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INDEPENDENT AUDITORS' REPORT

To: The Owners of Join Development Bank Limited

Opinion

We have audited the financial statements of Joint Development Bank Limited ("the Bank"), which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank are prepared, in all material respects, in accordance with the Accounting Law of Lao P.D.R and with the regulations stipulated by the Bank of Lao P.D.R relevant to preparation and presentation of financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which describes the accounting policies adopted by the Bank. These accounting policies are not intended to present the financial position, the results of operations and cash flows of the Branch in accordance with international generally accepted accounting principles. Our opinion is not modified in respect of this matter.

Responsibilities of the Bank's Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Ernst & Young



Vientiane, Lao P.D.R.

31 March 2017

Joint Development Bank Limited

INCOME STATEMENT
for the year ended at 31 December 2016

Code	ITEMS	Notes	2016 LAK	2015 LAK
A.	OPERATING INCOME AND EXPENSES			
1.	Interest and similar income	3	104,405,874,474	79,334,063,897
1.1	Interest and similar income from interbank transactions		3,789,905,756	3,840,945,952
1.2	Interest and similar income from loans to customers		100,615,968,718	75,493,117,945
2.	Interest and similar expense	3	(72,117,830,706)	(50,297,513,975)
2.1	Interest and similar expense for interbank transactions		(3,166,553,946)	(3,488,507,471)
2.2	Interest and similar expense for customer deposits		(68,951,276,760)	(46,809,006,504)
I.	NET INTEREST AND SIMILAR INCOME	3	32,288,043,768	29,036,549,922
3	Fee and commission income	4	57,336,770,934	34,743,941,736
4	Fee and commission expense	4	(8,322,702,538)	(6,982,656,399)
5	Gain from securities investment		280,000,000	378,000,000
6	Net gain from dealing in foreign currencies	5	3,936,477,803	2,191,371,980
II.	NET OPERATING INCOME		85,518,589,967	59,367,207,239
B.	OTHER INCOME AND EXPENSES			
7	Other operating income	6	6,172,981,943	12,034,254,075
8	General and administration expenses		(63,977,797,679)	(51,098,436,868)
8.1	Payroll and other staff costs	7	(34,377,971,902)	(31,351,490,950)
8.2	Other administration expenses	8	(29,599,825,777)	(19,746,945,918)
9	Depreciation and amortization charges		(17,347,947,163)	(14,162,470,630)
10	Other operating expenses	9	(2,950,381,842)	(2,243,414,991)
11	Net provision for non-performing loans		(613,406,161)	490,951,597
11.1	Provision for non-performing loans	14.2	(8,602,434,993)	(545,052,775)
11.2	Reversal of provision for non-performing loans	14.2	7,989,028,832	1,036,004,372
III.	TOTAL PROFIT BEFORE TAX		6,802,039,065	4,388,090,422
12	Current Profit Tax	20	(1,636,342,909)	(1,244,736,241)
IV.	PROFIT AFTER TAX		5,165,696,156	3,143,354,181

Prepared by:



Mr. Khamsing Sonesinnavong
Accounting and Finance Manager



Mr. Soulinhorn Chanthavong
General Director

Vientiane, Lao P.D.R

31 March 2017

Joint Development Bank Limited

BALANCE SHEET
as at 31 December 2016

Code	ASSETS	Notes	31 December 2016 LAK	31 December 2015 LAK
I	Cash on hand and balances with the Bank of Lao P.D.R ("BOL")		611,096,816,399	460,957,961,464
1	Cash on hand	10	197,320,282,080	173,247,883,371
2	Balances with the BOL	11	413,776,534,319	287,710,078,093
II	Due from other banks and financial institutions		209,377,939,621	123,803,288,475
1	Demand deposits	12.1	121,984,279,860	56,071,722,799
2	Term deposits	12.2	30,000,000,000	30,000,000,000
3	Saving deposits	12.3	57,393,659,761	37,731,565,676
III	Investments in securities		4,300,000,000	4,300,000,000
1	Available-for-sale securities	13	4,300,000,000	4,300,000,000
IV	Loans to customers, net of provision for non-performing loans	14	1,272,881,585,073	782,067,018,701
V	Fixed assets		202,576,108,820	201,144,767,436
1	Constructions in progress	15.1	1,643,520,065	24,470,412,723
2	Intangible fixed assets	15.2	121,431,059,994	96,603,459,682
3	Tangible fixed assets	15.3	79,501,528,761	80,070,895,031
VI	Other assets		56,149,321,132	41,021,534,363
1	Accrued interest receivables		9,672,505,299	3,784,347,288
2	Other assets	16	46,476,815,833	37,237,187,075
	TOTAL ASSETS		2,356,381,771,045	1,613,294,570,439

Joint Development Bank Limited

BALANCE SHEET (continued)
as at 31 December 2016

Code	LIABILITIES AND CAPITAL	Notes	31 December 2016 LAK	31 December 2015 LAK
I	Due to other banks and other financial institutions	17	53,680,496,786	85,546,646,204
1	Demand deposits		4,869,116,786	2,115,806,204
2	Term deposit		48,811,380,000	83,430,840,000
II	Due to customers	18	1,873,694,117,176	1,125,292,574,969
1	Demand and saving deposits		784,007,067,933	574,576,889,329
2	Term deposits		1,089,680,406,437	550,713,142,654
3	Other payables to customers		6,642,806	2,542,986
III	Other liabilities		51,298,657,654	31,555,602,975
1	Accrued interest payables		39,338,318,636	20,903,456,468
2	Other payables	19	11,960,339,018	10,652,146,507
	TOTAL LIABILITIES		1,978,673,271,616	1,242,394,824,148
IV	Capital and reserves			
1	Paid-up capital	21	404,666,100,000	404,666,100,000
2	Regulatory reserve fund		391,685,038	391,685,038
3	Business expansion fund		550,517,242	550,517,242
4	Revaluation reserve		23,671,958,000	23,671,958,000
5	General provision for credit activities	14.2	6,842,974,833	4,104,605,766
6	Accumulated losses		(57,319,423,599)	(62,485,119,755)
7	Foreign currency translation reserve		(1,095,312,085)	-
	TOTAL CAPITAL		377,708,499,429	370,899,746,291
	TOTAL LIABILITES AND CAPITAL		2,356,381,771,045	1,613,294,570,439

Joint Development Bank Limited

BALANCE SHEET (continued)
as at 31 December 2016

Code	OFF BALANCE SHEET ITEMS	Notes	31 December 2016 LAK	31 December 2015 LAK
I	Commitments			
A	Commitments for financing		307,947,852,514	199,518,070,857
1	Commitments for financing given to customers		307,947,852,514	199,518,070,857
B	Commitment for guarantees		18,604,284,029	36,066,918,795
1	Commitments for guarantees given to customers		18,604,284,029	36,066,918,795
	TOTAL COMMITMENTS		326,552,136,543	235,584,989,652
II	Collaterals and Mortgages			
A	Collaterals and Mortgages for loans		1,977,309,820,716	1,435,458,786,134
1	Collaterals and Mortgages for loans to customers		1,977,309,820,716	1,435,458,786,134
	COLLATERALS AND MORTGAGES		1,977,309,820,716	1,435,458,786,134

Prepared by:



Mr. Khamsing Sonesinnavong
Accounting and Finance Manager

Approved by:



Mr. Sounthorn Chanthavong
General Director

Vientiane, Lao P.D.R

31 March 2017

Joint Development Bank Limited

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

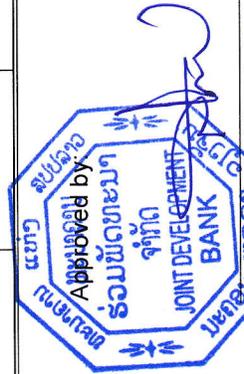
	Paid-up capital LAK	Regulatory reserve fund LAK	Business expansion fund LAK	Revaluation reserve LAK	General provision for credit activities LAK	Accumulated losses LAK	Foreign currency translation reserve	Total LAK
Balances as at 31 December 2014	404,666,100,000	391,685,038	550,517,242	23,671,958,000	2,602,913,538	(65,122,711,279)	-	366,760,462,539
Additional tax for 2012, 2013 and 2014 in accordance with Tax Authorities conclusion	-	-	-	-	-	(235,018,973)	-	(235,018,973)
Other increase	-	-	-	-	-	(270,743,684)	-	(270,743,684)
Net profit for the year	-	-	-	-	-	3,143,354,181	-	3,143,354,181
Net increase in general provision for credit activities	-	-	-	-	1,546,877,836	-	-	1,546,877,836
Foreign exchange difference	-	-	-	-	(45,185,608)	-	-	(45,185,608)
Balances as at 31 December 2015	404,666,100,000	391,685,038	550,517,242	23,671,958,000	4,104,605,766	(62,485,119,755)	-	370,899,746,291
Other increase	-	-	-	-	-	5,165,696,156	-	5,165,696,156
Net profit for the year	-	-	-	-	-	-	-	-
Net increase in general provision for credit activities (Note 14.2)	-	-	-	-	1,799,979,233	-	-	1,799,979,233
Foreign exchange difference	-	-	-	-	938,389,834	-	(1,095,312,085)	(156,922,251)
Balances as at 31 December 2016	404,666,100,000	391,685,038	550,517,242	23,671,958,000	6,842,974,833	(57,319,423,599)	(1,095,312,085)	377,708,499,429

Prepared by:

Mr. Khamsing Sonesinnavong
Accounting and Finance Manager

Vientiane, Lao P.D.R

31 March 2017



Mr. Sounthorn Chanthavong
General Director

Joint Development Bank Limited

CASH FLOW STATEMENT
for the year ended 31 December 2016

	Notes	2016 LAK	2015 LAK
OPERATING ACTIVITIES			
Net Profit before tax		6,802,039,065	4,388,090,422
<i>Adjustments for:</i>			
Depreciation and amortization charges		17,347,947,163	14,162,470,630
Net provision expense of credit losses	14	2,413,385,394	945,075,422
Cash flows from operating profit before changing in operating assets and liabilities		26,563,371,622	19,495,636,474
(Increase)/Decrease in operating assets			
Balances with other banks		(39,933,704,485)	(20,317,996,649)
Loans to customers		(490,516,756,924)	(268,446,550,898)
Accrued interest income		(5,888,158,011)	(2,031,693,470)
Other assets		1,402,952,742	(18,437,993,408)
Increase/(Decrease) in operating liabilities			
Deposits from other banks		(31,866,149,418)	84,520,804,767
Customer deposits and other amounts due to customers		748,401,542,207	434,350,077,456
Other liabilities		18,509,600,596	10,765,705,863
Profit Tax paid during the year	20	(1,471,026,686)	(2,098,220,852)
Net cash flows from/(used in) operating activities		225,201,671,643	237,799,769,283
INVESTING ACTIVITIES			
Payments to acquire and construct new fixed assets		(30,124,014,580)	(39,839,347,000)
Proceeds from disposals of assets		422,144,533	-
Dividends received		280,000,000	378,000,000
Net cash flows used in investing activities		(29,421,870,047)	(39,461,347,000)
FINANCING ACTIVITIES			
Net cash flows from financing activities		-	-
Net change in cash and cash equivalents		195,779,801,596	198,338,422,283
Cash and cash equivalents at the beginning of the year		481,237,489,139	282,899,066,856
Effect of foreign exchange difference			-
Cash and cash equivalents at the end of the year	22	677,017,290,735	481,237,489,139

Prepared by:



Mr. Khamsing Sonesinnavong
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Approved by:



Mr. Sounthorn Chanthavong
General Director

Vientiane, Lao P.D.R

31 March 2017