

Phongsavanh Bank Limited



Annual report, Year 2014

Phongsavanh Bank Limited

Report of Management and

Audited Financial Statements in accordance with the Accounting Law of Lao P.D.R and with the regulations stipulated by the Bank of Lao P.D.R relevant to preparation and presentation of financial statements

31 December 2014

Phongsavanh Bank Limited

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Phongsavanh Bank Limited

GENERAL INFORMATION

THE BANK

Phongsavanh Bank Limited ("the Bank") is a 100% privately owned bank which is incorporated and registered in the Lao People's Democratic Republic.

The Bank was established in accordance with the Banking Business License No. 04/BOL granted by the Bank of Lao People's Democratic Republic ("the BOL") which is effective from 2 February 2007. The initial license was valid for an operating period of one year and renewed annually.

The principal activities of the Bank are to provide services on mobilizing and receiving short, medium and long term deposit funds from various organizations and individuals; lending on a short, medium and long term basis to various organizations and individuals up to the nature and ability of the Bank's capital resources; conducting foreign currency transactions; international trade finance services; discounting of commercial notes, bonds and valuable papers; providing transaction services between customers; and other banking services as approved by the Bank of Lao P.D.R.

The initial chartered capital of the Bank was LAK 97,100,000,000. The actual chartered capital as at 31 December 2014 is LAK 122,786,387,963 (31 December 2013: LAK 122,786,387,963).

The Head Office of the Bank is located at Kaisone Phomvihanh Road, Ban Phakhao, Xaythany District, Vientiane, Lao P.D.R. As at 31 December 2014, the Bank has one (1) Head Office, seven (7) main branches and five (5) service units all over Lao P.D.R.

BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment/resignation</i>
Mrs. Daly Pholsena	Chairman	Appointed on 10 March 2014
Dr. Bounpheng Vongdeau	Chairman	Appointed on 07 January 2012 End of assignment on 09 March 2014
Mr. Thongsay Inthisan	Vice Chairman	Appointed on 07 January 2012 Reappointed 10 March 2014
Mrs. Sengdao Bouphakonekham	Member	Appointed on 07 January 2012 Reappointed 10 March 2014
Mr. Chainarong Wongpaiboon	Member	Appointed on 07 January 2012 Reappointed 10 March 2014
Mrs. Manola Luangkhod	Member	Appointed on 10 March 2014

Phongsavanh Bank Limited

GENERAL INFORMATION (continued)

BOARD OF MANAGEMENT

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

<u>Name</u>	<u>Position</u>	<u>Date of appointment</u>
Mrs. Sengdao Bouphakonekham	Managing Director	Appointed on 09 September 2010
Mr. Bounthanh Vongsoury	Deputy Managing Director	Appointed on 21 September 2010
Mr. Phaiboun Phongsavanh	Deputy Managing Director	Appointed on 04 September 2012
Mr. Bounpan Naovalath	Deputy Managing Director	Appointed on 04 September 2012
Mr. Southideth Nalyvan	Deputy Managing Director	Appointed on 04 September 2012

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year and at the date of this report is Mrs. Daly Pholsena - Chairman.

Mr. Bounthanh Vongsoury – Deputy Managing Director is authorised by Mrs. Daly Pholsena to sign the financial statements for the year ended 31 December 2014.

AUDITORS

The auditors of the Bank are Ernst & Young Lao Limited.

Phongsavanh Bank Limited

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Phongsavanh Bank Limited ("the Bank") is pleased to present its report and the Bank's financial statements as at and for the year ended 31 December 2014.

THE BOARD OF MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Management is responsible for preparation of the financial statements of each financial year which give a true and fair view of the financial position of the Bank and of its operational results and cash flows for the year in accordance with the Accounting Law of Lao P.D.R and with the regulations stipulated by the Bank of Lao P.D.R relevant to preparation and presentation of financial statements. In preparing those financial statements, the Board of Management of the Bank is required to:

- ▶ select appropriate accounting policies and 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 Bank will continue its business.

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

The Board of Management has confirmed to the Board of Directors that the Bank has complied with the above requirements in preparing the financial statements as at and for the year ended 31 December 2014.

STATEMENT BY BOARD OF MANAGEMENT

Board of Management does hereby state that, in its opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2014 and of the results of its operations and cash flows for the year then ended in accordance with the Accounting Law of Lao P.D.R and with the regulations stipulated by the Bank of Lao P.D.R relevant to preparation and presentation of financial statements.

For and on behalf of the Board of Management:



Mr. Bounthanh Vongsoury
Deputy Managing Director

Vientiane, Lao P.D.R.

29 May 2015

Reference: 60753097/17292028

INDEPENDENT AUDITORS' REPORT

**To: The Owners of
Phongsavanh Bank Limited**

We have audited the accompanying financial statements of Phongsavanh Bank Limited ("the Bank") as set out on pages 6 to 30, which comprise the balance sheet as at 31 December 2014, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

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 about 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 present fairly, in all material respects the financial position of the Bank as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Law of Lao P.D.R and with the regulations stipulated by the Bank of Lao P.D.R relevant to preparation and presentation of financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2.3 - Going concern of the accompanying financial statements. As at 31 December 2014, the Bank had accumulated losses amounting to LAKm 114,701 and total equity with the balance of only LAKm 21,268. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Bank's ability to continue as a going concern. However, the Bank's owners have confirmed their willingness to provide all necessary financial supports to ensure that the Bank will have sufficient resources to settle its liabilities when fall due and for its operation to continue in the following financial year. The Bank's owners have also confirmed that they will not demand for payments from amounts due from the Bank until liabilities to third parties have been fully settled, as such, the Bank's Management has prepared the accompanying financial statements on going concern basis.

Ernst & Young

Vientiane, Lao P.D.R.

29 May 2015



Phongsavanh Bank Limited

INCOME STATEMENT
for the year ended 31 December 2014

Currency: LAKm

Code	ITEMS	Notes	2014	2013
A.	OPERATING INCOME AND EXPENSES			
1.	Interest and similar income	3	191,154	168,708
2.	Interest and similar expenses	3	(123,956)	(108,337)
I.	NET INTEREST AND SIMILAR INCOME	3	67,198	60,371
3	Fees and commission income	4	22,848	21,382
4	Fees and commission expenses	4	(3,656)	(3,045)
II.	NET FEE AND COMMISSION INCOME	4	19,192	18,337
5	Gain from securities investment		794	236
6	Net gain from dealing in foreign currencies	5	10,609	11,593
III.	NET OPERATING INCOME		97,793	90,537
B	OTHER INCOME AND EXPENSES			
7	Other operating income	6	9,710	5,361
8	Administrative expenses		(71,862)	(71,227)
8.1	Payroll and other staff costs	7	(46,040)	(42,952)
8.2	Other administrative expenses	8	(25,822)	(28,275)
9	Depreciation and amortization charges	16, 17	(13,654)	(11,382)
10	Other operating expenses	9	(13,066)	(6,598)
11	Net provision charges for non-performing loans	14.1	12,259	(40,958)
11.1	Provision expense for non-performing loans		(8,960)	(91,393)
11.2	Reversal of provision for non-performing loans		21,219	50,435
IV.	TOTAL PROFIT/(LOSS) BEFORE TAX		21,180	(34,267)
12	Current Enterprise Income Tax	21	-	-
V.	PROFIT/(LOSS) AFTER TAX		21,180	(34,267)

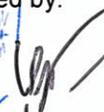
Prepared by:



Mrs. KongKeo Khamtone
Chief Financial Officer



Approved by:



Mr. Bounthanh Vongsoury
Deputy Managing Director

Vientiane, Lao P.D.R.

29 May 2015

Phongsavanh Bank Limited

BALANCE SHEET
as at 31 December 2014

Currency: LAKm

Code	ASSETS	Notes	31 December 2014	31 December 2013
I	Cash on hand and balances with the Bank of Lao P.D.R ("BOL")	10	540,535	465,149
1	Cash on hand		238,059	233,832
2	Balances with the BOL		302,476	231,317
II	Amounts due from other banks	11	124,261	172,524
1	Demand deposits		124,261	152,524
2	Term deposits		-	20,000
III	Investments in securities	12	65,886	79,490
1	Available-for-sale securities		-	36,873
2	Held-to-maturity securities		65,886	42,617
IV	Loans and advances to customers, net of provision for non-performing loans	13	1,468,645	1,302,047
V	Fixed assets		170,851	164,815
1	Construction in progress and fixed assets in transit	15	32,079	53,321
2	Tangible fixed assets	16	106,505	80,013
3	Intangible fixed assets	17	32,267	31,481
VI	Other assets	18	88,570	74,424
1	Accrued interest receivables		24,719	12,397
2	Enterprise Income Tax receivable		3,173	4,556
3	Other assets		60,731	57,870
4	Provision for other assets		(53)	(399)
	TOTAL ASSETS		2,458,748	2,258,449

Phongsavanh Bank Limited

BALANCE SHEET (continued)
as at 31 December 2014

Currency: LAKm

Code	LIABILITIES AND EQUITY	Notes	31 December 2014	31 December 2013
I	Amounts due to other banks	19	15,557	9,498
1	Demand deposits		831	-
2	Term deposits		-	888
3	Other payables to other banks		14,726	8,610
II	Amounts due to customers	20	2,347,467	2,188,881
1	Demand and daily deposits		195,036	137,506
2	Saving deposits		806,472	824,211
3	Term deposits		1,345,959	1,227,164
V	Other liabilities		74,456	56,271
1	Accrued interest payables		61,974	49,240
2	Profit Tax payable	21	-	-
3	Other liabilities	22	12,482	7,031
	TOTAL LIABILITIES		2,437,480	2,254,650
VI	Capital and reserves			
1	Contributed capital	23	122,786	122,786
2	General provision for credit activities	14.2	13,183	9,519
3	Regulatory reserve fund		-	-
4	Accumulated losses		(114,701)	(128,506)
	TOTAL EQUITY		21,268	3,799
	TOTAL LIABILITIES AND EQUITY		2,458,748	2,258,449

Phongsavanh Bank Limited

BALANCE SHEET (continued)
as at 31 December 2014

Currency: LAKm

	OFF BALANCE SHEET ITEMS	Notes	31 December 2014	31 December 2013
I	Commitments			
A	Commitments for financing		4,829	25
1	Commitments for financing given to other banks		4,829	25
B	Commitments for guarantees		-	-
1	Commitments for guarantees given to customers		-	-
	TOTAL COMMITMENTS		4,829	25
II	Collaterals and Mortgages			
A	Collaterals and Mortgages for loans		5,921,264	2,348,625
1	Collaterals and Mortgages for loans to customers		5,921,264	2,348,625
	TOTAL COLLATERALS AND MORTGAGES		5,921,264	2,348,625

Prepared by:



Mrs. KongKeo Khamtone
Chief Financial Officer

Approved by:



Mr. Bounthanh Vongsoury
Deputy Managing Director

Vientiane, Lao P.D.R.

29 May 2015

Phongsavanh Bank Limited

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	Contributed capital LAKm	General provision for credit losses LAKm	Accumulated losses LAKm	Total LAKm
Balances as at 31 December 2012	122,786	6,221	(94,383)	34,624
Net loss for the year	-	-	(34,267)	(34,267)
Change in general provision for credit losses	-	3,388	-	3,388
Foreign exchange difference	-	(90)	144	54
Balances as at 31 December 2013	122,786	9,519	(128,506)	3,799
Dividend paid out to shareholders	-	-	(5,000)	(5,000)
Net profit for the year	-	-	21,180	21,180
Change in general provision for credit losses	-	3,643	-	3,643
Foreign exchange difference	-	21	-	21
Additional Profit Tax for 2013	-	-	(2,375)	(2,375)
Balances as at 31 December 2014	122,786	13,183	(114,701)	21,268

Prepared by:



Mrs. KongKeo Khamtone
Chief Financial Officer

Vientiane, Lao P.D.R.

29 May 2015



Mr. Bounthanh Vongsoury
Deputy Managing Director

Phongsavanh Bank Limited

CASH FLOW STATEMENT
for the year ended 31 December 2014

	Notes	2014 LAKm	2013 LAKm
Net profit/(loss) before tax		21,180	(34,267)
<i>Adjustments for:</i>			
Depreciation and amortization charges	16,17	13,654	11,382
Provision for credit losses of loans to customers	14	(8,616)	44,347
Provision for credit losses of other assets	18	53	399
Cash flows from operating profit before changes in operating assets and liabilities		26,271	21,861
(Increase)/Decrease in operating assets			
Balances with other banks		38,754	(21,246)
Loans to customers		(154,521)	(211,219)
Other assets		(15,379)	(21,230)
Increase/(Decrease) in operating liabilities			
Amounts due to other banks		6,059	(6,800)
Customer deposits and other amounts due to customers		158,586	441,803
Enterprise Income Tax paid during the year	21	(992)	(6,507)
Other liabilities		18,185	15,759
Net cash flows from operating activities		76,963	212,421
INVESTING ACTIVITIES			
Purchase and construction of fixed assets and other long-term assets	16,17	(19,690)	(17,995)
Payment for new securities during the year		(23,269)	(61,105)
Securities matured and paid back during the year		36,873	-
Net cash flows from/(used in) investing activities		(6,086)	(79,100)
FINANCING ACTIVITIES			
Dividend paid out to shareholders		(5,000)	-
Net cash flows used in financing activities		(5,000)	-
Net increase in cash and cash equivalents		65,877	133,321
Cash and cash equivalents at the beginning of the year		477,928	344,531
Effect of foreign exchange difference		-	76
Cash and cash equivalents at the end of the year	24	543,805	477,928

Prepared by:



Mrs. KongKeo Khamtone
Chief Financial Officer

Approved by:



Mr. Bounthanh Vongsoury
Deputy Managing Director

Vientiane, Lao P.D.R.

29 May 2015