,404,573,468)	497,225,441,158
Net increase (decrease) in cash and cash equivalents		11,947,641,590	(10,739,351,737)
Cash and cash equivalents at beginning of the year		127,001,394,528	137,740,746,265
Cash and cash equivalents at end of the year		138,949,036,118	127,001,394,528
Cash and cash equivalents			
Cash	4.1	15,364,775,600	15,466,950,276
Demand deposits with Central Bank	5	122,209,974,242	65,765,650,894
Demand deposits from other banks	6	1,374,286,276	45,768,793,358
		138,949,036,118	127,001,394,528

BANGKOK BANK PUBLIC COMPANY LIMITED - VIENTIANE BRANCH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Bangkok Bank Public Company Limited (the “Bank”) is incorporated in Thailand. The Vientiane Branch (the “Branch”) is a branch office of the Bank that operates in the Lao People’s Democratic Republic (“Lao PDR”) under a banking license (License No. 04/93/BoL) granted by the Bank of Lao PDR (“BoL”) on February 25, 1993. The Branch’s main business is commercial banking in Lao PDR.

These financial statements were approved for issue by the Branch’s management on March 28, 2018.

2. BASIS FOR PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

The Branch is not a separate legal entity. The financial statements have been prepared from the records of the Branch and reflected only transactions recorded locally.

The financial statements have been prepared in accordance with regulations of the Bank of Lao PDR and the Branch’s principal accounting policies as described in respective notes to financial statements. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are not intended to present the financial position and financial performance in accordance with other jurisdictions. Consequently, these financial statements are addressed only to those who are informed about the Branch’s accounting principles, procedures and practices.

The financial statements have been prepared on an accrual basis under the measurement basis of historical cost as disclosed in the accounting policies (See Note 3).

The preparation of financial statements in conformity with the Branch’s accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Recognition of income

The Branch recognizes interest and fee income on an accrual basis, except for interest from customers which was accrued over three months, such interest is recognized when received. The Branch reverses all accrued interest income for items which are no longer on an accrual basis.

3.2 Recognition of expenses

The Branch recognizes interest and fee expenses on an accrual basis.

3.3 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, balances with Central Bank, deposits with other banks and other short-term highly liquid investments with original maturities of three months or less.

3.4 Loans to customers

The Branch recognizes loans to customers at cost when cash is advanced to a borrower and derecognizes when getting repayment or writing off.

Overdraft are carried at the drawn amounts including interest. Other loans to customers are carried at the principal amounts.

3.5 Allowance for doubtful accounts

Loan classification and provision for losses are made in accordance with BoL regulations No.324/BoL dated April 19, 2011 on Article 4. These classifications are applied as guidance to assist the Branch to better estimate its loan loss provision as follows:

Classification	Number of days past due	Provision
Normal	1 to 30 days	1.20%*
Special mentioned	31 to 90 days	3.00%
Substandard	91 to 180 days	36.00%**
Doubtful	181 to 360 days	50.00%
Loss	Over 360 days	100.00%

* The Branch used the Head Office's provision rate of 1.20%, which has been approved by the BoL in accordance with the Official letter No. 37/BoL dated January 30, 2014.

** The Branch used the Head Office's provision rate of 36.00%, which has been approved by the BoL in accordance with the Official Letter No. 304/BoL dated September 11, 2014.

Change in provision for non-performing loans are recorded to the statement of income as allowance for doubtful debt or reverse on allowance for doubtful debt. Allowance for doubtful accounts is recorded in the statement of financial position in allowance for doubtful accounts as a contra account of loans to customers.

In accordance with BoL No. 324, the Branch is required to create a general provision for loan losses at the rate 3.00% of the total balance of special mentioned loans and at the rate 1.20% of the total balance of normal loans as at the reporting date and is recorded in the statement of financial position in general provision for credit activities.

In accordance with the relevant accounting regulation by the Bank of Lao, changes in general provision for credit activities are recorded to the statement of income as other operating expense for general provision expense and other operating income for reversal of general provision expense. General provision reserve is recorded in the statement in financial position in General provision for credit activities under Head Office account.

3.6 Fixed assets

Fixed assets consist of intangible assets and tangible assets.

3.6.1 Intangible assets are stated at cost net of accumulated amortization and allowance for impairment (if any).

Amortization is calculated by the straight-line method, based on the legal rates applicable.

Computer software	2 years
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When intangible assets become impaired, the allowance for impairment is recorded to recognize loss on impairment as other operating expense.

Gains or losses on disposal of intangible assets are recognized as other operating income or expenses upon disposal.

3.6.2 Tangible assets are stated at cost net of accumulated depreciation and allowance for impairment (if any).

Depreciation is calculated by the straight-line method, based on the legal rates applicable.

Leasehold improvements	10 years
Furniture and fixtures	5 years
Computer equipment	5 years
Motor vehicles	5 years

When tangible assets become impaired, the allowance for impairment is recorded to recognize loss on impairment as other operating expense.

Gains or losses on disposal of tangible assets are recognized as other operating income or expenses upon disposal.

3.7 Foreign currency translation

Items included in the financial statements are measured using Lao Kip (“LAK”).

Foreign currency transactions are translated into Lao Kip using the exchange rates prevailing at the date of the transactions.

Foreign currency assets and liabilities outstanding at the statement of financial positions date and income and expenses for each statement of income presented are translated into Lao Kip using the reference rates of exchange of the Bangkok Bank Public Company Limited ruling at that date.

Gains and losses resulting from the settlement of such transactions when incurred and from the foreign exchange translation are recognized in the statement of income.

3.8 Income tax expenses

Income tax expenses on the profit or loss for the year comprises current tax.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the statement of financial position date.

3.9 Use of management's judgments

The preparation of financial statements in conformity with the regulations of BoL and accounting policies set out in Note 3 to the financial statements requires the Branch's management to exercise judgment in order to determine the accounting policies, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the last date of the reporting period and the reported amounts of revenue and expense during the reporting period. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates.

4. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

4.1 Cash on hand

Cash on hand as at December 31, consists of the following:

	2017	2016
	LAK	LAK
Lao Kip ("LAK")	2,206,876,003	3,154,318,578
Foreign currencies ("FC")	13,157,899,597	12,312,631,698
	<u>15,364,775,600</u>	<u>15,466,950,276</u>

4.2 Non-cash items

Non-cash items for the years ended December 31, consists of the following:

	2017	2016
	LAK	LAK
Fixed asset payables at beginning of the year	-	-
<u>Add</u> Purchases of intangible assets	-	20,390,000
Purchases of tangible assets	25,732,234	1,349,862,073
Unrealized gain on exchange rate	(91,485)	-
<u>Less</u> Cash payments for intangible assets	-	(20,390,000)
Cash payments for tangible assets	(10,155,388)	(1,349,862,073)
Fixed asset payables at ending of the year	<u>15,485,361</u>	<u>-</u>

5. DEPOSITS WITH CENTRAL BANK

Deposits with central bank as at December 31, consists of the following:

	2017	2016
	LAK	LAK
Demand deposits	122,209,974,242	65,765,650,894
Customer deposits	56,407,317,689	62,044,639,980
Branch capital	18,105,511,086	18,105,511,086
	<u>196,722,803,017</u>	<u>145,915,801,960</u>

Customers deposits with the BoL is maintained in compliance with applicable BoL regulations, the amounts of which are determined as a defined percentage of customers' deposits with the Branch, i.e. 5% on deposits of Lao Kip and 10% on deposits of foreign currencies. These deposits do not earn interest.

Branch capital are maintained with the BoL in compliance with BoL regulations. These deposits do not earn interest.

6. DUE FROM OTHER BANKS

Due from Other Banks as at December 31, consists of the following:

	2017	2016
	LAK	LAK
Demand deposits at other banks		
Domestic banks	1,374,286,276	6,832,069,585
Foreign banks	-	38,936,723,773
Total	<u>1,374,286,276</u>	<u>45,768,793,358</u>
Time deposits at other banks		
Domestic banks	54,635,000,000	266,247,900,000
Total	<u>54,635,000,000</u>	<u>266,247,900,000</u>
Loans and advance		
Domestic banks	278,040,000,000	308,712,600,000
<u>Less</u> Allowance for doubtful accounts	<u>(3,336,480,000)</u>	<u>(3,704,551,200)</u>
Total	<u>274,703,520,000</u>	<u>305,008,048,800</u>
	<u>330,712,806,276</u>	<u>617,024,742,158</u>

7. LOANS TO CUSTOMERS, NET

Loans to customers, net as at December 31, consists of the following:

	2017	2016
	LAK	LAK
Loans to customers	378,568,956,076	287,700,101,245
<u>Less</u> Allowance for doubtful accounts	<u>(38,649,406,732)</u>	<u>(27,899,036,666)</u>
	<u>339,919,549,344</u>	<u>259,801,064,579</u>

7.1 Loan to customers are classified as follows:

7.1.1 Classified by product type as at December 31, are as follows:

	2017	2016
	LAK	LAK
Overdraft	13,268,353,964	17,353,700,965
Loans	359,920,848,672	270,346,400,280
Bills	5,379,753,440	-
	<u>378,568,956,076</u>	<u>287,700,101,245</u>

7.1.2 Classified by currency as at December 31, are as follows:

	2017	2016
	LAK	LAK
LAK	231,391,451,606	194,141,876,161
USD	133,308,257,959	84,239,587,947
THB	13,869,246,511	9,318,637,137
	<u>378,568,956,076</u>	<u>287,700,101,245</u>

7.1.3 Classified by performance as at December 31, are as follows:

	2017	2016
	LAK	LAK
Performing loans	301,270,142,695	210,202,777,126
Non-performing loans ("NPL")	77,298,813,381	77,497,324,119
	<u>378,568,956,076</u>	<u>287,700,101,245</u>

7.2 Allowance for doubtful accounts

Allowance for doubtful accounts as at December 31, consist of the following:

	2017		
	Allowance for	General provision	Total
	doubtful accounts	for credit activities	
	LAK	LAK	LAK
Beginning balance	27,899,036,666	2,748,662,404	30,647,699,070
<u>Add</u> Doubtful accounts during the year	10,993,100,256	1,705,636,317	12,698,736,573
<u>Less</u> Doubtful accounts reversal during the year	(611,665,657)	(852,210,204)	(1,463,875,861)
Foreign exchange translation difference	368,935,467	13,153,234	382,088,701
Ending balance	<u>38,649,406,732</u>	<u>3,615,241,751</u>	<u>42,264,648,483</u>

	2016		
	Allowance for	General provision	Total
	doubtful accounts	for credit activities	
	LAK	LAK	LAK
Beginning balance	3,485,585,786	4,257,090,730	7,742,676,516
<u>Add</u> Doubtful accounts during the year	28,003,917,035	828,135,043	28,832,052,078
<u>Less</u> Doubtful accounts reversal during the year	(3,606,760,032)	(2,343,754,161)	(5,950,514,193)
Foreign exchange translation difference	16,293,877	7,190,792	23,484,669
Ending balance	<u>27,899,036,666</u>	<u>2,748,662,404</u>	<u>30,647,699,070</u>

The breakdown of loan classification and provision required by BoL as at December 31, are as follows:

	2017			Total LAK
	Loan balance LAK	Allowance for doubtful accounts for NPL LAK	General provision for credit activities LAK	
Performing loans				
Normal	301,270,142,695	-	3,615,241,751	3,615,241,751
Special mentioned	-	-	-	-
Total	301,270,142,695	-	3,615,241,751	3,615,241,751
Non-performing loans				
Substandard	-	-	-	-
Doubtful	77,298,813,381	38,649,406,732	-	38,649,406,732
Loss	-	-	-	-
Total	77,298,813,381	38,649,406,732	-	38,649,406,732
	<u>378,568,956,076</u>	<u>38,649,406,732</u>	<u>3,615,241,751</u>	<u>42,264,648,483</u>

	2016			Total LAK
	Loan balance LAK	Allowance for doubtful accounts for NPL LAK	General provision for credit activities LAK	
Performing loans				
Normal	197,634,492,401	-	2,371,613,909	2,371,613,909
Special mentioned	12,568,284,725	-	377,048,495	377,048,495
Total	210,202,777,126	-	2,748,662,404	2,748,662,404
Non-performing loans				
Substandard	77,497,324,119	27,899,036,666	-	27,899,036,666
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	77,497,324,119	27,899,036,666	-	27,899,036,666
	<u>287,700,101,245</u>	<u>27,899,036,666</u>	<u>2,748,662,404</u>	<u>30,647,699,070</u>

As at December 31, 2017 and 2016 the Branch has allowance for doubtful accounts for non-performing loans in the statement of financial position as allowance for doubtful accounts of LAK 38,649,406,732 and LAK 27,899,036,666, respectively.

As at December 31, 2017 and 2016 the Branch has allowance for doubtful accounts for performing loans in the statement of financial position as general provision for credit activities of LAK 3,615,241,751 and LAK 2,748,662,404, respectively.

8. INTANGIBLE ASSETS

Intangible assets as at December 31, consists of the following:

As at December 31, 2017

	Balances as at January 1, 2017 LAK	Additions LAK	Disposals LAK	Balances as at December 31, 2017 LAK
Cost:				
Computer software	63,708,800	-	-	63,708,800
Total cost	63,708,800	-	-	63,708,800
Accumulated amortization:				
Computer software	(52,579,374)	(10,181,053)	-	(62,760,427)
Total accumulated amortization	(52,579,374)	(10,181,053)	-	(62,760,427)
Intangible assets, net	11,129,426			948,373

As at December 31, 2016

	Balances as at January 1, 2016 LAK	Additions LAK	Disposals LAK	Balances as at December 31, 2016 LAK
Cost:				
Computer software	43,318,800	20,390,000	-	63,708,800
Total cost	43,318,800	20,390,000	-	63,708,800
Accumulated amortization:				
Computer software	(43,318,799)	(9,260,575)	-	(52,579,374)
Total accumulated amortization	(43,318,799)	(9,260,575)	-	(52,579,374)
Intangible assets, net	1			11,129,426

Amortization for the years ended December 31,

2017	10,181,053
2016	9,260,575

9. TANGIBLE ASSETS

Tangible assets as at December 31, consists of the following:

As at December 31, 2017

	Balances as at January 1, 2017 LAK	Additions LAK	Disposals LAK	Balances as at December 31, 2017 LAK
Cost:				
Leasehold improvements	8,773,579,229	-	-	8,773,579,229
Furniture and fixtures	996,238,943	25,732,234	-	1,021,971,177
Computer equipment	1,364,834,456	-	-	1,364,834,456
Motor vehicles	1,661,044,820	-	(405,688,584)	1,255,356,236
Total cost	12,795,697,448	25,732,234	(405,688,584)	12,415,741,098
Accumulated depreciation:				
Leasehold improvements	(858,969,185)	(302,337,277)	-	(1,161,306,462)
Furniture and fixtures	(631,849,584)	(163,512,465)	-	(795,362,049)
Computer equipment	(542,570,874)	(243,259,570)	-	(785,830,444)
Motor vehicles	(840,063,473)	(226,945,163)	405,688,582	(661,320,054)
Total accumulated depreciation	(2,873,453,116)	(936,054,475)	405,688,582	(3,403,819,009)
Tangible assets, net	9,922,244,332			9,011,922,089

As at December 31, 2016

	Balances as at January 1, 2016 LAK	Additions LAK	Disposals LAK	Balances as at December 31, 2016 LAK
Cost:				
Leasehold improvements	8,773,579,229	-	-	8,773,579,229
Furniture and fixtures	989,477,949	6,760,994	-	996,238,943
Computer equipment	1,044,315,240	556,053,159	(235,533,943)	1,364,834,456
Motor vehicles	873,996,900	787,047,920	-	1,661,044,820
Total cost	11,681,369,318	1,349,862,073	(235,533,943)	12,795,697,448
Accumulated depreciation:				
Leasehold improvements	(554,651,562)	(304,317,623)	-	(858,969,185)
Furniture and fixtures	(466,261,335)	(165,588,249)	-	(631,849,584)
Computer equipment	(608,132,988)	(169,971,815)	235,533,929	(542,570,874)
Motor vehicles	(721,578,897)	(118,484,576)	-	(840,063,473)
Total accumulated depreciation	(2,350,624,782)	(758,362,263)	235,533,929	(2,873,453,116)
Tangible assets, net	9,330,744,536			9,922,244,332

Depreciation for the years ended December 31,

2017	936,054,475
2016	758,362,263

10. ACCRUED RECEIVABLES

Accrued receivables as at December 31, consists of the following:

	2017 LAK	2016 LAK
Accrued interest receivables - due from banks	1,313,154,365	2,292,173,093
Accrued interest receivables - loans to customers	462,221,755	388,185,027
	1,775,376,120	2,680,358,120

11. OTHER ASSETS

Other assets as at December 31, consists of the following:

	2017	2016
	LAK	LAK
Prepaid expenses	14,670,566,215	15,037,731,696
Others	192,694,641	167,753,286
	<u>14,863,260,856</u>	<u>15,205,484,982</u>

12. DUE TO OTHER BANKS

Due to other banks as at December 31, consists of the following:

	2017	2016
	LAK	LAK
Demand deposits - other banks		
Domestic banks	28,575,239,823	43,374,120,369
Total	<u>28,575,239,823</u>	<u>43,374,120,369</u>
Time deposits - other banks		
Domestic banks	65,000,000,000	64,000,000,000
Total	<u>65,000,000,000</u>	<u>64,000,000,000</u>
Other liabilities	301,042,064	7,405,884,276
	<u>93,876,281,887</u>	<u>114,780,004,645</u>

13. DUE TO CUSTOMERS

Due to customers as at December 31, consists of the following:

	2017	2016
	LAK	LAK
Demand deposits		
Current deposits	101,515,163,620	108,918,819,749
Savings deposits	270,174,007,857	250,657,036,134
Total	<u>371,689,171,477</u>	<u>359,575,855,883</u>
Time deposits		
Fixed deposits	131,825,652,463	220,675,233,299
Total	<u>131,825,652,463</u>	<u>220,675,233,299</u>
Other liabilities	1,046,734,929	1,140,840,880
	<u>504,561,558,869</u>	<u>581,391,930,062</u>

Due to customers is classified by currency as at December 31, are as follow:

	2017	2016
	LAK	LAK
LAK	34,189,864,592	34,308,770,433
USD	317,469,850,613	354,842,312,162
THB	152,901,843,664	192,240,847,467
	<u>504,561,558,869</u>	<u>581,391,930,062</u>

14. ACCRUED PAYABLES

Accrued payables as at December 31, consists of the following:

	2017	2016
	LAK	LAK
Accrued interest payables - due to banks	526,512,368	392,103,819
Accrued interest payables - due to customers	1,636,900,201	1,700,907,257
	<u>2,163,412,569</u>	<u>2,093,011,076</u>

15. TAX PAYABLE AND INCOME TAX EXPENSES

Tax payable as at December 31, and income tax expenses for the year ended December 31, consists of the following:

	2017	2016
	LAK	LAK
Tax payable at the beginning of the year	3,498,062,377	3,696,122,845
Income tax expenses for the years	7,716,991,327	6,536,949,357
Income tax paid during the years	(3,360,000,000)	(6,735,009,825)
Tax payable at the end of the year	<u>7,855,053,704</u>	<u>3,498,062,377</u>

16. BRANCH CAPITAL

The Branch has an initial registered branch capital amount of USD 5 million. In accordance with the Agreement on Increasing Minimum Registered Capital and Investment Capital of Commercial Bank No.141/PM dated September 24, 2009 by the BoL, the Branch of foreign bank in Lao PDR should maintain the minimum registered capital of LAK 100 billion by 2012.

As at December 31, 2017 and 2016, the Branch has registered branch capital of LAK 100 billion.

17. LEGAL RESERVE

A legal reserve shall be maintained in accordance with the BoL regulations, comprising annual appropriations of 10% of net profit.

18. CONTINGENT LIABILITIES

Contingent liabilities as at December 31, consists of the following:

	2017	2016
	LAK	LAK
Undrawn loan commitments	8,561,122,792	12,774,659,832
Letters of credit	3,374,710,500	3,743,997,810
Letters of guarantee	412,855,665,965	276,211,589,833
Bills for collection	9,376,211,844	10,633,211,123
	<u>434,167,711,101</u>	<u>303,363,458,598</u>

19. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances as at December 31, consists of the following:

	2017	2016
	LAK	LAK
Due from Head Office and other branches		
Deposits	191,101,850,762	108,301,806,309
Due from Head Office and other branches		
Due from Head Office	57,078,797,446	30,912,501,343
Due from other branches	134,023,053,316	77,389,304,966
	<u>191,101,850,762</u>	<u>108,301,806,309</u>
Due to Head Office and other branches		
Deposits	52,228,487,933	21,160,416,948
Borrowings	278,040,000,000	308,712,600,000
	<u>330,268,487,933</u>	<u>329,873,016,948</u>
Due to Head Office and other branches		
Due to Head Office	278,040,000,000	308,712,600,000
Due to other branches	52,228,487,933	21,160,416,948
	<u>330,268,487,933</u>	<u>329,873,016,948</u>

Due from Head Office and other branches as at December 31, are classified as follows:

	2017	2016
	LAK	LAK
a) By type:		
Demand deposits	128,098,850,762	41,851,206,309
Time deposits	63,003,000,000	66,450,600,000
	<u>191,101,850,762</u>	<u>108,301,806,309</u>
b) By currencies:		
LAK	18,293,749,700	3,903,767,000
USD	121,510,580,529	28,269,984,910
THB	51,286,983,473	76,127,093,901
EUR	10,537,060	960,498
	<u>191,101,850,762</u>	<u>108,301,806,309</u>

Interest rates on deposits due from Head Office and other branches for the years ended December 31, 2017 and 2016 are 0.40% - 3.25% per annum and 0.80% - 1.50% per annum, respectively.

Due to Head Office and other branches as at December 31, are classified as follows:

	2017	2016
	LAK	LAK
a) By Type:		
Demand deposits	27,228,487,933	11,160,416,948
Time deposits	25,000,000,000	10,000,000,000
Borrowings	278,040,000,000	308,712,600,000
	<u>330,268,487,933</u>	<u>329,873,016,948</u>
b) By currencies:		
LAK	41,436,163,127	16,355,293,363
USD	286,325,849,104	311,453,319,510
THB	2,506,475,702	2,064,404,075
	<u>330,268,487,933</u>	<u>329,873,016,948</u>

Interest rates on deposits due to other branches for the years ended December 31, 2017 and 2016 are 3.00% - 3.25% and 3% per annum, respectively.

Interest rates on borrowings due to Head Office for the years ended December 31, 2017 and 2016 are LIBOR 3 months + 1.75% per annum.

Significant transactions with related parties during the years ended December 31, are conducted on normal commercial terms as follows:

	2017	2016
	LAK	LAK
Interest income		
Other branches	734,380,004	724,662,317
Interest expense		
Head Office	9,367,288,994	4,377,429,758
Other branches	673,630,135	107,538,855

20. FINANCIAL RISK MANAGEMENT

The guidelines and policies adopted by the Branch to manage the risks that arise in the conduct of its business activities are as follows:

20.1 Credit risk

Credit risk is the potential loss of revenue and principal in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending, hedging and investing activities.

The primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the statements of financial position. The Branch's lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved i.e., the Branch's overall loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes.

The credit exposure arising from off the statements of financial position activities, i.e. contingencies liabilities, is disclosed in Note 18.

20.2 Market risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

(i) Foreign currency exchange risk

Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Branch maintains the Bank's policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements and predetermined position limits.

(ii) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, and cost of funds and through re-pricing gap by the Bank's Risk Management Group.

20.3 Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

The Bank fully supports the Branch's liquidity position. The Bank's Risk Management Group closely monitors all inflows and outflows and maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations when they fall due.

21. RECLASSIFICATIONS

Reclassifications have been made in the statement of financial position as at December 31, 2016 to conform to the presentation used in the statement of financial position as at December 31, 2017 as follows:

Items	Previous presentation	Current presentation	Amount LAK
Due from Head Office and other branches	Other assets	Due from Head Office and other branches	9,452,486,393