

ANZ Bank (Lao) Limited

Financial statements for the year ended
31 December 2015
and
Independent Auditor's Report

ANZ Bank (Lao) Limited

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ANZ Bank (Lao) Limited

Corporate Information

Bank ANZ Bank (Lao) Limited

**Foreign Investment
Licence No.** 007-15/PI/PM4, dated 08 December 2015
Enterprise Registration Certificate No. 200/ERO
Dated 20 March 2015

Board of Directors

Mr. Grant Knuckey	Chairman
Mr. Alistair Bulloch	Director
Mr. Charles Chan	Director
Mr. Nigel Jarvis Piper	Director
Mrs. Tamara Medard	Director
Mrs. Maria Liu	Director

Board of Management

Mrs. Tamara Medard	Chief Executive Officer
Mr. Paice Craig	Chief Operating Officer
Ms. Anna Green	Chief Risk Officer
Mr. Pillay Manoj	Acting Head of Finance
Mr. Troy Noskoff	Head of Retail Banking and Head of Marketing, CSR & Communications
Mrs. Souphachanh Khansyla	Head of Transaction Banking and Head of International Banking
Ms. Lobe Temo	Head of Global Markets
Mrs. Mukdalay Xayarath	Head of Human Resource
Mr. Aksone Bouphakonekham	Local Advisory
Mrs. Somevone Siaphay	Compliance Manager
Mr. Thomas Henderson	Head of Research and Analysis

Registered office ANZ Bank (Lao) Limited
ANZ Building 33
Lane Xang Avenue
PO Box 5001
Vientiane, Lao PDR

Auditors KPMG Lao Co., Ltd
4th Floor, K.P. Tower
23 Singha Road
P.O. Box 6978
Vientiane Capital, Lao PDR

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Management of ANZ Bank (Lao) Limited (“the Bank”) is responsible for the preparation of the financial statements and for ensuring that the financial statement are prepared in all material respects financial position of the Bank as at 31 December 2015, and the statement of income, statement of changes in capital and other reserves and statement of cash flows for the year then ended that are in accordance with the accounting regulations and generally accepted accounting principles in the Lao People’s Democratic Republic (“Lao PDR”). In preparing the financial statements, Management is required to:

- i) Adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) Comply with the Lao accounting rules and the guidelines issued by the Bank of the Lao PDR, if there have been any departures in the interest of true and fair presentation, 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) Take reasonable steps for safeguarding the assets of the Bank and for preventing and detecting fraud, error and other irregularities;
- v) Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- vi) Effectively control and direct the Bank and be involved in all material decisions affecting the Bank’s operations and performance and ascertain that such have been properly reflected in the financial statements.

Management confirms that they have complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

I, Mrs. Tamara Medard, on behalf of the Board of Management, do hereby state that the financial statements set out on pages 5 to 28 give a true and fair view of the financial position of ANZ Bank (Lao) Limited as at 31 December 2015 and of the results of its operations and its cash flows for the year then ended and have been properly drawn up in accordance with the Lao accounting rules.

Signed on behalf of the Board of Management,



Tamara Medard
Chief Executive Officer
31 March 2016



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ຖະໜົນ 23 ສິງຫາ, ບ້ານໂພນໄຊ,
ເມືອງໄຊເສດຖາ, ຕູ້ ປ.ນ. 6978,
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INDEPENDENT AUDITORS' REPORT

**To: The Board of Directors
ANZ Bank (Lao) Limited**

We have audited the accompanying financial statement of ANZ Bank (Lao) Limited (“the Bank”), which comprise the statement of financial position as at 31 December 2015, the statement of income, changes in capital and other reserves and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The Bank is 100% foreign invested commercial bank which was incorporated in Lao People’s Democratic Republic (“Lao P.D.R”). The accompanying financial statements have been prepared from the records of the Bank and reflect only transactions recorded locally.

The financial statements have been prepared by the Bank using the basis of financial statement preparation and the accounting policies described in Notes 2 and 3 to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Lao accounting rules, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 ANZ Bank (Lao) Limited as of 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with the accounting regulations of the Bank of the Lao PDR and the Lao accounting rules.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(a)(i) to the financial statements, which states that the accompanying financial statements are not intended to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than the Lao PDR. Accordingly, the accompanying financial statements are not designed for those who are not informed about Lao legal and statutory requirements.

KPMG Lao Co.

KPMG Lao Co., Ltd
Vientiane Capital, Lao PDR



Date: 31 March 2016

ANZ Bank (Lao) Limited
Statement of financial position

	<i>Note</i>	31 December	
		2015	2014
		LAK <i>(in millions)</i>	LAK <i>(in millions)</i>
Assets			
Cash	4, 19	53,041	52,368
Interbank and money market items			
Amounts due from head office and other branches		3,564	4,741
Amounts due from other banks	5	308,639	163,264
Statutory deposits with Central Bank	6	194,963	372,045
Loans and advances, net of specific provision	7	555,586	646,500
Property and equipment	8	17,658	18,086
Other assets	9	8,166	7,720
Total assets		1,141,617	1,264,724

ANZ Bank (Lao) Limited
Statement of financial position

	31 December		
	2015	2014	
	LAK	LAK	
<i>Note</i>	<i>(in millions)</i>	<i>(in millions)</i>	
Liabilities and Capital and other reserves			
Liabilities			
Deposits from customers	10	726,963	840,293
Interbank and money market items			
Amounts due to other banks	11	65,864	86,244
Tax liabilities	12	7,483	3,398
Other liabilities	13	18,718	28,252
Total liabilities		819,028	958,187
Capital and other reserves			
Paid up capital	14	300,000	300,000
Statutory reserve	15	3,425	1,913
General provision for credit activities		5,556	6,461
Retained earnings (accumulated losses)		13,608	(1,837)
Total capital and other reserves		322,589	306,537
Total liabilities and capital and other reserves		1,141,617	1,264,724

The accompanying notes form an integral part of these financial statements.

ANZ Bank (Lao) Limited
Statement of income

		For the year ended 31 December	
		2015	2014
		LAK	LAK
	<i>Note</i>	<i>(in millions)</i>	<i>(in millions)</i>
Interest income			
Interest from Loans and advances		44,274	50,372
Interest from Interbank and money market items		1,378	552
Total interest income		45,652	50,924
Interest expense			
Interest on deposits	16	(8,207)	(10,976)
Interest on interbank and money market items		(1,602)	(2,118)
Total interest expense		(9,809)	(13,094)
Net interest income		35,843	37,830
Other income			
Fees and services income, net	17	18,332	19,393
Gain on foreign exchange		11,586	11,665
Other income		15,970	3,324
Total other income		45,888	34,382
Income before non-interest expense, doubtful accounts and income tax		81,731	72,212
Operating Expenses			
Personnel expenses		(22,672)	(23,261)
Depreciation and amortization expenses		(7,559)	(5,803)
Other expenses		(30,068)	(23,085)
Provision for bad debts and doubtful loans and advances			
General		905	2,364
Specific	7	-	(18,757)
		(59,394)	(68,542)
Profit before income tax		22,337	3,670
Income tax expense	18	(5,380)	(799)
Profit for the year		16,957	2,871

The accompanying notes form an integral part of these financial statements.

ANZ Bank (Lao) Limited

Statement of changes in capital and other reserves

	Paid up capital	Retained earnings / (Accumulated losses)	Statutory reserve	General provision for credit activities	Total
	LAK (in millions)	LAK (in millions)	LAK (in millions)	LAK (in millions)	LAK (in millions)
Balance as at 1 January 2014	180,000	(4,708)	1,913	8,825	186,030
Increase in paid up capital	120,000	-	-	-	120,000
Change in general provision	-	-	-	(2,364)	(2,364)
Profit for the year	-	2,871	-	-	2,871
Balance as at 31 December 2014 and 1 January 2015	300,000	(1,837)	1,913	6,461	306,537
Change in general provision	-	-	-	(905)	(905)
Profit for the year	-	16,957	-	-	16,957
Transfer to Statutory reserve	-	(1,512)	1,512	-	-
Balance as at 31 December 2015	300,000	13,608	3,425	5,556	322,589

The accompanying notes form an integral part of these financial statements.

ANZ Bank (Lao) Limited
Statement of cash flows

	Note	For the year ended 31 December	
		2015	2014
		LAK (in millions)	LAK (in millions)
Cash flows from operating activities			
Profit before income tax		22,337	3,670
<i>Adjustments for</i>			
Interest income		(45,652)	(50,924)
Interest expense		9,809	13,094
Allowance for doubtful debts		(18,607)	16,185
Depreciation and amortisation		7,000	5,689
Gained from fix assets disposal		(499)	-
Foreign exchange difference		(1,025)	(112)
Income from operations before change in operating assets and liabilities		(48,974)	(16,068)
Change in operating assets / liabilities			
Change in statutory deposits		2,687	110,168
Change in loans and advances to customers		109,639	201,831
Change in other assets		(751)	1,151
Change in deposits from customers		(113,329)	(94,854)
Change in deposits from banks		(20,380)	(294,241)
Change in deposits to banks		(5,850)	54,924
Change in other liabilities		(9,707)	6,815
Interest received		45,959	50,762
Interest paid		(10,041)	(13,588)
Income tax paid		(891)	(652)
Net cash provided by (used in) operating activities		(29,301)	9,918
<i>Cash flows from investing activities</i>			
Acquisition of property and equipment		(6,378)	(3,112)
Proceeds from disposal of assets		306	-
Net cash used in investing activities		(6,072)	(3,112)
<i>Cash flows from financing activities</i>			
Capital contribution		-	120,000
Net cash provided by financing activities		-	120,000
Net change in cash and cash equivalents		(35,373)	126,806
Cash and cash equivalents at 1 January		482,608	355,914
Effect of foreign exchange difference		-	(112)
Cash and cash equivalents at 31 December	19	447,235	482,608

The accompanying notes form an integral part of these financial statements.

ANZ Bank (Lao) Limited
Notes to the financial statements

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ANZ Bank (Lao) Limited

Notes to the financial statements

1. Organisation and principal activities

ANZ Bank (Lao) Limited is 100% foreign invested commercial bank which was incorporated in Lao People's Democratic Republic and has its registered office at ANZ Building, 33, Lane Xang Avenue, PO Box 5001, Vientiane, Lao PDR.

The Bank began operating as ANZ Vientiane Commercial Bank Ltd in September 2007 as the Australia and New Zealand Banking Group ("ANZ") purchased a majority shareholding in the Vientiane Commercial Bank Ltd, a privately owned bank that had been operating in Laos for 14 years. In August 2010, ANZ moved to hold 100% of the Bank and renamed it to ANZ Bank (Lao) Limited.

The Bank is operating under Foreign Investment Licence No. 007-15/PI/PM4 dated 08 December 2015 granted by the Ministry of Planning and Investment and Enterprise Registration Certificate No. 200/ERO dated 20 March 2015 issued by the Enterprise Registration Officer.

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

As at 31 December 2015, the Bank had 91 (2014: 92) employees.

2. Basis of financial statement preparation

(a) General basis of accounting

(i) Basis of preparation

The accompanying financial statements are expressed in Lao Kip ("LAK"), in accordance with Decree No. 02/PR by the Prime Minister of Lao P.D.R dated 22 March 2000 and the Enterprise Accounting Law of Lao P.D.R and other relevant accounting regulations as stipulated by Bank of Lao P.D.R. This is also the functional currency of the Bank.

The financial statements have been prepared in accordance with the Lao accounting rules, which may differ in some material respects from International Financial Reporting Standards and the generally accepted accounting principles and standards of other countries. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations, changes in equity, cash flows and notes thereto in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than the Lao PDR. Furthermore, their utilisation is not designed for those who are not informed about the Lao PDR's accounting rules, procedures and practices.

The Bank is 100% foreign invested commercial bank which was incorporated in Lao PDR. The accompanying financial statements have been prepared from the records of the Bank and reflect only transactions recorded locally. The Bank has significant transactions and balances with its Head Office and other branches.

The financial statements were authorised for issue on behalf of the Board of Management on 31 March 2016.

ANZ Bank (Lao) Limited
Notes to the financial statements

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except as stated in the accounting policies. The accounting policies have been consistently applied by the Bank and are consistent with those used in the previous year except otherwise stated.

(iii) Use of accounting estimates and judgments

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions based on the management's best knowledge of current events and actions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and the disclosures of contingent liabilities at the reporting date.

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual outcomes may differ from management's assessment and such differences could require revisions that are recognised in the period in which the estimates are revised and in any future periods affected.

(b) Foreign currency transactions

Transactions in a currency other than the functional currency of the Bank are translated to LAK at the exchange rates approximating those ruling at the transaction dates.

All monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into LAK at the foreign exchange rates ruling at that date. All realised and unrealised foreign exchange differences arising from the translation are recognised in the statement of income.

The applicable exchange rates for the Lao Kip against foreign currencies were:

	31 December 2015 LAK (in millions)	31 December 2014 LAK (in millions)
United State Dollar ("USD")	8,126.00	8,069.00
Thai Baht ("THB")	226.79	246.93
Euro ("EUR")	8,914.00	9,802.00

(c) Fiscal Year

The Bank reporting period starts on 1 January and ends on 31 December.

3. Summary of significant accounting policies

The significant accounting policies set out below have been adopted by the Bank in the preparation of the financial statements.

(a) Financial instruments

The Bank's financial instruments include cash and cash equivalents, originated loans and receivables, deposits, investments, inter-bank balances and other receivables and payables. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

ANZ Bank (Lao) Limited

Notes to the financial statements

(b) Cash and cash equivalents

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

(c) Loans and advances

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 bad and doubtful loans and advances, to reflect the estimated recoverable amount. Loans and advances are shown exclusive of accrued interest receivable.

(d) Allowance for bad and doubtful loans and advances

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

According to BOL 324, provision for loans to customers is established by multiplying the outstanding balance of each loan item with the provision rates applicable to that loan classification as follows:

Classification	Number of days past due	Provision
Normal (A)	0-29 days	1%
Watch or Special mention (B)	30-89 days	3%
Substandard (C)	90-179 days	20%
Doubtful (D)	180-359 days	50%
Loss (E)	Over 360 days	100%

Recoveries on loans previously written off and reversals of previous provisions are disclosed as a deduction from the provision for bad and doubtful accounts in the statement of income. Accumulated specific provision reserve is recorded in the balance sheet in “Loans to customers, net of specific provisions”.

In accordance with BOL324, the Bank is required to create a general provision for loan losses at the rate of 3% of the total balance of Watch or Special Mention loans as at the reporting date and general provision made for Normal or Pass loans shall be upon the BOL’s notification for each year. For the year ended 31 December 2014, the general provision rate for Normal or Pass loans is ranging from 0.5% to 1% in accordance with the Official Letter No. 242/BOL issued by the Bank of Lao P.D.R on 2 April 2011. Accordingly, the Bank provided general provision at rate of 1% out of total balance of Normal or Pass loans.

The Bank complied with the BOL’s regulations on general provision provided for Normal or Pass and Watch or Special loans for the year ended 31 December 2015.

ANZ Bank (Lao) Limited

Notes to the financial statements

In accordance with the relevant accounting regulations as stipulated by the Bank of Lao P.D.R, any changes in general provision for credit activities are recorded to the income statement as “Other operating expenses” for general provision expense and “Other operating income” for reversal of general provision expense and the balance of general provision reserve is recorded in the balance sheet in “General provision for credit activities” under capital and reserves of the Bank.

(e) Deposits with banks

Deposits with banks are carried at cost.

(f) Statutory reserves

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

- Regulatory reserve fund
- Business expansion fund and other funds

In accordance with the Law on Enterprise (Revision) No.46/NA dated 26 December 2013, the Bank is required to provide statutory reserve at a rate of 10% on profit after deducting retained loss. The Bank can stop reserving when the statutory reserve has reached up to 50 percentage of Registered Capital .

(g) Property and equipment

(i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

(ii) In accordance with the new Tax Law No.05 dated 20 December 2011 which is effective on or after 1 January 2013 stipulated by the President of the National Assembly, the depreciation of property and equipment is charged to the statement of income on a straight line basis over the estimated useful lives of the individual assets at the following annual rates:

Leasehold improvement	5%
Electronic equipment	20%
Furniture, fitting and office equipment	20%
Vehicle	20%

(iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

ANZ Bank (Lao) Limited

Notes to the financial statements

- (iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the statement of income on the date of retirement or disposal.
- (v) Fully depreciated property and equipment is retained on the balance sheet until disposed of or written off.

(h) Income recognition

Interest income is recognised on a daily accrual basis, except in relation to non-performing accounts. Where an account becomes non-performing, the recording of interest as income is suspended until it is realized on a cash basis. Customers' accounts are deemed to be non-performing where repayments are in arrears for more than three months, in accordance with BoL regulations.

Fees and commissions consist of fees received from fund transfer transactions, trade settlement, foreign currency exchange transactions, ATM transaction fee, financial guarantees, facility approval fees, maintaining and administering existing facilities and others. Fee and commission income are recognized in to the income statement on cash basis.

Income from the various activities of the Bank is accrued using the following bases:

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

(i) Interest expense

Interest expense on deposits is recognised on a daily accrual basis.

(j) Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions of amounts payable to the tax authorities.

As per the revised tax law No.05 dated 20 December 2011 which is effective on or after 1 January 2013, the minimum tax of 1% has been abolished and the new corporate tax rate is 24%.

The Bank's tax returns are subject to examination by the tax authorities. As the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amount reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

ANZ Bank (Lao) Limited

Notes to the financial statements

The taxation system in Lao PDR is relatively new and is characterized 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.

(k) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(l) Related parties

Parties are considered to be related to the Bank if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or where the Bank and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

(m) Employee benefits

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 6.00% of SSO threshold on a monthly basis (maximum SSO threshold is LAK 2 million). The Bank has no further obligation concerning post-employment benefits for its employees other than this.

Termination benefits

In accordance with Article 82 of the Amended Labor Law issued by the President of Lao People's Democratic Republic on 24 December 2013, the Bank has the obligation to pay compensation for employees who are terminated in the following cases:

- The worker lacks specialized skills or is not in good health and has a medical certificate, and after allowing the worker in question to undertake other, more appropriate work according to their ability and health, yet the person in question is still unable to work;
- The employer considers it necessary to reduce the number of workers in order to improve the work within the labor unit after consulting the trade union or employee representative or the majority of employees, and has reported to the Labor Administration Agency.

ANZ Bank (Lao) Limited
Notes to the financial statements

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay compensation allowance which is calculated on the basis of 10% of the last salary or wage multiplied by the total number of months worked. As at 31 December 2015, there were no employees of the Bank who were dismissed under the above-mentioned grounds, therefore the Bank has not made a provision for termination allowance in the financial statements.

4. Cash

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Lao Kip (“LAK”)	19,509	21,659
United States Dollar (“USD”)	26,316	23,820
Thai Baht (“THB”)	6,326	6,134
Others	890	755
	<u>53,041</u>	<u>52,368</u>

5. Amounts due from other banks

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Lao Kip (“LAK”)	154,738	105,138
Other foreign currencies	153,901	58,126
	<u>308,639</u>	<u>163,264</u>

a) Domestic items

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
At call	153,521	75,988
Term deposits	35,000	29,150
	<u>188,521</u>	<u>105,138</u>

b) Foreign items

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
At call		
USD	94,079	45,422
THB	24,402	9,173
Other	1,637	3,531
	<u>120,118</u>	<u>58,126</u>

ANZ Bank (Lao) Limited
Notes to the financial statements

6. Statutory deposits with Central Bank

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Statutory deposits:		
Compulsory	77,972	80,660
Demand deposits	116,991	291,385
	194,963	372,045

Balances with the BOL include demand deposits and compulsory deposits. These balances bear no interest.

Under regulations of the BOL, the Bank is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 5% and 10%, on a bi-monthly basis (2014: 5% and 10%) of customer deposits having original maturities of less than 12 months, in LAK and in foreign currencies, respectively. During the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

7. Loans and advances

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Loans and receivables:		
- Overdrafts	4,164	27,674
- Loans	551,422	637,552
	555,586	665,226
Provision for bad and doubtful loans and advances:		
- Specific	-	(18,726)
Loans and advances to customers	555,586	646,500

a) Classified by residual maturity

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Within 1 year	517,042	467,985
Over 1 year	38,544	177,290
Non-performing loans	-	19,951
	555,586	665,226

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7. Loans and advances (continued)

b) Classified by currencies

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
LAK	69,221	33,400
USD	421,457	550,514
THB	64,908	81,312
	<u>555,586</u>	<u>665,226</u>

c) Classified by type of business

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Agriculture	30,953	26,074
Manufacturing	192,286	32,036
Trading and service	327,825	583,321
Transportation and warehousing	-	17,810
Other	4,522	5,985
	<u>555,586</u>	<u>665,226</u>

d) Classified by performance

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Performing loans	555,586	645,275
Non-performing loans	-	19,951
	<u>555,586</u>	<u>665,226</u>

e) Classified by interest rate (per annum)

	2015 %	2014 %
Loans		
LAK	4.25% - 16.00%	6.00% - 16.00%
USD	3.50% - 12.00%	3.50% - 12.00%
THB	5.75% - 8.00%	5.75% - 10.00%

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7. Loans and advances (continued)

f) The movement in the provision for bad and doubtful loans and advances is as follows:

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Balance at beginning of the year	18,726	15
Foreign exchange translation	(1,007)	-
Provision made in the year	-	18,757
Direct write off	(17,719)	(46)
Balance at end of the year	<u><u>-</u></u>	<u><u>18,726</u></u>

8. Property and equipment

		2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Capital work in progress		123	566
Tangible fixed assets	8.1	17,535	17,520
Total		<u><u>17,658</u></u>	<u><u>18,086</u></u>

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8.1 Tangible fixed assets

	Leasehold improvement		Office equipment		Furniture and fixtures		Vehicles		Total	
	LAK	(in millions)	LAK	(in millions)	LAK	(in millions)	LAK	(in millions)	LAK	(in millions)
Cost										
Balance at 1 January 2014	37,596		17,740		2,880		2,281		60,497	
Additions	-		3,051		155		-		3,206	
Balance at 31 December 2014 and at 1 January 2015	37,596		20,791		3,035		2,281		63,703	
Additions	981		2,465		326		3,436		7,208	
Disposal	-		(8)		-		(1,614)		(1,622)	
Balance at 31 December 2015	38,577		23,248		3,361		4,103		69,289	
Accumulated depreciation										
Balance at 1 January 2014	25,829		11,997		1,498		1,206		40,530	
Depreciation for the year	3,170		1,830		289		364		5,653	
Balance at 31 December 2014 and at 1 January 2015	28,999		13,827		1,787		1,570		46,183	
Depreciation for the year	3,646		2,408		327		619		7,000	
Disposal	-		(8)		-		(1,421)		(1,429)	
Balance at 31 December 2015	32,645		16,227		2,114		768		51,754	
Net book value										
At 1 January 2014	11,767		5,743		1,382		1,075		19,967	
At 31 December 2014 and 1 January 2015	8,597		6,964		1,248		711		17,520	
At 31 December 2015	5,932		7,021		1,247		3,335		17,535	

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9. Other assets

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Accrued interest receivable	166	472
Other receivables and prepayments	8,000	7,248
	8,166	7,720

10. Deposits from customers

a) Classified by type of deposits

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Current	229,302	228,051
Savings	303,831	341,411
Term	193,830	270,831
	726,963	840,293

b) Classified by currencies

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
LAK	63,340	79,877
USD	609,297	639,353
THB	49,036	111,801
Others	5,290	9,262
	726,963	840,293

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10. Deposits from customers (continued)

c) Interest rate (per annum)

	2015 %	2014 %
Saving accounts		
LAK	1.00% - 1.95%	0.50% - 2.00%
USD	0.25% - 2.00%	0.75% - 1.25%
THB	0.25% - 2.00%	0.25% - 0.50%
Fixed deposits		
LAK	2.00% - 4.00%	4.00% - 6.00%
USD	0.50% - 2.50%	0.50% - 4.00%
THB	0.50% - 2.50%	1.25% - 3.50%

11. Amounts due to other banks

a) Classified by type of deposits

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
At Call	14,835	86,244
Other deposits	51,029	-
	<u>65,864</u>	<u>86,244</u>

b) Classified by residence

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Domestic	65,825	86,244
Foreign	39	-
	<u>65,864</u>	<u>86,244</u>

c) Classified by currencies

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
USD	12,620	84,094
THB	53,205	2,104
Others	39	46
	<u>65,864</u>	<u>86,244</u>

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12. Tax liabilities

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Corporate tax	4,489	333
Value added tax	2,679	3,065
Withholding tax	315	-
	<u>7,483</u>	<u>3,398</u>

13. Other liabilities

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Deferred income	394	536
Payable to employees	836	729
Accrued interest payables	1,233	1,465
Settlement accounts	1,614	1,222
Other payables – related parties	10,470	13,506
Other payables	4,171	10,794
	<u>18,718</u>	<u>28,252</u>

14. Paid up capital

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

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Balance as at 1 January	300,000	180,000
Movement during the year	-	120,000
Balance as at 31 December	<u>300,000</u>	<u>300,000</u>
Total contributed legal capital	<u>300,000</u>	<u>300,000</u>

There was no increase in capital during the year 2015.

During 2014, as per the BOL letter number 88/Kor. Khor. Thor dated 18 March 2014; the share capital was increased from LAK 180,000 million to LAK 300,000 million.

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15. Statutory reserve

The Bank is required to transfer 10% of profit every year to statutory reserve after deducting bought forward accumulated losses. Bank's retained profit before appropriation for current year amounted to LAK 15,120 million which represents profit for the year of LAK 16,957 million offset by bought forward accumulated losses of LAK 1,837 million. Accordingly the Bank appropriated LAK 1,512 million of profit to statutory reserve. This transfer to statutory reserve was approved by the Board of Directors on 29 March 2016.

16. Interest expense

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Interest from Deposits		
Savings deposits	379	457
Term deposits	7,828	10,519
	<u>8,207</u>	<u>10,976</u>

17. Fees and service income, net

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Fee and service income		
Settlement services	1,068	1,172
Fees – Loan related	6,497	7,058
Other fees and services	13,416	14,483
	<u>20,981</u>	<u>22,713</u>
Total fee and service expense	(2,649)	(3,320)
Fees and service income, net	<u>18,332</u>	<u>19,393</u>

18. Income tax expense

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Income tax expense	<u>5,380</u>	<u>799</u>

The corporate tax expense is calculated at 24% on taxable profit. The calculation of taxable income is subject to review and approval by the tax authorities.

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19. Cash and cash equivalents

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Cash	53,041	52,368
Amounts due from BOL	116,991	291,385
Amounts due from head office and other branches	3,564	4,741
Amounts due from other banks	273,639	134,114
	<u>447,235</u>	<u>482,608</u>

20. Related party transactions

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

- (a) directly, or indirectly through one or more intermediaries, the party:
 - controls, is controlled by, or is under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the Bank that gives it significant influence over the Bank; or
 - has joint control over the Bank.
- (b) the party is a joint venture in which the Bank is a venture;
- (c) the party is a member of the key management personnel of the Bank or its parent;
- (d) the party is a close member of the family of any individual referred to in (a) or (d);
- (e) the party is a Bank that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Bank resides with, directly or indirectly, any individual referred to in (c) or (d); or
- (f) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any Bank that is a related party of the Bank.

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Significant transactions for the years ended 31 December 2015 and 2014 with related parties were:

Related party	Relationship	Transactions	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Australian and NewZealand Bank - Melbourne	Head office	Inter group expenses	11,039	7,561
Australian and NewZealand Bank - Melbourne	Head office	Guarantee expense	1,219	605
Australian and NewZealand Bank - Cambodia	Group entity	Interest expenses	440	339
Australian and NewZealand Bank - Singapore	Group entity	Interest expenses	105	358
Australian and NewZealand Bank - Manila Hub	Group entity	Inter group expenses	630	346

Significant balances with related parties were as follows:

Related party	Relationship	Transactions	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Australian and NewZealand Bank - Melbourne	Head office	Liabilities - Payable	10,196	13,305
Australian and NewZealand Bank - Cambodia	Group entity	Liabilities - IG Deposit & Interest Accrual	-	201
Australian and NewZealand Bank - Manila Hub	Group entity	Liabilities - Payable	274	-

Significant off-balance sheet transactions with related parties were as follows:

Related party	Relationship	Transactions	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Australian and NewZealand Bank - Melbourne	Head office	Off-balance sheet - Guarantee	203,150	201,725

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Remuneration to members of the Board of Directors and the Board of Management is as follows:

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Salaries	7,856	12,687
Bonus	1,189	1,258
Other allowance	304	429
	<u>9,349</u>	<u>14,374</u>

21. Commitments

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated from these transactions, which consists of:

	2015 LAK <i>(in millions)</i>	2014 LAK <i>(in millions)</i>
Letters of guarantee outstanding	19,050	74,245
Letters of credit outstanding	535	34,138
Undrawn overdraft	52,829	5,886
Other contingent	9,546	1,228
	<u>81,959</u>	<u>115,498</u>