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Reference: 60956549/20598798-LAS

## **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 2018, 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 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.
- ▶ 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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.

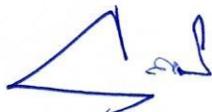
28 May 2019

# Joint Development Bank Limited

INCOME STATEMENT  
for the year ended 31 December 2018

Code	ITEMS	Notes	2018 LAK	2017 LAK
<b>A.</b>	<b>OPERATING INCOME AND EXPENSES</b>			
1.	Interest and similar income	3	200,333,287,891	150,062,171,919
2.	Interest and similar expense	3	(131,688,650,330)	(103,163,202,849)
I.	<b>NET INTEREST AND SIMILAR INCOME</b>	3	68,644,637,561	46,898,969,070
3	Fee and commission income	4	60,753,850,616	63,335,591,212
4	Fee and commission expense	4	(9,511,552,385)	(8,766,509,810)
5	Gain from securities investment	5	11,107,333,333	270,000,000
6	Net gain/(loss) from dealing in foreign currencies		3,351,977,727	(2,450,965,833)
II.	<b>NET OPERATING INCOME</b>		134,346,246,852	99,287,084,639
<b>B.</b>	<b>OTHER INCOME AND EXPENSES</b>			
7	Other operating income	6	3,343,318,224	5,906,419,664
8	Administration expenses		(78,311,736,331)	(68,143,224,708)
8.1	Payroll and other staff costs	7	(41,290,168,016)	(36,801,314,982)
8.2	Other administration expenses	8	(37,021,568,315)	(31,341,909,726)
9	Depreciation and amortization charges		(42,995,781,905)	(24,424,825,364)
10	Other operating expenses	9	(6,011,317,542)	(4,146,220,350)
11	Net provision for non-performing loans	14.2	(93,166,730)	61,525,409
III.	<b>TOTAL PROFIT BEFORE TAX</b>		10,277,562,568	8,540,759,290
12	Current Profit Tax Expense	21	(2,439,643,581)	(2,263,007,359)
IV.	<b>PROFIT AFTER TAX</b>		7,837,918,987	6,277,751,931

Prepared by:



Mr. Khamsing Sonesinnavong  
Accounting and Finance Manager

Vientiane, Lao PDR

28 May 2019

Approved by:




Mr. Bounsavang Philasayphithak  
General Director

# Joint Development Bank Limited

BALANCE SHEET  
as at 31 December 2018

Code	ASSETS	Notes	31 December 2018 LAK	31 December 2017 LAK
<b>I</b>	<b>Cash on hand and balances with Bank of the Lao PDR ("BOL")</b>		<b>707,457,130,952</b>	<b>564,910,660,395</b>
1	Cash on hand	10	249,266,853,456	230,409,923,753
2	Balances with the BOL	11	458,190,277,496	334,500,736,642
<b>II</b>	<b>Due from banks</b>		<b>226,610,687,279</b>	<b>125,744,217,765</b>
1	Demand deposits	12.1	189,871,122,856	70,421,247,421
2	Term deposits	12.2	10,000,000,000	-
3	Saving deposits	12.3	26,739,564,423	55,322,970,344
<b>III</b>	<b>Investments in securities</b>	<b>13</b>	<b>82,175,050,000</b>	<b>17,300,000,000</b>
1	Available-for-sale securities		4,300,000,000	4,300,000,000
2	Held-to-maturity securities		77,875,050,000	13,000,000,000
<b>IV</b>	<b>Loans to customers, net of provision for non-performing loans</b>	<b>14</b>	<b>2,190,460,919,638</b>	<b>1,913,425,425,653</b>
<b>V</b>	<b>Fixed assets</b>		<b>243,521,905,322</b>	<b>195,068,036,869</b>
1	Constructions in progress	15.1	7,559,538,223	7,039,511,888
2	Intangible fixed assets	15.2	156,584,854,723	111,058,745,891
3	Tangible fixed assets	15.3	79,377,512,376	76,969,779,090
<b>VI</b>	<b>Other assets</b>		<b>181,960,169,096</b>	<b>72,964,540,546</b>
1	Accrued interest receivable		21,688,786,228	14,425,404,909
2	Other assets	16	160,271,382,868	58,539,135,637
	<b>TOTAL ASSETS</b>		<b>3,632,185,862,287</b>	<b>2,889,412,881,228</b>

# Joint Development Bank Limited

BALANCE SHEET (continued)  
as at 31 December 2018

Code	LIABILITIES AND CAPITAL	Notes	31 December 2018 LAK	31 December 2017 LAK
<b>I</b>	<b>Due to banks and other financial institutions</b>	<b>17</b>	<b>123,830,646,506</b>	<b>61,708,613,379</b>
1	Demand deposits		6,059,646,506	6,783,613,379
2	Term deposit		117,771,000,000	54,925,000,000
<b>II</b>	<b>Due to customers</b>	<b>18</b>	<b>2,925,231,774,666</b>	<b>2,356,742,359,929</b>
1	Demand and saving deposits		888,508,742,066	784,943,091,578
2	Term deposits		2,036,719,311,630	1,571,797,669,326
3	Other payables to customers		3,720,970	1,599,025
<b>III</b>	<b>Other liabilities</b>		<b>113,832,884,400</b>	<b>84,184,484,547</b>
1	Accrued interest payable		90,978,463,963	67,550,618,815
2	Other payables	19	22,854,420,437	16,633,865,732
	<b>TOTAL LIABILITIES</b>		<b>3,162,895,305,572</b>	<b>2,502,635,457,855</b>
<b>IV</b>	<b>Capital and reserves</b>			
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		94,029,775,080	23,671,958,000
5	Provision for performing loans	14.2	13,951,544,121	9,634,146,846
6	Accumulated losses	20	(44,299,064,766)	(52,136,983,753)
	<b>TOTAL CAPITAL</b>		<b>469,290,556,715</b>	<b>386,777,423,373</b>
	<b>TOTAL LIABILITES AND CAPITAL</b>		<b>3,632,185,862,287</b>	<b>2,889,412,881,228</b>

# Joint Development Bank Limited

BALANCE SHEET (continued)  
as at 31 December 2018

Code	OFF BALANCE SHEET ITEMS	Notes	31 December 2018 LAK	31 December 2017 LAK
<b>I</b>	<b>Commitments</b>			
<b>A</b>	<b>Commitments for financing</b>		<b>143,934,362,666</b>	<b>182,185,634,532</b>
1	Commitments for financing given to customers		143,934,362,666	182,185,634,532
<b>B</b>	<b>Commitment for guarantees</b>		<b>24,132,080,988</b>	<b>22,477,187,765</b>
1	Commitments for guarantees given to customers		24,132,080,988	22,477,187,765
	<b>TOTAL COMMITMENTS</b>		<b>168,066,443,654</b>	<b>204,662,822,297</b>
<b>II</b>	<b>Collaterals and Mortgages</b>			
<b>A</b>	<b>Collaterals and Mortgages for loans</b>		<b>2,796,461,389,514</b>	<b>2,289,674,681,204</b>
1	Collaterals and Mortgages for loans to customers		2,796,461,389,514	2,289,674,681,204
	<b>COLLATERALS AND MORTGAGES</b>		<b>2,952,013,818,973</b>	<b>2,289,674,681,204</b>

Prepared by:



Mr. Khamsing Sonesinnavong  
Accounting and Finance Manager



Mr. Bounsavang Philasayphithak  
General Director

Vientiane, Lao PDR

28 May 2019

# Joint Development Bank Limited

STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 December 2018

	Paid-up capital LAK	Regulatory reserve fund LAK	Business expansion fund LAK	Revaluation reserve LAK	Provision for performing loans LAK	Accumulated losses LAK	Foreign currency translation reserve LAK	Total LAK
<b>Balances as at 31 December 2016</b>	<b>404,666,100,000</b>	<b>391,685,038</b>	<b>550,517,242</b>	<b>23,671,958,000</b>	<b>6,842,974,833</b>	<b>(57,319,423,599)</b>	<b>(1,095,312,085)</b>	<b>377,708,499,429</b>
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 provision for performing loans (Note 14.2)	-	-	-	-	2,609,674,063	-	-	2,609,674,063
Foreign exchange difference	-	-	-	-	181,497,950	-	-	181,497,950
<b>Balances as at 31 December 2017</b>	<b>404,666,100,000</b>	<b>391,685,038</b>	<b>550,517,242</b>	<b>23,671,958,000</b>	<b>9,634,146,846</b>	<b>(52,136,983,753)</b>	<b>-</b>	<b>386,777,423,373</b>
Net profit for the year	-	-	-	-	-	7,837,918,987	-	7,837,918,987
Increase in revaluation of fixed assets	-	-	-	70,357,817,080	-	-	-	70,357,817,080
Net provision for performing loans (Note 14.2)	-	-	-	-	4,042,722,014	-	-	4,042,722,014
Foreign exchange difference	-	-	-	-	274,675,261	-	-	274,675,261
<b>Balances as at 31 December 2018</b>	<b>404,666,100,000</b>	<b>391,685,038</b>	<b>550,517,242</b>	<b>94,029,775,080</b>	<b>13,951,544,121</b>	<b>(44,299,064,768)</b>	<b>-</b>	<b>469,290,556,715</b>

Prepared by:



Mr. Khamasing Sonesinnavong  
Accounting and Finance Manager

Approved:



Mr. Bounsavang Philasayphithak  
General Director

Vientiane, Lao PDR

28 May 2019

# Joint Development Bank Limited

CASH FLOW STATEMENT  
for the year ended 31 December 2018

	Notes	2018 LAK	2017 LAK
<b>OPERATING ACTIVITIES</b>			
<b>Profit before tax</b>		<b>10,277,562,568</b>	<b>8,540,759,290</b>
<i>Adjustments for:</i>			
Profit from investments		(10,817,333,333)	-
Depreciation and amortization charges		42,783,846,214	24,424,825,364
Net provision expense of credit losses	14	4,135,888,744	2,548,148,654
Interest income		(200,333,287,891)	(150,062,171,919)
Interest expense		131,688,650,330	103,163,202,849
Foreign exchange (gain)/loss arising from revaluation of monetary accounts denominated in foreign currency		(3,351,977,727)	2,450,965,833
<b>Cash flows from operating profit before changing in operating assets and liabilities</b>		<b>(25,616,651,095)</b>	<b>(8,934,269,929)</b>
(Increase)/Decrease in operating assets			
Balances with other banks		(17,180,720,226)	17,141,760,960
Loans to customers		(277,137,460,041)	(640,510,198,082)
Other financial assets		(64,875,050,000)	(13,000,000,000)
Other assets		(93,072,017,989)	(17,730,066,958)
Increase/(Decrease) in operating liabilities			
Deposits from other banks		62,122,033,127	8,028,116,593
Customer deposits and other amounts due to customers		568,489,414,737	483,048,242,753
Other liabilities		7,544,674,051	3,664,662,728
Interest received		193,069,906,572	145,309,272,309
Interest paid		(108,260,805,183)	(74,950,902,670)
Profit tax paid	21	(3,480,288,338)	(1,044,762,512)
<b>Net cash flows from/(used in) operating activities</b>		<b>241,603,035,615</b>	<b>(98,978,144,808)</b>
<b>INVESTING ACTIVITIES</b>			
Payments to acquire and construct new fixed assets		(15,848,729,024)	(17,526,476,094)
Proceeds from disposals of assets	6	187,913,254	3,556,504,002
Dividends received		290,000,000	270,000,000
<b>Net cash flows used in investing activities</b>		<b>(15,370,815,770)</b>	<b>(13,699,972,092)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>		<b>226,232,219,845</b>	<b>(112,678,116,900)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>564,339,173,835</b>	<b>677,017,290,735</b>
<b>Cash and cash equivalents at the end of the year</b>	22	<b>790,571,393,680</b>	<b>564,339,173,835</b>

Prepared by:



Mr. Khamsing Sonesinnavong  
Accounting and Finance Manager

Vientiane, Lao PDR

28 May 2019

Approved by:



Mr. Bounsavang Phisayphithak  
General Director