

Cathay United Bank, Vientiane Capital Branch

Financial Statements

for the period from 16 December 2014 (date of establishment) to 31 December 2014
and for the year ended 31 December 2015

Cathay United Bank, Vientiane Capital Branch

CONTENTS

	<i>Pages</i>
General information	1
Independent auditors' report	2 - 3
Income statement	4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9 - 36

Cathay United Bank, Vientiane Capital Branch

GENERAL INFORMATION

THE BANK

Cathay United Bank, Vientiane Capital Branch (the "Bank") is a branch established in Lao People's Democratic Republic ("Lao P.D.R") of Cathay United Bank, a bank incorporated in Taiwan. The Bank operates under Banking License No. 38/BOL granted by the Bank of Lao P.D.R ("the BOL") on 25 November 2014.

The initial registered capital of the Bank is LAK 100,000,000,000. The actual paid-up capital as at 31 December 2015 is LAK 105,183,000,000 (equivalent to US Dollar 13,000,000).

The principal activities of the Bank are to mobilize capital and provide loans for improving and strengthening the Lao economy.

The Bank is located at Hatsady Village, Unit 40, Tatmai Road, Chanthabouly District, Vientiane Capital, Lao P.D.R.

MANAGEMENT

Members of the Management during the period from 16 December 2014 to the date of this report are as follows:

<u>Name</u>	<u>Title</u>	<u>Date of appointment</u>
Mr. Chen Hai Ching	Branch Manager	16 December 2014
Mr. Lu Yu-feng	Deputy Branch Manager	16 December 2014

LEGAL REPRESENTATIVE

The legal representative of the Bank during the period from 16 December 2014 to the date of this report is Mr. Chen Hai Ching – Branch Manager.

AUDITORS

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



Ernst & Young Lao Limited.
6th Floor, Capital Tower
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Reference: 61157869/18182918-IFRS

INDEPENDENT AUDITORS' REPORT

To: The Owners of Cathay United Bank, Vientiane Capital Branch

We have audited the accompanying financial statements of Cathay United Bank, Vientiane Capital Branch (the "Bank") as set out on pages 4 to 36, which comprise the statement of financial position as at 31 December 2014 and 31 December 2015, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Bank'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 the financial statements that are free from material misstatements, 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 Bank'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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014 and 31 December 2015 and its financial performance and cash flows for the period from 16 December 2014 and for the year ended to 31 December 2015 in accordance with International Financial Reporting Standards.

Ernst & Young Lao Ltd



Vientiane, Lao P.D.R

20 March 2016

Cathay United Bank, Vientiane Capital Branch

STATEMENT OF FINANCIAL POSITION
as at 31 December 2014 and 31 December 2015

	Notes	31 December 2015 LAKm	31 December 2014 LAKm
ASSETS			
Cash and balances with the Bank of Lao P.D.R	9	39,588	105,491
Due from banks	10	228,650	1,387
Loans to customers	11	424,336	-
Property and equipment	13	6,815	1,612
Intangible assets		120	-
Other assets	14	1,659	7,618
TOTAL ASSETS		701,168	116,108
LIABILITIES			
Due to other banks	15	577,559	-
Due to customers	16	11,239	309
Current tax liabilities	17	1,232	8
Other liabilities		139	11,975
TOTAL LIABILITIES		590,169	12,292
EQUITY			
Paid up capital	18	105,183	105,183
Regulatory reserve fund		726	-
Retained earnings/(accumulated losses)		5,090	(1,367)
TOTAL EQUITY		110,999	103,816
TOTAL LIABILITIES AND EQUITY		701,168	116,108

Prepared by:



Mr. Houmphanh Thammavong
Chief of accountant

Reviewed by:



Mr. Chen Hai Ching
Branch Manager



Vientiane, Lao P.D.R

20 March 2016

Cathay United Bank, Vientiane Capital Branch

STATEMENT OF CHANGES IN EQUITY

for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

	<i>Paid-up capital</i> LAKm	<i>Statutory</i> <i>reserves fund</i>	<i>(Accumulated</i> <i>losses)/Retaine</i> <i>d earnings</i> LAKm	<i>Total</i> LAKm
Balance as at 16 December 2014	-	-	-	-
Additional paid-up capital in the period	105,183	-	-	105,183
Net loss for the period	-	-	(1,367)	(1,367)
Balance as at 31 December 2014	105,183	-	(1,367)	103,816
Balance as at 1 January 2015	105,183	-	(1,367)	103,816
Net profit for the year	-	-	7,183	7,183
Statutory reserves	-	726	(726)	-
Balance as at 31 December 2015	105,183	726	5,090	110,999

Prepared by:

Reviewed by:



Mr. Houmphanh Thammavong
Chief of accountant



Mr. Chen Hai Ching
Branch Manager



Vientiane, Lao P.D.R

20 March 2016

Cathay United Bank, Vientiane Capital Branch

STATEMENT OF CASH FLOWS

for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

Notes	For the period from	
	For the year ended 31 December 2015 LAKm	16 December 2014 to 31 December 2014 LAKm
OPERATING ACTIVITIES		
Net profit/(loss) before tax	9,239	(1,367)
<i>Adjustments for:</i>		
Depreciation and amortization charges	1,719	13
Credit loss expenses	4,285	-
(Increase)/Decrease in operating assets		
Balances with other banks	(91,582)	(105,183)
Loans and advances to customers	(428,621)	-
Other assets	5,959	(7,618)
Increase/(Decrease) in operating liabilities		
Customer deposits and other amounts due to customers	10,930	309
Profit tax paid during the period	(824)	-
Other liabilities	(11,844)	11,983
Net cash flows used in operating activities	(500,739)	(101,863)
INVESTING ACTIVITIES		
Purchases of property and equipment and other intangible assets	(7,042)	(1,625)
Net cash flows used in investing activities	(7,042)	(1,625)
FINANCING ACTIVITIES		
Capital contribution	-	105,183
Drawdown of borrowings	577,559	-
Net cash flows from financing activities	577,559	105,183
Net increase in cash and cash equivalents	69,778	1,695
Cash and cash equivalents at the beginning of the year/period	1,695	-
Effect of foreign exchange difference	-	-
Cash and cash equivalents at the end of the year/period	71,473	1,695

Prepared by:



Mr. Houmphanh Thammavong
Chief of accountant

Reviewed by:



Mr. Chen Hai Ching
Branch Manager



Vientiane, Lao P.D.R

20 March 2016

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

1. CORPORATE INFORMATION

Establishment and operations

Cathay United Bank, Vientiane Capital Branch (the "Bank") is a branch established in Lao People's Democratic Republic ("Lao P.D.R") of Cathay United Bank, a bank incorporated in Taiwan. The Bank operates under Banking License No. 38/BOL granted by the Bank of Lao P.D.R ("the BOL") on 25 November 2014.

The principal activities of the Bank are to mobilize capital and provide loans for improving and strengthening the Lao economy.

Paid-up capital

The initial registered capital of the Bank is LAK 100,000,000,000. The actual paid-up capital as at 31 December 2015 is LAK 105,183,000,000 (equivalent to US Dollar 13,000,000).

Management

Members of the Management during the period from 16 December 2014 to the date of this report are as follows:

<u>Name</u>	<u>Title</u>	<u>Date of appointment</u>
Mr. Chen Hai Ching	Branch Manager	16 December 2014
Mr. Lu Yu-feng	Deputy Branch Manager	16 December 2014

Location

The Bank is located at Hatsady Village, Unit 40, Tatmai Road, Chanthabouly District, Vientiane Capital, Lao P.D.R.

Employees

Total employees of the Bank as at 31 December 2015 were 12 people and 31 December 2014 were 10 people.

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. *Basis of preparation*

The Bank 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 Bank maintain its accounting records in Lao KIP ("LAK") and presents the financial statements in million of Lao KIP ("LAKm").

2.2. *Fiscal year*

The Bank's first fiscal year starts on 16 December 2014 (the date of establishment) and ends on 31 December 2014. The subsequent fiscal years start on 1 January and end on 31 December.

2.3 *Presentation of financial statements*

The Bank 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 Bank.

2.4 *Significant accounting estimates and assumptions*

The preparation of the Bank's financial statements requires management to make 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 Bank 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 Bank. Such changes are reflected in the assumptions when they occur.

2.4.1 *Going concern*

The Bank's management has made an assessment of the Bank'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 Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 *Significant accounting estimates and assumptions* (continued)

2.4.2 *Impairment losses on loans and advances*

The Bank reviews its individually significant loans and advances at the 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 31 December 2014 and 31 December 2015 as presented in Note 26). 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 Bank 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 purposes 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.

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 Bank 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.

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

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)

2.5.2.4 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 Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss;
- ▶ Those that the Bank, upon initial recognition, designates as available-for-sale;
- ▶ Those for which the Bank 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 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 Bank 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 Bank, 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).

2.5.2.5 Reclassification of financial assets

Effective from 1 July 2008, the Bank 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 Bank 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 Bank 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 Bank 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.

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

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 Bank 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 Bank has transferred substantially all the risks and rewards of the asset, or
 - The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank 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 Bank's continuing involvement in the asset. In that case, the Bank 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 Bank 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 Bank could be required to repay.

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 de-recognition 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 Bank'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 de-recognition of the instrument.

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

2.5 *Summary of significant accounting policies* (continued)

2.5.5 *Impairment of financial assets*

The Bank 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.

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 Bank 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 Bank 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 Bank. 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. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

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 Bank 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.

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

2.5 *Summary of significant accounting policies* (continued)

2.5.5 *Impairment of financial assets* (continued)

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank'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.

Renegotiated loans

Where possible, the Bank 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 Bank 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 Bank's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank 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 Bank'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 Bank's policy.

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

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 Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

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 Bank 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 Bank 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 Bank 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.

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

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.

2.5.9 Property and equipment

Property and equipment (including equipment under operating leases where the Bank 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 amortization 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:

Office equipment	20%
Furniture and fixtures	20%
Building improvements	10%
Others	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 de-recognition 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 Intangible assets

The Bank's other intangible assets include the value of computer software.

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Computer software	20%
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Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.11 Impairment of non-financial assets

The Bank 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 Bank 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 Bank 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.

2.5.12 Financial guarantees

In the ordinary course of business, the Bank 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 Bank'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.

2.5.13 Provisions for contingent liabilities

Provisions for contingent liabilities are recognized when the Bank 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.

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

2.5 *Summary of significant accounting policies* (continued)

2.5.14 *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.

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 statement of financial position 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.

2.5.15 *Fiduciary assets*

The Bank 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 Bank.

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.16 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 Labor and Social Welfare. The Bank's policy is to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 5.5% of employee's basic salary on a monthly basis. The Bank has no further obligation concerning post-employment benefits for its employees other than this.

Termination benefits

In accordance with Article 82 of the Amended Labour Law issued by the President of the 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 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 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 and 31 December 2015, 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.

2.5.17 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 Bank's financial statements are disclosed below. The Bank 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 Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities.

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

3. INTEREST AND SIMILAR INCOME

	<i>For the year ended 31 December 2015</i>	<i>For the period from 16 December 2014 to 31 December 2014</i>
	LAKm	LAKm
Interest income from:		
Loans to customers	1,057	-
Inter bank transactions	20,170	-
	<u>21,227</u>	<u>-</u>

4. INTEREST AND SIMILAR EXPENSES

	<i>For the year ended 31 December 2015</i>	<i>For the period from 16 December 2014 to 31 December 2014</i>
	LAKm	LAKm
Interest expenses for:		
Borrowings	27	-
Customers' deposits	2,533	-
	<u>2,560</u>	<u>-</u>

5. NET FEES AND COMMISSION INCOME

	<i>For the year ended 31 December 2015</i>	<i>For the period from 16 December 2014 to 31 December 2014</i>
	LAKm	LAKm
Fees and commission income from:		
Trade finance activities	765	-
Other activities	440	-
	<u>1,205</u>	<u>-</u>
Fees and commission expense for:		
Other activities	(106)	-
	<u>(106)</u>	<u>-</u>
Net fee and commission income	<u>1,099</u>	<u>-</u>

6. NET GAIN/(LOSS) FROM DEALING IN FOREIGN CURRENCIES

	<i>For the year ended 31 December 2015</i>	<i>For the period from 16 December 2014 to 31 December 2014</i>
	LAKm	LAKm
Gain from dealing in foreign currencies	805	-
Loss from dealing in foreign currencies	(429)	(1)
	<u>376</u>	<u>(1)</u>

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

7. PERSONNEL EXPENSES

	<i>For the year ended</i> <i>31 December 2015</i>	<i>For the period from</i> <i>16 December 2014 to</i> <i>31 December 2014</i>
	LAKm	LAKm
Wages and allowances	1,107	31
Other staff costs	758	96
	1,865	127

8. OTHER OPERATING EXPENSES

	<i>For the year ended</i> <i>31 December 2015</i>	<i>For the period from</i> <i>16 December 2014 to</i> <i>31 December 2014</i>
	LAKm	LAKm
Taxes and duties	126	8
Rental fees	907	335
Equipments	89	-
Electricity and water supply	123	1
Fuel	17	-
Office stationeries	49	6
Business trip expenses	219	-
Publication, marketing and promotion	52	-
Telecommunication	475	187
Pre-operating costs	783	630
Others	396	59
	3,319	1,226

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

	<i>31 December 2015</i>	<i>31 December 2014</i>
	LAKm	LAKm
Cash on hand in LAK	3,041	308
Balances with the BOL	36,547	105,183
- <i>Demand deposit</i>	34,912	-
- <i>Compulsory deposits</i>	1,630	-
- <i>Registered capital deposit</i>	5	105,183
	39,588	105,491

Balances with the BOL earn 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 5.00% for LAK and 10.00% for foreign currencies, on a bi-monthly basis of customer deposits having original maturities of less than 12 months.

In the period, the Bank maintained its compulsory deposits in compliance with the requirements of the BOL.

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

10. DUE FROM BANKS

Due from banks as at 31 December 2014 and 31 December 2015 comprises demand and term deposits in foreign currencies ("FC"). Details are as follows:

	<i>31 December 2015</i> <i>LAKm</i>	<i>31 December 2014</i> <i>LAKm</i>
Demand deposits	8,520	-
- Cathay United Bank Taiwan, Taipei	8,520	-
Term deposit at domestic bank	218,600	1,387
- Public Bank Berhad, Vientiane Capital Branch	218,600	1,387
Accrued interest	1,530	-
	228,650	1,387

11. LOANS TO CUSTOMERS

	<i>31 December 2015</i> <i>LAKm</i>	<i>31 December 2014</i> <i>LAKm</i>
Gross loans to customers	428,451	-
Accrued interest receivable	170	-
Less: Allowance for impairment losses (Note 12)	(4,285)	-
	424,336	-

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

	<i>For the year ended</i> <i>31 December 2015</i> <i>Interest rates</i> <i>% per annum</i>
Loans denominated in USD	4.05% - 9.14%

Analysis of loans to customers

Analysis by currency

	<i>31 December 2015</i> <i>LAKm</i>	<i>31 December 2014</i> <i>LAKm</i>
Loans and advances denominated in USD	428,451	-
	428,451	-

Analysis by economic sectors

	<i>31 December 2015</i> <i>LAKm</i>	<i>31 December 2014</i> <i>LAKm</i>
Construction companies	17,886	-
Industrial	4,065	-
Government organisation	406,500	-
	428,451	-

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

12. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in the allowance for impairment losses consisted of the following:

	<i>For the year ended 31 December 2015</i>	<i>For the period from 16 December 2014 to 31 December 2014</i>
	LAKm	LAKm
Opening balance	-	-
Credit loss expenses	4,285	-
Closing balance	4,285	-

13. PROPERTY AND EQUIPMENT

Movements of the balances of property and equipment for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015 are as follows:

	<i>Office equipment</i>	<i>Furniture & fixtures</i>	<i>Building improvements</i>	<i>Others</i>	<i>Total</i>
	LAKm	LAKm	LAKm	LAKm	LAKm
Cost:					
As at 16 December 2014	-	-	-	-	-
Additions for the period	1,625	-	-	-	1,625
As at 31 December 2014	1,625	-	-	-	1,625
Additions for the year 2015	1,849	300	1,474	3,224	6,847
As at 31 December 2015	3,474	300	1,474	3,224	8,472
Accumulated depreciation:					
As at 16 December 2014	-	-	-	-	-
Charge for the period	13	-	-	-	13
As at 31 December 2014	13	-	-	-	13
Charge for the year 2015	630	59	288	667	1,644
As at 31 December 2015	643	59	288	667	1,657
Net book value:					
As at 31 December 2014	1,612	-	-	-	1,612
As at 31 December 2015	2,831	241	1,186	2,557	6,815

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

14. OTHER ASSETS

	<i>31 December 2015</i>	<i>31 December 2014</i>
	<i>LAKm</i>	<i>LAKm</i>
Advance for building renovation	-	5,720
Prepaid expenses	1,630	1,881
Other assets	29	17
	1,659	7,618

15. DUE TO OTHER BANK

	<i>31 December 2015</i>	<i>31 December 2014</i>
	<i>LAKm</i>	<i>LAKm</i>
Borrowings from Cathay United Bank Taiwan, Taipei	577,230	-
Accrued interest payable	329	-
	577,559	-

Details of the borrowings as at 31 December 2015 are as follows:

<i>Currency</i>	<i>Term</i>	<i>Balance in original currency</i>	<i>LAKm equivalent</i>	<i>Interest rate % per annum</i>
USD	24 months	71,000,000	577,230	0.5% - 0.75%
		71,000,000	577,230	

16. DUE TO CUSTOMERS

	<i>31 December 2015</i>	<i>31 December 2014</i>
	<i>LAKm</i>	<i>LAKm</i>
Demand deposits	7,576	309
Demand deposits in LAK	185	-
Demand deposits in FC	7,391	309
Security Deposit for opening letter of credit	3,659	-
Accrued interest	4	-
	11,239	309

The interest rates for these deposits are as follows:

	<i>For the year ended 31 December 2015</i>
	<i>LAKm</i>
	<i>Interest rate p.a.</i>
Demand deposits in LAK	0.75%
Demand deposits in USD	0.5%
Demand deposits in THB	0.08%

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

17. CURRENT TAX LIABILITIES

	<i>31 December 2015</i> <i>LAKm</i>	<i>31 December 2014</i> <i>LAKm</i>
Personal Income Tax	-	8
Profit Tax payable	1,232	-
	1,232	8

Profit Tax ("PT")

The Bank is obliged to pay PT at rate of 24% on total profit before tax of the period in accordance with Tax Law No.05 dated 20 December 2011 which is effective on or after 1 January 2013.

	<i>For the year ended</i> <i>31 December 2015</i> <i>LAKm</i>	<i>For the period from</i> <i>16 December 2014 to</i> <i>31 December 2014</i> <i>LAKm</i>
Profit/(loss) before tax under IFRS	9,239	(1,367)
Adjustment for difference between LAS and IFRS	76	618
	9,315	(749)
Tax loss carried forward	(749)	-
Taxable profit under LAS	8,566	-
Current PT expense, at the statutory rate of 24%	2,056	-
PT payable at the beginning of the year/period	-	-
PT paid during the year/period	(824)	-
PT payable at the end of the year/period	1,232	-

The Bank's tax returns are subject to examination by the tax authorities. 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.

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

18. PAID-UP CAPITAL

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

	<i>For the year ended 31 December 2015</i>	<i>For the period from 16 December 2014 to 31 December 2014</i>
	<i>LAKm</i>	<i>LAKm</i>
Opening balance	105,183	-
Increase in the period	-	105,183
Closing balance	105,183	105,183

19. ADDITIONAL CASH FLOW INFORMATION

Cash and cash equivalents

	<i>31 December 2015</i>	<i>31 December 2014</i>
	<i>LAKm</i>	<i>LAKm</i>
Cash on hand	3,041	308
Current accounts with the BOL	34,912	-
Current accounts with other banks	8,520	-
Term deposits due within three months	25,000	1,387
	71,473	1,695

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

20. RELATED PARTY TRANSACTIONS

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

(a) directly, or indirectly through one or more intermediaries, the party:

- ▶ controls, is controlled by, or is under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries);
- ▶ has an interest in the Bank that gives it significant influence over the Bank; or
- ▶ has joint control over the Bank.

(b) the party is a joint venture in which the Bank is a venture;

(c) the party is a member of the key management personnel of the Bank or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (d);

(e) the party is a Bank that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Bank resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any Bank that is a related party of the Bank.

Balances with related parties as at 31 December 2015 and 31 December 2014 are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>31 December 2015 Receivable/ (payable) LAKm</i>	<i>31 December 2014 Receivable/ (payable) LAKm</i>
Cathay United Bank Taiwan, Taipei	Owner	Demand deposits at the parent bank	8,520	-
		Payable to the parent bank	-	(11,975)
		Borrowing from the parent bank	577,230	-

Significant transactions with related parties during the year ended 31 December 2015 were as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions during the year</i>	<i>Receipt/ (payment) LAKm</i>	<i>Income/ (expense) LAKm</i>
Cathay United Bank Taiwan, Taipei	Owner	Placement of deposits	(8,520)	-
		Payment of payable	(11,975)	-
		Receipt of borrowings	577,230	-
		Interest on borrowing	-	(2,533)

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

20. RELATED PARTY TRANSACTIONS (continued)

Transactions with key management personnel of the Bank

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

	<i>31 December 2015</i>	<i>31 December 2014</i>
	<i>LAKm</i>	<i>LAKm</i>
Salaries	587	46
	587	46

21. RISK MANAGEMENT POLICIES

Introduction

Risk is inherent in the Bank'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 Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

The Bank 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 Bank's policy is to monitor those business risks through the Bank's strategic planning process.

Risk management structure

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

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

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

The Bank follows Head Office's risk management policy and risk management processes throughout the Bank are audited annually by the Internal Audit function of Cathay United Bank, which examines both the adequacy of the procedures and the Bank'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 Cathay United Bank.

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

22. LIQUIDITY RISK

Liquidity risk is defined as the risk that the Branch will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Branch might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Branch has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The following assumptions and conditions are applied in the liquidity risk analysis of the Branch's financial assets and liabilities:

- ▶ Deposits at the BOL are classified as demand deposits which include compulsory deposits. The balance of compulsory deposits depends on the proportion and terms of the Branch's customer deposits.
- ▶ The maturity term of placements with and loans to other banks; and loans to customers is determined on the maturity date as stipulated in contracts. The actual maturity term may be altered because loan contracts may be extended.
- ▶ The maturity term of deposits from other Branch; and customer's deposits is determined based on features of these items or the maturity date as stipulated in contracts. Demand deposits are transacted as required by customers and therefore being classified as current accounts. The maturity term of deposits is determined based on the maturity date in contracts. In fact, these amounts may be rotated and therefore they last beyond the original maturity date.
- ▶ The maturity term of other liabilities is determined based on the actual maturity term of each other liability.

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

22. LIQUIDITY RISK (continue)

The classification of financial assets and financial liabilities based on the maturity as at 31 December 2015 was as follows:

	Before due date					Total
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Financial assets						
Cash and cash equivalents on hand	3,041	-	-	-	-	3,041
Balances with the Bank of Lao PDR ("the BOL")	36,547	-	-	-	-	36,547
Due from banks	8,520	25,000	195,130	-	-	228,650
Loans and advances to customers (*)	-	-	21,803	402,533	-	424,336
Other financial assets	1,659	-	-	-	-	1,659
Total financial assets	49,767	25,000	216,933	402,533	-	694,233
Financial liabilities						
Due to banks	577,559	-	-	-	-	577,559
Due to customers	11,239	-	-	-	-	11,239
Other financial liabilities	139	-	-	-	-	139
Total financial liabilities	588,937	-	-	-	-	588,937
Liquidity exposure	(539,170)	25,000	216,933	402,533	-	105,296

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

23. 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 of assets and liabilities. The Branch manages this risk by matching the re-pricing 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.

The classification of financial assets and financial liabilities based on the interest rate re-pricing as at 31 December 2015 was as follows:

	Non re-pricing	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total
Financial assets								
Cash and cash equivalents on hand	3,041	-	-	-	-	-	-	3,041
Balances with the Bank of Lao PDR ("the BOL")	36,547	-	-	-	-	-	-	36,547
Due from banks	-	8,520	25,000	195,130	-	-	-	228,650
Loans and advances to customers (*)	-	-	-	-	21,803	402,533	-	424,336
Other financial assets	1,659	-	-	-	-	-	-	1,659
Total financial assets	41,247	8,520	25,000	195,130	21,803	402,533	-	694,233
Financial liabilities								
Due to banks	577,559	-	-	-	-	-	-	577,559
Due to customers	11,239	-	-	-	-	-	-	11,239
Other financial liabilities	139	-	-	-	-	-	-	139
Total financial liabilities	588,937	-	-	-	-	-	-	588,937
Net interest rate exposure	(547,690)	8,520	25,000	195,130	21,803	402,533	-	105,296

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

24. CURRENCY RISK

Currency risk is the risk exposed to the Bank due to changes in foreign exchange rates which adversely impact the Bank's foreign currency positions. The Bank 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 31 December 2015 is as follows:

	<i>LAK</i> <i>in LAKm</i>	<i>USD</i> <i>in LAKm</i> <i>equivalent</i>	<i>THB</i> <i>in LAKm</i> <i>equivalent</i>	<i>Total</i> <i>in LAKm</i> <i>equivalent</i>
ASSETS				
Cash and balances with the BOL	29,445	9,889	254	39,588
Due from banks	56,582	172,068	-	228,650
Loans to customers (*)	-	428,621	-	428,621
Property and equipment	6,815	-	-	6,815
Intangible assets	120	-	-	120
Other assets	1,659	-	-	1,659
TOTAL ASSETS	94,621	610,578	254	705,453
LIABILITIES AND EQUITY				
LIABILITIES				
Due to Banks	-	577,559	-	577,559
Due to customers	186	10,795	258	11,239
Current tax liabilities	1,232	-	-	1,232
Other liabilities	139	-	-	139
TOTAL LIABILITIES	1,557	588,354	258	590,169
EQUITY	110,999	-	-	110,999
TOTAL LIABILITIES AND EQUITY	112,556	588,354	258	701,168
NET EXPOSURE	(17,935)	22,224	(4)	4,285

(*) These do not include provision.

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

25. CAPITAL MANAGEMENT

The Bank maintains minimum regulatory capital in accordance with Regulation No. 536/BFSD/BOL dated 14 October 2009 on commercial banks' capital adequacy and other detailed guidance. The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements by BOL. The Bank 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 Bank'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 Bank's capital based on financial information deprived from IFRS financial statements is as follows:

<i>Items</i>	<i>31 December 2015 under IFRS LAKm</i>	<i>31 December 2014 under IFRS LAKm</i>
Tier 1 capital	110,999	103,816
Tier 2 capital	-	-
Total capital	110,999	103,816
Less: Deductions from capital (Investments in other credit and financial institutions)	-	-
Capital for CAR calculation (A)	110,996	103,816
Risk weighted balance sheet items	266,492	9,507
Risk weighted off balance sheet items	1,830	-
Total risk weighted assets (B)	268,322	9,507
Capital Adequacy Ratio (A/B)	41%	1092%

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices/(unadjusted) in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair value of financial assets and liabilities carried at fair value

The Bank has no financial assets and liabilities carried at fair value as at 31 December 2015. Therefore, there is no analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

Fair value of financial assets and liabilities not carried at fair value

The Bank uses the following methodologies and assumptions to determine fair value for financial assets and liabilities not carried at fair value on the financial statements:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than one year) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits.

Fixed rate financial instruments

The fair value is determined using discounted cash flows using interest at year end of financial instruments in the market with similar risk and maturity. In addition, the Bank assumes that loans to customers are held to maturity. Fair values of loans to customers are determined as the carrying value less impairment losses. For Due to customers, fair value is approximated based on the carrying value of deposits, except for the fair value of fixed rate items with remaining maturity period greater than 1 year which is calculated based on the present value of future cash flows of principal and interest, discounted at interest rates currently being offered on such deposits.

Cathay United Bank, Vientiane Capital Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2014 and 31 December 2015, and for the period from 16 December 2014 to 31 December 2014 and for the year ended 31 December 2015

26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the financial statements:

	31 December 2015		31 December 2014	
	Carrying value LAKm	Fair value LAKm	Carrying value LAKm	Fair value LAKm
Financial assets				
Balances at the BOL	36,547	36,547	105,183	105,183
Due from banks	228,650	228,650	1,387	1,387
Loans to customers	424,336	424,336	-	-
	689,533	689,533	106,570	106,570
Financial liabilities				
Due to banks	577,559	577,559	-	-
Due to customers	11,239	11,239	309	309
	588,798	588,798	309	309

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

	31 December 2015 LAK	31 December 2014 LAK
United State Dollar ("USD")	8,130	8,068
Thai baht ("THB")	227	246
Chinese Yuan ("CNY")	1,200	1,262

28. EVENTS AFTER THE BALANCE SHEET 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 Bank as at 31 December 2015.

Prepared by:



Mr. Houmphanh Thammavong
Chief of accountant

Reviewed by:



Mr. Chen Hai Ching
Branch Manager



Vientiane, Lao P.D.R

20 March 2016