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Reference: 60956549/19754733

INDEPENDENT AUDITORS' REPORT

To: **The Owners of Joint 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 2017, 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 PDR and with the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements.

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of the Bank's Management for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Law of the Lao PDR and with the regulations stipulated by Bank of the Lao PDR 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 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 skepticism throughout the audit. We also:

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

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

Ernst & Young Lao Co., Ltd



Trinh Hoang Anh
Partner

Audit Practising Registration
Certificate No. LCPAA/2-1-00001

Vientiane, Lao PDR.

18 May 2018

Joint Development Bank Limited

INCOME STATEMENT
for the year ended 31 December 2017

Code	ITEMS	Notes	2017 LAK	2016 LAK
A.	OPERATING INCOME AND EXPENSES			
1.	Interest and similar income	3	150,062,171,919	104,405,874,474
1.1	Interest and similar income from interbank transactions		860,927,525	3,789,905,756
1.2	Interest and similar income from loans to customers		148,861,107,409	100,615,968,718
1.3	Other interest and similar income		340,136,985	-
2.	Interest and similar expense	3	(103,163,202,849)	(72,117,830,706)
2.1	Interest and similar expense for interbank transactions		(1,908,265,060)	(3,166,553,946)
2.2	Interest and similar expense for customer deposits		(101,254,937,789)	(68,951,276,760)
I.	NET INTEREST AND SIMILAR INCOME	3	46,898,969,070	32,288,043,768
3	Fee and commission income	4	63,335,591,212	57,336,770,934
4	Fee and commission expense	4	(8,766,509,810)	(8,322,702,538)
5	Gain from securities investment		270,000,000	280,000,000
6	Net (loss)/gain from dealing in foreign currencies	5	(2,450,965,833)	3,936,477,803
II.	NET OPERATING INCOME		99,287,084,639	85,518,589,967
B.	OTHER INCOME AND EXPENSES			
7	Other operating income	6	5,906,419,664	6,172,981,943
8	Administration expenses		(68,143,224,708)	(63,977,797,679)
8.1	Payroll and other staff costs	7	(36,801,314,982)	(34,377,971,902)
8.2	Other administration expenses	8	(31,341,909,726)	(29,599,825,777)
9	Depreciation and amortization charges		(24,424,825,364)	(17,347,947,163)
10	Other operating expenses	9	(4,146,220,350)	(2,950,381,842)
11	Net provision for non-performing loans	14.2	61,525,409	(613,406,161)
11.1	Provision for non-performing loans		(15,955,113,570)	(8,602,434,993)
11.2	Reversal of provision for non-performing loans		16,016,638,979	7,989,028,832
III.	TOTAL PROFIT BEFORE TAX		8,540,759,290	6,802,039,065
12	Current Profit Tax	20	(2,263,007,359)	(1,636,342,909)
IV.	PROFIT AFTER TAX		6,277,751,931	5,165,696,156

Prepared by:



Mr. Khamsing Sonesinnavong
Accounting and Finance Manager



Mr. Bounsavang Philasayphithak
General Director

Vientiane, Lao PDR

30 March 2018

Joint Development Bank Limited

BALANCE SHEET
as at 31 December 2017

Code	ASSETS	Notes	31 December 2017 LAK	31 December 2016 LAK
I	Cash on hand and balances with Bank of the Lao PDR ("BOL")		564,910,660,395	611,096,816,399
1	Cash on hand	10	230,409,923,753	197,320,282,080
2	Balances with the BOL	11	334,500,736,642	413,776,534,319
II	Due from other banks		125,744,217,765	209,377,939,621
1	Demand deposits	12.1	70,421,247,421	121,984,279,860
2	Term deposits	12.2	-	30,000,000,000
3	Saving deposits	12.3	55,322,970,344	57,393,659,761
III	Investments in securities	13	17,300,000,000	4,300,000,000
1	Available-for-sale securities		4,300,000,000	4,300,000,000
2	Held-to-maturity securities		13,000,000,000	-
IV	Loans to customers, net of provision for non-performing loans	14	1,913,425,425,653	1,272,881,585,073
V	Fixed assets		195,068,036,869	202,576,108,820
1	Constructions in progress	15.1	7,039,511,888	1,643,520,065
2	Intangible fixed assets	15.2	111,058,745,891	121,431,059,994
3	Tangible fixed assets	15.3	76,969,779,090	79,501,528,761
VI	Other assets		72,964,540,546	56,149,321,132
1	Accrued interest receivables		14,425,404,909	9,672,505,299
2	Other assets	16	58,539,135,637	46,476,815,833
	TOTAL ASSETS		2,889,412,881,228	2,356,381,771,045

Joint Development Bank Limited

BALANCE SHEET (continued)
as at 31 December 2017

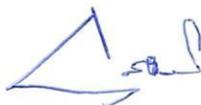
Code	LIABILITIES AND CAPITAL	Notes	31 December 2017 LAK	31 December 2016 LAK
I	Due to other banks and other financial institutions	17	61,708,613,379	53,680,496,786
1	Demand deposits		6,783,613,379	4,869,116,786
2	Term deposit		54,925,000,000	48,811,380,000
II	Due to customers	18	2,356,742,359,929	1,873,694,117,176
1	Demand and saving deposits		784,943,091,578	784,007,067,933
2	Term deposits		1,571,797,669,326	1,089,680,406,437
3	Other payables to customers		1,599,025	6,642,806
III	Other liabilities		84,184,484,547	51,298,657,654
1	Accrued interest payables		67,550,618,815	39,338,318,636
2	Other payables	19	16,633,865,732	11,960,339,018
	TOTAL LIABILITIES		2,502,635,457,855	1,978,673,271,616
IV	Capital and reserves			
1	Paid-up capital		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	9,634,146,846	6,842,974,833
6	Accumulated losses		(52,136,983,753)	(57,319,423,599)
7	Foreign currency translation reserve		-	(1,095,312,085)
	TOTAL CAPITAL		386,777,423,373	377,708,499,429
	TOTAL LIABILITIES AND CAPITAL		2,889,412,881,228	2,356,381,771,045

Joint Development Bank Limited

BALANCE SHEET (continued)
as at 31 December 2017

Code	OFF BALANCE SHEET ITEMS	Notes	31 December 2017 LAK	31 December 2016 LAK
I	Commitments			
A	Commitments for financing		182,185,634,532	307,947,852,514
1	Commitments for financing given to customers		182,185,634,532	307,947,852,514
B	Commitment for guarantees		22,477,187,765	18,604,284,029
1	Commitments for guarantees given to customers		22,477,187,765	18,604,284,029
	TOTAL COMMITMENTS		204,662,822,297	326,552,136,543
II	Collaterals and Mortgages			
A	Collaterals and Mortgages for loans		2,289,674,681,204	1,977,309,820,716
1	Collaterals and Mortgages for loans to customers		2,289,674,681,204	1,977,309,820,716
	COLLATERALS AND MORTGAGES		2,289,674,681,204	1,977,309,820,716

Prepared by:



Mr. Khamsing Sonesinnavong
Accounting and Finance Manager



Mr. Bounsavang Philasayphithak
General Director

Vientiane, Lao PDR

30 March 2018

Joint Development Bank Limited

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	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 LAK	Total LAK
Balances as at 31 December 2016	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
Net profit for the year	-	-	-	-	-	5,165,696,156	-	5,165,696,156
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 2017	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
Net profit for the year	-	-	-	-	-	6,277,751,931	-	6,277,751,931
Reversal of Foreign currency translation reserve	-	-	-	-	-	(1,095,312,085)	1,095,312,085	-
Net increase in general provision for credit activities (Note 14.2)	-	-	-	-	2,609,674,063	-	-	2,609,674,063
Foreign exchange difference	-	-	-	-	181,497,950	-	-	181,497,950
Balances as at 31 December 2017	404,666,100,000	391,685,038	550,517,242	23,671,958,000	9,634,146,846	(52,136,983,759)	-	386,777,423,373

Prepared by:



Mr. Khamxing Sonesinnavong
Accounting and Finance Manager

Approved by:



Mr. Bounsavang Phisasayphithak
General Director

Vientiane, Lao PDR

30 March 2018

Joint Development Bank Limited

CASH FLOW STATEMENT
for the year ended 31 December 2017

	Notes	2017 LAK	2016 LAK
OPERATING ACTIVITIES			
Profit before tax		8,540,759,290	6,802,039,065
<i>Adjustments for:</i>			
Depreciation and amortization charges		24,424,825,364	17,347,947,163
Net provision expense of credit losses	14	2,548,148,654	2,413,385,394
Cash flows from operating profit before changing in operating assets and liabilities		35,513,733,308	26,563,371,622
(Increase)/Decrease in operating assets			
Balances with other banks		17,141,760,960	(39,933,704,485)
Loans to customers		(640,510,198,082)	(490,516,756,924)
Other financial assets		(13,000,000,000)	-
Accrued interest income		(4,752,899,610)	(5,888,158,011)
Other assets		(15,279,101,125)	1,402,952,742
Increase/(Decrease) in operating liabilities			
Deposits from other banks		8,028,116,593	(31,866,149,418)
Customer deposits and other amounts due to customers		483,048,242,753	748,401,542,207
Profit tax paid during the year	20	(1,044,762,512)	(1,471,026,686)
Other liabilities		31,876,962,907	18,509,600,596
Net cash flows (used in)/from operating activities		(98,978,144,808)	225,201,671,643
INVESTING ACTIVITIES			
Payments to acquire and construct new fixed assets		(17,526,476,094)	(30,124,014,580)
Proceeds from disposals of assets		3,556,504,002	422,144,533
Dividends received		270,000,000	280,000,000
Net cash flows used in investing activities		(13,699,972,092)	(29,421,870,047)
FINANCING ACTIVITIES			
Net cash flows from financing activities		-	-
Net change in cash and cash equivalents		(112,678,116,900)	195,779,801,596
Cash and cash equivalents at the beginning of the year		677,017,290,735	481,237,489,139
Cash and cash equivalents at the end of the year	21	564,339,173,835	677,017,290,735

Prepared by:



Mr. Khamsing Sonesinnavong
Accounting and Finance Manager



Approved by:
Mr. Bounsavang Philasayphithak
General Director

Vientiane, Lao PDR

30 March 2018