

RHB BANK LAO LIMITED



FINANCIAL STATEMENTS

(in accordance with the accounting policies of the Bank and relevant Bank of the Lao People's Democratic Republic accounting regulations and notifications)

31 DECEMBER 2015

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RHB BANK LAO LIMITED

**STATEMENT BY THE BOARD OF DIRECTORS
31 DECEMBER 2015**

BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors (the BOD) of RHB Bank Lao Limited (the Bank) are responsible for ensuring that the financial statements are prepared, in all material respects, the financial position of the Bank as at 31 December 2015 and of its financial performance, statement of changes in equity and its cash flows for the year then ended in accordance with accounting policies of the Bank and the relevant Bank of the Lao People's Democratic Republic (Lao P.D.R.) (BOL) accounting regulations and notifications described in Note 2 to the financial statements. In preparing these financial statements, the BOD is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ii) comply in accordance with accounting policies of the Bank and the relevant BOL accounting regulations and notifications described in Note 2 to the financial statements and ensure that these have been, appropriately disclosed explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operations for the foreseeable future; and
- v) effectively control and direct the Bank and be involved in all material decisions affecting the operations and performance of the Bank, and ascertain that such decisions have been properly reflected in the financial statements.

The BOD confirms that the Bank has complied with the above requirements in preparing the financial statements for as at and for the year ended 31 December 2015.

STATEMENT BY THE BOARD OF DIRECTORS ON THE FINANCIAL STATEMENTS

We do hereby state that the accompanying financial statements are prepared, in all material respects, the financial position of the Bank as at 31 December 2015 and its financial performance, statement of changes in equity and its cash flows for the year then ended and have been properly drawn up in accordance with accounting policies of the Bank and the relevant BOL accounting regulations and notifications described in Note 2 to the financial statements.

For and on behalf of the Board of Directors



Danny Ling Chii Hian
Country Head

Date: 30 March 2016



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF RHB BANK LAO LIMITED

We have audited the accompanying financial statements of RHB Bank Lao Limited (the Bank) which comprise the statement of financial position as at 31 December 2015 and the statements of income, changes in equity and cash flows for the year ended 31 December 2015, and summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of the Bank in accordance with accounting policies of the Bank and the relevant Bank of the Lao People's Democratic Republic (Lao P.D.R) (BOL) accounting regulations and notifications described in Note 2 to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with accounting policies of the Bank and the relevant BOL accounting regulations and notifications described in Note 2 to the 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.

Auditor's 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 auditor's 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 entity's preparation 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 of the Bank for year ended 31 December 2015 are prepared in accordance with accounting policies of the Bank and the relevant BOL accounting regulations and notifications as described in Note 2 to the financial statements.

Basis of accounting and restriction of use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of accounting. The financial statements are prepared to provide information to the Bank and to assist the Bank to meet the financial reporting provisions under the Bank of Lao P.D.R. As a result, the financial statements may not be suitable for another purpose.

For PricewaterhouseCoopers (Lao) Co., Ltd.




By Sakuna Yamsakul
Partner

Vientiane, Lao P.D.R.
30 March 2016

RHB BANK LAO LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note(s)	2015 LAK	2014 LAK
ASSETS			
Cash and balances with central bank	4	142.640.300.590	209.068.476.742
Deposits with other banks	5	23.743.546.574	27.987.550.000
Loans and advances to customers	7	194.340.581.523	81.233.241.150
General provision for loans and advances to customers	8	(995.420.074)	(406.165.470)
Property and equipment	9	13.693.098.735	16.274.806.141
Intangible assets	10	4.815.364.461	5.771.855.229
Other assets	11	3.761.829.351	4.139.742.717
TOTAL ASSETS		381.999.301.160	344.069.506.509
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from customers	12	36.381.901.236	8.114.729.540
Amount due to parent company	13	46.471.620.816	37.841.811.854
Other liabilities	14	1.321.416.956	3.885.608.589
TOTAL LIABILITIES		84.174.939.008	49.842.149.983
EQUITY			
Paid-up capital	15	301.500.000.000	301,500,000,000
Deficit		(3.675.637.848)	(7.272.643.474)
TOTAL EQUITY		297.824.362.152	294.227.356.526
TOTAL EQUITY AND LIABILITIES		381.999.301.160	344.069.506.509



 Danny Ling Chii Hian
 Country Head

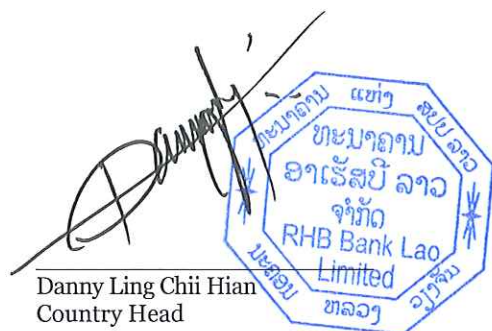
30 March 2016

The accompanying notes on pages 7 to 25 form an integral part of these financial statements.
Independent auditor's report – page 2.

RHB BANK LAO LIMITED

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note(s)	2015 LAK	2014 LAK
Interest and similar income		13,688,525,300	1,783,637,327
Interest and similar expense		(383,034,173)	(76,393,884)
NET INTEREST AND SIMILAR INCOME	16	13,305,491,127	1,707,243,443
Loan impairment charges	8	(591,828,444)	(406,165,470)
NET INTEREST INCOME AFTER LOAN IMPAIRMENT CHARGES		12,713,662,683	1,301,077,973
Fee and commission income		1,606,604,306	937,075,243
Fee and commission expense		(145,132,981)	(38,764,165)
NET FEE AND COMMISSION INCOME	17	1,461,471,325	898,311,078
Foreign exchange gain/loss, net		1,952,732,222	(242,240,988)
Payroll and other staff costs	18	(5,126,635,873)	(4,232,806,911)
General and administrative expenses	19	(3,745,431,065)	(3,225,500,238)
Depreciation and amortisation charges	9,10	(3,658,793,667)	(1,771,484,388)
TOTAL EXPENSES		(10,578,128,383)	(9,472,032,525)
PROFIT/LOSS BEFORE TAX		3,597,005,626	(7,272,643,474)
Income tax expense	20	-	-
NET PROFIT/(LOSS) FOR THE YEAR/PERIOD		3,597,005,626	(7,272,643,474)



 Danny Ling Chii Hian
 Country Head

30 March 2016

The accompanying notes on pages 7 to 25 form an integral part of these financial statements.
Independent auditor's report – page 2.

RHB BANK LAO LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Paid-up capital LAK	Deficit LAK	Total LAK
As at 30 May 2014 (the incorporation date)	-	-	-
Initial registered capital	301.500.000.000	-	301.500.000.000
Net loss for the period	-	(7.272.643.474)	(7.272.643.474)
As at 31 December 2014	<u>301.500.000.000</u>	<u>(7.272.643.474)</u>	<u>294.227.356.526</u>
Net profit for the year	-	3.597.005.626	3.597.005.626
As at 31 December 2015	<u>301.500.000.000</u>	<u>(3.675.637.848)</u>	<u>297.824.362.152</u>




Danny Ling Chii Hian
Country Head

30 March 2016

The accompanying notes on pages 7 to 25 form an integral part of these financial statements.
Independent auditor's report – page 2.

RHB BANK LAO LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note(s)	2015 LAK	2014 LAK
OPERATING ACTIVITIES			
Profit/loss before tax		3,597,005,626	(7,272,643,474)
<i>Adjustments for:</i>			
Loan impairment charges	8	591,828,444	406,165,470
Depreciation and amortisation charges	9,10	3,658,793,667	1,771,484,388
Foreign exchange (gain)/loss, net		(1,952,732,222)	242,240,988
Interest and similar income	16	(13,688,525,300)	(1,783,637,327)
Interest and similar expense	16	383,034,173	76,393,884
Net cash flows from operations before changes in operating assets and liabilities		(7,410,595,612)	(6,559,996,070)
Decrease/(increase) in statutory deposits with BOL	4	132,396,411,879	(193,872,653,458)
Increase in loans and advances to customers	7	(113,107,340,373)	(81,233,241,150)
Increase in other assets		(207,196,909)	(3,883,155,580)
Increase in deposits from customers	12	28,267,171,696	8,114,729,540
Increase in amount due to parent company		11,478,755,200	13,812,943,861
Increase/(decrease) in other liabilities		(2,608,961,417)	3,850,743,689
Interest received		13,110,104,105	1,563,782,708
Interest paid		(287,179,854)	(41,528,985)
Net cash generated from/ (used in) operating activities		61,631,168,715	(258,248,375,445)
INVESTING ACTIVITIES			
Purchases of property and equipment (i)		-	(11,000,000)
Purchases of intangible fixed assets (i)		(426,883,281)	-
Net cash used in investing activities		(426,883,281)	(11,000,000)
FINANCING ACTIVITIES			
Initial paid-up capital	15	-	301,500,000,000
Net cash generated from financing activities		-	301,500,000,000
Net increase in cash and cash equivalents		61,204,285,433	43,240,624,555
Cash and cash equivalents, beginning		43,183,373,284	-
Effect of foreign exchange difference		519,946,867	(57,251,271)
Cash and cash equivalents, ending (Note 6)		104,907,605,585	43,183,373,284

(i) Total cash purchases of property and equipment and intangible fixed assets during the year were LAK 426,883,281 (2014: LAK 11,000,000). Non-cash transactions relates to the cost of fixed assets acquired but have not been paid as of 31 December 2015 amounted to LAK 659,813,513 (2014: LAK 23,807,145,758).

Danny Ling Chii Hian
Country Head

30 March 2016



The accompanying notes on pages 7 to 25 form an integral part of these financial statements.
Independent auditor's report – page 2.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. GENERAL INFORMATION

RHB Bank Lao Limited (the Bank) is a commercial bank incorporated and registered in of Lao People's Democratic Republic (Lao P.D.R.).

The Bank is a limited company by 100% foreign investment under the laws of Lao P.D.R. The Bank operate its banking business under the Law on Commercial Bank, No. 03/NA, dated 26 December 2006 and under the regulations of Bank of Lao P.D.R (BOL). The Bank had received its Banking License No.10/BOL and Enterprise Registration Certificate No.213/ERA dated 30 May 2014.

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

The Bank is 100% fully owned by RHB Bank Berhad on 30 May 2014. The initial registered capital of the Bank is LAK 301.500.000.000 with 30.000.000 shares and issue price of LAK 10.050 (2014: LAK 10.050). The actual paid up capital as at 31 December 2015 is LAK 301.500.000.000 (2014: LAK 301.500.000.000)

The registered office of the Bank is at Unit No.1, House No. 008, Kaisone Road, Phonesa Ard Village, Lao P.D.R.

The Bank's BOD has reviewed these financial statements and approved for their issuance on 30 March 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below.

2.1 Basis of preparation

The financial statements are prepared in accordance with accounting policies of the Bank and the relevant BOL accounting regulations and notifications. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are not intended to present the financial position and financial performance in accordance with other jurisdictions. Consequently, these financial statements are addressed only to those who are informed about the Bank's accounting policies and relevant BOL accounting regulations and notifications.

The preparation of financial statements requires management to make estimates and assumptions affecting the amounts reported as assets and liabilities, the disclosure of any contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The financial statements have been prepared under the historical cost convention.

2.2 Measurement and presentation currency

The Bank maintains its records in Lao Kip (LAK) and presents financial statements in LAK.

2.3 Financial instruments

The Bank's significant financial assets and liabilities include cash and balances with central bank, deposits with other banks, loans and advances, deposit from customers, amounts due to parent company and other receivables and payables. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

2.4 Recognition of interest income and expense

Interest income recognition

Interest income is recognised on an accrual basis.

Interest income is recognised at the nominal interest rates stipulated in the loan contracts with clients except in relation to non-performing accounts.

Where an account becomes non-performing, the recording of interest is suspended and interest income already recognised will be reversed. Interest income will be recognised if accrued interest on non-performing loans will be subsequently collected. Customer accounts are deemed to be non-performing where repayments are in arrears for more than three months or 89 days. This is in line with the regulations of BOL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.4 Recognition of interest income and expense****Interest expense**

Interest expense on deposits from customers is recognised on an accrual basis and at the approved interest rates.

2.5 Recognition of fee and commission income

Fee and commission income from the various activities of the Bank is accrued using the following bases:

- Loan arrangement fees and commissions on services and facilities extended to customers are recognised on the occurrence of such transactions.
- Commitment fees and guarantees on services and facilities extended to customers are recognised as income over the period in which the services and facilities are extended.
- Service charges and processing fees are recognised when the service is provided.

2.6 Foreign currency transactions and translation

Monetary assets and liabilities denominated in currencies other than LAK at year end are translated into LAK at exchange rates ruling on the statement of the financial report date. Income and expenses arising in foreign currencies during the period are converted into LAK at rates ruling on the transaction dates. Gains and losses resulting from the settlement of such transactions and from the translation of such monetary assets and liabilities are recognised in the statement of income when earned and incurred.

2.7 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and short term deposits maturing within thirty (30) days.

2.8 Loans and advances to customers

Loans and advances are originated by the Bank providing money to a customer for purposes other than short-term profit taking. They are stated at the outstanding principal balances less an impairment allowance for doubtful loans and advances, to reflect the estimated recoverable amount. Loans and advances, except bank overdrafts, are shown exclusive of accrued interest receivable.

2.9 Provision for credit losses

In accordance with Regulation 324/BOL ("BOL324") dated 19 April 2011, the Bank is required to classify loans and create a provision for impairment losses. Accordingly, loans are classified into performing loans or non-performing loans based on their payment arrears status and other qualitative factors. Loans classified as normal/pass (group A) and watch/special mention (group B) is considered as performing loans. Loans classified as substandard (group C), doubtful (group D) and loss (group E) are considered as non-performing loans.

Provisions are categorised as general and specific based on the loan classification. Below is the summary of provision rates applicable for each loan classification as at the balance sheet date.

Group	Category	Number of days past due	Provision rate
Performing (general)			
A	Normal or pass	Within 29 days	0.5% to 1%
B	Watch or special mention	30 to 89 days	3%
Non-Performing (Specific)			
C	Substandard	90 to 179 days	20%
D	Doubtful	180 to 359 days	50%
E	Loss	From 360 days	100%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.10 Intangible assets**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software licences are subsequently carried at cost less accumulated amortisation and impairment losses. These costs are amortised over the estimated useful life of 5 to 10 years. The useful life is in line with the Lao Tax Law.

2.11 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation of property and equipment is provided for on a straight line basis to write down the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Category	Depreciation rate
Motor vehicles	20%
Office equipment	20%
Furniture and fittings	20%
Building/renovations	5%
Computer equipment	20%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. There are no material adjustments arising from the review that would require disclosure in the financial statements.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in non-interest income in statement of income. At the end of the reporting period, the Bank assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount.

2.12 Statutory deposits

Under the requirement of the Law on Commercial Bank dated 16 January 2007, commercial banks are required to appropriate net profit to 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 BOL and other relevant guidance, commercial banks are required to provide statutory reserve at the rate of from 5% to 10% of profit after tax depending on the decision of the Board of Directors.

2.13 Operating lease - for lessee

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

The up-front payments made for leasehold land represent prepaid lease rentals and are amortised on straight line basis over the lease term. Where an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period when termination takes place.

2.14 Employee benefit*a) Short term employee benefits*

Wages, salaries paid, annual leave and sick leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Bank.

b) Post-employment benefits

Post-employment benefits are paid to retired employees of the Bank by the Social Security Fund Department which belongs to the Ministry of Labour and Social Welfare. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 6.50% of employee's basic salary on a monthly basis. The Bank has no further obligation concerning post-employment benefits for the employees other than this.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Employee benefit

c) Termination benefits

In accordance with Article 90 of the Amended Labour Law issued by the President of Lao People's Democratic Republic on 24 December 2013 the Bank has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

- Compensation for the cancellation of employment contracts shall be 10% of the last salary multiplied by the total number of months worked;
- For unjustified termination of employment contracts in accordance with the Article 88 of the Amended Labour law, compensation will be 15% of the last salary multiplied by the total number of months worked; and
- Cancellation of employment contracts for reasons not specified in the Amended Labour Law, the Bank must implement compensation in accordance with the agreement between the Bank and the employee.

2.15 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

2.16 Tax

Provision is made for taxation on the current year's profits, based on the Tax Law governing taxation within Lao P.D.R. The Bank is subject to 24% (2014: 24%) on total taxable profit, and it shall be paid on quarterly basis. This is in accordance with Article 29: Profit Tax Rates of the amended Tax Law no.05/NA dated 20 December 2011.

Tax losses incurred in any tax year can be carried forward to offset against profit realised in the following three tax years from the year loss was incurred subject to certification by the National Audit Authority or an independent audit company and with the acknowledgement of the tax authorities. Upon expiration of such period, any remaining loss not so deducted may no longer be deducted from profits. This is in accordance with Article 39: Carrying Forward annual losses of the amended tax law.

2.17 Related parties

Enterprises or individuals that, directly or indirectly through one or more intermediaries, control, or are under controlled by, or are under common control with, the Bank, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Bank. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank, key management personnel, including directors and officers of the Bank and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

3. FINANCIAL RISK MANAGEMENT POLICIES

The guidelines and policies adopted by the Bank to manage the risks that arise in the conduct of its business activities are as follows:

3.1 Credit risk

Credit risk is the potential loss of revenue and principal in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending and investing activities. The primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved i.e., that the loans portfolio is strong and healthy and credit risks are well diversified. The credit policy documents are the credit control and recovery manual, credit operations manual, and credit policy manual. Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk.

3. FINANCIAL RISK MANAGEMENT POLICIES (Continued)**3.2 Market risk**

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

(i) Foreign currency exchange risk

Foreign currency exchange risk refers to the risk of adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Bank maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and stop-loss limits.

(ii) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing and cost of funds. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set.

3.3 Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost. The management of the Bank closely monitors all inflows and outflows and maturity gaps. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

4. CASH AND BALANCES WITH CENTRAL BANK

	2015	2014
	LAK	LAK
Cash on hand (note 4.1)	7.964.755.825	1.650.155.420
Balances with central bank other than mandatory reserve deposits (note 4.2)	73.199.303.186	13.545.667.864
Included in cash and cash equivalents (note 6)	81.164.059.011	15.195.823.284
Mandatory reserve deposits with central bank (note 4.3)	61.476.241.579	193.872.653.458
	142.640.300.590	209.068.476.742

4.1 CASH ON HAND

	2015	2014
	LAK	LAK
Cash on hand – LAK	4.357.139.000	685.000.000
Cash on hand – foreign currency	3.607.616.825	965.155.420
	7.964.755.825	1.650.155.420

RHB BANK LAO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

4. CASH AND BALANCES WITH CENTRAL BANK (Continued)

4.2 BALANCES WITH CENTRAL BANK OTHER THAN MANDATORY RESERVE DEPOSITS

These are deposits made with BOL to cover any settlement and compulsory deposits which bear no interest.

	2015 LAK	2014 LAK
Demand deposit	<u>73,199,303,186</u>	<u>13,545,667,864</u>

4.3 MANDATORY RESERVE DEPOSITS WITH CENTRAL BANK

This represents current accounts which earned no interest.

	2015 LAK	2014 LAK
Compulsory reserve (i)	2,721,165,363	873,686,458
Special deposit (ii)	<u>58,755,076,216</u>	<u>192,998,967,000</u>
	<u>61,476,241,579</u>	<u>193,872,653,458</u>

(i) These are deposits maintained in BOL as per BOL regulations. The balance is adjusted and calculated at 5% of LAK and 10% of other foreign currencies, such as Thailand Bath (THB) and United State Dollars (USD), on the average balance of customer deposits, such as savings accounts, current accounts and term deposits as of the year. These deposits do not earn interest.

(ii) The Bank maintains an additional statutory capital deposit with BOL. This deposit amount is considered as a guarantee for the operations. The amended law does not state the specific percentage to set up/maintain the special deposit. This deposit does not earn interest.

5. DEPOSITS WITH OTHER BANKS

Deposits with other banks are analysed as follows:

a) Analysis by institution

	2015 LAK	2014 LAK
Balances with domestic banks		
Public Bank Berhad - Vientiane Branch	23,209,450,000	17,461,000,000
Bangkok Bank Public Company Limited – Vientiane Branch	-	10,000,000,000
Banque Franco Lao Co., Ltd. – Vientiane Branch	<u>16,296,000</u>	<u>-</u>
	<u>23,225,746,000</u>	<u>27,461,000,000</u>
Balances with overseas banks		
RHB Bank Berhad – Thailand	168,615,916	123,250,000
RHB Bank Berhad – Malaysia	<u>349,184,658</u>	<u>403,300,000</u>
	<u>517,800,574</u>	<u>526,550,000</u>
Included in cash and cash equivalents (Note 6)	<u>23,743,546,574</u>	<u>27,987,550,000</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

5. DEPOSITS WITH OTHER BANKS (Continued)

b) Analysis by currency

	2015 LAK	2014 LAK
Domestic banks		
LAK	10.000.000.000	12.000.000.000
USD	5.719.896.000	8.066.000.000
THB	7.505.850.000	7.395.000.000
	23.225.746.000	27.461.000.000
Overseas banks denomination		
USD	349.184.658	403.300.000
THB	168.615.916	123.250.000
	517.800.574	526.550.000
	23.743.546.574	27.987.550.000

6. CASH AND CASH EQUIVALENTS

	2015 LAK	2014 LAK
Cash and balances with central bank (note 4)	81.164.059.011	15.195.823.284
Deposits with other banks (note 5)	23.743.546.574	27.987.550.000
	104.907.605.585	43.183.373.284

7. LOANS AND ADVANCES TO CUSTOMERS

	2015 LAK	2014 LAK
Loans and advances to customers	194.340.581.523	81.233.241.150
	194.340.581.523	81.233.241.150

Loans and advances to customers are analysed as follows:

a) Analysis by currency

	2015 LAK	2014 LAK
LAK	96.183.908.385	17.973.253.144
USD	83.559.788.326	50.019.266.852
THB	14.596.884.812	13.240.721.154
	194.340.581.523	81.233.241.150

RHB BANK LAO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

7. LOANS AND ADVANCES TO CUSTOMERS (Continued)

b) Analysis by status of loan

	2015 LAK	2014 LAK
Performing loans	194.340.581.523	81.233.241.150
Non-performing loans	-	-
	<u>194.340.581.523</u>	<u>81.233.241.150</u>

c) Analysis by classification of BOL

	2015 LAK	2014 LAK
Performing loans		
Normal	193.682.992.947	81.233.241.150
Special mention	657.588.576	-
Non-performing loans		
Substandard	-	-
Doubtful	-	-
Loss	-	-
	<u>194.340.581.523</u>	<u>81.233.241.150</u>

d) Analysis by relationship

	2015 LAK	2014 LAK
Staff	-	-
Customers	194.340.581.523	81.233.241.150
	<u>194.340.581.523</u>	<u>81.233.241.150</u>

e) Analysis by economic sector

	2015 LAK	2014 LAK
Industrial	17.013.691.280	14.114.709.573
Construction	15.607.278.562	4.013.915.625
Commercial	37.442.693.878	-
Transport and telecommunication	2.855.093.095	4.101.301.920
Service	71.796.290.801	31.670.023.633
Other industries (i)	49.625.533.907	27.333.290.399
	<u>194.340.581.523</u>	<u>81.233.241.150</u>

(i) Loans and advances granted to customers in other industries include financing, and trading.

RHB BANK LAO LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2015

7. LOANS AND ADVANCES TO CUSTOMERS (Continued)

f) Analysis by resident status

	<u>2015</u> <u>LAK</u>	<u>2014</u> <u>LAK</u>
Resident	194.340.581.523	81.233.241.150
Non-resident	-	-
	<u>194.340.581.523</u>	<u>81.233.241.150</u>

g) Analysis by security

	<u>2015</u> <u>LAK</u>	<u>2014</u> <u>LAK</u>
Secured	194.340.581.523	81.233.241.150
Non-secured	-	-
	<u>194.340.581.523</u>	<u>81.233.241.150</u>

8. GENERAL PROVISION FOR LOANS AND ADVANCES TO CUSTOMERS

The movement in the allowance for performing loans is as follows:

	<u>2015</u> <u>LAK</u>	<u>2014</u> <u>LAK</u>
General provision		
Beginning balance	406.165.470	-
Provision charged during the year/period	591.828.444	406.165.470
Foreign exchange difference	(2.573.840)	-
At 31 December	<u>995.420.074</u>	<u>406.165.470</u>

The breakdown of as at 31 December 2015 and 2014 is as follows:

	<u>2015</u> <u>LAK</u>	<u>2014</u> <u>LAK</u>
Performing loans (general)		
Normal	975.692.417	406.165.470
Special mention	19.727.657	-
Non-performing loans (specific)		
Substandard	-	-
Doubtful	-	-
Loss	-	-
	<u>995.420.074</u>	<u>406.165.470</u>

RHB BANK LAO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

9. PROPERTY AND EQUIPMENT

Movement of the balance of property and equipment for the year ended 31 December 2015 is as follows:

	Building & improvements LAK	Office equipment LAK	Computer equipment LAK	Furniture & fixtures LAK	Motor vehicles LAK	Total LAK
Cost						
At 1 January 2015	8.191.729.416	287.321.375	7.737.344.314	9.991.790	1.178.586.392	17.404.973.287
Additions	-	-	69.686.441	590.127.072	-	659.813.513
Adjustments/transfers	(745.171.796)	-	(314.125.221)	-	-	(1.059.297.017)
At 31 December 2015	7.446.557.620	287.321.375	7.492.905.534	600.118.862	1.178.586.392	17.005.489.783
Accumulated depreciation						
At 1 January 2015	204.793.236	33.170.076	773.734.488	1.165.710	117.303.636	1.130.167.146
Charge for the year	336.600.370	57.464.304	1.467.165.838	178.471.834	235.717.272	2.275.419.618
Adjustments/transfers	(33.341.514)	-	(59.854.202)	-	-	(93.195.716)
At 31 December 2015	508.052.092	90.634.380	2.181.046.124	179.637.544	353.020.908	3.312.391.048
Net book value at 31 December 2015	6.938.505.528	196.686.995	5.311.859.410	420.481.318	825.565.484	13.693.098.735

RHB BANK LAO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

9. PROPERTY AND EQUIPMENT (Continued)

Movement of the balance of property and equipment for the year ended 31 December 2014 is as follows:

Cost	Building & improvements LAK	Office equipment LAK	Computer equipment LAK	Furniture & fixtures LAK	Motor vehicles LAK	Total LAK
At 1 January 2014	-	-	-	-	-	-
Additions	8.191.729.416	287.321.375	7.737.344.314	9.991.790	1.178.586.392	17.404.973.287
At 31 December 2014	8.191.729.416	287.321.375	7.737.344.314	9.991.790	1.178.586.392	17.404.973.287
Accumulated depreciation						
At 1 January 2014	-	-	-	-	-	-
Charge for the period	204.793.236	33.170.076	773.734.488	1.165.710	117.303.636	1.130.167.146
At 31 December 2014	204.793.236	33.170.076	773.734.488	1.165.710	117.303.636	1.130.167.146
Net book value at 31 December 2014	7.986.936.180	254.151.299	6.963.609.826	8.826.080	1.061.282.756	16.274.806.141

RHB BANK LAO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

10. INTANGIBLE ASSETS

Movement of the balance of intangible assets is as follows:

	2015 LAK	2014 LAK
Cost		
As at 1 January	6,413,172,471	-
Additions	426,883,281	6,413,172,471
As at 31 December	6,840,055,752	6,413,172,471
Accumulated amortisation		
As at 1 January	641,317,242	-
Charge for the year/period	1,383,374,049	641,317,242
As at 31 December	2,024,691,291	641,317,242
Net book value as at 31 December	4,815,364,461	5,771,855,229

11. OTHER ASSETS

	2015 LAK	2014 LAK
Prepaid expenses (i)	2,599,011,694	3,762,543,164
Accrued interest receivable (ii)	835,008,332	256,587,137
Others (iii)	327,809,325	120,612,416
	3,761,829,351	4,139,742,717

(i) Prepaid expenses include advance payments for the electronic equipment insurance, house and office rental, and leased area for the server at BOL.

(ii) Accrued interest receivable includes interest receivable from loans to customers and deposits with other banks.

(iii) These include bank supplies such as cheque books, passbooks, and signature verification slips.

12. DEPOSITS FROM CUSTOMERS

Deposits from customers are analysed as follows:

a) Analysis by types of deposit account

	2015 LAK	2014 LAK
Current deposits	8,317,964,238	3,034,394,519
Saving deposits	13,692,287,626	2,835,582,920
Term deposits	14,371,649,372	2,244,752,101
	36,381,901,236	8,114,729,540

RHB BANK LAO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

12. DEPOSITS FROM CUSTOMERS (Continued)

b) Analysis by currency

	2015 LAK	2014 LAK
LAK	15.609.420.847	2.961.648.004
USD	13.623.799.275	4.237.450.354
THB	7.148.681.114	915.631.182
	36.381.901.236	8.114.729.540

c) Analysis by maturity

	2015 LAK	2014 LAK
Within 3 months	23.041.101.512	6.244.699.071
4 to 6 months	10.600.359.950	164.393.469
7 to 12 months	610.431.499	41.227.000
Over 12 months	2.130.008.275	1.664.410.000
	36.381.901.236	8.114.729.540

d) Analysis by type of customer

	2015 LAK	2014 LAK
Individual	17.897.024.170	6.129.728.578
Non-Individual	18.484.877.066	1.985.000.962
	36.381.901.236	8.114.729.540

e) Analysis by type of relationship

	2015 LAK	2014 LAK
Staff	2.154.716.048	459.533.414
Customer	34.227.185.188	7.655.196.126
	36.381.901.236	8.114.729.540

13. AMOUNT DUE TO PARENT COMPANY

	2015 LAK	2014 LAK
Fixed deposits (i)	12.222.000.000	-
Intercompany payable (ii)	34.249.620.816	37.841.811.854
	46.471.620.816	37.841.811.854

(i) Fixed deposits, denominated in USD, carry an interest rate of 1.80% per annum (2014: 0) with term of 1 month (2014: 0).

(ii) Intercompany payables include purchases of property and equipment initially made by RHB Bank Berhad - Malaysia during the start-up phase of the Bank.

RHB BANK LAO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

14. OTHER LIABILITIES

	<u>2015</u> <u>LAK</u>	<u>2014</u> <u>LAK</u>
Accrued interest payable – deposits (i)	141.321.105	45.466.788
Accruals, provisions and other liabilities (ii)	<u>1.180.095.851</u>	<u>3.840.141.801</u>
	<u>1.321.416.956</u>	<u>3.885.608.589</u>

(i) Accrued interest payable are related to accrued interest incurred on deposits from customers and from other banks.

(ii) Accruals, provisions, and other liabilities include banker's cheques, accruals for utilities, bonus, and other liabilities to suppliers,

15. PAID-UP CAPITAL

	<u>2015</u> <u>LAK</u>	<u>2014</u> <u>LAK</u>
Paid-up capital	<u>301.500.000.000</u>	<u>301.500.000.000</u>

In accordance with the Bank's Articles of Association dated 17 November 2014 with the respective share certificate dated 30 May 2014, RHB Bank Berhad owns 100% of the Bank's shares represented by 30.000.000 shares with issue price of LAK 10.050 per share (2014: 10.050), all issued shares were fully paid.

16. NET INTEREST AND SIMILAR INCOME

	<u>2015</u> <u>LAK</u>	<u>2014</u> <u>LAK</u>
Interest and similar income		
Interest and similar income from customers	13.462.149.527	1.441.562.698
Interest and similar income from banks	<u>226.375.773</u>	<u>342.074.629</u>
	<u>13.688.525.300</u>	<u>1.783.637.327</u>
Interest and similar expense		
Interest and similar expense from customers	(371.350.023)	(76.393.884)
Interest and similar expense from banks	<u>(11.684.150)</u>	<u>-</u>
	<u>(383.034.173)</u>	<u>(76.393.884)</u>
Net interest and similar income	<u>13.305.491.127</u>	<u>1.707.243.443</u>

RHB BANK LAO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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17. NET FEE AND COMMISSION INCOME

	2015 LAK	2014 LAK
Fee and commission income		
Fee related to operating with customer	1.606.604.306	937.075.243
	1.606.604.306	937.075.243
Fee and commission expense		
Fee related to operating with customer	(145.132.981)	(38.764.165)
	(145.132.981)	(38.764.165)
Net fee and commission income	1.461.471.325	898.311.078

18. PAYROLL AND OTHER STAFF COSTS

	2015 LAK	2014 LAK
Salaries and wages	4.412.602.610	2.949.990.928
Other staff costs (i)	714.033.263	1.282.815.983
	5.126.635.873	4.232.806.911

(i) Other staff costs include bonuses, health and medical benefits, recreational costs, uniform allowances, and other allowances,

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2015 LAK	2014 LAK
Rental	1.064.544.000	684.318.000
Other administrative expenses (ii)	856.165.312	529.000
Repair and maintenance	645.142.119	14.225.164
Insurance	325.924.951	191.165.150
Professional fees	282.356.854	192.208.160
Communication expense	113.815.502	97.382.003
Utilities	110.496.401	93.694.192
Security fee	108.160.000	64.344.668
Office stationery expense	96.402.720	91.068.545
Transportation and travelling fees	89.555.386	162.442.876
Marketing and public relations	52.867.820	507.966.902
Start-up costs (i)	-	1.126.155.578
	3.745.431.065	3.225.500.238

(i) Start-up costs include costs incurred in obtaining bank license, articles of association, and other certificates required,

(ii) Other administrative expense includes depositor protection fund fees, BOL operating fees, and other miscellaneous expenses.

RHB BANK LAO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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20. INCOME TAX EXPENSE

In accordance with the amended Lao Tax Law No. 05 dated 20 December 2011 stipulated by the President of the National Assembly, applicable profit tax that should be applied to both domestic and foreign enterprises that hold legal entities is 24% (2014:24%) of total taxable profit income.

	2015 LAK	2014 LAK
Profit/(loss) before tax of the year	3,597,005,626	(7,272,643,474)
Non-deductible expenses	-	-
Non-taxable income	(4,060,788,983)	-
Losses carried forward from previous year (i)	(7,272,643,474)	-
Profit/(loss) before tax of the year after loss carry forward	(7,736,426,831)	(7,272,643,474)
Income tax expense at applicable tax rate (2015: 24%, 2014: 24%)	-	-

Tax losses incurred in any tax year can be carried forward to offset against profit realised in the following three tax years subject to the following conditions:

- The loss must be recorded in the tax on profit return and submitted to the Tax Department on time.
- The business objective of the Bank must not have changed.
- The ownership of the Bank must not have changed.

21. RELATED PARTY TRANSACTIONS

The Bank is 100% owned by RHB Bank Berhad – Malaysia, which is the Bank's ultimate controlling party.

A few number of banking transactions were entered into with related parties in the normal course of business, which were mostly deposits. There were no loans issued to related parties.

Deposits to key management personnel are comprised of savings and fixed deposits, all of which are unsecured. Savings deposits are repayable on demand and carry interest rates of ranging from 1.85% to 2.25% per annum (2014: 1.85% to 2.25%), depending on the currency. Fixed deposits carry an interest rates of ranging from 2.50% to 6.35% per annum (2014: 2.50% to 6.35% depending on the term and currency. Fixed deposits to key management personnel have terms of ranging from 1 to 12 months.

The volume of related-party transactions, outstanding balances, at the year-end, and relating expense and income for the year are as follows:

	2015 LAK	2014 LAK
RHB Bank Berhad - Malaysia (Holding Bank)		
(a) Term deposit		
At 1 January	403,300,000	-
Deposits transferred/(withdrawn) during the year/ period	(50,634,211)	403,300,000
Foreign exchange gain/loss	(3,514,131)	-
As at 31 December (note 5)	349,184,658	403,300,000
(b) Fixed deposits		
At 1 January	-	-
Deposits received during the year/period	12,222,000,000	-
As at 31 December (note 13)	12,222,000,000	-
Interest expense	11,684,150	-

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NOTES TO THE FINANCIAL STATEMENTS
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21. RELATED PARTY TRANSACTIONS (Continued)

	2015 LAK	2014 LAK
RHB Bank Berhad - Malaysia (Holding Bank)		
(c) Intercompany payable		
At 1 January	37,841,811.854	-
Additional payables during the year/ period	1,293,585.396	37,841,811.854
Payments during the year/ period	(2,036,830.196)	-
Foreign exchange gain	(2,848,946.238)	-
As at 31 December (note 13)	34,249,620.816	37,841,811.854
Monthly swift payment	108,149.056	28,162.278
	2015 LAK	2014 LAK
RHB Bank Thailand		
Term deposits		
At 1 January	123,250.000	-
Deposits transferred during the year/ period	44,112.941	123,250.000
Foreign exchange gain/loss	1,252.975	-
At 31 December (note 5)	168,615.916	123,250.000
	2015 LAK	2014 LAK
Director and key management personnel		
Deposits from customers		
At 1 January	278,762.939	-
Deposits received during the year/ period	680,416.464	278,762.939
Foreign exchange gain/loss	(2,923.940)	-
As at 31 December	956,255.463	278,762.939
Interest expense	21,515.748	4,181.444
Salaries and other short-term employee benefits	5,006,408.141	2,949,990.928
Other long-term benefits	-	1,282,815.983

22. COMMITMENTS AND CONTINGENCIES

At 31 December 2015, the Bank had the contractual amounts of the Bank's off-financial position, financial instruments that commit it to extend credit to customers. Unutilised overdrafts are those credit limit provided to customers but have not yet been withdrawn as at 31 December 2015.

(a) Credit facilities

	2015 LAK	2014 LAK
Unutilised overdraft	28,834,832.792	7,637,664.991

22. COMMITMENTS AND CONTINGENCIES (Continued)

(b) Taxation contingencies

The taxation system in the Lao PDR is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Lao PDR substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

23. EVENTS AFTER THE BALANCE SHEET DATE

There have been no any significant post balance sheet events that would significantly impact the figures in the Bank's financial information and data

