

## **Public Bank Berhad, Sikhai Branch**

Audited Financial Statements  
in accordance with International Financial Reporting Standards

31 December 2015

# Public Bank Berhad, Sikhai Branch

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# Public Bank Berhad, Sikhai Branch

## GENERAL INFORMATION

### THE BRANCH

Public Bank Berhad ("the Bank") was incorporated in Malaysia. The Sikhai Branch ("the Branch") is a branch of the Bank that operates in Lao People's Democratic Republic ("Lao PDR") under Investment License No.102-07/CPI granted by Foreign Investment Management Committee on 24 August 2007 and Banking Business License No 31/BOL granted by the Bank of Lao P.D.R ("the BOL"), which is effective from 25 February 2008. The registered operational duration of the Branch is 15 years.

The principal activities of the Branch are to provide comprehensive banking and related financial services in Lao PDR.

#### ***Paid-up capital***

The initial chartered capital of the Branch is LAKm 49,918, equivalent to USD 5,893,127. The actual paid-up capital as at 31 December 2015 is LAKm 100,166, equivalent to USD 12,153,127 (31 December 2014: LAKm 100,166, equivalent to USD 12,153,127).

#### ***Location***

The Branch is located at Luangphabang Road, Wattha Village, Sikhodtabong District, Vientiane Capital

### MANAGEMENT

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

<i><u>Name</u></i>	<i><u>Position</u></i>	<i><u>Date of appointment</u></i>
Mr. Cheah Kim Leong	Country Head	Appointed on 5 March 2014
Ms. Khanthaly Phachoumphone	Branch Manager	Appointed on 11 February 2006
Mr. Viengsavanh Thammavong	Deputy Branch Manager	Appointed on 1 May 2014

### LEGAL REPRESENTATIVE

The legal representative of the Branch during the year and at the date of this report is Ms. Khanthaly Phachoumphone – Branch Manager.

### AUDITORS

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

Reference: 61171921/18182943 – SKI – IFRS

## **INDEPENDENT AUDITORS' REPORT**

**To: The owner of  
Public Bank Berhad, Sikhai Branch**

We have audited the accompanying financial statements of Public Bank Berhad, Sikhai Branch ("the Branch") as set out on pages 4 to 33, which comprise the statement of financial position as at 31 December 2015, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### ***Management's Responsibility for the Financial Statements***

The Branch's management 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 the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Branch'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 Branch'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 qualified audit opinion.



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### ***Basis for Qualified Opinion***

Due to the limitation of information, the Branch's management was unable to provide disclosures relating to fair value and financial risk management as required by IFRS 7: "Financial Instruments: Disclosures" and IFRS 13: "Fair value measurement".

### ***Qualified Opinion***

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Public Bank Berhad, Sikhai Branch as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Ernst & Young*

Vientiane Capital, Lao P.D.R

31 March 2016





# Public Bank Berhad, Sikhai Branch

## INCOME STATEMENT

for the year ended 31 December 2015

	Notes	2015 LAKm	2014 LAKm
Interest and similar income	3	24,503	23,842
Interest and similar expense	4	(2,802)	(2,773)
<b>Net interest income</b>		<b>21,701</b>	<b>21,069</b>
Fees and commission income		1,265	899
Fees and commission expense		(2)	(1)
<b>Net fees and commission income</b>	5	<b>1,263</b>	<b>898</b>
Net trading income	6	(977)	(75)
Other operating income		94	54
<b>Total operating income</b>		<b>22,081</b>	<b>21,946</b>
Credit loss expense	12	(446)	(1,328)
<b>NET OPERATING INCOME</b>		<b>21,635</b>	<b>20,618</b>
Personnel expenses	7	(1,908)	(1,775)
Depreciation and amortization		(153)	(217)
Other operating expenses	8	(1,251)	(1,376)
<b>TOTAL OPERATING EXPENSES</b>		<b>(3,312)</b>	<b>(3,368)</b>
<b>PROFIT BEFORE TAX</b>		<b>18,323</b>	<b>17,250</b>
Profit tax expense	18	(4,325)	(4,140)
<b>NET PROFIT FOR THE YEAR</b>		<b>13,998</b>	<b>13,110</b>

Prepared by:



Mr. Viengsavanh Thammavong  
Deputy Branch Manager

Approved by:



Ms. Khanthaly Phachoumphone  
Branch Manager

Vientiane Capital, Lao P.D.R

31 March 2016

## Public Bank Berhad, Sikhai Branch

STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2015

Notes	2015 LAKm	2014 LAKm
NET PROFIT FOR THE YEAR	13,998	13,110
OTHER COMPREHENSIVE INCOME, NET OF TAX	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	13,998	13,110

Prepared by:



Mr. Viengsavanh Thammavong  
Deputy Branch Manager

Approved by:



Ms. Khanthaly Phachoumphone  
Branch Manager

Vientiane Capital, Lao P.D.R

31 March 2016

# Public Bank Berhad, Sikhai Branch

## STATEMENT OF FINANCIAL POSITION as at 31 December 2015

	Notes	31/12/2015 LAKm	31/12/2014 LAKm
<b>ASSETS</b>			
Cash and balances with the Bank of Lao P.D.R	9	47,968	34,083
Due from banks	10	10,104	29,330
Loans and advances to customers	11	230,384	204,904
Property and equipment	13	1,387	1,506
Other assets	14	1,014	365
<b>TOTAL ASSETS</b>		<b>290,857</b>	<b>270,188</b>
<b>LIABILITIES</b>			
Due to banks	15	40,653	93,911
Due to customers	16	40,521	28,839
Other borrowed funds	17	48,768	-
Tax liabilities	18	1,172	1,716
Other liabilities		160	172
<b>TOTAL LIABILITIES</b>		<b>131,274</b>	<b>124,638</b>
<b>EQUITY</b>			
Paid up capital	19	100,166	100,166
Statutory reserves	20	6,098	4,694
Retained earnings		53,319	40,690
<b>TOTAL EQUITY</b>		<b>159,583</b>	<b>145,550</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>290,857</b>	<b>270,188</b>

Prepared by:



Mr. Viengsavanh Thammavong  
Deputy Branch Manager

Approved by:



Ms. Khanthaly Phachoumphone  
Branch Manager

Vientiane Capital, Lao P.D.R

31 March 2016

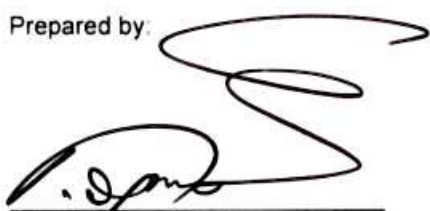


# Public Bank Berhad, Sikhai Branch

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2015

	<i>Paid-up capital LAKm</i>	<i>Statutory reserves LAKm</i>	<i>Retained earnings LAKm</i>	<i>Total LAKm</i>
<b>Balances as at 31 December 2014</b>	<b>100,166</b>	<b>4,694</b>	<b>40,690</b>	<b>145,550</b>
Net profit for the year	-	-	13,998	13,692
Created statutory reserves for the year based on net profit under LAS	-	1,369	(1,369)	-
Foreign exchange difference	-	35	-	341
<b>Balances as at 31 December 2015</b>	<b>100,166</b>	<b>6,098</b>	<b>53,319</b>	<b>159,583</b>

Prepared by:



Mr. Viengsavanh Thammavong  
Deputy Branch Manager

Approved by:



Ms. Khanthaly Phachoumphone  
Branch Manager

Vientiane Capital, Lao P.D.R

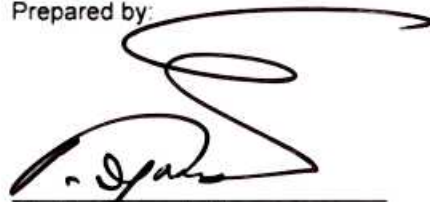
31 March 2016

# Public Bank Berhad, Sikhai Branch

## STATEMENT OF CASH FLOWS for the year ended 31 December 2015

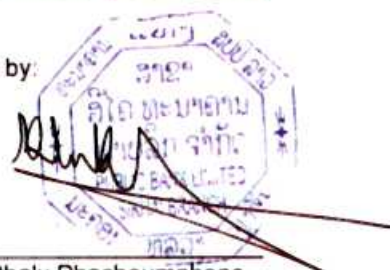
	Notes	2015 LAKm	2014 LAKm
<b>OPERATING ACTIVITIES</b>			
<b>Profit before tax</b>		<b>18,323</b>	<b>17,250</b>
<i>Adjustments for:</i>			
Depreciation and amortization charges		153	217
Credit loss expense in the year	12	446	1,328
<i>Change in operating assets</i>			
Net change in due from banks		56	(1,522)
Net change in loans and advances to customers		(24,291)	(17,473)
Net change in financial assets held to maturity		-	18,919
Net change in other assets		(2,541)	(116)
<i>Change in operating liabilities</i>			
Net change in borrowings from the BOL and due to banks		(4,472)	9,725
Net change in due to customers		11,502	(751)
Net change in other liabilities		499	273
Profit tax paid during the year		(4,869)	(3,320)
<b>Net cash flows (used in)/from operating activities</b>		<b>(5,194)</b>	<b>24,530</b>
<b>INVESTING ACTIVITIES</b>			
Acquisitions of property and equipment		(34)	(85)
<b>Net cash flows used in investing activities</b>		<b>(34)</b>	<b>(85)</b>
<b>FINANCING ACTIVITIES</b>			
Additional paid-up capital in the year		-	-
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	5(5,2	<b>(5,228)</b>	<b>24,445</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>59,222</b>	<b>34,777</b>
Effect of foreign exchange difference		-	-
<b>Cash and cash equivalents at the end of the year</b>	21	<b>53,994</b>	<b>59,222</b>

Prepared by:



Mr. Viengsavanh Thammavong  
Deputy Branch Manager

Approved by:



Ms. Khanthaly Phachoumphone  
Branch Manager

Vientiane Capital, Lao P.D.R

31 March 2016

# Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS  
as at 31 December 2015 and for the year then ended

## 1. CORPORATE INFORMATION

Public Bank Berhad, Sikhai Branch is a 100% foreign bank branch which is incorporated and registered in Lao P.D.R.

### ***Establishment and Operations***

Public Bank Berhad ("the Bank") was incorporated in Malaysia. The Sikhai Branch ("the Branch") is a branch of the Bank that operates in Lao People's Democratic Republic ("Lao PDR") under Investment License No.102-07/CPI granted by Foreign Investment Management Committee on 24 August 2007 and Banking Business License No 31/BOL granted by the Bank of Lao P.D.R ("the BOL"), which is effective from 25 February 2008. The registered operational duration of the Branch is 15 years.

The principal activity of the Branch is the provision of comprehensive banking and related financial services in Lao PDR.

### ***Paid-up capital***

The initial chartered capital of the Branch is LAKm 49,918, equivalent to USD 5,893,127. The actual paid-up capital as at 31 December 2015 is LAKm 100,166, equivalent to USD 12,153,127 (31 December 2014: LAKm 100,166, equivalent to USD 12,153,127).

### ***Management***

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

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Cheah Kim Leong	Country Head	Appointed on 5 March 2014
Ms. Khanthaly Phachoumphone	Branch Manager	Appointed on 11 February 2006
Mr. Viengsavanh Thammavong	Deputy Branch Manager	Appointed on 1 May 2014

### ***Location***

The Branch was located at 006, Luangprabang Road, P.O. Box 6614, Sikhai City, Vientiane Capital, Lao P.D.R.

### ***Employees***

Total employees of the Branch as at 31 December 2015 are 15 people (2014: 14 people).



## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 *Basis of preparation*

The Branch prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared on a historical cost basis, except as disclosed in other notes.

The Branch maintains its accounting records in Lao Kip ("LAK") which is the Branch's functional currency and presents its financial statements in million of Lao Kip ("LAKm"). Except otherwise stated, financial information presented in LAK has been rounded to the nearest million.

#### 2.2 *Fiscal year*

The Branch's fiscal year starts on 1 January and ends on 31 December.

#### 2.3 *Presentation of financial statements*

The Branch presents its statement of financial position broadly in order of liquidity. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Branch.

#### 2.4 *Significant accounting judgments, estimates and assumptions*

The preparation of the Branch's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Branch based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Branch. Such changes are reflected in the assumptions when they occur.

## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.4 *Significant accounting judgments, estimates and assumptions* (continued)

##### 2.4.1 *Going concern*

The Branch's management has made an assessment of the Branch's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Branch's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

##### 2.4.2 *Impairment losses on loans and advances*

The Branch reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

#### 2.5 *Summary of significant accounting policies*

##### 2.5.1 *Foreign currency translation*

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK as at 31 December 2014 as presented in Note 30). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance date are recognized in the income statement.

##### 2.5.2 *Financial instruments - initial recognition and subsequent measurement*

###### 2.5.2.1 *Date of recognition*

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Branch becomes a party to the contractual provisions of the instrument. This includes "regular way trades" - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

###### 2.5.2.2 *Initial measurement of financial instruments*

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.



## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.5 Summary of significant accounting policies (continued)

##### 2.5.2 Financial instruments - initial recognition and subsequent measurement (continued)

###### 2.5.2.3 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Branch immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

###### 2.5.2.4 Due from banks and loans and advances to customers

'Due from banks' and 'Loans and advances to customers', include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- ▶ Those that the Branch intends to sell immediately or in the near term and those that the Branch, upon initial recognition, designates as at fair value through profit or loss;
- ▶ Those that the Branch, upon initial recognition, designates as available-for-sale;
- ▶ Those for which the Branch may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts 'Due from banks' and 'Loans and advances to customers' are subsequently measured at amortized cost using the effective interest rate ("EIR"), less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest and similar income' in the income statement. The losses arising from impairment are recognized in the income statement in 'Credit loss expense'.

The Branch may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Branch, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss (For example, due to a counterparty credit event).



## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.5 Summary of significant accounting policies (continued)

##### 2.5.2 Financial instruments - initial recognition and subsequent measurement (continued)

##### 2.5.2.5 Reclassification of financial assets

Effective from 1 July 2008, the Branch was permitted to reclassify, in certain circumstances, non-derivative financial assets out of the 'Held-for-trading' category and into the 'Available-for-sale', 'Loans and receivables', or 'Held-to-maturity' categories. From this date it was also permitted to reclassify, in certain circumstances, financial instruments out of the 'Available-for-sale' category and into the 'Loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost.

For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to the income statement.

The Branch may reclassify a non-derivative trading asset out of the 'Held-for-trading' category and into the 'Loans and receivables' category if it meets the definition of loans and receivables and the Branch has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Branch subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis.

##### 2.5.3 De-recognition of financial assets and financial liabilities

##### 2.5.3.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- ▶ The rights to receive cash flows from the asset have expired;
- ▶ The Branch has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - The Branch has transferred substantially all the risks and rewards of the asset, or
  - The Branch has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Branch has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Branch's continuing involvement in the asset. In that case, the Branch also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Branch has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Branch could be required to repay.



## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.5 Summary of significant accounting policies (continued)

##### 2.5.3 Derecognition of financial assets and financial liabilities (continued)

###### 2.5.3.2 Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

###### 2.5.4 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Branch's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognized only when the inputs become observable or on derecognition of the instrument.

###### 2.5.5 Impairment of financial assets

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

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



## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.5 Summary of significant accounting policies (continued)

##### 2.5.5 Impairment of financial assets (continued)

###### *Financial assets carried at amortized cost*

For financial assets carried at amortized cost (such as amounts due from banks, loans and advances to customers), the Branch first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Branch determines that no objective evidence of impairment exists for an individually assessed financial asset, 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.

If there is objective evidence that an impairment loss has been incurred, 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest and similar income'.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Branch. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Branch has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Branch's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.



## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.5 Summary of significant accounting policies (continued)

##### 2.5.5 Impairment of financial assets (continued)

###### *Renegotiated loans*

Where possible, the Branch seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

###### *Collateral valuation*

The Branch seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Branch's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Branch uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

###### *Collateral repossessed*

The Branch's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold, are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Branch's policy.

##### 2.5.6 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial positions if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

##### 2.5.7 Recognition of income and expense

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Branch and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:



## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.5 Summary of significant accounting policies (continued)

##### 2.5.7 Recognition of income and expense (continued)

##### 2.5.7.1 Interest and similar income and expense

For all financial instruments measured at amortized cost, interest-bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Branch revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Other operating income'. However, for a reclassified financial asset for which the Branch subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset of a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

##### 2.5.7.2 Fees and commission income

The Branch earns fees and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

##### *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight line basis.

##### *Fee income from providing transaction services*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

##### 2.5.8 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, non-restricted current accounts with the BOL and amounts due from banks on demand or with an original maturity of three months or less.



## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.5 Summary of significant accounting policies (continued)

##### 2.5.9 Property and equipment

Property and equipment (including equipment under operating leases where the Branch is the lessor) is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The following are annual rates used:

Buildings & improvements	5%
Office equipment	20%
Furniture and fixtures	20%
Computer equipment	20%
Motor vehicles	20%

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' in the income statement in the year the asset is derecognized.

##### 2.5.10 Impairment of non-financial assets

The Branch assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Branch estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit (CGU)'s fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Branch estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.



## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.5 Summary of significant accounting policies (continued)

##### 2.5.11 Financial guarantees

In the ordinary course of business, the Branch gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements (within 'Other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Branch's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the income statement in 'Credit loss expense'. The premium received is recognized in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

##### 2.5.12 Provisions for contingent liabilities

Provisions for contingent liabilities are recognized when the Branch has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement, net of any reimbursement.

##### 2.5.13 Profit tax

###### *Current tax*

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

###### *Deferred tax*

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.



## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.5 Summary of significant accounting policies (continued)

##### 2.5.13 Profit tax (continued)

###### *Deferred tax (continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

##### 2.5.14 Fiduciary assets

The Branch provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Branch.

##### 2.5.15 Employee benefits

###### *Post employment benefits*

Post employment benefits are paid to retired employees of the Branch by the Social Security Fund Department which belongs to the Ministry of Labor and Social Welfare. The Branch 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. The Branch has no further obligation concerning post employment benefits for its employees other than this.

###### *Termination benefits*

In accordance with Article 82 of the Amended Labour Law No. 43/NA approved by the President of the Lao People's Democratic Republic on 28 January 2014, the Bank has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

- ▶ The worker lacks specialised 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 labour 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. As at 31 December 2015, there is no employees of the Branch who were dismissed under the above-mentioned grounds; therefore the Branch has not made a provision for termination allowance in the financial statements.

## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.5 Summary of significant accounting policies (continued)

##### 2.5.16 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Branch's financial statements are disclosed below. The Branch intends to adopt these standards, if applicable, when they become effective.

##### *IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Branch's financial assets, but no impact on the classification and measurement of the Branch's financial liabilities.

### 3. INTEREST AND SIMILAR INCOME

	2015 LAKm	2014 LAKm
<b>Interest income from:</b>		
Loan to customers	24,115	22,941
Interbank transactions	388	647
Others	-	254
	<b>24,503</b>	<b>23,842</b>

### 4. INTEREST AND SIMILAR EXPENSE

	2015 LAKm	2014 LAKm
<b>Interest and similar expense for:</b>		
Interbank transactions	1,722	1,816
Customers deposits	1,080	957
	<b>2,802</b>	<b>2,773</b>



## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 5. NET FEES AND COMMISSION INCOME

	2015 LAKm	2014 LAKm
<b>Fees and commission income from</b>		
Trade finance	950	401
Settlement services	21	38
Other activities	294	460
	<b>1,265</b>	<b>899</b>
<b>Fees and commission expense</b>	<b>(2)</b>	<b>(1)</b>
<b>Net fees and commission income</b>	<b>1,263</b>	<b>898</b>

### 6. NET TRADING INCOME

	2015 LAKm	2014 LAKm
Gain from dealing in foreign currencies	1151	1,646
Loss from dealing in foreign currencies	(2,128)	(1,721)
	<b>(977)</b>	<b>(75)</b>

### 7. PERSONNEL EXPENSES

	2015 LAKm	2014 LAKm
Wages and salaries	1,707	1,462
Other staff costs	201	313
	<b>1,908</b>	<b>1,775</b>

### 8. OTHER OPERATING EXPENSES

	2015 LAKm	2014 LAKm
Office rental	45	49
Fuel	66	53
Telecommunication	100	100
Repair and maintenance	339	310
Electricity and water	98	97
Insurance fees	56	106
Audit and Lawyer fees	221	208
Others	326	453
	<b>1,251</b>	<b>1,376</b>

## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 9. CASH AND BALANCES WITH THE BANK OF LAO P.D.R ("THE BOL")

	31/12/2015 LAKm	31/12/2014 LAKm
Cash on hand in LAK	1,627	2,149
Cash on hand in foreign currencies	5,552	5,204
Balances with the BOL		
- Demand deposit	36,711	22,596
- Compulsory deposits	4,073	4,129
- Registered Capital Deposit	5	5
	<b>47,968</b>	<b>34,083</b>

Balances with the BOL include demand deposit, compulsory reserve and registered capital reserve. These balances earn no interest.

Under regulations of the BOL, the Bank is required to maintain certain reserves with the BOL in the form of compulsory deposits, which are computed at 5.00% for LAK and 10.00% for foreign currencies, on a bi-monthly basis, (2014: 5.00% and 10.00%) of customer deposits having original maturities of less than 12 months. During the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

According to Decree No. 02/PR of BOL, foreign bank branches are required to maintain a minimum balance of special deposit at BOL which is equivalent to 25% of their paid-up capital to secure for their operational continuance. The Branch was then approved by the BOL in Official Letter No 207/BSD, dated 20 March 2013 to withdraw from this deposit account to supplement its working capital. As at 31 December 2015, the balance of this special deposit is LAKm 5.

### 10. DUE FROM BANKS

	31/12/2015 LAKm	31/12/2014 LAKm
<b>Demand deposits</b>	<b>10,104</b>	<b>1,808</b>
In LAK	52	14
In foreign currencies	10,052	1,794
<b>Term deposits</b>	-	<b>27,465</b>
In LAK	-	25,000
In foreign currencies	-	2,465
<b>Accrued interest</b>	-	<b>57</b>
	<b>10,104</b>	<b>29,330</b>

## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 11. LOANS AND ADVANCES TO CUSTOMERS

	31/12/2015 LAKm	31/12/2014 LAKm
Gross loans and advances to customers	231,469	207,178
Accrued interest receivable	1,983	1,730
Less: Allowance for impairment losses (Note 12)	(3,068)	(4,004)
	<b>230,384</b>	<b>204,904</b>

Interest rates for commercial loans during the year are as follows:

	2015 Interest rates % per annum	2014 Interest rates % per annum
Loans and advances denominated in LAK	7.30% – 17.00%	12.00% – 18.00%
Loans and advances denominated in USD	3.00% – 12.00%	3.00% – 12.00%
Loans and advances denominated in THB	6.69% – 14.00%	10.00% – 14.00%

*Analysis by currency*

	31/12/2015 LAKm	31/12/2014 LAKm
Loans and advances denominated in LAK	117,190	104,923
Loans and advances denominated in USD	96,145	83,207
Loans and advances denominated in THB	18,134	19,048
	<b>231,469</b>	<b>207,178</b>

*Analysis by economic sectors*

	31/12/2015 LAKm	31/12/2014 LAKm
Construction companies	9,324	10,801
Trading companies	108,462	93,760
Services companies	68,042	58,605
Others	45,641	44,012
	<b>231,469</b>	<b>207,178</b>



## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 12. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in the provision for impairment losses consist of the following:

	2015 LAKm	2014 LAKm
Opening balance	4,004	2,881
Credit loss expense in the year	446	1,328
Bad debt written off during the year	(1,390)	(220)
Foreign exchange difference	8	15
Closing balance	3,068	4,004

### 13. PROPERTY AND EQUIPMENT

Movements of property and equipment for the year ended 31 December 2015 are as follows:

	Building & improvements LAKm	Office equipment LAKm	Computer equipment LAKm	Furniture & fixtures LAKm	Motor vehicles LAKm	Total LAKm
<b>Cost:</b>						
As at 1 January 2015	1,952	578	461	103	198	3,292
Additions	-	2	21	11	-	34
As at 31 December 2015	1,952	580	482	114	198	3,326
<b>Accumulated depreciation:</b>						
As at 1 January 2015	648	447	436	57	198	1,786
Charge for the year 2015	98	34	10	11	-	153
As at 31 December 2015	746	481	446	68	198	1,939
<b>Net book value:</b>						
As at 1 January 2015	1,304	131	25	46	-	1,506
As at 31 December 2015	1,206	99	36	46	-	1,387

### 14. OTHER ASSETS

	31/12/2015 LAKm	31/12/2014 LAKm
Prepaid expenses waiting to be allocated	200	362
Advance for house rental	813	-
Others	1	3
	1,014	365

## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 15. DUE TO BANKS

	31/12/2015 LAKm	31/12/2014 LAKm
<b>Demand deposits from other banks</b>	<b>998</b>	<b>1,448</b>
In LAK	26	337
In foreign currencies	972	1,111
<b>Term deposits from other banks (Note 15.1)</b>	<b>39,322</b>	<b>92,112</b>
In LAK	6,810	-
In foreign currencies	32,512	92,112
<b>Accrued interest</b>	<b>333</b>	<b>351</b>
	<b>40,653</b>	<b>93,911</b>

#### 15.1. Term deposits from other banks

	31/12/2015 LAKm	31/12/2014 LAKm
Public Bank Berhad, Vientiane branch	32,512	84,714
Bangkok Bank PLC	6,810	7,398
	<b>39,322</b>	<b>92,112</b>

Term deposits from Public Bank Berhad, Vientiane branch have terms of 1 month and bear interest of 2.25% per annum.

Term deposits from Bangkok Bank PLC have terms of 1 year and bear interest of 4.75% per annum.

### 16. DUE TO CUSTOMERS

	31/12/2015 LAKm	31/12/2014 LAKm
<b>Demand deposits</b>	<b>7,117</b>	<b>3,582</b>
Demand deposits in LAK	1,035	685
Demand deposits in FC	6,082	2,897
<b>Saving deposits</b>	<b>18,033</b>	<b>18,884</b>
Saving deposits in LAK	1,235	1,178
Saving deposits in FC	16,798	17,706
<b>Fixed term deposits</b>	<b>15,102</b>	<b>6,283</b>
Fixed term deposits in LAK	3,086	2,000
Fixed term deposits in FC	12,016	4,283
<b>Accrued interest</b>	<b>269</b>	<b>90</b>
	<b>40,521</b>	<b>28,839</b>



## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 16. DUE TO CUSTOMERS (continued)

Interest rates for amounts due to customers during the year are as follows:

	2015 Interest rate	2014 Interest rate
Demand deposits in LAK	No interest	No interest
Demand deposits in foreign currencies	No interest	No interest
Saving deposits in LAK	1.96% - 2.00%	2.00%
Saving deposits in USD	2.00% - 2.20%	2.00%
Saving deposits in THB	1.50%	1.50%
Term deposits in LAK	3.34% - 7.50%	3.50% - 7.50%
Term deposits in USD	3.60% - 4.60%	2.25% - 4.20%
Term deposits in THB	2.50 - 5.70%	2.00% - 5.50%

### 17. OTHER BORROWED FUNDS

	31/12/2015 LAKm	31/12/2014 LAKm
Public Bank Berhad, Head Office	48,768	-
	<b>48,768</b>	<b>-</b>

Borrowing from Public Bank Berhad, Head Office has term of 1 month and bears interest of 1.50% per annum.

### 18. TAXATION

The Branch is obliged to pay Profit Tax at rate of 24% on total profit before tax in accordance with the new Tax Law No.05 dated 20 December 2011 which is effective on or after 1 January 2013 (2014: 24%).

	2015 LAKm	2014 LAKm
Profit before tax under IFRS	18,323	17,250
Difference between LAS and IFRS	(306)	-
<b>Taxable income under LAS</b>	<b>18,017</b>	<b>17,250</b>
<b>Current Profit Tax Expense</b>	<b>4,325</b>	<b>4,140</b>
Profit Tax payable at the beginning of the year	1,716	896
Profit Tax paid during the year	(4,869)	(3,320)
<b>Profit Tax payable at the end of the year</b>	<b>1,172</b>	<b>1,716</b>

Because the application of tax laws and regulations in many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 19. PAID-UP CAPITAL

The movement of paid-up capital during the year is as follows:

	31/12/2015 LAKm	31/12/2014 LAKm
Opening balance	100,166	100,166
Additional paid-up capital in the year	-	-
<b>Closing balance</b>	<b>100,166</b>	<b>100,166</b>

### 20. 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 2001 by the Governor of the Bank of Lao PDR and other relevant guidance, commercial banks are required to provide regulatory reserve fund at the rate between 5% to 10% of profit after tax depending on the decision of the Management. The Business expansion fund and other funds shall be created upon decision of the Management. Accordingly, the Branch has provided the following reserves for the year ended 31 December 2015:

<i>Reserve</i>	<i>% of profit after tax (less accumulated losses, if any)</i>
Regulatory reserve fund	10
Business expansion fund	-

Movements of regulatory reverses are as follows:

	31/12/2015 LAKm	31/12/2014 LAKm
Opening balance	4,694	3,352
Appropriation to reserves for the year from the profit reported under LAS	1,404	1,342
<b>Closing balance</b>	<b>6,098</b>	<b>4,694</b>

### 21. ADDITIONAL CASH FLOW INFORMATION

#### *Cash and cash equivalents*

	31/12/2015 LAKm	31/12/2014 LAKm
Cash on hand	7,179	7,353
Current accounts with the BOL	36,711	22,596
Current accounts with other banks	10,104	1,808
Term deposits due within 90 days	-	27,465
<b></b>	<b>53,994</b>	<b>59,222</b>



## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 22. COMMITMENTS

	31/12/2015 LAKm	31/12/2014 LAKm
Bank guarantees	380	375

### 23. RELATED PARTY TRANSACTIONS

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

- (a) directly, or indirectly through one or more intermediaries, the party:
  - ▶ controls, is controlled by, or is under common control with, the Branch (this includes parents, subsidiaries and fellow subsidiaries);
  - ▶ has an interest in the Branch that gives it significant influence over the Branch; or
  - ▶ has joint control over the Branch.
- (b) the party is a joint venture in which the Branch is a venture;
- (c) the party is a member of the key management personnel of the Branch 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 an 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 Branch, or of any Bank that is a related party of the Branch.

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

	31/12/2015 Receivable /(payable) LAKm	31/12/2014 Receivable /(payable) LAKm
<b>Public Bank – Head Office</b>		
Vostro account	(854)	(774)
Borrowing from head office	(48,768)	-
<b>Public Bank – Vientiane Branch</b>		
Nostro account	152	506
Vostro account	(99)	(629)
Term deposits from Vientiane Branch	(32,512)	(84,714)
Placement with Vientiane Branch	-	27,465
<b>Public Bank – Savanakheth Branch</b>		
Nostro account	78	78
Vostro account	(19)	(21)
<b>Public Bank – Pakse Branch</b>		
Nostro account	24	23
Vostro account	(26)	(24)



## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 23. RELATED PARTY TRANSACTIONS (continued)

Significant transactions with related parties during the year 2015 are as follows:

	2015 in LAKm	2014 in LAKm
Interest income	388	646
Interest expense	(1,624)	(1,736)

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

	2014 in LAKm	2014 in LAKm
Salaries	493	1,404
Bonus and other benefits	161	281
	<u>654</u>	<u>1,685</u>

### 24. RISK MANAGEMENT POLICIES

#### *Introduction*

Risk is inherent in the Branch's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Branch's continuing profitability and each individual within the Branch is accountable for the risk exposures relating to his or her responsibilities.

The primary objective of the Branch in risk management is to comply with the BOL regulations. On the other hand, the Branch has recognized the importance of meeting international best practices on risk management.

The Branch is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Branch's policy is to monitor those business risks through the Branch's strategic planning process.

#### *Risk management structure*

The Board of Management is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Board has appointed the Risk - Compliance Officer which has the responsibility to monitor the overall risk process within the Branch.

The Board of Management has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Board of Management is responsible for managing risk decisions and monitoring risk levels.

The Branch follows Head Office's risk management policy and risk management processes throughout the Branch are audited annually by the Internal Audit function of the Head Office, which examines both the adequacy of the procedures and the Branch's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee of Public Bank Head Office.

## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 25. INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Branch is exposed to interest rate risk as a result of mismatches of interest rate re-pricing time of assets and liabilities. The Branch manages this risk by matching the re-pricing time of assets and liabilities through risk management strategies. Due to the nature of the Branch's records, the Branch is unable to prepare the interest rate risk sensitivity analysis.

### 26. CURRENCY RISK

Currency risk is the risk exposed to the Branch due to changes in foreign exchange rates which adversely impact the Branch's foreign currency positions. The Branch has set limits on positions by currency, based on its internal risk assessment system and the BOL's regulations. Positions are monitored on a daily basis to ensure positions are maintained within the established limits.

Breakdown of assets and liabilities which has been converted into LAKm as at 31 December 2015 is as follows:

	LAK LAKm	USD LAKm	THB LAKm	Total LAKm
<b>ASSETS</b>				
Cash and balances with the Bank of Lao P.D.R	15,910	15,334	16,724	47,968
Due from banks	52	9,938	114	10,104
Loans and advances to customers (*)	118,540	96,706	18,206	233,452
Property and equipment	1,387	-	-	1,387
Other assets	-	984	30	1,014
<b>TOTAL ASSETS</b>	<b>135,889</b>	<b>122,962</b>	<b>35,074</b>	<b>293,925</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks	26	33,508	7,119	40,653
Due to customers	5,412	21,944	13,165	40,521
Other borrow funds	-	48,768	-	48,768
Current tax liabilities	-	1,172	-	1,172
Other liabilities	12	148	-	160
<b>TOTAL LIABILITIES</b>	<b>5,450</b>	<b>105,540</b>	<b>20,284</b>	<b>131,274</b>
<b>EQUITY</b>	<b>100,166</b>	<b>59,417</b>	<b>-</b>	<b>159,583</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>105,616</b>	<b>164,957</b>	<b>20,284</b>	<b>290,857</b>
<b>NET EXPOSURE</b>	<b>30,273</b>	<b>(41,995)</b>	<b>14,790</b>	<b>3,068</b>

(\*): This excludes allowance for impairment losses



## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 27. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Branch's financial assets and liabilities, fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the Branch's management, the carrying amount of the financial assets and liabilities included in the statement of financial position are a reasonable estimation of their fair values. In making this assessment, the Branch's management assumes that loans and advances are mainly held to maturity with fair values equal to the book value of loans adjusted for provision for impairment losses.

### 28. CAPITAL MANAGEMENT

The Branch maintains minimum regulatory capital in accordance with Regulation No. 536/BFSD/BOL dated 14 October 2009 by the Governor of Lao P.D.R and other detailed guidance. The primary objectives of the Branch's capital management are to ensure that the Branch complies with externally imposed capital requirements by BOL. The Branch recognizes the need to maintain effectiveness of assets and liabilities management to balance profit and capital adequacy.

In accordance with Regulation No 536/BFSD/BOL, the Branch's regulatory capital is analyzed into two tiers:

- ▶ Tier 1 capital, which includes chartered capital, regulatory reserve fund, business expansion fund and other funds, and retained earnings;
- ▶ Tier 2 capital, which includes qualifying subordinated liabilities, general provisions and the element of fair value reserve relating to unrealized gains/losses on equity instruments classified as available for sale.

Various limits are applied to elements of the capital base: qualifying tier 2 cannot exceed tier 1 capital, and qualifying subordinated liabilities may not exceed 50 percent of tier 1 capital.

An analysis of the Branch's capital based on financial information derived from financial statements is as follows:

	31/12/2015 LAKm	31/12/2014 LAKm
Tier 1 capital	159,583	145,550
Tier 2 capital	-	-
<b>Total capital</b>	<b>159,583</b>	<b>145,550</b>
Less: Deductions from capital (Investments in other credit and financial institutions)	-	-
<b>Capital for CAR calculation (A)</b>	<b>159,583</b>	<b>145,550</b>
Risk weighted balance sheet items	234,806	214,352
Risk weighted off balance sheet items	190	23,395
<b>Total risk weighted assets (B)</b>	<b>234,996</b>	<b>237,747</b>
<b>Capital Adequacy Ratio (A/B)</b>	<b>67.91%</b>	<b>61.22%</b>

## Public Bank Berhad, Sikhai Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

### 29. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2015 that significantly impacted the financial position of the Branch as at 31 December 2015.

### 30. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST LAK AT REPORTING DATE

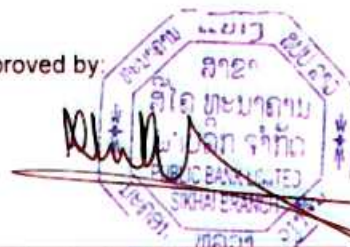
	31/12/2015 LAK	31/12/2014 LAK
USD	8,128	8,068.00
THB	227.00	246.49
EUR	8,878	9,793

Prepared by:



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Approved by:



Ms. Khanthaly Phachoumphone  
Branch Manager

Vientiane, Lao P.D.R

31 March 2016