

First Commercial Bank Ltd., Vientiane Branch

Financial statements

31 December 2016

First Commercial Bank Ltd., Vientiane Branch

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First Commercial Bank Ltd., Vientiane Branch

GENERAL INFORMATION

THE BRANCH

First Commercial Bank Ltd., Vientiane Branch (the "Branch") is a branch established in Lao People's Democratic Republic ("Lao PDR") of First Commercial Bank Ltd., ("the Parent"). The Branch operates under Banking License No. 0389/BOL granted by the Bank of Lao PDR (the "BOL") on 29 May 2015.

The initial registered capital of the Branch is LAK 121,890,000,000. The actual paid-up capital as at 31 December 2016 is LAK 121,890,000,000.

The principal activities of the Branch are to provide comprehensive banking and related financial services in Lao P.D.R.

The Branch is located at No. 61 Phonxay, 23 Singha Road, Saysettha District, Vientiane Capital, Lao PDR.

MANAGEMENT

Members of the Management during year and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. HUANG Wei-Dar	General Manager	31 March 2015
Mr. HUANG Chih-Lung	Deputy Manager	31 March 2015
Mr. WANG Ching Ping	Deputy Manager	08 June 2016

LEGAL REPRESENTATIVE

The legal representative of the Branch from 1 January 2016 to the date of this report is Mr. HUANG Wei-Dar, the General Manager.

AUDITORS

The auditors of the Branch are Ernst & Young Lao Company Limited.

First Commercial Bank Ltd., Vientiane Branch

REPORT OF MANAGEMENT

Management of First Commercial Bank Ltd., Vientiane Branch (the "Branch") is pleased to present its report and the financial statements of the Branch as at and for the year ended 31 December 2016.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible for the financial statements of each financial year which give a true and fair view of the financial position of the Branch and of the result of its operational results and its cash flows for the year. In preparing those financial statements, management of the Branch is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Branch will continue its business.


Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Branch and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Branch and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management confirmed that it has complied with the above requirements in preparing the accompanying financial statements.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying financial statements give a true and fair view of the financial position of the Branch as at 31 December 2016 and of the results of its operations and its cash flows for the year then ended in accordance with the Accounting Law of the Lao P.D.R and the regulations stipulated by the Bank of Lao P.D.R relevant to preparation and presentation of financial statements.

For and on behalf of Management:


Mr. HUANG Wei-Dar
General Manager
Vientiane, Lao PDR

30 March 2017

Reference: 61217374/18876628

INDEPENDENT AUDITORS' REPORT

**To: The Owner of
First Commercial Bank Ltd., Vientiane Branch**

Opinion

We have audited the financial statements of First Commercial Bank Ltd., Vientiane branch ("the Branch"), 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 Branch are prepared, in all material respects, in accordance with the Accounting Law of the 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 Branch 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 Branch. 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 Branch's Management for the Financial Statements

The Branch's management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Law of the 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 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.



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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.

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 Lao



Ernst & Young Lao Limited

Vientiane, Lao P.D.R

30 March 2017

First Commercial Bank Ltd., Vientiane Branch

INCOME STATEMENT for the year ended 31 December 2016

Code	ITEMS	Notes	2016 LAKm	2015 LAKm
A	OPERATING INCOME AND EXPENSES			
1	Interest and similar income	3	18,672	1,570
1.1	Interest and similar income from interbank transactions		7,924	233
1.1	Interest and similar income from customers		10,748	1,337
2	Interest and similar expense	3	(3,576)	(311)
2.1	Interest and similar expense for interbank transactions		(3,208)	(292)
2.2	Interest and similar expense for customers		(368)	(19)
I.	NET INTEREST AND SIMILAR INCOME	3	15,096	1,259
3	Fee and commission income	4	3,177	642
4	Net gain/(loss) from dealing in foreign currencies	5	104	(416)
II.	NET OPERATING INCOME		18,377	1,485
B	OTHER INCOME AND EXPENSES			
5	Other operating income	6	204	-
6	Administration expenses		(6,668)	(6,400)
6.1	Payroll and other staff costs	7	(3,562)	(2,661)
6.2	Other administration expenses	8	(3,106)	(3,739)
7	Depreciation and amortization charges		(1,875)	(1,550)
8	Other operating expense	9	(102)	(3,251)
9	Net provision charges for non-performing loans	13	-	-

First Commercial Bank Ltd., Vientiane Branch

INCOME STATEMENT (continued)
for the year ended 31 December 2016

Code	ITEMS	Notes	2016 LAKm	2015 LAKm
III.	PROFIT/(LOSS) BEFORE TAX		9,936	(9,716)
10	Profit tax expense	19	-	-
IV.	PROFIT/LOSS AFTER TAX		9,936	(9,716)

Prepared by:

Reviewed by:

Wang Ching-Ping

Mr. WANG Ching-Ping
Deputy Manager



Mr. Huang We-Dar

Mr. HUANG We-Dar
General Manager

Vientiane, Lao PDR

30 March 2017

First Commercial Bank Ltd., Vientiane Branch

BALANCE SHEET
as at 31 December 2016

<i>Code</i>	<i>ASSETS</i>	<i>Notes</i>	<i>31 December 2016 LAKm</i>	<i>31 December 2015 LAKm</i>
I	Cash and balances with the BOL		66,198	100,984
1	Cash on hand	10	2,227	1,133
2	Balances with the BOL	11	63,971	99,851
II	Due from other banks	12	104,749	34,225
1	Demand deposits	12.1	25,580	9,841
2	Term deposits	12.2	79,169	24,384
III	Loans to customers, net of provision for non-performing loans	13	315,130	325,120
IV	Fixed assets		11,299	13,091
1	Tangible fixed assets	15.1	11,260	13,018
2	Intangible fixed assets	15.2	39	73
V	Other assets	16	4,566	3,149
1	Accrued interests receivable		3,441	1,570
2	Other assets		1,125	1,579
	TOTAL ASSETS		501,942	476,569

First Commercial Bank Ltd., Vientiane Branch

BALANCE SHEET (continue)
as at 31 December 2016

Code	LIABILITIES AND CAPITAL	Notes	31 December 2016 LAKm	31 December 2015 LAKm
I	Due to other banks	17	343,636	325,120
	Demand deposits		122	-
	Term deposits		500	-
	Borrowings from Parent Bank		343,014	325,120
II	Due to customers	18	31,993	35,547
1	Demand and Saving deposits		13,632	35,547
2	Term deposits		18,361	-
III	Other liabilities	19	1,052	477
1	Accrued interest payable		815	288
2	Tax payables		39	40
3	Other payables		198	149
	TOTAL LIABILITIES		376,681	361,144
IV	Capital and reserves			
1	Paid-up capital	20	121,890	121,890
2	Statutory reserve fund		22	-
3	General provision for credit activities	14	3,151	3,251
4	Retained earnings		198	(9,716)
	TOTAL CAPITAL		125,261	115,425
	TOTAL LIABILITIES AND CAPITAL		501,942	476,569

Prepared by:

Wang Ching-Ping

Mr. WANG Ching-Ping
Deputy Manager

Vientiane, Lao PDR

30 March 2017

Reviewed by:

Mr. Huang Wei-Dar

First Commercial Bank Ltd.
Vientiane Branch
General Manager

First Commercial Bank Ltd., Vientiane Branch

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

ITEMS	Paid-up capital LAKm	Regulatory reserve fund LAKm	General provision for credit activities LAKm	Retained Earning LAKm	Total LAKm
Balance as at 31 December 2015	121,890	-	3,251	(9,716)	115,425
Net profit for the year	-	-	-	9,936	9,936
Created regulatory reserve fund for the year	-	22	-	(22)	-
General provision charged during the year	-	-	(116)	-	(116)
Foreign exchange difference	-	-	16	-	16
Balance as at 31 December 2016	121,890	22	3,151	198	125,261

Prepared by:

Wang Ching-Ping

Mr. WANG Ching-Ping
Deputy Manager

Vientiane, Lao PDR

30 March 2017

Reviewed by:

Mr. HUANGLI Wei-Dar
General Manager
First Commercial Bank
Vientiane Branch

First Commercial Bank Ltd., Vientiane Branch

CASH FLOW STATEMENT for the year ended 31 December 2016

ITEMS	Notes	2016 LAKm	2015 LAKm
Net profit/(loss) before tax		9,936	(9,716)
<i>Adjustments for:</i>			
Depreciation and amortization charges	14	1,875	1,550
Loan loss provision (reversal)/expenses		(116)	3,251
Cash flows before changing in operating assets and liabilities		11,695	(4,915)
(Increase)/decrease in operating assets			
Balances with other banks		(38,732)	(89,458)
Loans and advances to customers		9,990	(325,120)
Accrued interest receivables		(1,871)	(1,570)
Other assets		472	(1,579)
Increase/(decrease) in operating liabilities			
Balances with other banks		622	-
Customer deposits and others due to customers		(3,555)	35,547
Accrued interest expense		527	288
Other liabilities		49	189
Net cash flows used in operating activities		(20,803)	(386,618)
INVESTING ACTIVITIES			
Payments to acquire property and equipment		(83)	(14,641)
Net cash flows used in investing activities		(83)	(14,641)
FINANCING ACTIVITIES			
Capital contribution		-	121,890
Drawdown of borrowings		17,894	325,120
Net cash flows from financing activities		17,894	447,010
Net increase in cash and cash equivalents		(2,992)	45,751
Cash and cash equivalents at the beginning of the year		45,751	-
Effect of foreign exchange difference		-	-
Cash and cash equivalents at the end of the year	21	42,759	45,751

Prepared by:

my ching ping

Mr. WANG Ching-Ping
Deputy Manager

Reviewed by:



Mr. HUANG Wei-Dar
General Manager

Vientiane, Lao PDR

30 March 2017

First Commercial Bank Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2016

1. CORPORATE INFORMATION

Establishment and operations

First Commercial Bank Ltd., Vientiane Branch (the "Branch") is a branch established in Lao People's Democratic Republic ("Lao PDR") of First Commercial Bank Ltd., ("the Parent"). The Branch operates under Banking License No. 0389/BOL granted by the Bank of Lao PDR ("the BOL") on 29 May 2015.

The principal activities of the Branch are to provide comprehensive banking and related financial services in Lao P.D.R.

Paid-up capital

The initial registered capital of the Branch is LAK 121,890,000,000. The actual paid-up capital as at 31 December 2016 is LAK 121,890,000,000.

Management

Members of the Management during the year and at the date of this report are as follows:

<i><u>Name</u></i>	<i><u>Title</u></i>	<i><u>Date of appointment</u></i>
Mr. HUANG Wei-Dar	General Manager	31 March 2015
Mr. HUANG Chih-Lung	Deputy Manager	31 March 2015
Mr. WANG Ching Ping	Deputy Manager	08 June 2016

Location

The Branch is located at No. 61 Phonxay, 23 Singha Road, Saysettha District, Vientiane Capital, Lao PDR.

Employees

Total employees of the Branch as at 31 December 2016 were 14 people (2015: 14 people).

First Commercial Bank Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. *Statement of compliance*

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

2.2. *Basis of preparation*

The Branch maintains its records in Lao Kip ("LAK") and prepared its financial statements in millions of Lao Kips ("LAKm") in accordance with Decree No. 02/PR by the Prime Minister of Lao PDR dated 22 March 2000 and the Accounting Law of Lao PDR and the regulations stipulated by the Bank of Lao PDR ("LAS") relevant to preparation and presentation of financial statements.

The accompanying financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Lao PDR. Accordingly, the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the notes thereto are not designed for those who are not informed about Lao PDR's accounting principles, procedures and practices and furthermore are not intended to present the financial position of the Branch and its results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Lao PDR.

2.3. *Fiscal year*

The Branch's fiscal years start on 1 January and end on 31 December, except for the first fiscal year which started on 31 March 2015 and ended on 31 December 2015.

2.4. *Recognition of interest income and expense*

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

The recognition of accrued interest income is suspended when the loans becoming non-performing (See Note 2.8 for the definition of non-performing loans) 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 income statement when actually received.

2.5. *Recognition of fee and commission*

Fee and commission consists of fees received from fund transfer (including trade settlement), fee arising for foreign currency exchange transactions, and fee arising from loan business.

Fee and commissions are recognized into income statement on cash basis.

2.6. *Cash and cash equivalents*

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

First Commercial Bank Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7. Loans to customers

Loans to customers are recognized at cost and presented at outstanding balance less provision for non-performing loans.

2.8. Provision for non-performing loans

In accordance with Regulation 324/BOL ("BOL324") dated 19 April 2011, the Branch is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into Performing loans or Non-performing loans ("NPL") 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 Regulation 324/BOL, 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:

Group	Category	Specific provision rate
C	Substandard	20%
D	Doubtful	50%
E	Loss	100%

Changes in provision for non-performing loans are recorded to the income statement as "Net provision charges for non-performing loans". Accumulated provision reserve for non-performing loans is recorded in the balance sheet in "Loans to customers, net of provision for NPL".

Details on the loan classification and provision for non-performing loans and the provision amount that are actually booked by the Branch as at 31 December 2016 are presented in Note 14.

2.9. General provision for credit activities

In accordance with BOL324, the Branch is required to create a general provision for loan losses at the rate 3.00% of the total balance of Watch or Special Mention loans as at the balance sheet date and general provision made for Normal or Pass loans shall be created upon the BOL's notification for each year. For the year ended 31 December 2016, 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 PDR on 2 April 2011. Accordingly, the Branch provided general provision at rate of 1% out of total balance of Normal or Pass loans.

The Branch complied with the BOL's regulations on general provision provided for Normal or Pass and Watch or Special Mention loans for the year ended 31 December 2016.

In accordance with the relevant accounting regulations as stipulated by the Bank of Lao PDR, any changes in general provision for credit activities are recorded to the income statement 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 balance sheet in "General provision for credit activities" under capital and reserves of the Branch.

Details of change in general provision for credit activities are presented in Note 14.

First Commercial Bank Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10. Fixed assets

Fixed asset includes tangible fixed assets and intangible fixed assets. Tangible fixed assets consist of building improvements, furniture and fixtures, computer equipment and motor vehicles. Intangible fixed assets include 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 income statement.

When assets are sold or disposed, their cost and accumulated depreciation are removed from the balance sheet and any gains or losses resulting from their disposal amortization are posted to the income statement.

2.11. Depreciation and amortization

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:

<i>Tangible fixed assets:</i>	
Building improvements	10%
Furniture and fixtures	10%
Computer equipments	20%
Motor vehicles	20%

<i>Intangible fixed assets:</i>	
Computer software	50%

2.12. Statutory reserves

Under the requirement of the Law on commercial Bank dated 16 January 2007, commercial banks are required to appropriate net profit to following reserves:

- ▶ Regulatory reserve fund
- ▶ Business expansion fund and other funds

In accordance with the Regulation on capital adequacy No.1/BOL dated 28 August 2011 by the Governor of the Bank of Lao PDR and other relevant guidance, commercial banks are required to provide regulatory reserve fund at the rate between 5% to 10% of profit after tax deducting retained losses depending on the decision of the Management. The Business expansion fund and other funds shall be created upon decision of the Management. For the year ended 31 December 2016, the Branch has appropriated 10% of profit after tax after deducting accumulated losses carried forward from the year 2015 into statutory reserve for the year 2016.

First Commercial Bank Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13. Foreign currency transactions

The Branch 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 (see the list of exchange rates of applicable foreign currencies against LAK on 31 December 2016 as presented below). Foreign exchange differences arising from the translation of monetary assets and liabilities on the balance sheet date are recognized in equity in the balance sheet.

	31/12/2016 LAK	31/12/2015 LAK
United State Dollar ("USD")	8,167	8,128
Thai baht ("THB")	226.88	226.24

2.14. Taxation

Provision is made for profit tax on the current year's profits, based on the Tax Law governing taxation within Lao PDR. The Branch is obliged to pay profit tax at rate of 24% of total profit before tax in accordance with the new Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016. The Branch'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.

2.15. Employee benefit

Post employment benefits

Post employment benefits are paid to retired employees of the Branch by the Social Security Fund Department which belongs to the Ministry of Labor and Social Welfare. The Branch is required to contribute to these post employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 6.00% of employee's basic salary on a monthly basis. The Branch 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 Branch 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 2016, there are no employees of the Branch who were dismissed under the above-mentioned grounds; therefore the Branch has not made a provision for termination allowance in the financial statements.

First Commercial Bank Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

3. NET INTEREST AND SIMILAR INCOME

	2016 LAKm	2015 LAKm
Interest and similar income from:		
Interbank transactions	7,924	233
Loans to customers	10,748	1,337
	18,672	1,570
Interest and similar expense for:		
Interbank transactions	(3,208)	(292)
Customer deposits	(368)	(19)
	(3,576)	(311)
Net interest and similar income	15,096	1,259

4. FEES AND COMMISSION INCOME

	2016 LAKm	2015 LAKm
Fees and commission income from		
Remittance and credit activities	3,177	642
	3,177	642

5. NET GAIN/(LOSS) FROM DEALING IN FOREIGN CURRENCIES

	2016 LAKm	2015 LAKm
Gain from dealing in foreign currency	211	71
Loss from dealing in foreign currency	(107)	(487)
	104	(416)

6. OTHER OPERATING INCOME

	2016 LAKm	2015 LAKm
General provision reversal (Note 14)	204	-
	204	-

First Commercial Bank Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

7. PAYROLL AND OTHER STAFF COSTS

	2016 LAKm	2015 LAKm
Wages and allowances	3,490	2,629
Other staff costs	72	32
	3,562	2,661

8. OTHER ADMINISTRATION EXPENSES

	2016 LAKm	2015 LAKm
Office rental	1,868	1,556
Fuel	43	67
Office stationeries	84	90
Publication, marketing and promotion	54	862
Telecommunication	104	98
Repair and maintenance	63	155
Electricity and water	87	78
Insurance fee	98	39
Broker fee	83	315
Officials trips	165	107
Audit and lawyer fee	128	71
Others	329	301
	3,106	3,739

9. OTHER OPERATING EXPENSE

	2016 LAKm	2015 LAKm
General provision expense (Note 14)	88	3,251
Others	14	
	102	3,251

First Commercial Bank Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

10. CASH ON HAND

	31 December 2016 LAKm	31 December 2015 LAKm
Cash on hand in LAK	586	120
Cash on hand in foreign currencies	1,641	1,013
	2,227	1,133

11. BALANCES WITH THE BANK OF LAO P.D.R

	31 December 2016 LAKm	31 December 2015 LAKm
Demand deposit	14,952	34,777
Compulsory reserve	3,224	3,038
Registered capital reserve	45,795	62,036
	63,971	99,851

Balances with the BOL include demand deposit, compulsory reserve and registered capital reserve. These balances earn no interest.

Under regulations of the BOL, the Branch 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 (2015: 5.00% and 10.00%), on a bi-monthly basis of customer deposits having original maturities of less than 12 months. During the year, the Branch maintained its compulsory deposits in compliance with the requirements by the BOL.

According to Decree No. 02/PR of BOL, foreign bank branches are required to maintain a minimum balance of special deposit at BOL which is equivalent to 25% of their paid-up capital to secure for their operational continuance. As at 31 December 2016, the balance of this special deposit is LAKm 45,795.

12. DUE FROM OTHER BANKS

12.1 Demand deposits

	31 December 2016 LAKm	31 December 2015 LAKm
Demand deposits at domestic banks		
Industrial and Commercial Bank of China - Vientiane Branch	11	8,139
Banque pour le Commerce Extérieur Lao Public (BCEL)	13	13
Bangkok Bank - Vientiane Branch	11	
Demand deposits at overseas banks		
Bangkok Bank - Head Office	109	-
First Commercial Bank - Head Office	25,436	1,689
	25,580	9,841

First Commercial Bank Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

12. DUE FROM OTHER BANKS (continued)

12.2 Term deposits

	31 December 2016 LAKm	31 December 2015 LAKm
Term deposit at domestic bank	79,169	24,384
	79,169	24,384

As at 31 December 2016, term deposits from domestic banks comprise of nine (9) deposit contracts totaling LAKm 34,250, eight (8) deposit contracts totaling USD 5,500,000, which have terms of 12 months and bear interest at rates ranging from 3.50% to 5.52% per annum.

13. LOANS TO CUSTOMERS, NET OF PROVISION FOR NON-PERFORMING LOANS

	31 December 2016 LAKm	31 December 2015 LAKm
Loans to customers	315,130	325,120
Less provision for NPL (<i>note 14</i>)	-	-
	315,130	325,120

Analysis of loans to customers by currency

	31 December 2016 LAKm	31 December 2015 LAKm
Loans denominated in LAK	700	-
Loans denominated in USD	314,430	325,120
	315,130	325,120

Analysis of loans to customers by status of loans

	31 December 2016 LAKm	31 December 2015 LAKm
Performing loans	315,130	325,120
Non-performing loans	-	-
	315,130	325,120

Analysis of loans to customers by original term

	31 December 2016 LAKm	31 December 2015 LAKm
Short-term loans	-	-
Medium-term loans	315,130	325,120
Long-term loans	-	-
	315,130	325,120

First Commercial Bank Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

14 PROVISION FOR CREDIT LOSSES

Movement of provision for credit losses of the Branch during the year 2016 is as follows:

	<i>Provision for NPL LAKm</i>	<i>General provision LAKm</i>	<i>Total LAKm</i>
As at 1 January 2016	-	3,251	3,251
Provision expense in the year	-	88	88
Reversal of provision in the year	-	(204)	(204)
Foreign exchange difference	-	16	16
As at 31 December 2016	-	3,151	3,151

The breakdown of loan classification and provision as required by the BOL as at 31 December 2016 are as follows:

<i>Classification</i>	<i>Loan balance LAKm</i>	<i>Provision for NPL LAKm</i>	<i>General provision LAKm</i>	<i>Total provision LAKm</i>
Current	315,130	-	3,151	3,151
Special Mention	-	-	-	-
Sub-standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	315,130	-	3,151	3,151

First Commercial Bank Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

15. FIXED ASSETS

15.1 Tangible fixed assets

Movements of the balance of tangible fixed assets during the year 2016 are as follows:

	<i>Building improvements LAKm</i>	<i>Furniture & fixtures LAKm</i>	<i>Computer equipments LAKm</i>	<i>Motor vehicles LAKm</i>	<i>Total LAKm</i>
Cost:					
As at 1 January 2016	7,743	3,247	1,500	2,050	14,540
Additions for the year	-	32	42	9	83
As at 31 December 2016	7,743	3,279	1,542	2,059	14,623
Accumulated depreciation:					
As at 1 January 2016	586	450	208	278	1,522
Charge for the year	704	544	251	342	1,841
As at 31 December 2016	1,290	994	459	620	3,363
Net book value:					
As at 1 January 2016	7,157	2,797	1,292	1,772	13,018
As at 31 December 2016	6,453	2,285	1,083	1,439	11,260

15.2 Intangible fixed assets

Movements of the balance of intangible fixed assets during the 2016 are as follows:

	<i>Computer software LAKm</i>	<i>Total LAKm</i>
Cost:		
As at 1 January 2016	101	101
Additions for the year	-	-
As at 31 December 2016	101	101
Accumulated amortisation:		
As at 1 January 2016	28	28
Charge for the year	34	34
As at 31 December 2016	62	62
Net book value:		
As at 1 January 2016	73	73
As at 31 December 2016	39	39

First Commercial Bank Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

16. OTHER ASSETS

	31 December 2016 LAKm	31 December 2015 LAKm
Prepaid expenses	1,125	1,579
Accrued interest income from:	3,441	1,570
<i>Term deposits</i>	1,823	233
<i>Loans to customer</i>	1,618	1,337
	4,566	3,149

17. DUE TO OTHER BANKS

	31 December 2016 LAKm	31 December 2015 LAKm
Demand deposits	122	-
Term deposits from:	500	-
<i>Maruhan Japan Bank Lao Co.,Ltd</i>	500	-
Borrowings from:	343,014	325,120
<i>First Commercial Bank, Head Office</i>	343,014	325,120
Total	343,636	325,120

Details of borrowings from First Commercial Bank, Head Office as at 31 December 2016 are as follows:

<i>Bank</i>	<i>Currency</i>	<i>Term</i>	<i>Interest rate (% p.a.)</i>	<i>Balance at 31/12/2016 USD</i>	<i>Balance at 31/12/2016 LAKm</i>
First Commercial Bank Head Office	USD	3 months	1.90%	25,000,000	204,175
First Commercial Bank Head Office	USD	6 months	1.27%	15,000,000	122,505
First Commercial Bank Head Office	USD	3 months	1.28%	1,000,000	8,167
First Commercial Bank Head Office	USD	1 months	1.60%	1,000,000	8,167
				42,000,000	343,014

First Commercial Bank Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

18. DUE TO CUSTOMERS

Details of due to customers as at 31 December 2016 are as follows:

	31 December 2016 LAKm	31 December 2015 LAKm
Demand deposits	936	-
- In LAK	6	-
- In foreign currency	930	-
Saving deposits	12,696	35,547
- In LAK	150	88
- In foreign currency	12,546	35,459
Term deposits	18,361	-
- In LAK	10	-
- In foreign currency	18,351	-
	31,993	35,547

The interest rates for these deposits are as follows:

	2016 LAKm Interest rate p.a.	2015 LAKm Interest rate p.a.
Demand deposits in LAK	No interest	No interest
Demand deposits in foreign currencies	No interest	No interest
Saving deposits in LAK	1.91%	0.10%
Saving deposits in USD	0.10%	0.10%
Saving deposits in THB	0.00%	0.00%
Term deposits in LAK	4.00%	N/A
Term deposits in USD	2.25 – 3.00%	N/A

19. TAXATION

19.1 Tax payables

	31 December 2016 LAKm	31 December 2015 LAKm
Profit Tax payable (Note 19.2)	-	-
Other payable to tax authorities	39	40
	39	40

19.2 Profit Tax ("PT")

The Branch is obliged to pay PT at rate of 24% on total profit before tax of the year in accordance with the new Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016.

The Branch'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.

In 2016, the Branch's exempted income is LAKm 18,555 (2015: LAKm 1,947).

First Commercial Bank Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

20. PAID-UP CAPITAL

The movement of paid up capital during the year is presented below:

	2016 LAKm	2015 LAKm
Opening balance	121,890	-
Increase in the year	-	121,890
Closing balance	121,890	121,890

21. CASH AND CASH EQUIVALENTS

	31 December 2016 LAKm	31 December 2015 LAKm
Cash on hand	2,227	1,133
Current accounts with the BOL	14,952	34,777
Current accounts with other banks	25,580	9,841
	42,759	45,751

22. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other parties to which the Branch is related. A party is related to the Branch if:

(a) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the Branch (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the Branch that gives it significant influence over the Branch; or
- has joint control over the Branch.

(b) the party is a joint venture in which the Branch is a venture;

(c) the party is a member of the key management personnel of the Branch or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Branch, or of any entity that is a related party of the Branch.

Significant balances with related parties as at 31 December 2016 are as follows:

Related party	Relationship	Transactions	31 December 2016 LAKm	31 December 2015 LAKm
First Commercial Bank Head Office	Parent Bank	Demand Deposits	25,436	1,689
First Commercial Bank Head Office	Parent Bank	Borrowings	(343,014)	(325,120)

First Commercial Bank Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

22. RELATED PARTY TRANSACTIONS (continued)

Significant transactions with related parties during the year were as follows:

<i>Transactions</i>	<i>2016 LAKm</i>	<i>2015 LAKm</i>
First Commercial Bank, Interest expense Head Office	(2,659)	(233)

Transactions with key management personnel of the Branch

Remuneration to members of Management is as follows:

	<i>2016 LAKm</i>	<i>2015 LAKm</i>
Salaries	1,707	1,043
Bonus and other benefits	16	15
	1,723	1,058

23. EVENTS AFTER THE BALANCE SHEET DATE

There is no matter or circumstance that has arisen since the balance sheet date that requires adjustment or disclosure in the financial statements of the Branch.

Prepared by:

Reviewed by:

Wang Ching-Ping

Mr. WANG Ching-Ping
Deputy Manager



Wang Wei-Dar

Mr. WANG Wei-Dar
General Manager

Vientiane, Lao PDR

30 March 2017