



ANNUAL REPORT

2011

Table of Content

1. Summary Corporate Background	
1.1. Corporate Information	2
1.2. Corporate Background	2
1.3. Vision of the Bank	2-3
1.4. Chairman's Message	
1.5. General Performance for the year 2011	4
• Lao Economy Review for the year 2011	
• Performance of Indochina Bank : 2011 vs 2010	5
2. Organization Structure	
2.1. Shareholders	6
2.2. Board of Directors	6
2.3. Board of Management	7
2.4. Other Committees	7
3. Financial Report	
3.1. History of External Auditor	8
3.2. Financial Report	8-11
3.3. Notes to Financial Statements	12-21
4. Branch Networks	
4.1. Location of the Branches and Service Units	22
5. Advertising	
5.1. Events in 2011	24

1. Summary Corporate Background

1.1. Corporate Information

Bank Name:	Indochina Bank Ltd
Registration No.:	53/BOL, 28th November 2008
Chairman:	Mr. Oh Sei Young
Managing Director:	Mr. Tay Hong Heng
Registered Office:	1st Floor Capital Tower 116, 23 Singha Road, P.O.Box 6029, Vientiane , Lao PDR
Contact Number: Tel:	(+856 21 455 000-2)
Fax:	(+856 21 455 111)
Website:	www.indochinabank.com

1.2. Corporate Background

Indochina Bank Ltd (“the Bank”) is a foreign owned local incorporated commercial bank. The Bank was incorporated in Lao People’s Democratic Republic (“Lao PDR”) on 26 May 2008 under a Foreign Investment License No.070-08/PI granted by Ministry of Planning and Investment and under Banking Business License No.53/BOL granted by the Bank of the Lao PDR (“BoL”) on 28 November 2008. Indochina Bank officially started operation on 6 February 2009 in Vientiane Capital. The Bank’s shareholders comprise of reputable Corporations and individual with strong and stable financial background, namely Mr. Oh Sei Young, The Military Mutual Aid Association of Korea and Public Official Benefit Association of Korea.

1.3. Vision of the Bank

To establish a strong foothold in the country by taking advantage of the steady economic growth of the Lao PDR. Indochina Bank will play a greater role in mobilizing deposits and support the growth through its lending. As to credit activities, Indochina Bank extends loans to all sectors of the economy at a very competitive rates and flexible terms.

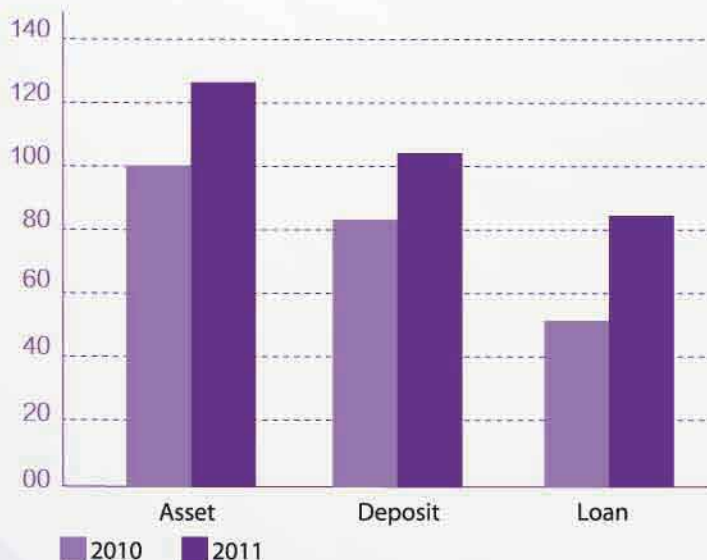
1.4. Chairman’s Message

In 2011, the Lao economy continued to see robust growth. This impressive growth was achieved despite effect of natural calamities in the form of typhoons affecting certain part of the country and also against the backdrop of slower growth in the global economy. The main engine of growth is driven mainly by hydropower, manufacturing and services sectors. While the GDP growth was at around 8 per cent in 2011, inflation has been kindled at an average 7.8%. A central challenge is to preserve macroeconomic stability while pursuing growth.

For Indochina Bank, the year 2011 marked the third year after the inception of the bank at the end of 2008. The Bank recorded strong growth in Total Asset from USD52.59 million (as end of 2009) to USD103.22 million (as at end of 2010) and finally to USD130.53 million as at end of 2011, representing an increase of 26.45%. In tandem with this increase, the Bank’s total deposit also grew by 25.08% from USD85.80 million (as end of 2010) to USD107.32 million (as end of 2011). Meanwhile Indochina Bank’s total loans grew from USD53.50 million (as end of 2010) to USD 87.32 million representing an impressive growth rate of 63.21%.

In our strive to provide the best value for our customers, Indochina Bank will continue to provide “Extreme Banking” concept where lowest fees, highest rates and safest protection are given to customers. In addition, our VIP customers continue to receive the highest level of care, discounts and rewards just by producing our Premier Card at our Branches and our affiliate outlets. In order to further enhance our customer’s service, more innovative banking products are presently in the pipeline while more ATMs, Branches and Service Units are being planned. It is the desire of Indochina Bank to extend our superior service culture and banking products to customers all over Lao PDR.

In conclusion, I would like to take this opportunity to thank our shareholders, customers and business partners for their continued support throughout the year of 2011. With their understanding and support, Indochina Bank was able to overcome many challenges and thus achieving high growth rates for Assets, Deposit and Loans portfolios. Credit should also be given to the Management and Staff of Indochina Bank for their dedication and hard work in serving our customers, our shareholders and our communities, thereby contributing to the continued prosperity and growth of the bank.



Oh Sei Young
Chairman



1.5. General Performance of the Bank for the year 2011

Lao Economic Review 2011

The Lao PDR's economy in 2011 continued to grow at 8% despite the impact of typhoons Haima and Nock Ten and slower growth in the global economy. This growth is driven mainly by hydropower, manufacturing and services sector.

1.5.1. The mining sector's contribution to growth in 2011 is expected to slow according to company's production plans and actual outputs in the first 3 quarters of this year. The manufacturing sector is projected to grow at 15%. It is driven by garment, construction materials, and food and beverage production.

1.5.2. The services sector is benefiting from higher domestic demand, particularly for wholesale, retail trading and telecommunications.

Lao PDR's fiscal deficit was reduced significantly due to large revenues from mining and hydropower flowing into the fiscal accounts.

1.5.3. Net foreign assets and foreign exchange reserves accumulated as of June 2011 as a result of buoyant economic activities and a stabilized exchange rate policy

1.5.4. The strength of the Thai baht and continued rapid growth in the money supply, driven by strong inflows of foreign investment were the factors pushing up inflation in 2011, to an average 7.8%.

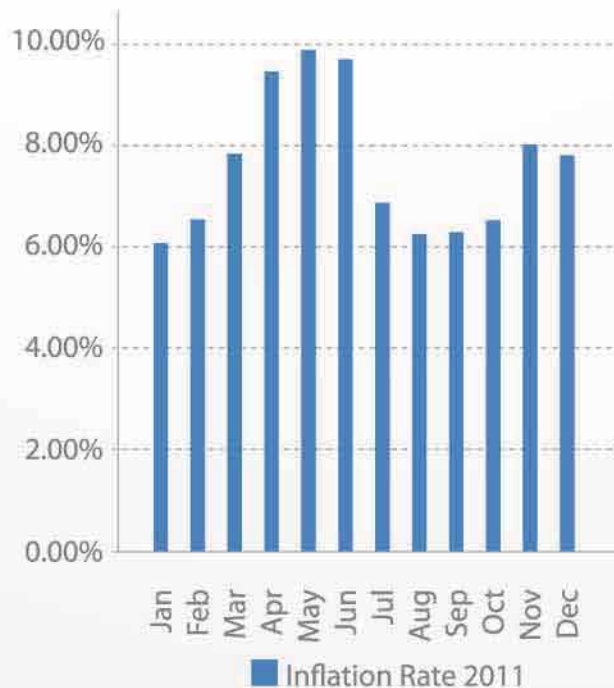
In 2011 high global prices for Laos's commodity exports and continued inflows of foreign investment supported the LAK, which is estimated to have averaged LAK 8,044:US\$1 for the year as a whole, up from LAK 8,259:US\$1 in 2010. The currency is supposed to remain fairly stable in the next two years, supported by on-going foreign investment inflows

Nevertheless, the government's Seventh Socio-Economic Development Plan (2011-2015) strongly emphasizes growth, targeting annual average GDP expansion of 8% and moving the country from least developed country status by 2020.

Lao GDP growth



Lao Inflation Rate 2011



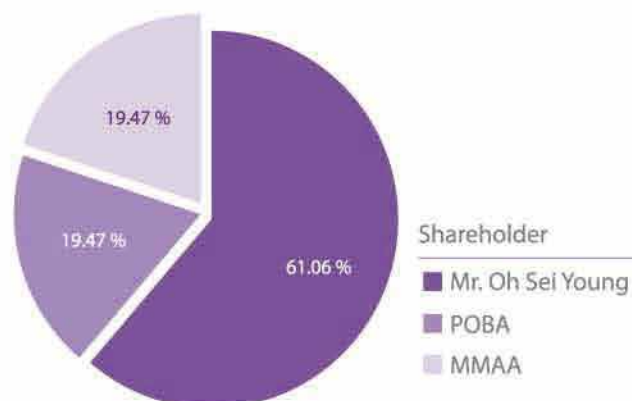
Performance of Indochina Bank : 2011 vs 2010

in LAKm	2009	2010	2011			
			Budgeted	Performance	Perc.(%) Increased	Amt. Increased
Deposit	295,776	676,374	880,000	858,583	26.93%	182,209
Loan	260,920	430,102	704,000	698,565	62.41%	268,463
Asset	420,112	832,170	1,043,200	1,045,807	25.67%	213,637
Operating Revenue		43,634	62,400	72,331	65.76%	28,697
Operating Expense		47,296	59,760	65,603	38.70%	18,307
Interest expense		23,242	32,800	40,572	74.56%	17,330
General & Admin. Expense		14,022	20,240	17,890	27.58%	3,868
Net Profit before Tax		(3,663)	2,640	6,728		

2. Organization Structure

2.1. Shareholders

	Shareholders	Shareholding percentage
1	Mr. Oh Sei Young, Chairman of Indochina Bank	61.06%
2	Public Official Benefit Association of Korea (POBA)	19.47%
3	Military Mutual Aid Association of Korea (MMAA)	19.47%
	Total share:	100%



2.2. Board of Directors



Mr Oh Sei Young

is a prominent and successful businessman in Lao PDR. Mr Oh is the founder and Chairman of Kolao Group, incorporated in Lao PDR in May 1997.



Mr Kim Myung Kwan

was graduated from Dongkuk University, Seoul in 2002 in Finance. Prior joining Kolao Group, he has experience in auditing, financial consulting and securities.



Mr Tay Hong Heng

started his banking career in 1976 with Public Bank Bhd, Malaysia. For 20 years he served domestic branches in various states in Malaysia in the capacity of Branch Manager. From 1996 to 2003(7 years) he was the Country Head of Public Bank Vientiane Branch, Lao PDR. Thereafter up to 2008 (5 years) he was seconded as the General Director to VID Public Bank, Vietnam. Presently he is the Managing Director of Indochina Bank since its inception in 2008.



Mr Teo Kim Siong

started his banking career in 1983 with Public Bank Bhd, Malaysia. Mr Teo has accumulated a vast knowledge significantly on banking operations and development. His last position held was Deputy Country Head of Vientiane Branch. Mr Teo joined Vientiane Commercial Bank Ltd, Lao PDR presently known as ANZ Bank in 2003 as General Manager. Under ANZ Bank he was designated to Chief of Staff, heading the Operations. He is now the Deputy Managing Director of Indochina Bank since its inception in 2008.



Ms Chanpheng Vongsombath

furthered her study at Levobskaya Engineering Economic Institute, Soviet in 1989. From 1995 to 2002 (7 years) she worked with Public Bank Bhd Vientiane Branch. Ms Chanpheng joined Indochina Bank in September 2008 and presently she is the General Manager of the Bank.

2.3. Board of Management

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

Name	Position	Date of appointment/re-appointment/resignation
Mr Tay Hong Heng	Managing Director	Appointed on 20 April 2009
Mr Teo Kim Siong	Deputy Managing Director	Appointed on 20 April 2009
Mr Kheup Insarn	Deputy Managing Director	Appointed on 20 April 2009
Ms Chanpheng Vongsombath	General Manager	Appointed on 20 April 2009

2.4. Other Committee

2.4.1. Governance Committee

Name	Position	Date of appointment/re-appointment/resignation
Ms. Chanpheng Vongsombath	Chairperson	Appointed on 2 June 2010
Ms. Thavone Vongsombath	Member	Appointed on 2 June 2010
Mr. Oh Sei Young	Member	Appointed on 2 June 2010

2.4.2. Audit Committee

Name	Position	Date of appointment/re-appointment/resignation
Mr Kheup Insarn	Chairman	Appointed on 18 March 2009
Mr Teo Kim Siong	Member	Appointed on 18 March 2009
Ms. Chanpheng Vongsombath	Member	Appointed on 18 March 2009
Mr. Tay Hong Heng	Member	Appointed on 18 March 2009
Mr. Anousinh Ratthahao	Member	Appointed on 18 March 2009

2.4.3. Risk Management Committee

Name	Position	Date of appointment/re-appointment/resignation
Mr Teo Kim Siong	Chairman	Appointed on 18 March 2009
Mr. Tay Hong Heng	Member	Appointed on 18 March 2009
Ms Chanpheng Vongsombath	Member	Appointed on 18 March 2009

2.4.4. Loans Committee

Name	Position	Date of appointment/re-appointment/resignation
Mr Tay Hong Heng	Chairman	Appointed on 20 April 2009
Mr Teo Kim Siong	Member	Appointed on 20 April 2009
Mr Kheup Insarn	Member	Appointed on 20 April 2009
Ms Chanpheng Vongsombath	Member	Appointed on 20 April 2009

3. Financial Report

3.1. History of External Auditors

- 2009 and 2010 the Bank was audited by KPMG Lao Co.Ltd
- 2011 the Bank was audited by Ernst & Young Lao Ltd

3.2. Financial Report

3.2.1. Independent Auditors' Report

To: The Board of Directors of Indochina Bank Ltd

We have audited the accompanying financial statements of Indochina Bank Ltd ("the Bank"), which comprise the balance sheet as at 31 December 2011, the income statement, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages from 5 to 23.

Management's Responsibility for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Law of Lao PDR and other relevant accounting regulations stipulated by the Bank of the Lao PDR. The responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Law of Lao PDR and relevant accounting regulations stipulated by the Bank of the Lao PDR.

Vientiane, Lao PDR

13 March 2012

3.2.2. Balance Sheet (as at 31 December 2011)

Code	ASSETS	Notes	31 December 2011 LAKm	31 December 2010 LAKm
I	Cash and balances with the BOL		210,213	162,967
1	Cash on hand	9	36,352	11,855
2	Demand deposits	10	82,780	83,114
3	Term deposits	10	91,081	67,998
II	Amounts due from other banks		44,846	156,076
1	Demand deposits	11	44,846	156,076
V	Loans and advances to customers (net of specific provision)	12	698,565	430,102
VIII	Fixed Assets		29,952	27,401
1	Work in progress		757	5,069
2	Intangible fixed assets	13	2,197	2,799
3	Tangible fixed assets	13	26,998	19,532
X	Other Assets		62,231	55,624
1	Accrued interests		3,130	2,411
2	Others Asset	14	59,101	53,213
	TOTAL ASSETS		1,045,807	832,170

Code	ASSETS	Notes	31 December 2011 LAKm	31 December 2010 LAKm
I	Amounts due to other banks		32,583	253
1	Demand deposits		-	-
2	Term deposits	15	32,500	-
3	Borrowing from other banks		-	-
4	Other payables to other banks		83	253
II	Amounts due to customers	16	826,000	676,121
1	Demand deposits		41,333	33,186
2	Term deposits		784,667	642,935
V	Other liabilities		27,638	21,077
1	Accrued interest		20,412	13,565
2	Tax payable	18	216	134
3	Other payables	17	7,010	7,378
	TOTAL LIABILITIES		886,221	697,451
VI	Capital and reserves			
1	Chartered capital ¹⁹		164,866	147,866
2	Share's Premium		-	-
3	Regulatory reserve fund		-	-
4	Business expansion fund		-	-
5	General provision for credit activities	12.2	4,084	2,150
6	Accumulated losses		(9,364)	(15,298)
	TOTAL CAPITAL		159,586	134,719
	TOTAL LIABILITES AND CAPITAL		1,045,807	832,170

3.2.3. Income Statement (for the Year Ended 31 December 2011)

Code	ITEMS	Notes	2011 LAKm	2010 LAKm
A.	OPERATING INCOME AND EXPENSES			
1	Interest and similar income	3	63,390	40,406
1.1	Interest and similar income from interbank		42	12
1.2	Interest and similar income from customers		62,792	40,150
1.3	Other interest and similar income		556	243
2	Interest and similar expense	3	(40,572)	(23,242)
2.1	Interest and similar expense for interbank		(113)	-
2.2	Interest and similar expense for customers		(40,459)	(23,242)
I.	NET INTEREST AND SIMILAR INCOME		22,817	17,163
9	Fee and commission income	4	7,688	2,691
10	Fee and commission expense	4	(243)	(210)
13	Net gain/(loss) from dealing in foreign currencies and gold		(46)	(3,649)
II.	NET OPERATING INCOME		30,216	15,996
B	OTHER INCOME AND EXPENSES			
15	Other operating income	5	1,253	537
16	Administration expenses		(17,890)	(14,022)
16.1	Payroll and other staff costs	6	(10,777)	(8,899)
16.2	Other administration expenses	7	(7,113)	(5,123)
17	Depreciation and amortisation expenses	7	(3,878)	(2,849)
18	Other operating expenses	8	(2,974)	(3,324)
III.	TOTAL PROFIT BEFORE TAX		6,728	(3,663)
23	Current income tax	18	(714)	(449)
IV.	PROFIT AFTER TAX		6,014	(4,112)

3.2.4. Statement of Changes In Equity (for the Year Ended 31 December 2011)

	Paid-up capital LAKm	General provision for credit activities LAKm	Accumulated loss LAKm	Total LAKm
Balance as at 1 January 2010	130,866	1,379	(11,186)	121,060
Net loss for the year	-	-	(4,112)	(4,112)
Additional chartered capital in the year	17,000	-	-	17,000
Provision charged to expense in the year	-	813	-	813
Foreign exchange difference	-	(42)	-	(42)
Balance as at 31 December 2010	147,866	2,150	(15,298)	134,719
Additional chartered capital during the year	17,000	-	-	17,000
Net profit for the year	-	-	6,014	6,014
Provision charged to expense in the year	-	1,958	-	1,958
Foreign exchange difference	-	(24)	(80)	(104)
Balance as at 31 December 2011	164,866	4,084	(9,364)	159,586

3.2.5. Cash Flow Statement (for the Year Ended 31 December 2011)

	Notes	2011 LAKm
Net profit/(loss) after tax		6,014
Adjustments for:		
Corporate tax expenses payable	18	714
Depreciation and amortization charges	13	3,878
Loan loss provision expenses	12.2	1,958
Gain on asset disposals		(5)
Cash flows from operating profit before changing in operating assets and liabilities		12,559
(Increase)/Decrease in operating assets		
Balances with other banks		(23,083)
Loans and advances to customers		(268,463)
Other financial assets		
Accrued interest income		(719)
Other assets		(5,888)
(Increase)/Decrease in operating liabilities		
Deposits and borrowings from other banks		32,330
Customer deposits and other amounts due to customers		149,879
Corporate tax paid during the year 18		(632)
Accrued interest expense		6,847
Other liabilities		(368)
Net cash flows from operating activities		(97,538)
INVESTING ACTIVITIES		
Work in progress		4,312
Payments to acquire property and equipment		(10,851)
Proceed of asset disposals		114
Net cash flows used in investing activities		(6,425)
FINANCING ACTIVITIES		
Capital contribution		17,000
Net cash flows used in financing activities		17,000
Net increase in cash and cash equivalents		(86,963)
Cash and cash equivalents at the beginning of the year		251,045
Effect of foreign exchange difference		(104)
Cash and cash equivalents at the end of the year	20	163,978

3.3. Notes to the Financial Statements

3.3.1. Principal Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

3.3.1.1. Basis of Preparation

The Bank prepared its financial statement in million of LAK ("LAKm") in accordance with the Decree No. 02/PR by the Prime Minister of Lao P.D.R dated 22 March 2000 on the accounting system applicable to BOL and other financial institutions.

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

The attached supplementary information is presented for reference purposes only and do not form part of these financial statements.

3.3.1.2. Fiscal year

The fiscal year of the Bank starts on 1 January and ends on 31 December.

3.3.1.3. Recognition of interest income and expense

Interest income and expense are recognized in the income statement on 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 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.

3.3.1.4. Recognition of fee and commission

Fee and commission consists of fees received from fund transfer, trade settlement, foreign currency exchange transactions and financial guarantees.

Fee and commissions are recognized in to income statement on cash basis.

3.3.1.5. Net Gain/(Loss) From Dealing In Foreign Currency

Net gain/(loss) from dealing in foreign currencies comprise realised and unrealised foreign exchange differences arising from foreign currencies trading and translation of foreign currencies monetary assets and liabilities. Net gain/(loss) from dealing in foreign currencies during the year are converted into LAK at rates ruling at the month end. Translation of monetary items originated in foreign currencies at the month end is also recorded as income or expense during the financial year.

3.3.1.6. Cash And Cash Equivalents

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

3.3.1.7. Loans And Advances To Customers

Loans and advances to customers are recognized at cost and presented at outstanding balance less specific provision for loans and advances to customers as at 31 December 2011.

3.3.1.8. Provision for loans

In accordance with Regulation 324/BOL ("BOL324") dated 19 April 2011, the Bank is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into Performing loans or Non-performing loans based on the payment arrears status and other qualitative factors. Loans classified as either Normal or Pass or Watch or Special mention are considered as Performing loans. Loans classified as either Substandard or Doubtful or Loss 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:

No	Category	Specific provision rate
1	Normal or Pass	0%
2	Watch or Special mention	0%
3	Substandard (90 days–180 days)	20%
4	Doubtful (181 days to 360 days)	50%
5	Loss (over 360 days)	100%

Changes in specific provision is recorded to the income statement as "Net specific provision charges/(reversal) for loans to customers". Accumulated specific provision reserve is recorded in the balance sheet in "Loans and advances to customers (net of specific provisions)".

Details on the loan classification and specific provision and the provision amount that are actually booked by the Bank as at 31 December 2011 are presented in Note 12.

3.3.1.9. General Provision for Credit Activities

In accordance with BOL324, a general provision is created for credit activities with both other banks and customers which are yet to be identified during the loan classification process and in specific provision as well as in case of the Bank's potential financial difficulty due to deterioration in loan quality. Accordingly, the Bank is required to create a general provision for loan losses at the rate 3.00% of the total balance of Special Mention loans as at the balance sheet date and general provision made for Normal loans shall be based on the BOL's notification for each period. For the year ended 31 December 2011, the general provision rate for Normal loans was 0.5% in accordance with the Official letter No 242/BOL issued by the Bank of the Lao PRD on 2 April 2011.

The Bank applied the rates of 0.50% and 3% to create general provision for Normal and Special loans respectively for the year ended 31 December 2011.

In accordance with the relevant accounting regulations as stipulated by the Bank of the Lao P.D.R, 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 general provision reserve is recorded in the balance sheet in "General provision for credit activities" under capital and reserves of the Bank.

3.3.1.10. Fixed Assets

Fixed asset includes of tangible fixed assets and intangible fixed assets and land use rights. Tangible fixed assets consist of building, furniture and fixtures, office equipments, vehicles. Intangible fixed assets consist of computer software.

Fixed assets are stated at cost less accumulated depreciation, 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.

Cost and accumulated depreciation of sold or retired assets are derecognized in the balance sheet and any gains or losses resulting from their disposal are recorded in the income statement.

3.3.1.11. Depreciation and Amortization of Fixed Assets

Depreciation is provided on the straight line basis at prescribed rates over their estimated useful lives in accordance with the Tax Law of Lao P.D.R issued by the Ministry of Finance ('MOF') dated 26 October 1995. The following are the annual rates used:

Buildings & improvements	5%
Office equipment	10%
Furniture and fixtures	10%
Motor vehicles	20%
Computer equipment and software	20%

3.3.1.12. 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 2002 by the Governor of the Bank of the Lao PDR and other relevant guidance, Commercial banks are required to provide statutory reserve at the rate between 5% to 10% of profit after tax depending on the decision of Board of Director.

	Appropriation rate from profit after tax	Maximum balance
Regulatory reserve fund	5% of the profit after tax	No limit
Business expansion fund	Depends on the agreement between the Bank's management	No limit

Since the Bank suffered losses accumulated from previous years, the Bank does not make appropriation of profit to statutory reserves for the year ended 31 December 2011.

3.3.1.13. Foreign Currency Transactions

The Bank 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 2011

as presented below). Income and expenses arising in foreign currencies during the year are converted into LAK at rates ruling at year end. Foreign exchange revaluation gains or losses are recognized in the income statement.

	31 December 2011 USD	31-Dec-10 USD
United State Dollar ("USD")	8,007	8,041.51
Thai baht ("THB")	256,38	267.14
Euro ("EUR")	10,667.00	10,667.00
Japanese yen ("JPY")	101.33	98
Australian Dollar ("AUD")	7,996.00	8,129.00

3.3.1.14. Taxation

Provision is made for taxation on the current year's profits, based on the laws governing taxation within Lao P.D.R. For each profitable year, the Bank was subject to the tax rate of 35% on total profit before tax or 1% minimum tax of total revenue in case of losses. The Bank's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations to 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.

3.3.2. Statement of Changes in Equity (for the Year Ended 31 December 2011)

	2011 LAKm	2010 LAKm
Interest and similar income:		
Interest income from lending	62,792.00	40,150.00
Interest income from placement with other bank	42.00	12.00
Other	556.00	243.00
	63,390.00	40,406.00
Interest and similar expense:		
Interest expense from customer deposits	(40,459.00)	(23,242.00)
Interest expense from placement from other banks	(113.00)	-
	(40,572.00)	(23,242.00)
Net interest and similar income	22,817.00	17,163

3.3.3. Net Fees and Commission Income

	2011 LAKm	2010 LAKm
Fees and commission income from		
Domestic banks	123	74
Travel checks, bank checks and other valuables	77	378
Commission from import credit	844	317
Securities	23	22
Telecommunication (fax, telegram)	1,153	385
Fee on transferring money	45	51
Fees on Loan	1,423	386
Income from other fees	1,902	776
Fees from exchange	33	21
Other income from financial services and customer	2,063	281
	<u>7,688</u>	<u>2,691</u>
Interest and similar expense:		
Other commission	(77)	(30)
Exp./means of payment system Check, Fax, TT, Swift	(119)	(151)
Other financial services	(47)	(29)
	<u>(243)</u>	<u>(210)</u>
Net interest and similar income	<u>7,445</u>	<u>2,481</u>

3.3.4. Other Operating Income

	2011 LAKm	2010 LAKm
Income from return expenses	1,132	449
Other income from bank business	121	88
	<u>1,253</u>	<u>537</u>

3.3.5. Payroll and Other Staff Costs

	2011 LAKm	2010 LAKm
Wages and salary	9,484	7,926
Other staff costs	1,293	973
	<u>10,777</u>	<u>8,899</u>

3.3.6. Other Administration Expenses

	2011 LAKm	2010 LAKm
Office rental expenses	1,289	580
Fuel expense	185	143
Office stationery expense	864	382
Publication, marketing and promotion expenses	1,045	789
Telecommunication expenses	1,008	431
Repair and maintenance expenses	466	421
Electricity and water expenses	479	253
Audit fee	82	67
Expenses on welcoming guests	11	30
Other expenses	711	1,345
External service	504	84
Insurance fee	469	598
	7,113	5,123
Depreciation and amortization expenses	3,878	2,849
	10,991	7,972

3.3.7. Other Operating Expenses

	2011 LAKm	2010 LAKm
General provision expenses	1,958	813
Depositor Protection Fund	280	-
Return income	247	9
Loss on sale or transfer of financial fixed assets	5	-
Others	484	2,502
	2,974	3,324

3.3.8. Cash On Hand

	31/12/2011 LAKm	31/12/2010 LAKm
Cash on hand in LAK	11,229	3,834
Cash on hand in foreign currencies	25,123	8,021
	36,352	11,855

3.3.9. Balances with the Bank of the Lao P.D.R (“Bol”)

	31/12/2011 LAKm	31/12/2010 LAKm
Demand deposits	82,780	83,114
Compulsory reserves and registered capital deposit	91,081	67,998
	<u>173,861</u>	<u>151,112</u>

Balances with the BOL include demand deposits, compulsory reserves and registered capital deposit. These balances bear no interest.

Under regulations of the BOL, the Bank 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 USD and THB), on a bi-monthly basis, (2010: 5.00% and 10.00%) of customer deposits having original maturities of less than 12 months.

In the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

3.3.10. Amount Due from Other Banks

Demand deposits	31/12/2011 LAKm	31/12/2010 LAKm
Balances with domestic banks		
Banque pour le Commerce Exterieur Lao (BCEL)	20,419	823
Joint Development Bank (JDB)	346	390
Lao Development Bank (LDB)	77	-
	<u>20,842</u>	<u>1,213</u>
Balances with oversea banks		
Standard Chartered Bank, New York	10,561	145,865
Standard Chartered Bank, Bangkok	3,769	4,394
Standard Chartered Bank, Frankfurt	3,442	841
Deutsche Bank Trust Company America, New York	6,232	3,762
	<u>24,004</u>	<u>154,863</u>
	<u>44,846</u>	<u>156,076</u>

3.3.11. Loans and Advances to Customers (Net of Specific Provision)

3.3.11.1. Loans and Advances to Customers

	31/12/2011 LAKm	31/12/2010 LAKm
Loans and advances to customers (Note 12.1)	698,565	430,102
Less specific provision for loans (Note 12.2)	-	-
	<u>698,565</u>	<u>430,102</u>

Commercial loans comprise overdrafts, short term, medium term and long-term loans lent by the Bank in LAK, USD and THB. Commercial loans denominated in LAK earn interest at rates varying from 10% to 18% per annum depending on the terms of the loans. Commercial loans denominated in USD and THB earn interest at rates ranging from 9% to 12% per annum.

Analysis By Currency

	31/12/2011 LAKm	31/12/2010 LAKm
Loans and advances denominated in LAK	210,353	85,253
Loans and advances denominated in USD	377,482	279,919
Loans and advances denominated in THB	110,730	64,930
	<u>698,565</u>	<u>430,102</u>

Analysis By Status of Loan

	31/12/2011 LAKm	31/12/2010 LAKm
Performing loans	698,565	430,102
Non-performing loans	-	-
	<u>698,565</u>	<u>430,102</u>

3.3.11.2. Provision for Loans

Movement of loans of the Bank during the year 2011 is as follows:

	Specific provision in LAKm	General provision in LAKm	Total in LAKm
Balance as at 1 January 2011	-	2,150	2,150
Provision charged to expense in the year	-	1,958	1,958
Foreign exchange difference	-	(24)	(24)
Balance at 31 December 2011	-	<u>4,084</u>	<u>4,084</u>

The breakdown of loan classification and provision as required by the BOL as at 31 December 2011 are as follows:

	Loan balance LAKm	Specific provision LAKm	General provision LAKm	Total provision LAKm
Performing loans	698,565	-	4,084	4,084
- Normal loan	674,924	-	3,375	3,375
- Special Mention	23,642	-	709	709
Non-Performing loans (NPL)	-	-	-	-
Total	<u>698,565</u>	-	<u>4,084</u>	<u>4,084</u>

3.3.12. Fixed Assets

Movement of fixed assets for the year ended 31 December 2011 is as follows:

	Building & improvement in LAKm	Office equipment in LAKm	Furniture & fixtures in LAKm	Computer equipment and software in LAKm	Motor vehicles in LAKm	Total in LAKm
Cost:						
As at 1 January 2011	13,853	6,867	1,696	4,221	1,658	28,295
Additions	1,615	3,129	5,151	267	689	10,851
Disposal	-	(47)	(46)	-	(25)	(118)
As at 31 December 2011	15,468	9,949	6,800	4,488	2,322	39,027
Accumulated depreciation:						
As at 1 January 2011	2,870	923	271	1,422	478	5,964
Charge for the year	1,481	815	324	869	389	3,878
Disposal	-	(1)	(7)	-	(1)	(9)
As at 31 December 2011	4,351	1,736	588	2,291	866	9,832
Net book value:						
As at 1 January 2011	10,983	5,944	1,425	2,799	1,180	22,331
As at 31 December 2011	11,117	8,212	6,212	2,197	1,456	29,194

3.3.13. Other Assets

	31/12/2011 LAKm	31/12/2010 LAKm
Rental deposits	50,135	50,251
Prepayments	5,187	1,628
Others	3,779	1,334
	59,101	53,213

3.3.14. Term Deposits

Term deposits from other banks represents amount due to Military Commercial Joint Stock Bank, Lao Branch, Lanexang Securities Public Company and Depositors Protection Fund. These term deposits have term of range from 3 months to 12 months and bear interest at rates ranging from 6.00% to 12.00% per annum.

3.3.15. Amounts Due to Customers

Balance of customer deposits and other amounts due to customers as of 31 December 2011 is as follow:

	Dominated in Lao Kip LAKm	Dominated in FC LAKm	Total LAKm
Demand deposits	17,497	23,836	41,333
Saving deposits	30,420	116,503	146,923
Fixed term deposits	140,493	497,251	637,744
	<u>188,410</u>	<u>637,590</u>	<u>826,000</u>

Customer saving accounts in LAK and USD and THB bear interest at rates of 3.50%, 1.75% and 1.75% per annum respectively.

Fixed term deposits in LAK have terms of 3, 6,12,18 and 24 months and are subject to interest at rates at the range from 5.75% to 13.50%. Fixed term deposits in foreign currencies have the same range of terms and bear interest at rates ranging from 2.75% to 7.00% per annum for THB and from 3.75% to 8.00% per annum for USD.

Balance of customer deposits and other amounts due to customers as at of 31 December 2010 is as follow:

	Dominated in Lao Kip LAKm	Dominated in FC LAKm	Total LAKm
Demand deposits	4,384	28,802	33,186
Saving deposits	19,994	179,132	199,126
Fixed term deposits	75,820	367,990	443,809
	<u>100,198</u>	<u>575,924</u>	<u>676,121</u>

3.3.16. Other Payables

	31/12/2011 LAKm	31/12/2010 LAKm
External account payable	6,746	7,378
Others	264	-
	<u>7,010</u>	<u>7,378</u>

3.3.17. Taxation

In accordance with the Lao Tax Law dated 14 October 1995 stipulated by the President of the National Assembly, and the following Agreement 553/TO dated 27 June 1997 issued by the Tax Authority, income tax is payable at the higher of the minimum tax of 1% on total revenue ("1% method") or at 35% on the taxable profit of the Bank reported under the Lao Accounting System

	2011 LAKm	2010 LAKm
Option 1		
Total taxable revenues	71,368	43,416
Corporate Income Tax at 1% of total taxable revenues	714	434
Other	-	15
Income tax expense under 1% method	<u>714</u>	<u>449</u>

	2011 LAKm	2010 LAKm
Option 2		
Profit before tax of the year	6,728	(3,663)
Losses carried forward from previous years	(15,298)	(11,540)
Profit before tax of the year after losses carried forward	(8,570)	(15,203)
Income tax expense at 35% of total taxable profit	-	-
Current Income Tax (higher between two options)	714	449
Payable at the beginning of the year	134	33
Tax paid during the year	(632)	(348)
Payable at the end of the year	216	134

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.

3.3.18. Paid-up Capital

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

	2011 LAKm	2010 LAKm
Opening balance	147,866	130,866
Additional chartered capital during the year	17,000	17,000
Closing balance	164,866	147,866

3.3.19. Cash and Cash Equivalents

	31/12/2011 LAKm	31/12/2010 LAKm
Cash on hand	36,352	11,855
Current accounts with the BOL	82,780	83,114
Current accounts with other banks	44,846	156,076
Term deposits due within 30 days	-	-
	163,978	251,045

3.3.20. Operating Lease Commitments

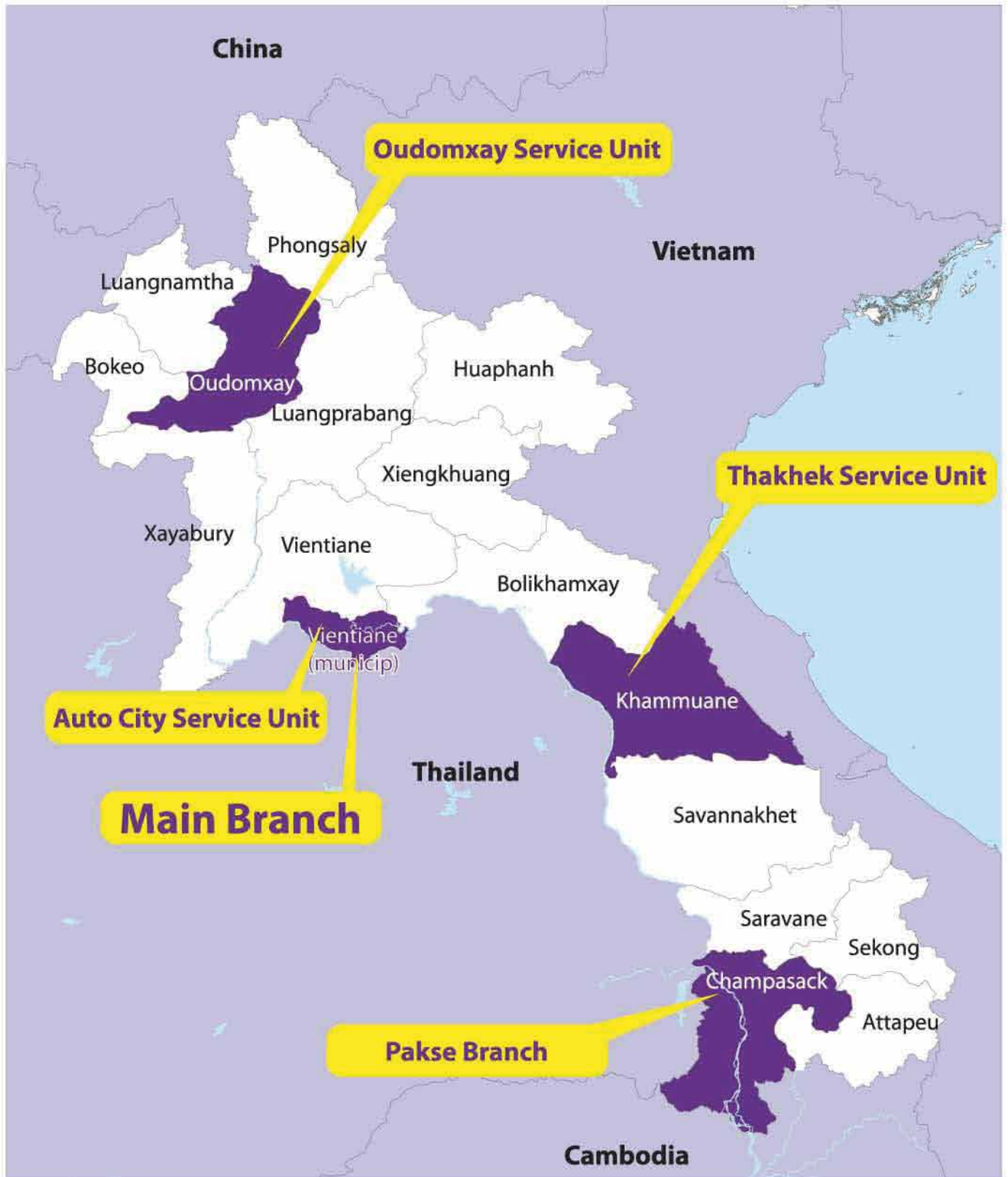
	2011 LAKm	2010 LAKm
Within 1 year	111,606	33,479
From 1 to less than 5 years	740	600
Over 5 years	-	-
	112,346	34,079

3.3.21. Events After the Balance Sheet Date

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2011 that significantly impacted the financial position of the Bank as at 31 December 2011.

4. Branch Networks

1. Branches and Service Units





Main Branch

Address: Capital Tower 116, 23 Singha Rd, P.O.Box 6029, Vientiane, Lao PDR
 Tel: (+856-21) 455 000-2 Fax: (+856-21) 455 111



Pakse Branch

Address: Ban Phonekhong, Pakse, Champasak, Lao PDR
 Tel: (+856-31) 260 300-4 Fax: (+856-31) 260 305



Auto City Service Unit

Address: Asean Road, Ban Nakham, Sikhottabong, P.O.Box 6029, Vientiane, Lao PDR
 Tel: (+856-21) 520 702-4 Fax: (+856-21) 520 705



Thakhek Service Unit

Address: Vientiane Rd, Ban Nabong, Thakhek District, Khammouane Province, Lao PDR
 Tel: (+856-51) 625 600-3 Fax: (+856-51) 625 604



Oudomxay Business Unit

Address: Northern Highway No. 13, Ban Navannoy, Xay District, Oudomxay Province, Lao PDR
 Tel: (+856-81) 260 023-5 Fax: (+856-81) 260 026

5. Activities



Pakse Branch opening, 18 March 2011



Donation to flood victims in Khammuane, 11 August 2011



Thakhek Service Unit opening, 22 July 2011



Donation to Underprivileged in Pakngum District, 12 November 2011

Events in 2011



Career Day, 2 July 2011



Oudomxay Service Unit opening, 9 December 2011



International Children's Day, 1 June 2011



VIP Appreciation Dinner, 22 December 2011



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Highest
Interest Rate For Fixed Deposit

Lowest
Service Charge

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Instant Car Loan Approval*

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