

**RHB BANK LAO LIMITED**



**FINANCIAL STATEMENTS**

*(in accordance with International Financial Reporting Standards)*

**31 DECEMBER 2015**

## **RHB Bank Lao Limited**

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**RHB Bank Lao Limited**

**Statement by the Board of Directors  
31 December 2015**

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**BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS**

The Board of Directors of RHB Bank Lao Limited (the Bank) are responsible for ensuring that the financial statements, present fairly, 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 International Financial Reporting Standards (IFRS). In preparing these financial statements, the Board of Directors 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 IFRS 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 Board of Directors 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, present fairly, 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 are properly drawn up in accordance with IFRS.

For and on behalf of the Board of Directors

  
  
Danny Ling Chii Hian  
Country Head

31 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 profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 December 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### Management's responsibility for the financial statements

Management of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable 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 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 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 present fairly, in all material respects, the financial position of the Bank as at 31 December 2015, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards.

For PricewaterhouseCoopers (Lao) Co., Ltd.



By Sakuna Yamsakul  
Partner

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

**RHB BANK LAO LIMITED**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note(s)	2015 LAK	2014 LAK
<b>ASSETS</b>			
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	193.195.856.507	80.656.695.908
Intangible assets	8	4.815.364.461	5.771.855.229
Property and equipment	9	13.693.098.735	16.274.806.141
Other assets	10	2.959.451.424	3.919.606.469
Deferred tax asset	11	462.570.063	191.203.558
<b>TOTAL ASSETS</b>		<b>381.510.188.354</b>	<b>343.870.194.047</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Deposits from customers	12	36.511.538.191	8.160.196.328
Amount due to parent company	13	46.483.304.966	37.841.811.854
Other liabilities	14	1.180.095.851	3.840.141.801
<b>TOTAL LIABILITIES</b>		<b>84.174.939.008</b>	<b>49.842.149.983</b>
<b>EQUITY</b>			
Paid-up capital	15	301.500.000.000	301.500.000.000
Deficits		(4.164.750.654)	(7.471.955.936)
<b>TOTAL EQUITY</b>		<b>297.335.249.346</b>	<b>294.028.044.064</b>
<b>TOTAL EQUITY AND LIABILITES</b>		<b>381.510.188.354</b>	<b>343.870.194.047</b>

  
 Danny Ling Chii Hian  
 Country Head

31 March 2016

The accompanying notes on pages 8 to 37 form an integral part of these financial statements.  
Independent auditor's report – page 2.

**RHB BANK LAO LIMITED**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note(s)	2015 LAK	2014 LAK
Interest and similar income		13,822,316,031	1,897,309,318
Interest and similar expense		(383,034,173)	(76,393,884)
<b>NET INTEREST AND SIMILAR INCOME</b>	16	<b>13,439,281,858</b>	<b>1,820,915,434</b>
Loan impairment charges	7	(19,727,657)	-
<b>NET INTEREST INCOME AFTER LOAN IMPAIRMENT CHARGES</b>		<b>13,419,554,201</b>	<b>1,820,915,434</b>
Fee and commission income		339,545,939	26,721,763
Fee and commission expense		(145,132,981)	(38,764,165)
<b>NET FEE AND COMMISSION INCOME/(EXPENSE)</b>	17	<b>194,412,958</b>	<b>(12,042,402)</b>
Foreign exchange gain/loss, net		1,952,732,222	(242,240,989)
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	8,9	(3,658,793,667)	(1,771,484,388)
<b>TOTAL EXPENSES</b>		<b>(10,578,128,382)</b>	<b>(9,472,032,526)</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>3,035,838,777</b>	<b>(7,663,159,494)</b>
Income tax benefit	20	271,366,505	191,203,558
<b>NET PROFIT/(LOSS) FOR THE YEAR/PERIOD</b>		<b>3,307,205,282</b>	<b>(7,471,955,936)</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD</b>		<b>3,307,205,282</b>	<b>(7,471,955,936)</b>

Danny Ling Chii Hian  
Country Head



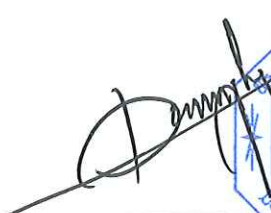

31 March 2016

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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
<b>As at 30 May 2014 (the incorporation date)</b>	-	-	-
Initial registered capital	301,500,000,000	-	<b>301,500,000,000</b>
Net loss for the period	-	(7,471,955,936)	(7,471,955,936)
<b>As at 31 December 2014</b>	<b><u>301,500,000,000</u></b>	<b><u>(7,471,955,936)</u></b>	<b><u>294,028,044,064</u></b>
Net profit for the year	-	3,307,205,282	3,307,205,282
<b>As at 31 December 2015</b>	<b><u>301,500,000,000</u></b>	<b><u>(4,164,750,654)</u></b>	<b><u>297,335,249,346</u></b>


  

  
 Danny Ling Chii Hian  
 Country Head

31 March 2016

The accompanying notes on pages 8 to 37 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
<b>OPERATING ACTIVITIES</b>			
Profit/(loss) before tax		3.035.838.776	(7.663.159.494)
<i>Adjustments for:</i>			
Depreciation and amortisation charges	8,9	3.658.793.667	1.771.484.388
Loan impairment charges	7	19.727.657	-
Foreign exchange (gain)/loss ,net		(1.952.732.222)	242.240.989
Interest and similar income	16	(13.822.316.031)	(1.897.309.318)
Interest and similar expense		383.034.173	76.393.884
<b>Cash flows from operating profit before changes in operating assets and liabilities</b>		<b>(8.677.653.980)</b>	<b>(7.470.349.551)</b>
(Increase)/decrease in statutory deposits with BOL	4	132.396.411.879	(193.872.653.458)
Increase in loans and advances to customers		(111.980.467.061)	(80.656.695.908)
Increase in other assets		(207.196.909)	(3.583.997.922)
Increase in deposits from customers	12	28.395.672.600	8.160.196.328
Increase in amounts due to parent company *	13	11.490.439.351	13.812.729.540
Increase/(decrease) in other liabilities		(2.608.961.417)	3.840.141.801
Interest received		13.110.104.105	1.563.782.708
Interest paid		(287.179.854)	(41.528.983)
<b>Net cash used in operating activities</b>		<b>(61.631.168.714)</b>	<b>(258.248.375.445)</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property and equipment *		-	(11.000.000)
Purchases of intangible fixed assets *		(426.883.281)	-
<b>Net cash used in investing activities</b>		<b>(426.883.281)</b>	<b>(11.000.000)</b>
<b>FINANCING ACTIVITIES</b>			
Initial paid-up capital	15	-	301.500.000.000
<b>Net cash (used in)/generated from financing activities</b>		<b>-</b>	<b>301.500.000.000</b>
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		519.946.869	(57.251.271)
<b>Cash and cash equivalents, ending (Note 6)</b>		<b>104.907.605.586</b>	<b>43.183.373.284</b>

\* 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 are related to the cost of fixed assets acquired but have not been paid as of 31 December 2015 amounting to LAK 659.813.513 (2014: LAK 23.807.145.758).

Danny Ling Chii Hian  
Country Head

Date: 31 March 2016

The accompanying notes on pages 8 to 37 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

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#### 1. GENERAL INFORMATION

RHB Bank Lao Limited (the Bank) is a commercial bank incorporated and registered in 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 operates 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 registered office of the Bank is at Unit No.1, House No. 008, Kaisone Road, Phonsa Ard Village, Vientiane Capital, Lao P.D.R. The Bank's Board of Directors has reviewed these financial statements and approved for their issuance on 31 March 2016.

According to BOL's number 35/Tor.Aor.Tor dated 21 January 2011 banks in Lao PDR are required to prepare a separate set of financial statements in accordance with International Financial Reporting Standards (IFRS). Apart from this set, the Bank has prepared the financial statements in accordance with the accounting policies of the Bank and the relevant BOL accounting regulations and notifications.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### 2.1 Basis of preparation

The financial statements are prepared in accordance with IFRS as issued by International Accounting Standards Board (IASB) and with International Financial Reporting Interpretations Committee (IFRIC) interpretations. Additional information by national regulations is included where appropriate.

The financial statements comprise of the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, the statement of cash flows, and the notes. The financial statements have been prepared under the historical cost convention.

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities, and financing activities. Cash and cash equivalents include highly liquid investments. Note 6 shows in which item of the statement of financial position cash and cash equivalents are included.

The cash flows from operating activities are determined by using the indirect method. Net profit is therefore adjusted by non-cash items, such as foreign exchange gains or losses, changes in provisions, as well as changes from receivables and liabilities. Interest received and paid are classified as operating cash flows.

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.

(a) New standards and amendments that are effective for the first time for periods on or after 1 January 2015 are as follows:

- *Annual improvements to IFRSs 2010-2012 and 2011-2013 cycles*
  - *IFRS 13 'Fair value measurement'* confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial.
  - *IFRS 13 'Fair value measurement'* clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of International Accounting Standards (IAS) 39 of IFRS 9.

The adoption of these amendments did not have any impact on the current period or any preior and is not likely to affect future periods.

**RHB BANK LAO LIMITED**

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

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

(b) Standards and interpretations that had been issued but were not mandatory for annual reporting periods ending 31 December 2015 are as follows:

- *IFRS 9 'Financial Instruments' and associated amendments to various other standards*
  - *IFRS 9 'Financial Instruments'* (effective date 1 January 2018) replaces the multiple classification and measurement models in *IAS 39 'Financial Instruments: Recognition and measurement'* with a single model that has initially only two classification categories: amortised cost and fair value. In December 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete.
- *Disclosure initiative – Amendment to IAS 1*

The amendments to IAS 1: '*Presentation of Financial Statements*' (effective 1 January 2016) are made in the context of the IASB's '*Disclosure Initiative*', which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- *Materiality* – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- *Disaggregation and subtotals* – line items specified in *IAS 1: 'Presentation of Financial Statements'* may need to be disaggregated where there is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- *Notes* – confirmation that the notes do not need to be presented in a particular order.

There are no other standards that are not yet effective and that are expected to have a material impact on the financial statements.

**2.2 Measurement and presentation currency**

(a) *Functional and presentation currency*

Items included in the financial statements of the Bank are measured using the Laotian Kip (LAK) of the primary economic environment in which the Bank operates (the functional currency). The Bank's financial statements are presented in LAK (the presentation currency).

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency with reference to the exchange rates of the Bank prevailing at the date of transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income in '*Foreign exchange gains/losses*'. Translation at year-end rates do not apply to non-monetary items that are measured at historical cost.

**2.3 Financial instruments**

In accordance with IAS 39, all financial assets and liabilities have to be recognised in the Bank's statement of financial position and measured in accordance with their assigned category.

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

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.3 Financial instruments**

**2.3.1 Financial assets**

The Bank's significant financial assets include cash and balances with central bank, deposits with other banks, and loans and advances.

*Loans and receivables*

Loans and receivables are initially recognised at fair value - which is the cash consideration to originate or purchase the loan including any transaction costs - and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the Bank's statement of financial position as 'Loans and advances to customers'. Interest on loans is included and is reported as 'Interest and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statement of profit or loss and other comprehensive income as 'Loan impairment charges'.

**2.3.2 Financial liabilities**

The Bank's significant financial liabilities include amounts due to parent company and deposits from customers.

Financial liabilities that are not classified as at fair value through profit or loss fall as other liabilities and are measured at amortised cost. Financial liabilities measured at amortised cost are amounts due to parent company and deposits from customers.

**2.3.3 Derecognition**

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests the control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

**2.4 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the Bank's statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**2.5 Recognition of income and expenses**

**2.5.1 Interest and similar income and expenses**

Interest income and expense for all interest-bearing financial instruments are recognised within 'Interest and similar income' and 'Interest and similar expense' in the Bank's statement of profit or loss and other comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or similar financial assets of the Bank has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.5.2 Fee and commission income and expenses**

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

**2.6 Impairment of financial assets**

The Bank assesses at the end of reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Bank of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss and other comprehensive income.

**2.7 Impairment of non-financial assets**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**2.8 Cash and cash equivalents**

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, which includes cash on hand, deposits held at call with other banks and other short-term highly liquid investments with original maturities of three months or less.

**2.9 Leases**

Leases in which 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 profit or loss on a straight-line basis over the period of the lease.

## RHB BANK LAO LIMITED

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

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 2.10 Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to statements of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation is provided on the straight line basis at prescribed rates over their estimated useful lives as shown below:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period of the Bank's statement of financial position.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Bank's statement of profit or loss and other comprehensive income.

##### 2.11 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The cost of an asset comprises its purchase price plus any directly attributable costs of bringing the asset into working condition for its intended use. Computer software licences are subsequently carried at cost less accumulated amortisation and impairment losses. These costs are amortised over the estimated useful lives of 5 to 10 years.

##### 2.12 Current and deferred income tax

The tax expense comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the country where the Bank operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis

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

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.13 Employee benefits**

(a) *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.

(b) *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.

**2.14 Provisions**

Provisions are recognised when it's probable that outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The Bank recognises no provision for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**3. FINANCIAL RISK MANAGEMENT POLICIES**

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk management is carried out by the Compliance and Risk Management Division under policies approved by the Board of Directors and Board Risk Committee. The Compliance and Risk Management Division identifies, evaluates and minimises financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The risks arising from financial instruments to which the Bank is exposed are financial risks, which include credit risk, liquidity risk, market risk (which are discussed below).

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

**3. FINANCIAL RISK MANAGEMENT POLICIES (Continued)**

**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 statement of financial position. 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.

**3.1.1 Credit risk measurement**

(a) *Loans and advances to customers*

The Bank's internal rating scale and mapping of external ratings as supplemented by the Bank's assessment through the use of internal rating tools are as follows:

Category	Number of days past due
<b>Performing loans</b>	
A – Normal or pass	Loans that are overdue for less than thirty (30) days as agreed by the terms of loan agreement whether in interest or principal.
B – Watch of special mention	Loans that are overdue from thirty (30) days until less than ninety (90) days as agreed by the terms of loan agreement whether in interest or principal.
<b>Non-performing loans</b>	
C – Substandard	Loans that are overdue from ninety (90) days until less than one hundred eighty (180) days as agreed by the terms of loan agreement whether in interest or principal. The main source of income of the borrower for loan repayment are insufficient and the borrower relies on the other sources of income to service loan such as sale of collateral, other assets of borrower, or use of outside source of fund.
D – Doubtful	Loans that are overdue from one hundred eighty (180) days until less than three hundred sixty (360) days as agreed by the terms of loan agreement whether in interest or principal.
E – Loss	Any loan which is overdue as agreed by the terms of the loan agreement whether in interest or principal from three hundred sixty (360) days. Any loan considered uncollectible or in part or in whole of the loan is not well secured.

The credit risk measurement mentioned above reflects the expected loss (the 'expected loss model') as required by BOL and as stated in regulation 324/BOL. The operational measurements can be contrasted with impairment allowances required under related IAS, which are based on losses that have been incurred as at the date of statement of financial position (the 'incurred loss model') rather than expected losses. In contrast, impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the date of statement of financial position based on objective evidence of impairment. Due to the different methodologies applied, impairment allowances that is determined for banking regulation purposes is usually higher than the amount determined from the incurred loss model.

## RHB BANK LAO LIMITED

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

#### 3. FINANCIAL RISK MANAGEMENT POLICIES (Continued)

##### 3.1 Credit risk

##### 3.1.2 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified, in particular, to related parties, to individual counterparties and groups, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry, sector and country are approved annually by the Board of Directors.

Some other specific control and mitigation measures are outlined below:

###### (a) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for loans and advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. All loans and advances to customers are secured by collateral. Generally, the Bank shall accept all types of security and collateral which can be liquidated and enforced easily in the event of loan default.

The principal collateral types for loans and advances are mortgages over residential properties primarily land and building, and fixed deposits.

The carrying amount of collateral as at 31 December 2015 for loans and advances to customers is LAK 517,967,447,424 (2014: LAK 336,335,443,700)

###### (b) Lending limits

The Bank maintains strict control limits on loans to be disbursed to its customers by both amount and term depending on the type of loan. Lending limits are in accordance with the Regulation on limit of loan lending for Commercial Bank 330/BOL dated 2 July 2010.

##### 3.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to on-balance sheet assets are as follows:

	2015 LAK	2014 LAK
Loans and advances to customers (note 7)		
- Overdrafts	28,834,832,793	10,189,955,414
- Term loans	153,949,536,803	68,954,222,767
- Housing loans	10,411,486,911	1,512,517,727
Other assets	32,630,432	36,450,889
	<u>193,228,486,939</u>	<u>80,693,146,797</u>

The above table represents a worse-case scenario of credit risk exposure to the Bank at 31 December 2015 and 2014 without taking account of any collateral held or other credit enhancements attached. For on financial positions assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position. As shown above, almost 100% of the total maximum exposure is derived from loans and advances to customers (2014: 100%). Management is confident in its ability to continue to control and sustain minimal exposure credit risk to the Bank resulting from both its loan and advances based on the following:

- 100% of the loans and advances portfolio is categorised in the top one grade of the internal rating system, which is A - normal or pass (2014: 100%).
- 100% of the loans are backed by collateral (2014: 100%).



RHB BANK LAO LIMITED

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

3. FINANCIAL RISK MANAGEMENT POLICIES (Continued)

3.1 Credit risk

3.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

3.1.3.1 Concentration of risks of financial assets with credit risk exposure

(a) *Geographical sectors*

The following table breaks down the Bank's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as at 31 December 2015 and 2014. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.

	<u>Lao P.D.R.</u>	<u>International</u>	<u>Total</u>
Loans and advances to customers (note 7)			
- Overdrafts	28.834.832.793	-	28.834.832.793
- Term loans	153.949.536.803	-	153.949.536.803
- Housing loans	10.411.486.911	-	10.411.486.911
Other assets	32.630.432	-	32.630.432
<b>As at 31 December 2015</b>	<b><u>193.228.486.939</u></b>	<b><u>-</u></b>	<b><u>193.228.486.939</u></b>

	<u>Lao P.D.R.</u>	<u>International</u>	<u>Total</u>
Loans and advances to customers (note 7)			
- Overdrafts	10.189.955.414	-	10.189.955.414
- Term loans	68.954.222.767	-	68.954.222.767
- Housing loans	1.512.517.727	-	1.512.517.727
Other assets	36.450.889	-	36.450.889
<b>As at 31 December 2014</b>	<b><u>80.693.146.797</u></b>	<b><u>-</u></b>	<b><u>80.693.146.797</u></b>

RHB BANK LAO LIMITED

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

3. FINANCIAL RISK MANAGEMENT POLICIES (Continued)

3.1 Credit risk

3.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

3.1.3.1 Concentration of risks of financial assets with credit risk exposure

(b) *Industry sectors*

The following table breaks down the Bank's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by industry sectors as at 31 December 2015 and 2014.

Credit risks relating to on-balance sheet items are as follows:

	Manufacturing	Construction	Commercial	Transportation	Service	Others	Total
Loans and advances to customers (note 7)							
- Overdrafts	3,219,429,290	3,887,027,991	7,055,766,950	-	7,177,289,329	7,495,319,233	28,834,832,793
- Term loans	13,674,907,098	10,060,523,165	28,916,985,943	2,228,370,315	60,188,286,358	38,880,463,924	153,949,536,803
- Housing loans	-	1,563,441,516	1,237,085,493	-	3,996,207,962	3,614,751,940	10,411,486,911
- Other assets	-	-	-	-	-	32,630,432	32,630,432
<b>As at 31 December 2015</b>	<b>16,894,336,388</b>	<b>15,510,992,672</b>	<b>37,209,838,386</b>	<b>2,228,370,315</b>	<b>71,361,783,649</b>	<b>50,023,165,529</b>	<b>193,228,486,939</b>

Loans and advances to customers (note 7)

	Manufacturing	Construction	Commercial	Transportation	Service	Others	Total
- Overdrafts	929,331,797	13,875,295	-	1,235,730,639	4,813,819,408	3,197,198,275	10,189,955,414
- Term loans	13,096,148,994	3,980,679,897	-	2,797,385,662	26,551,131,207	22,528,877,007	68,954,222,767
- Housing loans	-	-	-	-	-	1,512,517,727	1,512,517,727
- Other assets	-	-	-	-	-	36,450,889	36,450,889
<b>As at 31 December 2014</b>	<b>14,025,480,791</b>	<b>3,994,555,192</b>	<b>-</b>	<b>4,033,116,301</b>	<b>31,364,950,615</b>	<b>27,275,043,898</b>	<b>80,693,146,797</b>

RHB BANK LAO LIMITED

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

3. FINANCIAL RISK MANAGEMENT POLICIES (Continued)

3.1 Credit risk

3.1.4 Loans and advances to customers are summarised as follows:

	2015 LAK	2014 LAK
Neither past due nor impaired – gross (a)	192,596,416,942	80,656,695,908
Individually impaired	619,167,222	-
<b>Gross amount</b>	<b>193,215,584,164</b>	<b>80,656,695,908</b>
Less: provision for impairment	(19,727,657)	-
<b>Net amount (note 7)</b>	<b>193,195,856,507</b>	<b>80,656,695,908</b>
Current	28,834,832,793	9,734,869,443
Non - Current	164,361,023,714	70,921,826,465
<b>Total</b>	<b>193,195,856,507</b>	<b>80,656,695,908</b>

(a) *Loans and advances neither past due nor impaired*

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

	2015 LAK	2014 LAK
Normal or pass	192,596,416,942	80,656,695,908
<b>Total</b>	<b>192,596,416,942</b>	<b>80,656,695,908</b>

3.2 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

3.2.1 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. Net opening position is being monitored on a daily basis to check how much of foreign currency position there is to reduce risk and comply with the Bank's and BOL's regulations. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and stop-loss limits. Included in the table below are the Bank's financial instruments at carrying amounts, categorised by LAK, United States Dollar (USD), Thailand Baht (THB) and Malaysian Ringgit (MYR) as at 31 December 2015 and 2014.

RHB BANK LAO LIMITED

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

3. FINANCIAL RISK MANAGEMENT POLICIES (Continued)

	As at 31 December 2015				
	LAK	USD	THB	MYR	Total
3.2 Market risk					
3.2.1 Foreign currency exchange risk					
<b>Assets</b>					
Cash and balances with central bank (note 4)	123,227,638,633	16,340,303,772	3,072,358,185	-	142,640,300,590
Deposits with other banks (note 5)	9,983,704,000	6,101,672,658	7,658,169,916	-	23,743,546,574
Loans and advances to customers (note 7)	95,390,086,003	83,226,458,172	14,579,312,332	-	193,195,856,507
Other assets	32,630,432	-	-	-	32,630,432
<b>Total financial assets</b>	<b>228,634,059,068</b>	<b>105,668,434,602</b>	<b>25,309,840,433</b>	-	<b>359,612,334,103</b>
<b>Liabilities</b>					
Amounts due to parent company (note 13)	-	38,467,483,201	-	8,015,821,765	46,483,304,966
Deposits from customers (note 12)	15,683,126,854	13,671,604,488	7,156,806,849	-	36,511,538,191
<b>Total financial liabilities</b>	<b>15,683,126,854</b>	<b>52,139,087,689</b>	<b>7,156,806,849</b>	<b>8,015,821,765</b>	<b>82,994,843,157</b>
<b>Net on-balance sheet financial position</b>	<b>212,950,932,214</b>	<b>53,529,346,913</b>	<b>18,153,033,584</b>	<b>(8,015,821,765)</b>	<b>276,617,490,946</b>

RHB BANK LAO LIMITED

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

3. FINANCIAL RISK MANAGEMENT POLICIES (Continued)

3.2 Market risk

3.2.1 Foreign currency exchange risk

	As at 31 December 2014					Total
	LAK	USD	THB	MYR		
<b>Assets</b>						
Cash and balances with central bank (note 4)	195,648,008,192	11,877,868,755	1,542,599,795	-	-	209,068,476,742
Deposits with other banks (note 5)	12,000,000,000	8,469,300,000	7,518,250,000	-	-	27,987,550,000
Loans and advances to customers (note 7)	17,976,713,124	49,474,804,142	13,205,178,642	-	-	80,656,695,908
Other assets	36,450,889	-	-	-	-	36,450,889
<b>Total financial assets</b>	<b>225,661,172,205</b>	<b>69,821,972,897</b>	<b>22,266,028,437</b>	-	-	<b>317,749,173,539</b>
<b>Liabilities</b>						
Amounts due to parent company (note 13)	-	-	-	37,841,811,854	-	37,841,811,854
Deposits from customers (note 12)	2,994,511,619	4,247,476,957	918,207,752	-	-	8,160,196,328
Other liabilities	2,936,024,000	-	-	-	-	2,936,024,000
<b>Total financial liabilities</b>	<b>5,930,535,619</b>	<b>4,247,476,957</b>	<b>918,207,752</b>	<b>37,841,811,854</b>	-	<b>48,938,032,182</b>
<b>Net on-balance sheet financial position</b>	<b>219,730,636,586</b>	<b>65,574,495,940</b>	<b>21,347,820,685</b>	<b>(37,841,811,854)</b>	-	<b>268,811,141,357</b>

RHB BANK LAO LIMITED

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

3. FINANCIAL RISK MANAGEMENT POLICIES (Continued)

3.2 Market risk

3.2.2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set. The Bank regularly monitors its interest rate risk to ensure that there are no undue exposures to significant interest rate movement. The table below summarises the Bank's non-trading book fair value exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts (non-derivatives), categorised by the earlier of contractual repricing.

As at 31 December 2015

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
<b>Assets</b>							
Cash and balances with central bank (note 4)	-	-	-	-	-	142,640,300,590	142,640,300,590
Deposits with other banks (note 5)	13,183,917,392	10,025,532,608	-	-	-	534,096,574	23,743,546,574
Loans and advances to customers (note 7)	-	-	28,834,832,793	8,284,886,321	156,076,137,393	-	193,195,856,507
Other assets	-	-	-	-	-	32,630,432	32,630,432
<b>Total financial assets</b>	<b>13,183,917,392</b>	<b>10,025,532,608</b>	<b>28,834,832,793</b>	<b>8,284,886,321</b>	<b>156,076,137,393</b>	<b>143,207,027,596</b>	<b>359,612,334,103</b>
<b>Liabilities</b>							
Amounts due to parent company (note 13)	12,233,684,151	-	-	-	-	34,249,620,815	46,483,304,966
Deposits from customers (note 12)	13,692,287,626	1,030,849,648	11,210,791,449	2,259,645,230	-	8,317,964,238	36,511,538,191
<b>Total financial liabilities</b>	<b>25,925,971,777</b>	<b>1,030,849,648</b>	<b>11,210,791,449</b>	<b>2,259,645,230</b>	<b>-</b>	<b>42,567,585,053</b>	<b>82,994,843,157</b>
<b>Total interest repricing gap</b>	<b>(12,742,054,385)</b>	<b>8,994,682,960</b>	<b>17,624,041,344</b>	<b>6,025,241,091</b>	<b>156,076,137,393</b>	<b>100,639,442,543</b>	<b>276,617,490,046</b>

**RHB BANK LAO LIMITED**

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

**3. FINANCIAL RISK MANAGEMENT POLICIES (Continued)**

**3.2 Market risk**

**3.2.2 Interest rate risk**

	As at 31 December 2014						Total
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
<b>Assets</b>							
Cash and balances with central bank (note 4)	-	-	-	-	-	209,068,476.742	209,068,476.742
Deposits with other banks (note 5)	20,531,000.000	6,930,000.000	-	-	-	526,550.000	27,987,550.000
Loans and advances to customers (note 7)	-	-	9,734,869.442	1,375,575.992	69,546,250.474	-	80,656,695.908
Other assets	-	-	-	-	-	36,450.889	36,450.889
<b>Total financial assets</b>	<b>20,531,000.000</b>	<b>6,930,000.000</b>	<b>9,734,869.442</b>	<b>1,375,575.992</b>	<b>69,546,250.474</b>	<b>209,631,477.631</b>	<b>317,749,173.539</b>
<b>Liabilities</b>							
Amounts due to parent company (note 13)	-	-	-	-	-	37,841,811.854	37,841,811.854
Deposits from customers (note 12)	2,939,453.222	276,909,358	1,497,686.574	411,752.655	-	3,034,394.519	8,160,196,328
Other liabilities	-	-	-	-	-	2,936,024.000	2,936,024.000
<b>Total financial liabilities</b>	<b>2,939,453.222</b>	<b>276,909,358</b>	<b>1,497,686.574</b>	<b>411,752.655</b>	<b>-</b>	<b>43,812,230.373</b>	<b>48,938,032,182</b>
<b>Total interest repricing gap</b>	<b>17,591,546,778</b>	<b>6,653,090,642</b>	<b>8,237,182,868</b>	<b>963,823,337</b>	<b>69,546,250,474</b>	<b>165,819,247,258</b>	<b>268,811,141,357</b>

## RHB BANK LAO LIMITED

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

#### 3. FINANCIAL RISK MANAGEMENT POLICIES (Continued)

##### 3.2 Market risk

##### 3.2.3 Sensitivity analysis

###### (a) Interest rate risk

Sensitivity of loss before tax and equity to changes in interest rates by the following from the 31 December 2015 and 2014 rates agreed on the loan agreements and deposits with customers with all other variables held constant are:

###### i. Gains/(losses) – net increase/decrease in interest rates for loans and advances to customers

	2015 LAK	2014 LAK
Increase 10%	2.699.767.992	816.526.840
Decrease 10%	(2.699.767.992)	(816.526.840)

###### ii. Gains/(losses) – net increase/decrease in interest rates for deposits

	2015 LAK	2014 LAK
Increase 10%	217.858.433	78.610.943
Decrease 10%	(217.858.433)	(78.610.943)

###### (b) Foreign exchange risk

Sensitivity of profit before tax and equity to changes in foreign exchange rates by the following from the 31 December 2015 and 2014 rates in LAK, which is the functional currency, primarily against USD and THB by increase and decrease of 10% with all other variables held constant are:

	2015 LAK	2014 LAK
Increase 10%	6.204.619.716	4.836.358.693
Decrease 10%	(6.204.619.716)	(4.836.358.693)

##### 3.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives.

Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

##### 3.3.1 Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by the Operations Department includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in global money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;



**3. FINANCIAL RISK MANAGEMENT POLICIES (Continued)**

**3.3 Liquidity risk**

**3.3.1 Liquidity risk management process**

- Monitoring of the liquidity ratios of the statement of financial position against internal and regulatory requirements of BOL; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week, and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

**3.3.2 Assets held for managing liquidity risk**

The Bank holds a diversified portfolio of cash to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with central bank; and
- Deposits with other banks

RHB BANK LAO LIMITED

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

3. FINANCIAL RISK MANAGEMENT POLICIES (Continued)

3.3 Liquidity risk

3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below represents the cash flows payable by the financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows whereas the Bank manages the liquidity risk based on a different basis, not resulting in a significantly different analysis.

	As at 31 December 2015						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
<b>Liabilities</b>							
Amounts due to parent company	12,233,684,151	-	-	-	-	34,249,620,815	46,483,304,966
Deposits from customers	13,692,287,626	1,030,849,648	11,210,791,449	2,259,645,230	-	8,317,964,238	36,511,538,191
<b>Total financial liabilities</b>	<b>25,925,971,777</b>	<b>1,030,849,648</b>	<b>11,210,791,449</b>	<b>2,259,645,230</b>	-	<b>42,567,585,053</b>	<b>82,994,843,157</b>
	As at 31 December 2014						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
<b>Liabilities</b>							
Amounts due to parent company	-	-	-	-	-	37,841,811,854	37,841,811,854
Deposits from customers	2,939,453,222	276,909,358	1,497,686,574	411,752,655	-	3,034,394,519	8,160,196,328
Other liabilities	-	-	-	-	-	2,936,024,000	2,936,024,000
<b>Total financial liabilities</b>	<b>2,939,453,222</b>	<b>276,909,358</b>	<b>1,497,686,574</b>	<b>411,752,655</b>	-	<b>43,812,230,373</b>	<b>48,938,032,182</b>

RHB BANK LAO LIMITED

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

3. FINANCIAL RISK MANAGEMENT POLICIES (Continued)

3.3 Liquidity risk

3.3.4 Off-balance sheet items

(a) Credit facilities

	2015 LAK	2014 LAK
Unutilised overdraft	11,639,384,268	7,637,664,991

Unutilised overdraft pertains to amount not yet withdrawn by the customers.

3.3.5 Fair value of financial assets and liabilities

*Fair value hierarchy:*

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible. The management applies judgement in categorising financial instruments using fair value hierarchy. Fair value disclosed is in level two valuation techniques.

The table below summarises the carrying amounts and fair values of those financial assets not presented on the Bank's statement of financial position at their fair value.

	Carrying value LAK	Fair value LAK
<b>Financial assets</b>		
Loans and advances to customers	193,195,856,507	232,416,206,099
<b>As at 31 December 2015</b>	<b>193,195,856,507</b>	<b>232,416,206,099</b>

	Carrying value LAK	Fair value LAK
<b>Financial assets</b>		
Loans and advances to customers	80,656,695,908	83,796,815,116
<b>As at 31 December 2014</b>	<b>80,656,695,908</b>	<b>83,796,815,116</b>

The following methods and assumptions are used in estimating fair value of financial assets and liabilities:

(i) Loans and advances to customers

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

**RHB BANK LAO LIMITED**

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

**3. FINANCIAL RISK MANAGEMENT POLICIES (Continued)**

**3.3.5 Fair value of financial assets and liabilities**

(ii) Deposits from customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Carrying value of other financial assets and liabilities approximate its fair value.

**3.4 Capital management**

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operate;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for Head Office and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

**4. CASH AND BALANCES WITH CENTRAL BANK**

	<b>2015 LAK</b>	<b>2014 LAK</b>
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
<b>Included in cash and cash equivalents (note 6)</b>	<b>81.164.059.011</b>	<b>15.195.823.284</b>
Mandatory reserve deposits with central bank (note 4.3)	61.476.241.579	193.872.653.458
	<b><u>142.640.300.590</u></b>	<b><u>209.068.476.742</u></b>

**4.1 CASH ON HAND**

	<b>2015 LAK</b>	<b>2014 LAK</b>
Cash on hand – LAK	4.357.139.000	685.000.000
Cash on hand – foreign currency	3.607.616.825	965.155.420
	<b><u>7.964.755.825</u></b>	<b><u>1.650.155.420</u></b>

**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.

	<b>2015 LAK</b>	<b>2014 LAK</b>
Demand deposit	<b><u>73.199.303.186</u></b>	<b><u>13.545.667.864</u></b>

**RHB BANK LAO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**4. CASH AND BALANCES WITH CENTRAL BANK (Continued)**

**4.3 MANDATORY RESERVE DEPOSITS WITH CENTRAL BANK**

This represents current accounts which earned no interest.

	<b>2015</b>	<b>2014</b>
	<b>LAK</b>	<b>LAK</b>
Compulsory reserve (i)	2.721.165.363	873.686.458
Special deposit (ii)	58.755.076.216	192.998.967.000
	<b>61.476.241.579</b>	<b>193.872.653.458</b>

- i. Deposits maintained in BOL required per BOL regulations. The balance is adjusted and calculated at 5% of LAK and 10% of other foreign currencies, such as Thailand Baht (THB) and United States Dollars (USD) of the average balance of customer deposits such as savings accounts, current accounts and term deposits as of the year end. These deposits do not earn interest.
- ii. In compliance with BOL regulation, the Bank maintains an additional statutory capital deposit with BOL until the required minimum capital for the Bank is reached. This deposit amount is considered as a guarantee for the operations of the Bank. 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**

	<b>2015</b>	<b>2014</b>
	<b>LAK</b>	<b>LAK</b>
<b>Balances with domestic banks</b>		
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	16.296.000	-
	<b>23.225.746.000</b>	<b>27.461.000.000</b>
<b>Balances with overseas banks</b>		
RHB Bank Berhad – Thailand	168.615.916	123.250.000
RHB Bank Berhad – Malaysia	349.184.658	403.300.000
	<b>517.800.574</b>	<b>526.550.000</b>
<b>Included in cash and cash equivalents (note 6)</b>	<b>23.743.546.574</b>	<b>27.987.550.000</b>

Deposits with domestic banks carry an interest rate of ranging from 1.90% to 3.24% (2014: 2.00% to 3.50%) per annum. Deposits with overseas banks do not earn any interest.

**6. CASH AND CASH EQUIVALENTS**

	<b>2015</b>	<b>2014</b>
	<b>LAK</b>	<b>LAK</b>
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
	<b>104.907.605.585</b>	<b>43.183.373.284</b>

**RHB BANK LAO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**7. LOANS AND ADVANCES TO CUSTOMERS**

	<b>2015</b>	<b>2014</b>
	<b>LAK</b>	<b>LAK</b>
Loans and advances to customers	193.215.584.164	80.656.695.908
Less: provision for impairment	(19.727.657)	-
	<b>193.195.856.507</b>	<b>80.656.695.908</b>

The Bank offers its customers interest rates ranging from 6.93% to 14.00% per annum (2014: 6.93% to 12%) with maturity ranging from 1 to 20 years (2014: 1 to 20 years) depending on each loan agreements.

**8. INTANGIBLE ASSETS**

Movement of of intangible assets is as follows:

	<b>2015</b>	<b>2014</b>
	<b>LAK</b>	<b>LAK</b>
<b>Cost</b>		
As at 1 January	6.413.172.471	-
Additions during the year/period	426.883.281	6.413.172.471
<b>As at 31 December</b>	<b>6.840.055.752</b>	<b>6.413.172.471</b>
<b>Accumulated amortisation</b>		
As at 1 January	641.317.242	-
Charge for the year/period	1.383.374.049	641.317.242
<b>At 31 December</b>	<b>2.024.691.291</b>	<b>641.317.242</b>
<b>Net book value as at 31 December</b>	<b>4.815.364.461</b>	<b>5.771.855.229</b>

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NOTES TO THE FINANCIAL STATEMENTS  
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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
<b>Cost</b>						
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)
<b>As at 31 December 2015</b>	<b>7.446.557.620</b>	<b>287.321.375</b>	<b>7.492.905.534</b>	<b>600.118.862</b>	<b>1.178.586.392</b>	<b>17.005.489.783</b>
<b>Accumulated depreciation</b>						
As 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)
<b>As t 31 December 2015</b>	<b>508.052.092</b>	<b>90.634.380</b>	<b>2.181.046.124</b>	<b>179.637.544</b>	<b>353.020.908</b>	<b>3.312.391.048</b>
<b>Net book value as at 31 December 2015</b>	<b>6.938.505.528</b>	<b>196.686.995</b>	<b>5.311.859.410</b>	<b>420.481.318</b>	<b>825.565.484</b>	<b>13.693.098.735</b>

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 2015 is as follows:

Cost	Building & improvements LAK	Office equipment LAK	Computer equipment LAK	Furniture & fixtures LAK	Motor vehicles LAK	Total LAK
As 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
As 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						
As 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
As 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 as 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  
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**10. OTHER ASSETS**

	<u>2015 LAK</u>	<u>2014 LAK</u>
Prepaid expenses (i)	2,599,011,694	3,762,543,164
Accrued interest receivable (ii)	32,630,432	36,450,889
Others (iii)	327,809,298	120,612,416
	<u><b>2,959,451,424</b></u>	<u><b>3,919,606,469</b></u>

(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 deposits with other banks.

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

**11. DEFERRED TAX ASSET**

Deferred income taxes are calculated in full of temporary differences, using the liability method and using a principal tax rate of 24% (2014: 24%). The deferred taxation related to the temporary differences between the carrying amounts and the tax bases of assets of the Bank are shown below:

The gross movement of the deferred tax asset account is as follows:

	<u>2015 LAK</u>	<u>2014 LAK</u>
As at 1 January	191,203,558	-
Deferred income tax recognised in the statement of comprehensive income (note 20)	271,366,505	191,203,558
<b>As at 31 December</b>	<u><b>462,570,063</b></u>	<u><b>191,203,558</b></u>

The movement in deferred tax assets without taking into consideration the offsetting of balances within the same jurisdiction is as follows:

	<u>2015 LAK</u>	<u>2014 LAK</u>
<b>Loans and advances to customers</b>		
At the incorporation date	191,203,558	-
Charged to the statement of comprehensive income	271,366,505	191,203,558
<b>At 31 December</b>	<u><b>462,570,063</b></u>	<u><b>191,203,558</b></u>

Deferred income tax assets are recognised to the extent that realisation of the related tax benefit through the future taxable profits are probable. The Bank did not recognise deferred income tax assets for taxable loss of LAK 463,783,357 (2014: LAK (7,031,314,529) that can be carried forward against future taxable income.

**RHB BANK LAO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**12. DEPOSITS FROM CUSTOMERS**

The amounts due to customers are analysed as follows:

*a) Analysis by types of deposit account*

	<b>2015</b>	<b>2014</b>
	<b>LAK</b>	<b>LAK</b>
Current deposits	8,317,964,238	3,034,394,519
Saving deposits	13,692,287,626	2,835,582,920
Term deposits	14,501,286,327	2,290,218,889
	<b>36,511,538,191</b>	<b>8,160,196,328</b>

*b) Analysis by interest rates*

	<b>2015</b>	<b>2014</b>
	<b>LAK</b>	<b>LAK</b>
Current deposits	0%	0%
Saving deposits	1.6% to 2.25%	1.6% to 2.25%
Term deposits	2.25% to 8.2%	2.25% to 8.2%

*c) Analysis by maturity*

	<b>2015</b>	<b>2014</b>
	<b>LAK</b>	<b>LAK</b>
Current deposits	-	-
Saving deposits	-	-
Term deposits	1 month to 36 months	1 month to 36 months

**13. AMOUNTS DUE TO PARENT COMPANY**

	<b>2015</b>	<b>2014</b>
	<b>LAK</b>	<b>LAK</b>
Fixed deposits and accrued interest payable (i)	12,233,684,151	-
Intercompany payable (ii)	34,249,620,815	37,841,811,854
	<b>46,483,304,966</b>	<b>37,841,811,854</b>

- (i) Fixed deposits carry an interest rate of 1.80% (2014: nil) with term of 1 month (2014: nil).
- (ii) This amount includes purchases of property and equipment initially made by RHB Bank Berhad - Malaysia during the start-up phase of the Bank. This carry no interest rate and will be repaid in the following year. Payables are originally denominated in MYR amounting to MYR 15,045,595 (2014: MYR 15,046,521) as at 31 December 2015. The Bank will settle in USD equivalent at the time of payment will be made.

**RHB BANK LAO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**14. OTHER LIABILITIES**

	<b>2015 LAK</b>	<b>2014 LAK</b>
Accruals, provisions and other liabilities	1.180.095.851	3.840.141.801
	<b>1.180.095.851</b>	<b>3.840.141.801</b>

These include banker's cheques, accruals for utilities, bonus, and other liabilities to suppliers.

**15. PAID-UP CAPITAL**

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

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 - Malaysia owns 100% of the Bank's shares represented by 30.000.000 shares (2014: 30.000.000 shares) with issue price of LAK 10.050 per share (2014: LAK 10.050). All issued shares were fully paid.

**16. NET INTEREST AND SIMILAR INCOME**

	<b>2015 LAK</b>	<b>2014 LAK</b>
<b>Interest and similar income</b>		
Interest and similar income from customers	13.595.940.258	1.555.234.689
Interest and similar income from banks	226.375.773	342.074.629
	<b>13.822.316.031</b>	<b>1.897.309.318</b>
<b>Interest and similar expense</b>		
Interest and similar expense from customers	(371.350.023)	(76.393.884)
Interest and similar expense from banks	(11.684.150)	-
	<b>(383.034.173)</b>	<b>(76.393.884)</b>
<b>Net interest and similar income</b>	<b>13.439.281.858</b>	<b>1.820.915.434</b>

**17. NET FEE AND COMMISSION INCOME/(EXPENSE)**

	<b>2015 LAK</b>	<b>2014 LAK</b>
<b>Fee and commission income</b>		
Fee related to operating with customer	339.545.938	26.721.763
	<b>339.545.938</b>	<b>26.721.763</b>
<b>Fee and commission expense</b>		
Fee related to operating with customer	(145.132.981)	(38.764.165)
	<b>(145.132.981)</b>	<b>(38.764.165)</b>
<b>Net fee and commission income/(expense)</b>	<b>194.412.957</b>	<b>(12.042.402)</b>

**RHB BANK LAO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**18. PAYROLL AND OTHER STAFF COSTS**

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

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

**19. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2015</b>	<b>2014</b>
	<b>LAK</b>	<b>LAK</b>
Rental	1.064.544.000	684.318.000
Other administrative expenses (ii)	856.165.312	529.000
Repair and maintenance	654.142.119	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	89.555.385	162.442.876
Marketing and public relations	52.867.820	507.966.902
Start-up costs (i)	-	1.126.155.578
	<b>3.745.431.064</b>	<b>3.225.500.238</b>

(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.

**20. INCOME TAX BENEFIT**

Income tax benefit for the year ending 31 December 2015 and 2014 is as follows:

	<b>2015</b>	<b>2014</b>
	<b>LAK</b>	<b>LAK</b>
Current income tax	-	-
Deferred income tax asset (Note 12)	(271.366.505)	(191.203.558)
<b>Income tax benefit</b>	<b>(271.366.505)</b>	<b>(191.203.558)</b>

**RHB BANK LAO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**20. INCOME TAX BENEFIT (Continued)**

Presented below is the numerical reconciliation between current tax expense and income benefit:

	2015 LAK	2014 LAK
Profit/loss before income tax	3,035,838,777	(7,663,159,494)
Tax rate 24%	728,601,306	(1,793,269,424)
Tax effects of expenses not deductible for tax purposes	-	241,328,945
Tax effects of income not taxable for tax purposes	(1,111,275,820)	
Tax loss where no deferred tax asset is recognised	111,308,009	1,360,736,921
<b>Income tax benefit</b>	<b>(271,366,505)</b>	<b>(191,203,558)</b>

**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
<b>RHB Bank Berhad - Malaysia (Holding Bank)</b>		
<b>(a) Term deposit</b>		
At 1 January	403,300,000	-
Deposits transferred/(withdrawn) during the year/ period	(50,634,211)	403,300,000
Foreign exchange gain/loss	(3,511,131)	-
<b>As at 31 December (note 5)</b>	<b>349,184,658</b>	<b>403,300,000</b>
<b>(b) Fixed deposits</b>		
At 1 January	-	-
Deposits received during the year/period	12,222,000,000	-
<b>As at 31 December (note 13)</b>	<b>12,222,000,000</b>	-
Interest expense	11,684,150	-

RHB BANK LAO LIMITED

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21. RELATED PARTY TRANSACTIONS (Continued)

	2015 LAK	2014 LAK
<b>RHB Bank Berhad - Malaysia (Holding Bank)</b>		
<b>(c) Intercompany payable</b>		
At 1 January	37,841,811,854	-
Additional payables during the year	1,293,585,396	37,841,811,854
Payments during the year	(2,036,830,196)	-
Foreign exchange gain/loss	(2,848,946,238)	-
<b>At 31 December (Note 13)</b>	<b>34,249,620,816</b>	<b>37,841,811,854</b>
Interest expense	11,684,151	-
Monthly swift payment	108,149,056	28,162,278
	<b>2015 LAK</b>	<b>2014 LAK</b>
<b>RHB Bank Thailand</b>		
<b>Term deposits</b>		
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	-
<b>At 31 December (note 5)</b>	<b>168,615,916</b>	<b>123,250,000</b>
	<b>2015 LAK</b>	<b>2014 LAK</b>
<b>Director and key management personnel</b>		
<b>Deposits from customers</b>		
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)	-
<b>As at 31 December</b>	<b>956,255,463</b>	<b>278,762,939</b>
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

(a) Credit facilities

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.

	2015 LAK	2014 LAK
Unutilised overdraft	28,834,832,792	7,637,664,991

**RHB BANK LAO LIMITED**

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

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**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.