

ANZ Bank (Lao) Limited

Audited Financial Statements
and
Independent Auditors' Report
Year ended 31 December 2014



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ANZ Bank (Lao) Limited

Corporate Information

Bank	ANZ Bank (Lao) Limited	
Foreign Investment Licence No.	106-11/PI/PM4 date 31 May 2011 Enterprise Registration Certificate No. 0444/ERO Date 13 August 2013	
Board of Directors	Mr. Grant Knuckey Mr. Alistair Bulloch Mr. Charles Chan Mr. Nigel Jarvis Piper Mrs. Tamara Medard	
Board of Management	Mrs. Tamara Medard Mr. Paice Craig Mrs. Anna Green Mr. Min Sopheak Mr. Troy Noskoff Ms. Puth Phally Mrs. Temo Lobe Mrs. Mukdalay Xayarath Mrs. Souphachan Khansyla Mr. Aksone Bouphakonekham Mrs. Someone Siaphay Mrs. Nguyen Hanh	Chief Executive Officer Chief Operating Officer Chief Risk Officer Head of Finance Head of Retail Banking Head of Transaction Banking Head of Global Markets Head of Human Resource Head of Emerging Corporate Director Local Advisory Compliance Manager 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 of each financial year that ensure a true and fair presentation of its statement of financial position of the Bank as at 31 December 2014, statement of income, statement of changes in capital and other reserves and statement of cash flows in accordance with the accounting regulations and accounting principles generally accepted 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 accounting principles generally accepted in the Lao PDR ("Lao GAAP") 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 31 give a true and fair view of the financial position of ANZ Bank (Lao) Limited as at 31 December 2014 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 generally accepted accounting principles in the Lao PDR.

Signed on behalf of the Board of Management,




Tamara Medard
Chief Executive Officer



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of ANZ Bank (Lao) Limited ("the Bank") as at 31 December 2014, the related statements 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 Lao PDR generally accepted accounting principles, 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our 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, we 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 2014 and the results of its operations and its cash flows for the year then ended in accordance with the accounting regulations of the Bank of the Lao PDR and the accounting principles generally accepted in the Lao PDR.

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 and results of operations 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.

Other Matter

The financial statements of the Bank for the year ended 31 December 2013 were audited by another firm of auditors whose report dated 31 March 2014 expressed an unqualified opinion on the financial statements.

KPMG Lao

KPMG Lao Co., Ltd
Vientiane Capital, Lao PDR



Date: 31 March 2015

ANZ Bank (Lao) Limited
Statement of Financial Position as at 31 December 2014

		2014	2013
	Note	LAK	LAK
		<i>(in millions)</i>	<i>(in millions)</i>
<u>ASSETS</u>			
Cash	4	52,368	52,618
Interbank and money market items			
Amounts due from head office and other branches		4,741	2,044
Amounts due from other banks	5	163,264	227,841
Statutory deposits with Central Bank	6	372,045	348,312
Loans and advances, net of specific provision	7	646,500	867,042
Property and equipment	8	18,086	20,277
Other assets	9	7,720	8,709
Total assets		1,264,724	1,526,843

ANZ Bank (Lao) Limited
Statement of Financial Position as at 31 December 2014

		2014	2013
	Note	LAK (in millions)	LAK (in millions)
<u>LIABILITIES AND CAPITAL AND OTHER RESERVES</u>			
Liabilities			
Deposits from customers	10	840,293	935,146
Interbank and money market items			
Amounts due to other branches		-	280,245
Amounts due to other banks	11	86,244	100,239
Tax liabilities	12	3,398	2,316
Other liabilities	13	28,252	22,867
Total liabilities		958,187	1,340,813
Capital and other reserves			
Paid up capital	14	300,000	180,000
Statutory reserve		1,913	1,913
General provision for credit activities		6,461	8,825
Retained earnings		(1,837)	(4,708)
Total capital and other reserves		306,537	186,030
Total liabilities and capital and other reserves		1,264,724	1,526,843

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

ANZ Bank (Lao) Limited
Statement of income
Year ended 31 December 2014

		2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
	Note		
Interest income			
Interest from Loans and advances		50,372	51,954
Interest from Interbank and money market items		552	101
Total interest income		50,924	52,055
Interest expense			
Interest on deposits	15	(10,976)	(7,073)
Interest on interbank and money market items		(2,118)	(4,148)
Total interest expense		(13,094)	(11,221)
Net interest income		37,830	40,834
Provision for bad and doubtful loans and advances			
General		2,364	(2,298)
Specific	7	(18,757)	585
Net income from interest after doubtful accounts		21,437	39,121
Other income			
Fees and services income, net	16	19,393	25,996
Gain on foreign exchange		11,665	10,144
Other income		3,324	3,670
Total other income		34,382	39,810
Income before non-interest expense and income tax		55,819	78,931
Operating Expenses			
Personnel expenses		(23,261)	(22,363)
Depreciation and amortization expenses		(5,803)	(8,536)
Other expenses		(23,085)	(30,264)
		(52,149)	(61,163)
Profit before income tax		3,670	17,768
Income tax	17	(799)	(1,393)
Profit for the year		2,871	16,375

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

ANZ Bank (Lao) Limited
Statement of changes in capital and other reserves
Year ended 31 December 2014

	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)	LAK (in millions)	LAK (in millions)	LAK (in millions)	LAK (in millions)	LAK (in millions)
Balance at 1 January 2013	160,000		(22,107)		1,913		6,535		146,341	
Increase in paid up capital	20,000		-		-		-		20,000	
Profit for the year	-		16,375		-		2,298		18,673	
Adjustment for overstated tax expense for the prior period according to the tax authority's assessment	-		1,148		-		-		1,148	
Others	-		(124)		-		(8)		(132)	
Balance at 31 December 2013 and 1 January 2014	180,000		(4,708)		1,913		8,825		186,030	
Increase in paid up capital	120,000		-		-		-		120,000	
Profit for the year	-		2,871		-		(2,364)		507	
Balance at 31 December 2014	300,000		(1,837)		1,913		6,461		306,537	

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

ANZ Bank (Lao) Limited
Statement of cash flows
Year ended 31 December 2014

Note	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Cash flows from operating activities		
Profit before tax	3,670	17,768
<i>Adjustments for:</i>		
Interest income	(50,924)	(52,055)
Interest expense	13,094	11,221
Allowance for doubtful debts	16,185	1,713
Depreciation and amortisation	5,689	8,536
Foreign exchange difference	(112)	(71)
	(16,068)	(30,656)
Change in operating assets / liabilities		
Change in statutory deposits	110,168	(25,199)
Change in loans and advances to customers	201,831	(213,494)
Change in other assets	1,151	645
Change in deposits from customers	(94,854)	(24,507)
Change in deposits from banks	(294,241)	376,654
Change in deposits to banks	54,924	(84,074)
Change in other liabilities	6,815	9,887
Interest received	50,762	55,943
Interest paid	(13,588)	(13,830)
Income tax paid	(652)	(59)
Net cash provided by operating activities	9,918	69,078
Cash flows from investing activities		
Acquisition of property and equipment	(3,112)	(2,595)
Proceeds from disposal of assets	-	56
Investment in securities	-	6,912
Net cash (used in) provided by investing activities	(3,112)	4,373
Cash flows from financing activities		
Capital contribution	120,000	20,000
Net cash generated from financing activities	120,000	20,000

ANZ Bank (Lao) Limited
Statement of cash flows
Year ended 31 December 2014

		2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
	Note	<u> </u>	<u> </u>
Net change in cash and cash equivalents		126,806	93,451
Cash and cash equivalents at 1 January		355,914	262,534
Effect of foreign exchange difference		(112)	(71)
Cash and cash equivalents at 31 December	18	<u>482,608</u>	<u>355,914</u>

The accompanying notes form an integral part of these 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, 106-11/PI/PM4 dated 31 May 2011 granted by the Ministry of Planning and Investment and Enterprise Registration Certificate No. 0444/ERO dated 13 August 2013 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 2014, the Bank had 92 (2013: 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 ("LAS"). This is also the functional currency of the Bank. The financial statements have been prepared in accordance with the accounting regulations and accounting principles generally accepted in the Lao PDR, 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 principles, 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 by the Board of Management on 31 March 2015.

(ii) Basis of measurement

The financial statements are 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 2014	31 December 2013
	LAK	LAK
	<i>(in millions)</i>	<i>(in millions)</i>
United State Dollar ("USD")	8,069.00	8,007.00
Thai Baht ("THB")	246.93	246.05
Euro ("EUR")	9,802.00	10,970.00

(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.

(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)	0-30 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 3.00% of the total balance of Watch or Special Mention loans as at the balance sheet 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 2014.

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 Regulation on capital adequacy No.1/BOL dated 28 August 2002 by the Governor of the Bank of Lao P.D.R and other relevant guidance, commercial banks are required to provide statutory reserve at the rate between 5% to 10% of profit after tax depending on the decision of the Board of Directors.

Since the Bank's current year net profit has not covered its accumulated losses yet, the Bank does not make appropriation of profit to statutory reserves for the year ended 31 December 2014.

(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.
- (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.

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 5.00% of employee's basic salary on a monthly basis (maximum of 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 29 of the Amended Labor Law issued by the President of Lao People's Democratic Republic on 16 January 2007, the Bank has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

- The worker lacks specialized skills or is not in good health and thus cannot continue to work;
- The employer considers it necessary to reduce the number of workers in order to improve the work within the labor unit.

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work for the worker who has worked for less than three years. For workers who have worked for more than three years, the basis of calculation shall be 15%. As at 31 December 2014, there is 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.

ANZ Bank (Lao) Limited
Statement of cash flows
Year ended 31 December 2014

4. Cash

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Lao Kip ("LAK")	21,659	18,905
United States Dollar ("USD")	23,820	29,023
Thai Baht ("THB")	6,134	4,336
Others	755	354
	<u>52,368</u>	<u>52,618</u>

5. Amounts due from other banks

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Lao Kip ("LAK")	105,138	12,454
Other foreign currencies	58,126	215,387
	<u>163,264</u>	<u>227,841</u>

a) Domestic items

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
At call	75,988	12,454
Term deposits	29,150	-
	<u>105,138</u>	<u>12,454</u>

b) Foreign items

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
At call		
USD	45,422	157,583
THB	9,173	55,788
Other	3,531	2,016
	<u>58,126</u>	<u>215,387</u>

6. Statutory deposits with Central Bank

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Statutory deposits:		
Compulsory	80,660	190,828
Demand deposits	291,385	157,484
	<u>372,045</u>	<u>348,312</u>

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 (2013: 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

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Loans and receivables:		
- Overdrafts	27,674	24,158
- Loans	637,552	842,899
	<u>665,226</u>	<u>867,057</u>
Provision for bad and doubtful loans and advances:		
- Specific	(18,726)	(15)
Loans and advances to customers	<u>646,500</u>	<u>867,042</u>

a) Classified by residual maturity

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Within 1 year	467,985	782,062
Over 1 year	177,290	84,915
Nonperforming Loans	19,951	80
	<u>665,226</u>	<u>867,057</u>

ANZ Bank (Lao) Limited
Statement of cash flows
Year ended 31 December 2014

7. Loans and advances (continued)

b) Classified by currencies

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
LAK	33,400	37,291
USD	550,514	737,559
THB	81,312	92,207
	<u>665,226</u>	<u>867,057</u>

c) Classified by type of business

	2014 LAK	2013 LAK
Agriculture	26,074	15,670
Manufacturing	32,036	270,044
Trading and service	583,321	461,778
Transportation and warehousing	17,810	19,593
Other	5,985	99,972
	<u>665,226</u>	<u>867,057</u>

d) Classified by performance

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Performing loans	645,275	866,977
Non-performing loans	19,951	80
	<u>665,226</u>	<u>867,057</u>

e) Classified by interest rate (per annum)

	2014 %	2013 %
Loans		
LAK	6.00% - 16.00%	7.00% - 16.00%
USD	3.50% - 12.00%	5.75% - 12.00%
THB	5.75% - 10.00%	3.50% - 14.00%

7. Loans and advances (continued)

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

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Balance at beginning of the year	15	539
Foreign exchange translation	-	61
Provision (reversal) made in the year	18,757	(585)
Direct write off	(46)	-
Balance at end of the year	18,726	15

8. Property and equipment

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Capital work in progress	566	310
Tangible fixed assets	17,520	19,967
Total	18,086	20,277

ANZ Bank (Lao) Limited
Notes to financial statements (continued)
Year ended 31 December 2014

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 2013	37,268	16,302	2,818	1,851	58,239					
Additions	328	1,438	62	767	2,595					
Disposals	-	-	-	(337)	(337)					
Balance at 31 December 2013 and 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	37,596	20,791	3,035	2,281	63,703					
Accumulated depreciation										
Balance at 1 January 2013	22,658	7,416	1,108	1,093	32,275					
Depreciation for the year	3,171	4,581	390	394	8,536					
Disposals				(281)	(281)					
Balance at 31 December 2013 and 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	28,999	13,827	1,787	1,570	46,183					
Net book value										
At 1 January 2013	14,610	8,886	1,710	758	25,964					
At 31 December 2013	11,767	5,743	1,382	1,075	19,967					
At 31 December 2014	8,597	6,964	1,248	711	17,520					

9. Other assets

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Accrued interest receivable	472	310
Other receivables and prepayments	7,248	8,399
	<u>7,720</u>	<u>8,709</u>

10. Deposits from customers

a) Classified by type of deposits

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Current	228,051	369,800
Savings	341,411	350,931
Term	270,831	214,415
	<u>840,293</u>	<u>935,146</u>

b) Classified by currencies

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
LAK	79,877	109,399
USD	639,353	738,483
THB	111,801	84,022
Others	9,262	3,242
	<u>840,293</u>	<u>935,146</u>

10. Deposits from customers (continued)

c) Interest rate (per annum)

	2014 %	2013 %
Saving accounts		
LAK	0.50% - 2.00%	2.0% - 3.0%
USD	0.75% - 1.25%	1.0% - 2.0%
THB	0.25% - 0.50%	0.5% - 1.0%
Fixed deposits		
LAK	4.00% - 6.00%	4.00% - 6.00%
USD	0.50% - 4.00%	0.67% - 4.70%
THB	1.25% - 3.50%	1.25% - 3.25%

11. Amounts due to other banks

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
At Call	86,244	15,837
Other deposits	-	84,402
	86,244	100,239

a) By residence:

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Domestic	86,244	43,608
Foreign	-	56,631
	86,244	100,239

11. Amounts due to other banks (continued)

b) By currency:

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
USD	84,094	14,565
THB	2,104	85,674
Others	46	-
	<u>86,244</u>	<u>100,239</u>

12. Tax liabilities

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Corporate Tax	333	186
Value added tax	3,065	2,130
	<u>3,398</u>	<u>2,316</u>

13. Other liabilities

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Deferred income	536	578
Payable to employees	729	687
Accrued interest payables	1,465	1,958
Settlement accounts	1,222	4,109
Other payables – related parties	13,506	7,574
Other payables	10,794	7,961
	<u>28,252</u>	<u>22,867</u>

14. Paid up capital

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

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Balance as at 1 January	180,000	160,000
Movement during the year	120,000	20,000
Balance as at 31 December	300,000	180,000
Total contributed legal capital	300,000	180,000

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.

During 2013, as per the BOL letter number 656/Kor. Khor. Thor dated 03 October 2013; the share capital was increased from LAK 160,000 million to LAK 180,000 million.

15. Interest expense

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Interest from Deposits		
Savings deposits	457	450
Term deposits	10,519	6,623
	10,976	7,073

16. Fees and service income, net

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Fee and service income		
Settlement services	1,172	1,323
Fees – Loan related	7,058	10,628
Other fees and services	14,483	16,991
	22,713	28,942
Total fee and service expense	(3,320)	(2,946)
Fees and service income, net	19,393	25,996

17. Income tax

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Tax expenses	799	1,393

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.

18. Cash and cash equivalents

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Cash	52,368	52,618
Amounts due from BOL	291,385	157,484
Amounts due from head office and other branches	4,741	2,044
Amounts due from other banks	134,114	143,768
	482,608	355,914

19. 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.

Significant transactions with related parties during the year 2014 are as follows:

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

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Year ended 31 December 2014

Significant transactions with related parties during the year 2013 were as follows:

Related party	Relationship	Transactions	LAK <i>(in millions)</i>
Australian and NewZealand Bank - Melbourne	Head office	Inter group expenses	9,797
Australian and NewZealand Bank - Melbourne	Head office	Guarantee expense	3,483
Australian and NewZealand Bank - Cambodia	Group entity	Interest expenses	3,439
Australian and NewZealand Bank - Singapore	Group entity	Interest expenses	702
Australian and Newzealand Bank- Manila Hub	Group entity	Inter group expenses	285

Significant balances with related parties at 31 December 2014 are as follows:

Related party	Relationship	Transactions	Receivable LAK <i>(in millions)</i>	Payable LAK <i>(in millions)</i>
Australian and NewZealand Bank - Melbourne	Head office	Liabilities - Payable	-	13,305
Australian and NewZealand Bank - Manila Hub	Group entity	Liabilities - Payable	-	201

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Significant balances with related parties at 31 December 2013 were as follows:

Related party	Relationship	Transactions	Receivable	Payable
			LAK	LAK
			<i>(in millions)</i>	<i>(in millions)</i>
Australian and NewZealand Bank - Melbourne	Head office	Liabilities - Payable	-	7,018
Australian and NewZealand Bank - Melbourne	Head office	Receivables - Demand Deposit	2,044	-
Australian and NewZealand Bank - Cambodia	Group entity	Liabilities - Deposit	-	40,035
Australian and NewZealand Bank - Cambodia	Group entity	Liabilities - Accrued interest for term deposit	-	17
Australian and NewZealand Bank - Singapore	Group entity	Liabilities - Deposit	-	240,210
Australian and NewZealand Bank - Singapore	Group entity	Liabilities - Accrued interest for term deposit	-	108
Australian and NewZealand Bank - Singapore	Group entity	Other receivables	56,049	-
Australian and NewZealand Bank - Singapore	Group entity	Other payables	-	56,631
Australian and NewZealand Bank - Manila Hub	Group entity	Liabilities - Payable	-	556

Significant off balance sheet transactions with related parties at 31 December 2014 are as follows:

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

Significant off balance sheet transactions with related parties at 31 December 2013 were as follows:

Related party	Relationship	Transactions	LAK
			<i>(in millions)</i>
Australian and NewZealand Bank - Melbourne	Head office	Off-balance sheet - Guarantee	960,840

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Year ended 31 December 2014

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

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Salaries	12,687	6,871
Bonus	1,258	1,769
Other allowance	429	760
	<u>14,374</u>	<u>9,400</u>

20. 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:

	2014 LAK <i>(in millions)</i>	2013 LAK <i>(in millions)</i>
Letters of guarantee outstanding	74,245	80,115
Letters of credit outstanding	34,138	138,423
	<u>108,383</u>	<u>218,538</u>

21. Corresponding figures

A comparison of the amounts previously reported and as reclassified is as follows:

Statement of financial position

	31/12/2013 (as reclassified) LAK (in millions)	31/12/2013 (as previously reported) LAK (in millions)
Amounts due from other banks	-	229,885
Amounts due from head office and other branches	2,044	-
Amounts due from other banks	227,841	-
Demand deposits due to other banks	-	15,837
Other amounts due to other banks	-	84,402
Interbank and money market items – Amounts due to other banks	100,239	-
Term deposits due to other banks	-	280,245
Interbank and money market items – Amounts due to other branches	280,245	-
Other assets – Capital work in progress		310
Property and equipment – Capital work in progress	310	
Tangible fixed assets – Software and core banking cost	-	17,784
Tangible fixed assets – Software and core banking accumulated depreciation	-	17,783
Other assets – Software and core banking cost	17,784	-
Other assets – Software and core banking accumulated depreciation	17,783	-