

**Industrial and Commercial Bank
of China Limited
Vientiane Branch**

Audited Financial Statements
and
Independent Auditors' Report
Year ended 31 December 2015

Industrial and Commercial Bank of China Limited Vientiane Branch

Contents	Page
1 Corporate information	1
2 Management's responsibilities	2
3 Independent auditors' report	3-4
4 Statement of financial position	5-6
5 Statement of income	7-8
6 Statement of changes in equity	9
7 Statement of cash flows	10-11
8 Notes to the financial statements	12-29

Corporate Information

Bank	Industrial and Commercial Bank of China Limited Vientiane Branch
Banking Licence No.	06/BOL date 11 February 2013 Business Registration Certificate No. 1497 date 25 December 2012
Board of Management	Mr. Lu Jian General Manager Mr. Chen Yingzhi Deputy General Manager Mr Joxiong Bouasinengma Deputy General Manager
Registered office	Unit 12,Asean road Sibounheuang village Chanthabouly District Vientiane Capital, Lao PDR
Auditors	KPMG Lao Co., Ltd 4th Floor, K.P. Tower 23 Singha Road P.O. Box 6978 Vientiane Capital, Lao PDR

ທະນາຄານ ອຸດສາຫະກຳ ແລະ ການຄ້າຈີນ ຈຳກັດ ສາຂາພະຄອນຫຼວງວຽງຈັນ
ICBC  **中国工商银行 万象分行**

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Management of Industrial and Commercial Bank of China Limited Vientiane Branch (the "Branch") is responsible for the preparation of the financial statements of each financial year that ensure a true and fair presentation of its statement of financial position of the Branch as at 31 December 2015, statement of income, statement of changes in equity and statement of cash flows in accordance with the accounting regulations and accounting principles generally accepted in the Lao People's Democratic Republic ("Lao PDR"). In preparing the financial statements, Management is required to:

- i) Adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) Comply with accounting principles generally accepted in the Lao PDR ("Lao GAAP") and the guidelines issued by the Bank of the Lao PDR, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) Maintain adequate accounting records and an effective system of internal controls;
- iv) Take reasonable steps for safeguarding the assets of the Branch and for preventing and detecting fraud, error and other irregularities;
- v) Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Branch will continue operations in the foreseeable future; and
- vi) Effectively control and direct the Branch and be involved in all material decisions affecting the Branch's operations and performance and ascertain that such have been properly reflected in the financial statements.

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

APPROVAL OF THE FINANCIAL STATEMENTS

I, Mr. Lu Jian, on behalf of the Board of Management, do hereby state that the financial statements set out on pages 5 to 29 give a true and fair view of the financial position of Industrial and Commercial Bank of China Limited Vientiane Branch as at 31 December 2015 and of the results of its operations and its cash flows for the year then ended and have been properly drawn up in accordance with generally accepted accounting principles in the Lao PDR.

Signed on behalf of the Board of Management,



 Lu Jian
 General Manager
 31 March 2016



INDEPENDENT AUDITORS' REPORT

**To: The Management
Industrial and Commercial Bank of China Limited Vientiane Branch**

We have audited the accompanying statement of financial position of Industrial and Commercial Bank of China Limited Vientiane Branch (“the Branch”) as at 31 December 2015, the related statement of income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The Branch is a part of Industrial and Commercial Bank of China Limited and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Industrial and Commercial Bank of China Limited Vientiane Branch as of 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with the accounting regulations of the Bank of the Lao PDR and the accounting principles generally accepted in the Lao PDR.

Emphasis of Matter

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

KPMG Lao Co., Ltd
Vientiane Capital, Lao PDR

Date: 31 March 2016

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Financial Position as at 31 December 2015

	Note	2015 LAK	2014 LAK
<u>ASSETS</u>			
Cash	4	80,800,499,872	42,316,021,926
Interbank and money market items			
Amounts due from head office and other branches	25(a)	3,081,427,165,032	823,021,729,795
Amounts due from other banks	5	3,262,954,206,976	185,196,006,495
Statutory deposits with Central Bank	6	310,915,885,074	152,782,618,180
Investments	7	2,412,016,306,477	2,036,216,757,985
Loans and advances	8	5,622,568,363,850	9,411,379,941,679
Derivative financial assets	9	17,672,568,098	544,632,534
Property and equipment	10	165,205,722,821	98,963,619,791
Intangible assets	11	50,225,402,140	50,833,151,564
Other assets	12	41,677,883,948	24,157,077,445
Total assets		15,045,464,004,288	12,825,411,557,394

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

Prepared by:

Approved by:

Accountant

General Manager

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Financial Position as at 31 December 2015

	Note	2015 LAK	2014 LAK
<u>LIABILITIES AND EQUITY</u>			
Liabilities			
Deposits from customers	13	3,288,644,723,383	2,067,816,247,512
Interbank and money market items			
Amounts due to other branches	25(a)	11,151,057,913,792	9,815,131,427,721
Amounts due to other banks	14	171,646,237,322	25,710,930,457
Borrowings from other than head office and other branches	15,24	-	484,020,000,000
Tax liabilities	16	12,647,334,765	4,934,455,521
Derivative financial liabilities	17	224,978,041	-
Other liabilities	18	58,473,781,586	62,148,845,716
Total liabilities		14,682,694,968,889	12,459,761,906,927
Equity			
Head office's capital contribution	19	239,970,000,000	239,970,000,000
Statutory reserve	20	22,826,058,656	12,568,659,697
Retained earnings		99,972,976,743	113,110,990,770
Total equity		362,769,035,399	365,649,650,467
Total liabilities and equity		15,045,464,004,288	12,825,411,557,394

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

Prepared by:

Approved by:

Accountant

General Manager

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of income
Year ended 31 December 2015

	Note	2015 LAK	2014 LAK
Interest income			
Interest from loans and advances		122,880,755,266	127,696,228,293
Interest from interbank and money market items		25,141,960,191	4,669,540,795
Interest from investment in bonds		105,959,001,175	94,328,547,803
Total interest income		253,981,716,632	226,694,316,891
Interest expense			
Interest on deposits		(18,961,830,169)	(3,080,495,004)
Interest on interbank and money market items		(145,745,072,260)	(69,473,752,857)
Interest from borrowings other than head office and other branches		(2,767,326,907)	(42,279,245,862)
Total interest expense	21	(167,474,229,336)	(114,833,493,723)
Net interest income		86,507,487,296	111,860,823,168
Provision for bad and doubtful loans and advances	8	(4,146,884,560)	29,248,241,659
Net income from interest after doubtful accounts		82,360,602,736	141,109,064,827
Other income			
Fees and services income, net		6,147,732,971	5,214,766,143
Gain on foreign exchange		74,056,302,276	2,861,033,003
Other income		801,931,216	6,362,224
Total other income	22	81,005,966,463	8,082,161,370
Income before non-interest expense and income tax		163,366,569,199	149,191,226,197

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of income
Year ended 31 December 2015

	Note	2015 LAK	2014 LAK
Operating Expenses			
Personnel expenses		(18,430,390,497)	(23,055,810,388)
Depreciation and amortization expenses		(10,571,575,159)	(2,842,801,295)
Other expenses		(11,833,426,252)	(12,466,729,589)
		<u>(40,835,391,908)</u>	<u>(38,365,341,272)</u>
Profit before income tax		122,531,177,291	110,825,884,925
Income tax	23	(19,937,014,101)	(26,860,076,810)
Profit for the year		<u>102,594,163,190</u>	<u>83,965,808,115</u>

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

Prepared by:

Approved by:

Accountant

General Manager

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of changes in equity
Year ended 31 December 2015

	Head office's capital contribution	Statutory reserve	Retained earnings	Total
	LAK	LAK	LAK	LAK
Balance at 1 January 2014	239,970,000,000	4,173,694,285	37,540,148,067	281,683,842,352
Profit for the year	-	-	83,965,808,115	83,965,808,115
Statutory reserve for the year	-	8,394,965,412	(8,394,965,412)	-
Balance at 31 December 2014 and 1 January 2015	239,970,000,000	12,568,659,697	113,110,990,770	365,649,650,467
Profit for the year	-	-	102,594,163,190	102,594,163,190
Statutory reserve for the year	-	10,257,398,959	(10,257,398,959)	-
Profit appropriation	-	-	(105,474,778,258)	(105,474,778,258)
Balance at 31 December 2015	239,970,000,000	22,826,058,656	99,972,976,743	362,769,035,399

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

Prepared by:

Approved by:

Accountant

General Manager

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of cash flows
Year ended 31 December 2015

	Note	2015 LAK	2014 LAK
Cash flows from operating activities			
Profit after tax		<u>102,594,163,190</u>	<u>83,965,808,115</u>
<i>Adjustments for:</i>			
Allowance for doubtful debts		4,146,884,560	(29,248,241,659)
Depreciation and amortisation		10,571,575,159	2,842,801,295
Income from investment in bonds		(105,959,001,175)	(94,328,547,803)
Interest expense on borrowings from other than head office and other branches		2,767,326,907	-
Income tax expenses		<u>19,937,014,101</u>	<u>26,860,076,810</u>
		34,057,962,742	(9,908,103,242)
Change in operating assets / liabilities			
Change in statutory deposits		(158,133,266,894)	(13,662,768,764)
Change in loans and advances to Customers		3,784,660,232,427	(3,184,363,314,667)
Change in derivative financial assets		(17,127,935,564)	356,252,724
Change in other assets		(17,520,806,503)	(5,977,287,639)
Change in deposits from customers		1,220,828,475,871	1,077,338,191,983
Change in deposits from banks		1,481,861,792,936	8,035,883,366,358
Change in withholding tax Liabilities		873,868,464	(434,999,112)
Change in other liabilities		4,240,767,622	41,421,170,019
Change in derivative financial liabilities		(224,978,041)	-
Income tax paid		<u>(13,098,003,321)</u>	<u>(22,147,566,628)</u>
Net cash generated from operating Activities		<u>6,320,418,109,739</u>	<u>5,918,504,941,032</u>
Cash flows from investing activities			
Acquisition of property and equipment		(76,197,317,085)	(87,287,809,251)
Acquisition of intangible assets		(8,611,680)	-
Purchases of bond investments		(617,740,000,000)	(601,458,032,047)
Proceeds from sale and redemption of bond investments		243,658,096,013	161,375,115,356
Income from investment in bonds		<u>104,241,356,670</u>	<u>94,821,334,107</u>
Net cash used in investing activities		<u>(346,046,476,082)</u>	<u>(432,549,391,835)</u>

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of cash flows
Year ended 31 December 2015

	Note	2015 LAK	2014 LAK
Cash flows from financing activities			
Proceeds from borrowings		-	15,012,858,340,000
Repayment of borrowings		(484,020,000,000)	(19,883,514,340,000)
Payment for interest		(10,228,741,735)	-
Payment for profit distribution		(105,474,778,258)	-
Net cash used in financing activities		(599,723,519,993)	(4,870,656,000,000)
Net change in cash and cash equivalents			
		5,374,648,113,664	615,299,549,197
Cash and cash equivalents at 1 January		1,050,533,758,216	435,234,209,019
Cash and cash equivalents at 31 December	24	6,425,181,871,880	1,050,533,758,216

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

Prepared by:

Approved by:

Accountant

General Manager

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to financial statements
Year ended 31 December 2015

1. Organisation and principal activities

The Industrial and Commercial Bank of China Limited Vientiane Branch (“the Branch”) is a branch of the Industrial and Commercial Bank of China Limited which is incorporated in the People's Republic of China. The Branch has its registered office at Unit12, Asean road, Sibounheuang village, Chanthabouly District, Vientiane Capital, Lao People’s Democratic Republic (“LaoPDR”) . The Branch commenced its operations on 28 November 2011 in accordance with investment licence 180-11/MPI 2 August 2011. It received approval from the Bank of the Lao PDR (“BoL”) to operate as a bank under Banking Licence 16/BOL 25 August 2011 and amendment Banking Business License in February 2013.

The principal activities of the Branch consist of provide services in finance, commerce and banking to Lao, Chinese and Thai corporate investors and banking services to individuals. As at 31 December 2015, the Branch had 80 (2014: 56) employees.

2. Basis of financial statement preparation

(a) General basis of accounting

(i) Basis of preparation

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

The Branch is a part of Industrial and Commercial Bank of China Limited and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally. The Branch has significant transactions and balances with its Head Office and other branches.

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

(ii) Basis of measurement

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

(iii) Use of accounting estimates and judgments

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

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to financial statements (continued)
Year ended 31 December 2015

2. Basis of financial statement preparation (continued)

(a) General basis of accounting (continued)

(iii) Use of accounting estimates and judgments (continued)

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

(b) Foreign currency transactions

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

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

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

	31 December 2015	31 December 2014
	LAK	LAK
United State Dollar ("USD")	8,129.00	8,067.00
Thai Baht ("THB")	226.02	246.48
Chinese Yuan ("CNY")	1,225.82	1,289.11
Euro ("EUR")	8,868.00	9,787.00

(c) Fiscal Year

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

3. Summary of significant accounting policies

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

(a) Financial instruments

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

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to financial statements (continued)
Year ended 31 December 2015

3. Summary of significant accounting policies (continued)

(c) Investments

Investments consist of investments in bonds and unearned interest income. Investments in bonds issued by the BoL are stated at par. Unearned interest income arising on the acquisition of securities is amortized to interest income on an accrual basis.

Other investments are stated at cost.

(d) Derivatives

Derivative financial instruments are used to manage exposure to foreign exchange, interest rate arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of item being hedged.

The fair value of interest rate swap and the foreign exchange rate swap are the estimated amount that the Branch would receive or pay to terminate the swap at the reporting date, taking into account current interest rates or foreign exchange rate.

(e) Loans and advances

Loans and advances are originated by the Branch providing money to a customer for purposes other than short-term profit taking. They are stated at the outstanding principal balances less an impairment allowance for bad and doubtful loans and advances, to reflect the estimated recoverable amount. Loans and advances are shown exclusive of accrued interest receivable.

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to financial statements (continued)
Year ended 31 December 2015

3. Summary of significant accounting policies (continued)

(f) Allowance for bad and doubtful loans and advances

In compliance with BoL regulations, a minimum specific allowance for doubtful loans and advances is made for loans and advances that are identified as non-performing. In addition, a general allowance based on 0.5% and 3%, respectively of Normal and Special mention outstanding loans and advances (performing loans), is maintained by the Branch against risks which are not specifically identified.

Classification	Number of days past due	Provision
Normal (A)	0 - 30 days or other factors	0.5%
Special mention (B)	30 - 89 days or other factors	3%
Substandard (C)	90 - 179 days or other factors	20%
Doubtful (D)	180 - 359 days or other factors	50%
Loss (E)	Over 360 days or other factors	100%

In accordance with the approval by BoL in June 2014, the general allowance is no longer required for certain Normal outstanding loans and advances which are regarded as low risk by BoL.

Recoveries on loans previously written off and reversals of previous provisions are disclosed as a deduction from the provision for bad and doubtful accounts in the statement of income.

(g) Deposits with banks

Deposits with banks are carried at cost.

(h) Property and equipment

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

(ii) Depreciation of property and equipment is charged to the statement of income on a straight line basis over the estimated useful lives of the individual assets at the following annual rates:

Buildings	5%
Leasehold improvement	10%
Electronic equipment	20%
Furniture, fitting and office equipment	20%
Vehicle	20%

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to financial statements (continued)
Year ended 31 December 2015

3. Summary of significant accounting policies (continued)

(h) Property and equipment (continued)

- (iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Branch. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the statement of income on the date of retirement or disposal.
- (v) Fully depreciated property and equipment is retained on the balance sheet until disposed of or written off.

(i) Intangible assets

(i) Software

Software acquired by the Branch is stated at cost less accumulated amortization and accumulated impairment loss, if any.

Subsequent expenditure on software assets is capitalized only when it increases future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed when incurred.

Amortization is recognised in the statement of income on a straight line basis over the estimated useful life of software, from the date that it is available for use. The estimated useful life of software is 5 years.

ii) Land use rights

Land use rights include costs incurred to purchase formal rights to use land and land compensation costs. The initial cost is based on the costs incurred and the value of land approved by the Government at the time of purchase. Amortisation is provided on a straight line basis over the expected period of benefit from the land use rights.

(j) Deposits

Deposits are stated at placement value and are adjusted for interest accrued thereon.

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to financial statements (continued)
Year ended 31 December 2015

3. Summary of significant accounting policies (continued)

(k) Interest expense

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

(l) Income tax

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

Provision is made for taxation based on the current year's total revenue as per the laws governing taxation within the Lao PDR. For each profitable year, the company is subject to the current tax rate of 24% on total taxable income.

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

The taxation system in Lao PDR is relatively new and is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Lao PDR substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

(m) Provisions

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

(n) Related parties

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

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to financial statements (continued)
Year ended 31 December 2015

4. Cash

	2015	2014
	LAK	LAK
Lao Kip (“LAK”)	14,914,199,502	9,248,342,500
United States Dollar (“USD”)	52,874,519,599	23,332,764,924
Thai Baht (“THB”)	6,217,254,191	7,506,094,876
China Yuan (“CNY”)	6,794,526,580	2,228,819,626
	80,800,499,872	42,316,021,926

5. Amounts due from other banks

	2015	2014
	LAK	LAK
Lao Kip (“LAK”)	69,213,908,627	19,166,063,414
Other foreign items	3,193,740,298,349	166,029,943,081
	3,262,954,206,976	185,196,006,495

a) Domestic items

	2015	2014
	LAK	LAK
At call		
Bank of the Lao PDR	68,076,268,432	15,900,705,657
Other commercial banks	1,137,640,195	3,265,357,757
	69,213,908,627	19,166,063,414

b) Foreign items

	2015	2014
	LAK	LAK
At call		
USD	3,057,848,126,492	76,290,336,398
THB	12,235,940,938	12,296,680,697
CNY	123,656,230,919	77,442,925,986
	3,193,740,298,349	166,029,943,081

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to financial statements (continued)
Year ended 31 December 2015

6. Statutory deposits with Central Bank

	2015	2014
	LAK	LAK
Statutory deposits on:		
Capital	5,000,000	7,539,719,883
Customer deposits	310,910,885,074	145,242,898,297
	310,915,885,074	152,782,618,180

Statutory deposits on capital and on customer deposits are maintained with the BoL in compliance with applicable BoL regulations.

These deposits do not earn interest.

7. Investments

	2015	2014
	LAK	LAK
Government Bonds	699,030,000,000	1,982,008,000,000
Financial Bonds	1,682,830,820,678	25,770,916,691
Accrued interest receivable	30,155,485,799	28,437,841,294
	2,412,016,306,477	2,036,216,757,985

Investments represent held-to-maturity investment in bonds. These bonds have maturities ranging from date 4 March 2016 to 6 October 2020 (2014: date 28 February 2015 to date 27 May 2019) and interest rates ranging from 4.76% to 6% (2014: 4.33% to 9%).

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to financial statements (continued)
Year ended 31 December 2015

8. Loans and advances

	2015	2014
	LAK	LAK
Loans and receivables:		
- Overdrafts	1,461,824,667	1,299,767,632
- Loans	5,627,408,783,239	9,412,231,072,701
	5,628,870,607,906	9,413,530,840,333
Allowances for bad and doubtful loans and advances:		
- General	(6,302,244,056)	(2,150,898,654)
	(6,302,244,056)	(2,150,898,654)
Loans and advances to customers	5,622,568,363,850	9,411,379,941,679

a) Classified by residual maturity

	2015	2014
	LAK	LAK
Within 1 year	5,352,964,387,096	8,691,867,907,798
Over 1 year	275,906,220,810	721,662,932,535
	5,628,870,607,906	9,413,530,840,333

b) Classified by currencies

	2015	2014
	LAK	LAK
LAK	829,363,874	1,055,839,711
USD	4,388,902,440,931	9,351,642,902,701
CNY	1,238,863,241,777	60,832,097,921
THB	275,561,324	-
	5,628,870,607,906	9,413,530,840,333

c) Classified by type of business

	2015	2014
	LAK	LAK
Industry	174,773,500,000	418,596,630,000
Technology	-	322,680,000,000
Service	24,387,000,000	80,670,000,000
Personal	1,796,340,811	1,441,172,535
Others	5,427,913,767,095	8,590,143,037,798
	5,628,870,607,906	9,413,530,840,333

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to financial statements (continued)
Year ended 31 December 2015

8. Loans and advances (continued)

d) Classified by performance

	2015	2014
	LAK	LAK
	<hr/>	<hr/>
Performing loans	5,628,870,607,906	9,413,530,840,333

e) Classified by interest rate (per annum)

	2015	2014
	%	%
	<hr/>	<hr/>
Loans		
USD	0.62%-7.50%	0.94%-8.00%
CNY	3.40%-5.10%	4.46%

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

	2015	2014
	LAK	LAK
	<hr/>	<hr/>
Balance at beginning of the year	2,150,898,654	31,276,339,691
Foreign exchange translation	4,460,842	122,800,622
Reversal made in the year	4,146,884,560	(29,248,241,659)
Balance at end of the year	6,302,244,056	2,150,898,654

9. Derivative financial assets

	2015	2014
	LAK	LAK
	<hr/>	<hr/>
Interest rate swap	205,195,795	544,632,534
Foreign exchange rate swap	17,467,372,303	-
	17,672,568,098	544,632,534

Industrial and Commercial Bank of China Limited Vientiane Branch

Notes to financial statements (continued)

Year ended 31 December 2015

10. Property and equipment

	Property LAK	Leasehold improvement LAK	Electronic equipment LAK	Furniture, fitting and office equipment LAK	Vehicle LAK	Construction in progress LAK	Total LAK
Cost							
Balance at 1 January 2014	-	10,361,077,500	2,642,247,220	387,205,636	2,848,597,850	1,739,232,154	17,978,360,360
Additions	-	-	631,290,361	1,754,735,841	-	84,901,783,049	87,287,809,251
Balance at 31 December 2014 and at 1 January 2015	-	10,361,077,500	3,273,537,581	2,141,941,477	2,848,597,850	86,641,015,203	105,266,169,611
Additions	-	-	777,059,008	1,126,957,845	-	74,293,300,232	76,197,317,085
Transfers	152,794,300,966	-	1,984,961,431	6,155,053,038	-	(160,934,315,435)	-
Balance at 31 December 2015	152,794,300,966	10,361,077,500	6,035,558,020	9,423,952,360	2,848,597,850	-	181,463,486,696
Accumulated depreciation							
Balance at 1 January 2014	-	2,169,784,800	809,993,913	90,381,134	1,004,653,463	-	4,074,813,310
Depreciation for the year	-	1,035,256,800	536,262,282	86,810,128	569,407,300	-	2,227,736,510
Balance at 31 December 2014 and at 1 January 2015	-	3,205,041,600	1,346,256,195	177,191,262	1,574,060,763	-	6,302,549,820
Depreciation for the year	5,752,010,000	1,035,256,800	1,050,592,629	1,547,947,326	569,407,300	-	9,955,214,055
Balance at 31 December 2015	5,752,010,000	4,240,298,400	2,396,848,824	1,725,138,588	2,143,468,063	-	16,257,763,875
Net book value							
At 1 January 2014	-	8,191,292,700	1,832,253,307	296,824,502	1,843,944,387	1,739,232,154	13,903,547,050
At 31 December 2014	-	7,156,035,900	1,927,281,386	1,964,750,215	1,274,537,087	86,641,015,203	98,963,619,791
At 31 December 2015	147,042,290,966	6,120,779,100	3,638,709,196	7,698,813,772	705,129,787	-	165,205,722,821

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to financial statements (continued)
Year ended 31 December 2015

11. Intangible assets

	Computer software LAK	Land use rights LAK	Total LAK
Cost			
Balance at 1 January 2014	195,991,044	51,863,500,000	52,059,491,044
Additions	-	-	-
Balance at 31 December 2014 and at 1 January 2015	195,991,044	51,863,500,000	52,059,491,044
Transfers	8,611,680	-	8,611,680
Balance at 31 December 2015	204,602,724	51,863,500,000	52,068,102,724
Accumulated amortisation			
Balance at 1 January 2014	29,070,554	582,204,141	611,274,695
Charge for the year	39,171,800	575,892,985	615,064,785
Balance at 31 December 2014 and at 1 January 2015	68,242,354	1,158,097,126	1,226,339,480
Charge for the year	40,468,119	575,892,985	616,361,104
Balance at 31 December 2015	108,710,473	1,733,990,111	1,842,700,584
Net book value			
At 1 January 2014	166,920,490	51,281,295,859	51,448,216,349
At 31 December 2014	127,748,690	50,705,402,874	50,833,151,564
At 31 December 2015	95,892,251	50,129,509,889	50,225,402,140

12. Other assets

	2015 LAK	2014 LAK
Accrued interest receivable	36,381,975,174	17,612,580,839
Other receivables and prepayments	5,295,908,774	6,544,496,606
	41,677,883,948	24,157,077,445

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to financial statements (continued)
Year ended 31 December 2015

13. Deposits from customers

a) Classified by type of deposits

	2015	2014
	LAK	LAK
Current	2,043,583,267,855	1,853,468,901,060
Savings	226,226,405,185	170,865,836,972
Term (contractual maturity):		
Within 1 year	991,818,008,370	28,101,290,516
Over 1 year	27,017,041,973	15,380,218,964
	3,288,644,723,383	2,067,816,247,512

b) Classified by currencies

	2015	2014
	LAK	LAK
LAK	106,239,437,136	58,810,855,252
USD	3,018,674,628,073	1,858,630,446,269
THB	15,155,448,931	16,497,257,504
CNY	148,575,209,243	133,877,688,487
	3,288,644,723,383	2,067,816,247,512

c) Interest rate (per annum)

	2015	2014
	%	%
Saving accounts		
LAK	1.00%	0.50% - 2.00%
USD	0.25%-1.25%	0.75% - 1.25%
THB	0.25%-0.50%	0.25% - 0.50%
CNY	0.50%	0.20%
Fixed deposits		
LAK	2.50%-11.00%	5.00% - 11.00%
USD	1.25% - 6.25%	2.00% - 6.25%
THB	0.75%-4.50%	0.75% - 4.50%
CNY	0.30%-3.00%	0.30% - 0.40%

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to financial statements (continued)
Year ended 31 December 2015

14. Amounts due to other banks

	2015	2014
	LAK	LAK
At Call	<u>171,646,237,322</u>	<u>25,710,930,457</u>
a) By residence:		
	2015	2014
	LAK	LAK
Domestic	<u>171,646,237,322</u>	<u>25,710,930,457</u>
b) By currency:		
	2015	2014
	LAK	LAK
LAK	70,047,509,480	209,821
USD	35,144,498,087	17,509,922,121
CNY	66,454,229,755	8,200,798,515
	<u>171,646,237,322</u>	<u>25,710,930,457</u>

15. Borrowings from other than head office and other branches

	2015	2014
	LAK	LAK
Industrial and Commercial Bank of China (Asia) Limited	-	484,020,000,000
	<u>-</u>	<u>484,020,000,000</u>

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to financial statements (continued)
Year ended 31 December 2015

16. Tax liabilities

	2015	2014
	LAK	LAK
Corporate Tax	11,551,520,962	4,712,510,182
Withholding tax – PIT	-	173,289,624
Other withholding tax	1,095,813,803	48,655,715
	12,647,334,765	4,934,455,521

17. Derivative financial liabilities

	2015	2014
	LAK	LAK
FX standard CNY internal swap contract	202,386,412	-
IR standard external swap contract	22,591,629	-
	224,978,041	-

18. Other liabilities

	2015	2014
	LAK	LAK
Accrued interest payables	41,539,808,669	22,669,908,359
Payable to employees	1,624,902,000	5,786,515,000
Settlement accounts	7,651,253,087	32,866,502,175
Deferred income	131,187,280	567,432,780
Other payables	7,526,630,550	258,487,402
	58,473,781,586	62,148,845,716

19. Head office's capital contribution

	2015	2014
	LAK	LAK
Contributed legal capital	239,970,000,000	239,970,000,000

20. Statutory reserve

The statutory reserve is provided for at the rate of at least 10% of profit during the year in accordance with regulations of the Bank of the Lao PDR.

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to financial statements (continued)
Year ended 31 December 2015

21. Interest expense

	2015	2014
	LAK	LAK
Deposits	18,961,830,169	3,080,495,004
Inter bank and money market items	145,745,072,260	69,473,752,857
Borrowings from other than head office and other branches	2,767,326,907	42,279,245,862
	167,474,229,336	114,833,493,723

22. Other income

	2015	2014
	LAK	LAK
Fee and commission income/(expenses)		
Commissions on banks	739,557,064	448,560,529
Commissions on guarantees	25,331,635	13,594,105
Commissions on letters of credit	17,786,709	45,431,376
Commissions on fund transfers	1,634,489,203	1,625,730,388
Commissions on e-Banking	57,908,856	90,214,937
Fees on financial services	5,179,717,301	3,530,888,885
Others	(1,507,057,797)	(539,654,077)
Total fee and commission income	6,147,732,971	5,214,766,143
Gain on foreign exchange	74,056,302,276	2,861,033,003
Other income	801,931,216	6,362,224
	81,005,966,463	8,082,161,370

23. Income tax

	2015	2014
	LAK	LAK
Tax expenses	19,937,014,101	26,860,076,810

The corporate tax expense is calculated at 24% on taxable income.

The calculation of taxable income is subject to review and approval of the tax authorities.

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to financial statements (continued)
Year ended 31 December 2015

24. Cash and cash equivalents

	2015	2014
	LAK	LAK
Cash	80,800,499,872	42,316,021,926
Deposits and placements with head office and other branches	3,081,427,165,032	823,021,729,795
Deposits and placements with other banks	3,262,954,206,976	185,196,006,495
	6,425,181,871,880	1,050,533,758,216

25. Related party transactions

A portion of the Branch's assets, liabilities, revenue and expenses has arisen from transactions with related parties. These parties are related through common shareholdings and / or directorships. The financial statements reflect the effects of these transactions, which are through negotiated agreements.

(a) Head Office and other branches of the same juristic person

	2015	2014
	LAK	LAK
Interbank and money market items		
Due from head office and other branches	1,870,921,994,086	727,682,755,723
Loans to other branches	1,210,505,170,946	95,338,974,072
Subtotal	3,081,427,165,032	823,021,729,795
Interest receivable	9,046,333,323	88,422,306
Total	3,090,473,498,355	823,110,152,101

(i) Foreign items

	2015	2014
	LAK	LAK
USD	2,498,067,909,359	776,626,960,032
CNY	591,717,080,669	46,452,275,425
EUR	688,508,327	30,916,644
	3,090,473,498,355	823,110,152,101

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to financial statements (continued)
Year ended 31 December 2015

25. Related party transactions (continued)

(a) Head Office and other branches of the same juristic person (continued)

	2015	2014
	LAK	LAK
Other balances at end of the year:		
Deposits from other branches	(1,346,635,638,749)	(1,332,595,257,721)
Borrowings from head office and other branches	(9,804,422,275,043)	(8,482,536,170,000)
Subtotal	<u>(11,151,057,913,792)</u>	<u>(9,815,131,427,721)</u>
Interest payable	(26,433,382,795)	(13,191,407,073)
Total	<u>(11,177,491,296,587)</u>	<u>(9,828,322,834,794)</u>
Transactions during the year:		
Interest income on interbank and money market items	17,166,251,654	4,441,958,299
Interest expense on interbank and money market items	(145,745,072,260)	(69,473,752,857)

(b) Other related parties

	2015	2014
	LAK	LAK
Balances at end of the year:		
Due from other banks	3,019,127,085,197	81,359,934,582
Borrowings from other than head office and other branches	-	(484,020,000,000)
Transactions during the year:		
Interest income on amounts due from other banks	7,412,695,624	227,582,496
Interest expense on borrowings from other than head office and other branches	(2,767,326,907)	(42,279,245,862)

26. Commitments

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

	2015	2014
	LAK	LAK
Letters of guarantee outstanding	-	339,854,643
	-	<u>339,854,643</u>