

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

Audited Financial Statements  
and  
Independent Auditors' Report  
Year ended 31 December 2016

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

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## Corporate Information

|                            |   |  |
|----------------------------|---|--|
| <b>Bank</b>                | Industrial and Commercial Bank of China Limited<br>Vientiane Branch   |  |
| <b>Banking Licence No.</b> | 18/BOL date 08 May 2015<br>Business Registration Certificate No. 519<br>date 28 July 2015                   |  |
| <b>Board of Management</b> | Mr. Lu Jian   | General Manager  |
|                            | Mr. Chen Yingzhi  | Deputy General Manager<br>(appointed on 25 September<br>2012, and resigned on 29<br>August 2016) |
|                            | Mr. Joxiong Bouasinengma  | Deputy General Manager   |
|                            | Mr. Chen Wenxian  | Deputy General Manager<br>(appointed on 27 November<br>2016)                                     |
| <b>Registered Office</b>   | Unit 12, Asean Road<br>Sibounheuang Village<br>Chanthabouly District<br>Vientiane Capital, Lao PDR          |  |
| <b>Auditors</b>            | KPMG Lao Co., Ltd<br>4th Floor, K.P. Tower<br>23 Singha Road<br>P.O. Box 6978<br>Vientiane Capital, Lao PDR |  |

**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 and for ensuring that the financial statements are prepared in all material respects the financial position of the Branch as at 31 December 2016, and the statement of income, statement of changes in equity and statement of cash flows for the year then ended 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 6 to 32 give a true and fair view of the financial position of Industrial and Commercial Bank of China Limited Vientiane Branch as at 31 December 2016 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 accounting principles generally accepted in the Lao PDR.

*Signed on behalf of the Board of Management,*



Lu Jian  
 General Manager  
 Date: 24 March 2017

## **INDEPENDENT AUDITORS' REPORT**

**To: The Board of Directors**

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

### *Opinion*

We have audited the financial statements of Industrial and Commercial Bank of China Limited Vientiane Branch (the "Branch"), which comprise the statement of financial position as at 31 December 2016, the statements of income, changes in equity and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with the accounting policies as describe in Notes 2 and 3 to the financial statements.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Branch in accordance with the Code of Ethics that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Emphasis of Matter*

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



### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting regulations and generally accounting principles in the Lao People's Democratic Republic ("Lao PDR"), 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.

In preparing the financial statements, management is responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a



We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Lao Co., Ltd

KPMG Lao Co., Ltd  
Vientiane Capital, Lao PDR

Date: 24 March 2017



Industrial and Commercial Bank of China Limited Vientiane Branch  
Statement of Financial Position as at 31 December 2016

|   | Note  | 2016<br>LAK               | 2015<br>LAK               |
|---|-------|---------------------------|---------------------------|
| <b>ASSETS</b>                                   |       |                           |                           |
| Cash  | 4     | 94,719,941,165            | 80,800,499,872            |
| Interbank and money market items                |       |                           |                           |
| Amounts due from head office and other branches | 25(a) | 2,950,238,517,199         | 3,081,427,165,032         |
| Amounts due from other banks                    | 5     | 7,173,398,313,935         | 3,262,954,206,976         |
| Statutory deposits with Central Bank            | 6     | 347,068,803,468           | 310,915,885,074           |
| Investments                                     | 7     | 3,228,516,429,594         | 2,412,016,306,477         |
| Loans and advances                              | 8     | 7,942,685,514,815         | 5,622,568,363,850         |
| Derivative financial assets                     | 9     | 91,879,015,327            | 17,672,568,098            |
| Property and equipment                          | 10    | 148,122,230,027           | 165,205,722,821           |
| Intangible assets                               | 11    | 49,607,147,184            | 50,225,402,140            |
| Deferred tax assets                             | 12    | 4,028,930,670             | -                         |
| Other assets                                    | 13    | 137,972,344,310           | 41,677,883,948            |
| <b>Total assets</b>                             |       | <b>22,168,237,187,694</b> | <b>15,045,464,004,288</b> |

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 2016**

|                                      | Note  | 2016<br>LAK               | 2015<br>LAK               |
|--------------------------------------|-------|---------------------------|---------------------------|
| <b><u>LIABILITIES AND EQUITY</u></b> |       |                           |                           |
| <b>Liabilities</b>                   |       |                           |                           |
| Deposits from customers              | 14    | 3,865,566,033,459         | 3,288,644,723,383         |
| Interbank and money market items     |       |                           |                           |
| Amounts due to other branches        | 25(a) | 17,514,477,153,244        | 11,151,057,913,792        |
| Amounts due to other banks           | 15    | 162,526,608,964           | 171,646,237,322           |
| Tax liabilities                      | 16    | 11,600,646,520            | 12,647,334,765            |
| Derivative financial liabilities     | 17    | 80,911,110,938            | 224,978,041               |
| Other liabilities                    | 18    | 120,494,284,186           | 58,473,781,586            |
| <b>Total liabilities</b>             |       | <b>21,755,575,837,311</b> | <b>14,682,694,968,889</b> |
| <b>Equity</b>                        |       |                           |                           |
| Head office's capital contribution   | 19    | 239,970,000,000           | 239,970,000,000           |
| Statutory reserve                    | 20    | 35,581,061,318            | 22,826,058,656            |
| Retained earnings                    |       | 137,110,289,065           | 99,972,976,743            |
| <b>Total equity</b>                  |       | <b>412,661,350,383</b>    | <b>362,769,035,399</b>    |
| <b>Total liabilities and equity</b>  |       | <b>22,168,237,187,694</b> | <b>15,045,464,004,288</b> |

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 2016**

|  | Note | 2016<br>LAK              | 2015<br>LAK              |
|--|------|--------------------------|--------------------------|
| <b>Interest income</b>                                   |      |                          |                          |
| Interest from loans and advances                         |      | 111,200,212,108          | 122,880,755,266          |
| Interest from interbank and money market items           |      | 167,089,074,436          | 25,141,960,191           |
| Interest from investment in bonds                        |      | 160,420,492,504          | 105,959,001,175          |
| <b>Total interest income</b>                             |      | <b>438,709,779,048</b>   | <b>253,981,716,632</b>   |
| <b>Interest expense</b>                                  |      |                          |                          |
| Interest on deposits                                     |      | (30,150,709,911)         | (18,961,830,169)         |
| Interest on interbank and money market items             |      | (249,657,831,979)        | (148,512,399,167)        |
| <b>Total interest expense</b>                            | 21   | <b>(279,808,541,890)</b> | <b>(167,474,229,336)</b> |
| <b>Net interest income</b>                               |      | <b>158,901,237,158</b>   | <b>86,507,487,296</b>    |
| Provision for bad and doubtful loans and advances        | 8    | (9,704,507,532)          | (4,146,884,560)          |
| <b>Net income from interest after doubtful accounts</b>  |      | <b>149,196,729,626</b>   | <b>82,360,602,736</b>    |
| <b>Other income</b>                                      |      |                          |                          |
| Fees and services income, net                            |      | 4,954,758,829            | 6,147,732,971            |
| Gain on foreign exchange                                 |      | 78,967,041,905           | 74,056,302,276           |
| Other income   |      | 1,285,138,356            | 801,931,216              |
| <b>Total other income</b>                                | 22   | <b>85,206,939,090</b>    | <b>81,005,966,463</b>    |
| <b>Income before non-interest expense and income tax</b> |      | <b>234,403,668,716</b>   | <b>163,366,569,199</b>   |

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Statement of Income**  
**Year ended 31 December 2016**

|  | Note | 2016<br>LAK                   | 2015<br>LAK                   |
|--|------|-------------------------------|-------------------------------|
| <b>Operating expenses</b>              |      |                               |                               |
| Personnel expenses                     |      | (35,873,381,164)              | (18,430,390,497)              |
| Depreciation and amortisation expenses |      | (18,104,654,350)              | (10,571,575,159)              |
| Other expenses                         |      | (12,291,095,433)              | (11,833,426,252)              |
|  |      | <u>(66,269,130,947)</u>       | <u>(40,835,391,908)</u>       |
| <b>Profit before income tax</b>        |      | 168,134,537,769               | 122,531,177,291               |
| Income tax                             | 23   | (40,557,456,383)              | (19,937,014,101)              |
| <b>Profit for the year</b>             |      | <u><b>127,577,081,386</b></u> | <u><b>102,594,163,190</b></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 2016

|   | Head office's capital contribution |  | Statutory reserve |  | Retained earnings |  | Total             |  |
|---|------------------------------------|--|-------------------|--|-------------------|--|-------------------|--|
|   | LAK                                |  | LAK               |  | LAK               |  | LAK               |  |
| <b>Balance at 1 January 2015</b>                      | 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) |  |
| <b>Balance at 31 December 2015 and 1 January 2016</b> | 239,970,000,000                    |  | 22,826,058,656    |  | 99,972,976,743    |  | 362,769,035,399   |  |
| Profit for the year                                   | -                                  |  | -                 |  | 127,577,081,386   |  | 127,577,081,386   |  |
| Statutory reserve for the year                        | -                                  |  | 12,755,002,662    |  | (12,755,002,662)  |  | -                 |  |
| Profit appropriation                                  | -                                  |  | -                 |  | (77,684,766,402)  |  | (77,684,766,402)  |  |
| <b>Balance at 31 December 2016</b>                    | 239,970,000,000                    |  | 35,581,061,318    |  | 137,110,289,065   |  | 412,661,350,383   |  |

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 2016**

|  | Note | 2016<br>LAK                | 2015<br>LAK              |
|--|------|----------------------------|--------------------------|
| <b>Cash flows from operating activities</b>                                  |      |                            |                          |
| Profit after tax   |      | <u>127,577,081,386</u>     | <u>102,594,163,190</u>   |
| <i>Adjustments for:</i>  |      |                            |                          |
| Allowance for doubtful debts   |      | 9,704,507,532              | 4,146,884,560            |
| Depreciation and amortisation  |      | 18,104,654,350             | 10,571,575,159           |
| Income from investment in bonds  |      | (160,420,492,504)          | (105,959,001,175)        |
| Fair value loss/ (gain) on<br>derivative financial assets and<br>liabilities |      | 6,369,138,191              | (17,147,161,400)         |
| Income tax expenses  |      | 40,557,456,383             | 19,937,014,101           |
|  |      | <u>41,892,345,338</u>      | <u>14,143,474,435</u>    |
| Change in operating assets / liabilities                                     |      |                            |                          |
| Change in interbank and money<br>market assets                               |      | (7,536,316,675,971)        | -                        |
| Change in statutory deposits   |      | (36,152,918,394)           | (158,133,266,894)        |
| Change in loans and advances to<br>customers                                 |      | (2,329,821,658,497)        | 3,784,660,232,427        |
| Change in derivative financial<br>assets and liabilities                     |      | 110,547,477                | (205,752,205)            |
| Change in other assets   |      | (96,294,460,362)           | (17,520,806,503)         |
| Change in deposits from<br>customers   |      | 576,921,310,076            | 1,220,828,475,871        |
| Change in interbank and money<br>market liabilities                          |      | 6,354,299,611,094          | 998,296,209,860          |
| Change in withholding tax<br>liabilities                                     |      | (1,095,813,803)            | 873,868,464              |
| Change in other liabilities  |      | 62,020,502,600             | (3,675,064,130)          |
| Income tax paid  |      | (44,537,261,495)           | (13,098,003,321)         |
| <b>Net cash (used in)/ generated from<br/>operating Activities</b>           |      | <u>(3,008,974,471,937)</u> | <u>5,826,169,368,004</u> |
| <b>Cash flows from investing activities</b>                                  |      |                            |                          |
| Acquisition of property and<br>equipment                                     |      | (402,906,600)              | (76,197,317,085)         |
| Acquisition of intangible assets   |      | -                          | (8,611,680)              |
| Purchases of bond investments  |      | (1,281,244,648,571)        | (617,740,000,000)        |
| Proceeds from sale and<br>redemption of bond investments                     |      | 479,395,469,249            | 243,658,096,013          |
| Income from investment in bonds  |      | 145,769,548,709            | 104,241,356,670          |
| <b>Net cash used in investing activities</b>                                 |      | <u>(656,482,537,213)</u>   | <u>(346,046,476,082)</u> |



**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Statement of Cash Flows**  
**Year ended 31 December 2016**

|   | Note | 2016<br>LAK                     | 2015<br>LAK                     |
|---|------|---------------------------------|---------------------------------|
| <b>Cash flows from financing activities</b>     |      |                                 |                                 |
| Payment for profit distribution                 |      | (77,684,766,402)                | (105,474,778,258)               |
| <b>Net cash used in financing activities</b>    |      | <u>(77,684,766,402)</u>         | <u>(105,474,778,258)</u>        |
| <b>Net change in cash and cash equivalents</b>  |      | <b>(3,743,141,775,552)</b>      | <b>5,374,648,113,664</b>        |
| Cash and cash equivalents at 1 January          |      | 6,425,181,871,880               | 1,050,533,758,216               |
| <b>Cash and cash equivalents at 31 December</b> | 24   | <u><b>2,682,040,096,328</b></u> | <u><b>6,425,181,871,880</b></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**  
**Notes to Financial Statements**  
**Year ended 31 December 2016**

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**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 Unit 12, 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 18/BOL 08 May 2015 and amendment Banking Business License in July 2015.

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 2016, the Branch had 92 (2015: 80) 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 24 March 2017.

**(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 2016**

**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 foreign currencies are translated to the respective functional currency at exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rates at the reporting date. All realised and unrealised foreign exchange differences arising from translation are recognised in the statement of income.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the function currency at the exchange rates at the dates of transactions.

The applicable exchange rates for the LAK against foreign currencies were as follows:

|                             | <b>31 December 2016</b> | <b>31 December 2015</b> |
|-----------------------------|-------------------------|-------------------------|
|                             | <b>LAK</b>              | <b>LAK</b>              |
| United State Dollar ("USD") | 8,165.00                | 8,129.00                |
| Thai Baht ("THB")           | 229.14                  | 226.02                  |
| Chinese Yuan ("CNY")        | 1,163.05                | 1,225.82                |
| Euro ("EUR")                | 8,618.00                | 8,868.00                |
| HongKong Dollar ("HKD")     | 997.94                  | 993.48                  |
| Japanese Yen ("JPY")        | 69.31                   | 66.51                   |

**(c) Fiscal Year**

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

**3. Significant accounting policies**

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**(a) Financial instruments**

The Branch's significant financial assets and liabilities include cash and cash equivalents, originated loans and receivables, deposits, investments, interbank 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 2016**

**3. 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 amortised 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, except bank overdrafts, 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 2016**

**3. Significant accounting policies (continued)**

**(f) Provision 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% or 0.19% 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.

| <b>Classification</b> | <b>Number of days past due</b>  | <b>Provision</b> |
|-----------------------|---------------------------------|------------------|
| Normal (A)            | 0 - 30 days or other factors    | 0.5%/0.19%       |
| 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 regulation of BoL in 2016, for certain Normal outstanding loans and advances which are regarded as low risk by BoL, the general allowance is provisioned at no higher than 0.5% of these Normal outstanding loans and advances.

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**

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.

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 asset at the following annual rates:

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



**3. Significant accounting policies (continued)**

**(h) Property and equipment (continued)**

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.

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.

Fully depreciated property and equipment is retained on statement of financial position until disposed of or written off.

**(i) Intangible assets**

**(i) Software**

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

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

Amortisation 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.

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Notes to Financial Statements (continued)**  
**Year ended 31 December 2016**

**3. Significant accounting policies (continued)**

**(k) Interest expense**

Interest expense on deposits from customers and interbank and money market items (liabilities) is recognised in statement of income on an accrual basis.

**(l) Income tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss.

**Current 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 Branch is subject to the current tax rate of 24% on total taxable income.

**Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Branch expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Notes to Financial Statements (continued)**  
**Year ended 31 December 2016**

**3. Significant accounting policies (continued)**

**(l) Income tax (continued)**

**Tax exposures**

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 characterised 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 2016

4. Cash

|                              | 2016<br>LAK           | 2015<br>LAK           |
|------------------------------|-----------------------|-----------------------|
| Lao Kip (“LAK”)              | 50,099,232,500        | 14,914,199,502        |
| United States Dollar (“USD”) | 20,102,132,020        | 52,874,519,599        |
| Thai Baht (“THB”)            | 4,512,719,822         | 6,217,254,191         |
| China Yuan (“CNY”)           | 20,005,856,823        | 6,794,526,580         |
|                              | <u>94,719,941,165</u> | <u>80,800,499,872</u> |

5. Amounts due from other banks

|                     | 2016<br>LAK              | 2015<br>LAK              |
|---------------------|--------------------------|--------------------------|
| Lao Kip (“LAK”)     | 123,976,565,225          | 69,213,908,627           |
| Other foreign items | 7,049,421,748,710        | 3,193,740,298,349        |
|                     | <u>7,173,398,313,935</u> | <u>3,262,954,206,976</u> |

a) Domestic items

|                        | 2016<br>LAK            | 2015<br>LAK           |
|------------------------|------------------------|-----------------------|
| <b>At call</b>         |                        |                       |
| Bank of the Lao PDR    | 123,084,631,474        | 68,076,268,432        |
| Other commercial banks | 891,933,751            | 1,137,640,195         |
|                        | <u>123,976,565,225</u> | <u>69,213,908,627</u> |

b) Foreign items

|                | 2016<br>LAK              | 2015<br>LAK              |
|----------------|--------------------------|--------------------------|
| <b>At call</b> |                          |                          |
| USD            | 6,198,460,506,570        | 3,057,848,126,492        |
| THB            | 41,454,751,472           | 12,235,940,938           |
| CNY            | 21,103,220,189           | 123,656,230,919          |
| HKD            | 2,020,479                | -                        |
| JPY            | 788,401,250,000          | -                        |
|                | <u>7,049,421,748,710</u> | <u>3,193,740,298,349</u> |



**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Notes to Financial Statements (continued)**  
**Year ended 31 December 2016**

**6. Statutory deposits with Central Bank**

|                        | <b>2016</b>            | <b>2015</b>            |
|------------------------|------------------------|------------------------|
|                        | <b>LAK</b>             | <b>LAK</b>             |
| Statutory deposits on: |                        |                        |
| Capital                | 5,000,000              | 5,000,000              |
| Customer deposits      | 347,063,803,468        | 310,910,885,074        |
|                        | <b>347,068,803,468</b> | <b>310,915,885,074</b> |

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**

|                             | <b>2016</b>              | <b>2015</b>              |
|-----------------------------|--------------------------|--------------------------|
|                             | <b>LAK</b>               | <b>LAK</b>               |
| Government Bonds            | 701,550,000,000          | 699,030,000,000          |
| Financial Bonds             | 2,482,160,000,000        | 1,682,830,820,678        |
| Accrued interest receivable | 44,806,429,594           | 30,155,485,799           |
|                             | <b>3,228,516,429,594</b> | <b>2,412,016,306,477</b> |

Investments represent held-to-maturity investment in bonds. These bonds have maturities ranging from date 29 May 2017 to date 21 June 2021 (2015: 4 March 2016 to 6 October 2020) and interest rates ranging from 4.76% to 6% (2015: 4.76% to 6%).



**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Notes to Financial Statements (continued)**  
**Year ended 31 December 2016**

**8. Loans and advances**

|   | <b>2016</b>              | <b>2015</b>              |
|---|--------------------------|--------------------------|
|   | <b>LAK</b>               | <b>LAK</b>               |
| Loans and receivables:                              |                          |                          |
| - Overdrafts  | 1,951,953,339            | 1,461,824,667            |
| - Loans   | 7,956,576,849,093        | 5,627,408,783,239        |
|   | <b>7,958,528,802,432</b> | <b>5,628,870,607,906</b> |
| Allowances for bad and doubtful loans and advances: |                          |                          |
| - General   | (15,843,287,617)         | (6,302,244,056)          |
|   | <b>(15,843,287,617)</b>  | <b>(6,302,244,056)</b>   |
| Loans and advances to customers                     | <b>7,942,685,514,815</b> | <b>5,622,568,363,850</b> |

**a) Classified by residual maturity**

|               | <b>2016</b>              | <b>2015</b>              |
|---------------|--------------------------|--------------------------|
|               | <b>LAK</b>               | <b>LAK</b>               |
| Within 1 year | 7,361,329,625,874        | 5,352,964,387,096        |
| Over 1 year   | 597,199,176,558          | 275,906,220,810          |
|               | <b>7,958,528,802,432</b> | <b>5,628,870,607,906</b> |

**b) Classified by currencies**

|     | <b>2016</b>              | <b>2015</b>              |
|-----|--------------------------|--------------------------|
|     | <b>LAK</b>               | <b>LAK</b>               |
| LAK | 938,785,485              | 829,363,874              |
| USD | 1,724,846,156,999        | 4,388,902,440,931        |
| CNY | 6,232,288,679,845        | 1,238,863,241,777        |
| THB | 455,180,103              | 275,561,324              |
|     | <b>7,958,528,802,432</b> | <b>5,628,870,607,906</b> |

**c) Classified by type of business**

|            | <b>2016</b>              | <b>2015</b>              |
|------------|--------------------------|--------------------------|
|            | <b>LAK</b>               | <b>LAK</b>               |
| Industry   | 8,165,000,000            | 174,773,500,000          |
| Commercial | 8,981,500,000            | 8,941,900,000            |
| Service    | 95,838,414,034           | 24,387,000,000           |
| Personal   | 12,752,465,021           | 3,258,165,480            |
| Others     | 7,832,791,423,377        | 5,417,510,042,426        |
|            | <b>7,958,528,802,432</b> | <b>5,628,870,607,906</b> |

Industrial and Commercial Bank of China Limited Vientiane Branch  
Notes to Financial Statements (continued)  
Year ended 31 December 2016

8. Loans and advances (continued)

d) Classified by performance

|                  | 2016<br>LAK       | 2015<br>LAK       |
|------------------|-------------------|-------------------|
| Performing loans | 7,958,528,802,432 | 5,628,870,607,906 |

e) Classified by interest rate (per annum)

|     | 2016<br>%   | 2015<br>%   |
|-----|-------------|-------------|
| USD | 1.09%-8.16% | 0.62%-7.50% |
| CNY | 3%-5%       | 3.40%-5.10% |

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

|                                  | 2016<br>LAK    | 2015<br>LAK   |
|----------------------------------|----------------|---------------|
| Balance at beginning of the year | 6,302,244,056  | 2,150,898,654 |
| Foreign exchange translation     | (163,463,971)  | 4,460,842     |
| Provision made in the year       | 9,704,507,532  | 4,146,884,560 |
| Balance at end of the year       | 15,843,287,617 | 6,302,244,056 |

9. Derivative financial assets

|                               | 2016<br>LAK    | 2015<br>LAK    |
|-------------------------------|----------------|----------------|
| Foreign exchange rate forward | 508,973,440    | -              |
| Interest rate swap            | -              | 205,195,795    |
| Foreign exchange rate swap    | 91,370,041,887 | 17,467,372,303 |
|                               | 91,879,015,327 | 17,672,568,098 |

Industrial and Commercial Bank of China Limited Vientiane Branch

Notes to Financial Statements (continued)

Year ended 31 December 2016

10. Property and equipment

|  | Property               |                       | Leasehold improvement |                      | Electronic equipment |                   | Furniture, fitting and office equipment |     | Vehicle |     | Construction in progress |     | Total |     |
|--|------------------------|-----------------------|-----------------------|----------------------|----------------------|-------------------|---|-----|---------|-----|--------------------------|-----|-------|-----|
|  | LAK                    | LAK                   | LAK                   | LAK                  | LAK                  | LAK               | LAK                                     | LAK | LAK     | LAK | LAK                      | LAK | LAK   | LAK |
| <b>Cost</b>  |                        |                       |                       |                      |                      |                   |   |     |         |     |                          |     |       |     |
| Balance 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) | -                                       |     |         |     |                          |     |       |     |
| <b>Balance at 31 December 2015 and at 1 January 2016</b> | <b>152,794,300,966</b> | <b>10,361,077,500</b> | <b>6,035,558,020</b>  | <b>9,423,952,360</b> | <b>2,848,597,850</b> | <b>-</b>          | <b>181,463,486,696</b>                  |     |         |     |                          |     |       |     |
| Additions  | -                      | -                     | 334,125,586           | 68,781,014           | -                    | -                 | 402,906,600                             |     |         |     |                          |     |       |     |
| <b>Balance at 31 December 2016</b>                       | <b>152,794,300,966</b> | <b>10,361,077,500</b> | <b>6,369,683,606</b>  | <b>9,492,733,374</b> | <b>2,848,597,850</b> | <b>-</b>          | <b>181,866,393,296</b>                  |     |         |     |                          |     |       |     |
| <b>Accumulated depreciation</b>                          |                        |                       |                       |                      |                      |                   |   |     |         |     |                          |     |       |     |
| Balance 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                           |     |         |     |                          |     |       |     |
| <b>Balance at 31 December 2015 and at 1 January 2016</b> | <b>5,752,010,000</b>   | <b>4,240,298,400</b>  | <b>2,396,848,824</b>  | <b>1,725,138,588</b> | <b>2,143,468,063</b> | <b>-</b>          | <b>16,257,763,875</b>                   |     |         |     |                          |     |       |     |
| Depreciation for the year                                | 7,655,402,400          | 6,120,779,100         | 1,250,191,868         | 1,889,058,706        | 570,967,320          | -                 | 17,486,399,394                          |     |         |     |                          |     |       |     |
| <b>Balance at 31 December 2016</b>                       | <b>13,407,412,400</b>  | <b>10,361,077,500</b> | <b>3,647,040,692</b>  | <b>3,614,197,294</b> | <b>2,714,435,383</b> | <b>-</b>          | <b>33,744,163,269</b>                   |     |         |     |                          |     |       |     |
| <b>Carrying amounts</b>                                  |                        |                       |                       |                      |                      |                   |   |     |         |     |                          |     |       |     |
| At 1 January 2015  | -                      | 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                         |     |         |     |                          |     |       |     |
| At 31 December 2016                                      | 139,386,888,566        | -                     | 2,722,642,914         | 5,878,536,080        | 134,162,467          | -                 | 148,122,230,027                         |     |         |     |                          |     |       |     |

Industrial and Commercial Bank of China Limited Vientiane Branch  
Notes to Financial Statements (continued)  
Year ended 31 December 2016

**11. Intangible assets**

|  | Software<br>LAK    | Land use<br>rights<br>LAK | Total<br>LAK          |
|--|--------------------|---------------------------|-----------------------|
| <b>Cost</b>  |                    |                           |                       |
| Balance at 1 January 2015                                    | 195,991,044        | 51,863,500,000            | 52,059,491,044        |
| Transfers  | 8,611,680          | -                         | 8,611,680             |
| <b>Balance at 31 December 2015<br/>and at 1 January 2016</b> | <b>204,602,724</b> | <b>51,863,500,000</b>     | <b>52,068,102,724</b> |
| Additions  | -                  | -                         | -                     |
| <b>Balance at 31 December 2016</b>                           | <b>204,602,724</b> | <b>51,863,500,000</b>     | <b>52,068,102,724</b> |
| <b>Accumulated amortisation</b>                              |                    |                           |                       |
| Balance 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           |
| <b>Balance at 31 December 2015<br/>and at 1 January 2016</b> | <b>108,710,473</b> | <b>1,733,990,111</b>      | <b>1,842,700,584</b>  |
| Charge for the year  | 40,784,182         | 577,470,774               | 618,254,956           |
| <b>Balance at 31 December 2016</b>                           | <b>149,494,655</b> | <b>2,311,460,885</b>      | <b>2,460,955,540</b>  |
| <b>Carrying amounts</b>                                      |                    |                           |                       |
| At 1 January 2015  | 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        |
| At 31 December 2016  | 55,108,069         | 49,552,039,115            | 49,607,147,184        |

**12. Deferred tax asset**

|   | Deferred tax asset      |   |                           |
|---|-------------------------|---|---------------------------|
|   | At 1<br>January<br>2016 | Total<br>gains/(losses)<br>recorded in<br>profit and loss | At 31<br>December<br>2016 |
| Fair value change of derivative<br>financial assets and liabilities | -                       | 1,528,593,166   | 1,528,593,166             |
| Allowance for impairment losses                                     | -                       | 2,500,337,504   | 2,500,337,504             |
|   | -                       | <b>4,028,930,670</b>                                      | <b>4,028,930,670</b>      |

Industrial and Commercial Bank of China Limited Vientiane Branch  
Notes to Financial Statements (continued)  
Year ended 31 December 2016

**13. Other assets**

|                                   | <b>2016</b>            | <b>2015</b>           |
|-----------------------------------|------------------------|-----------------------|
|                                   | <b>LAK</b>             | <b>LAK</b>            |
| Accrued interest receivable       | 135,968,460,605        | 36,381,975,174        |
| Other receivables and prepayments | 2,003,883,705          | 5,295,908,774         |
|                                   | <b>137,972,344,310</b> | <b>41,677,883,948</b> |

**14. Deposits from customers**

**a) Classified by type of deposits**

|                              | <b>2016</b>              | <b>2015</b>              |
|------------------------------|--------------------------|--------------------------|
|                              | <b>LAK</b>               | <b>LAK</b>               |
| Current                      | 2,320,097,260,353        | 2,043,583,267,855        |
| Savings                      | 237,392,682,099          | 226,226,405,185          |
| Term (contractual maturity): |                          |                          |
| Within 1 year                | 1,151,679,423,122        | 991,818,008,370          |
| Over 1 year                  | 61,298,912,885           | 27,017,041,973           |
| Others                       | 95,097,755,000           | -                        |
|                              | <b>3,865,566,033,459</b> | <b>3,288,644,723,383</b> |

**b) Classified by currencies**

|     | <b>2016</b>              | <b>2015</b>              |
|-----|--------------------------|--------------------------|
|     | <b>LAK</b>               | <b>LAK</b>               |
| LAK | 83,681,150,033           | 106,239,437,136          |
| USD | 3,658,621,974,688        | 3,018,674,628,073        |
| THB | 14,725,669,202           | 15,155,448,931           |
| CNY | 108,537,239,536          | 148,575,209,243          |
|     | <b>3,865,566,033,459</b> | <b>3,288,644,723,383</b> |

**c) Interest rate (per annum)**

|                 | <b>2016</b>   | <b>2015</b>   |
|-----------------|---------------|---------------|
|                 | <b>%</b>      | <b>%</b>      |
| Saving accounts |               |               |
| LAK             | 1.00%         | 1.00%         |
| USD             | 1.00%         | 0.25%-1.25%   |
| THB             | 0.50%         | 0.25%-0.50%   |
| CNY             | 0.25%         | 0.50%         |
| Fixed deposits  |               |               |
| LAK             | 2.50%-11.00%  | 2.50%-11.00%  |
| USD             | 1.00% - 6.25% | 1.25% - 6.25% |
| THB             | 0.75%-4.50%   | 0.75%-4.50%   |
| CNY             | 0.40%-3.00%   | 0.30%-3.00%   |



Industrial and Commercial Bank of China Limited Vientiane Branch  
Notes to Financial Statements (continued)  
Year ended 31 December 2016

**15. Amounts due to other banks**

|                         | 2016<br>LAK            | 2015<br>LAK            |
|-------------------------|------------------------|------------------------|
| At Call                 | 162,526,608,964        | 171,646,237,322        |
| <b>a) By residence:</b> |                        |                        |
|                         | 2016<br>LAK            | 2015<br>LAK            |
| Domestic                | 89,041,608,964         | 171,646,237,322        |
| Overseas                | 73,485,000,000         | -                      |
|                         | <u>162,526,608,964</u> | <u>171,646,237,322</u> |
| <b>b) By currency:</b>  |                        |                        |
|                         | 2016<br>LAK            | 2015<br>LAK            |
| LAK                     | 9,047,509,480          | 70,047,509,480         |
| USD                     | 127,850,773,374        | 35,144,498,087         |
| CNY                     | 25,628,326,110         | 66,454,229,755         |
|                         | <u>162,526,608,964</u> | <u>171,646,237,322</u> |

Industrial and Commercial Bank of China Limited Vientiane Branch  
Notes to Financial Statements (continued)  
Year ended 31 December 2016

**16. Tax liabilities**

|                       | <b>2016</b>           | <b>2015</b>           |
|-----------------------|-----------------------|-----------------------|
|                       | <b>LAK</b>            | <b>LAK</b>            |
| Corporate tax         | 11,600,646,520        | 11,551,520,962        |
| Other withholding tax | -                     | 1,095,813,803         |
|                       | <b>11,600,646,520</b> | <b>12,647,334,765</b> |

**17. Derivative financial liabilities**

|                            | <b>2016</b>           | <b>2015</b>        |
|----------------------------|-----------------------|--------------------|
|                            | <b>LAK</b>            | <b>LAK</b>         |
| Foreign exchange rate swap | 80,911,110,938        | 202,386,412        |
| Interest rate swap         | -                     | 22,591,629         |
|                            | <b>80,911,110,938</b> | <b>224,978,041</b> |

**18. Other liabilities**

|                           | <b>2016</b>            | <b>2015</b>           |
|---------------------------|------------------------|-----------------------|
|                           | <b>LAK</b>             | <b>LAK</b>            |
| Accrued interest payables | 96,881,465,754         | 41,539,808,669        |
| Payable to employees      | 6,087,925,000          | 1,624,902,000         |
| Settlement accounts       | 8,108,228,957          | 7,651,253,087         |
| Deferred income           | 2,481,782,780          | 131,187,280           |
| Other payables            | 6,934,881,695          | 7,526,630,550         |
|                           | <b>120,494,284,186</b> | <b>58,473,781,586</b> |

**19. Head office's capital contribution**

|                                  | <b>2016</b>            | <b>2015</b>            |
|----------------------------------|------------------------|------------------------|
|                                  | <b>LAK</b>             | <b>LAK</b>             |
| <b>Contributed legal capital</b> | <b>239,970,000,000</b> | <b>239,970,000,000</b> |

**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 2016**

**21. Interest expense**

|                                  | <b>2016</b>            | <b>2015</b>            |
|----------------------------------|------------------------|------------------------|
|                                  | <b>LAK</b>             | <b>LAK</b>             |
| Deposits                         | 30,150,709,911         | 18,961,830,169         |
| Interbank and money market items | 249,657,831,979        | 148,512,399,167        |
|                                  | <b>279,808,541,890</b> | <b>167,474,229,336</b> |

**22. Other income**

|                                      | <b>2016</b>           | <b>2015</b>           |
|--------------------------------------|-----------------------|-----------------------|
|                                      | <b>LAK</b>            | <b>LAK</b>            |
| Fee and commission income/(expenses) |                       |                       |
| Commissions on banks                 | 981,954,718           | 739,557,064           |
| Commissions on guarantees            | 922,316,580           | 25,331,635            |
| Commissions on letters of credit     | 91,121,811            | 17,786,709            |
| Commissions on fund transfers        | 1,632,012,698         | 1,634,489,203         |
| Commissions on e-Banking             | 66,198,541            | 57,908,856            |
| Fees on financial services           | 2,890,811,767         | 5,179,717,301         |
| Others                               | (1,629,657,286)       | (1,507,057,797)       |
| Total fee and commission income      | 4,954,758,829         | 6,147,732,971         |
| Gain on foreign exchange             | 78,967,041,905        | 74,056,302,276        |
| Other income                         | 1,285,138,356         | 801,931,216           |
|                                      | <b>85,206,939,090</b> | <b>81,005,966,463</b> |

**23. Income tax**

|   | <b>2016</b>           | <b>2015</b>           |
|---|-----------------------|-----------------------|
|   | <b>LAK</b>            | <b>LAK</b>            |
| Current tax expense                             |                       |                       |
| Current year                                    | 44,465,927,548        | 26,425,196,644        |
| Adjustment for prior year                       | 120,459,505           | (6,488,182,543)       |
|   | 44,586,387,053        | 19,937,014,101        |
| Deferred tax expense                            |                       |                       |
| Origination/(reversal) of temporary differences | (4,028,930,670)       | -                     |
|   | <b>40,557,456,383</b> | <b>19,937,014,101</b> |

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 2016

23. Income tax (continued)

(i) Reconciliation of effective tax rate

|   | <i>Rate</i> | <b>2016</b>           | <i>Rate</i> | <b>2015</b>           |
|---|-------------|-----------------------|-------------|-----------------------|
|   | %           | LAK                   | %           | LAK                   |
| Profit before tax                                 |             | 168,134,537,769       |             | 122,531,177,291       |
| Income tax using the Lao PDR corporation tax rate | 24.0        | 40,352,289,065        | 24.0        | 29,407,482,550        |
| Under/(Over) provided in prior years – current    | 0.1         | 120,459,505           | -5.3        | (6,488,182,543)       |
| Others  | 0.1         | 84,707,813            | -2.4        | (2,982,285,906)       |
| <b>Tax expense</b>                                | <b>24.1</b> | <b>40,557,456,383</b> | <b>16.3</b> | <b>19,937,014,101</b> |

24. Cash and cash equivalents

|   | <b>2016</b>              | <b>2015</b>              |
|---|--------------------------|--------------------------|
|   | LAK                      | LAK                      |
| Cash  | 94,719,941,165           | 80,800,499,872           |
| Deposits and placements with head office and other branches | 1,101,104,595,109        | 3,081,427,165,032        |
| Deposits and placements with other banks                    | 1,486,215,560,054        | 3,262,954,206,976        |
|   | <b>2,682,040,096,328</b> | <b>6,425,181,871,880</b> |

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.

Industrial and Commercial Bank of China Limited Vientiane Branch  
Notes to Financial Statements (continued)  
Year ended 31 December 2016

25. Related party transactions (continued)

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

|   | 2016<br>LAK                     | 2015<br>LAK                     |
|---|---------------------------------|---------------------------------|
| Interbank and money market items        |                                 |                                 |
| Due from head office and other branches | 692,854,595,109                 | 1,870,921,994,086               |
| Loans to other branches                 | 2,257,383,922,090               | 1,210,505,170,946               |
| Subtotal                                | <u>2,950,238,517,199</u>        | <u>3,081,427,165,032</u>        |
| Interest receivable                     | 10,245,332,296                  | 9,046,333,323                   |
| <b>Total</b>                            | <b><u>2,960,483,849,495</u></b> | <b><u>3,090,473,498,355</u></b> |

(i) Foreign items

|     | 2016<br>LAK              | 2015<br>LAK              |
|-----|--------------------------|--------------------------|
| USD | 2,073,628,409,233        | 2,498,067,909,359        |
| CNY | 733,719,331,118          | 591,717,080,669          |
| EUR | 398,498,647              | 688,508,327              |
| JPY | 152,737,610,497          | -                        |
|     | <u>2,960,483,849,495</u> | <u>3,090,473,498,355</u> |

|  | 2016<br>LAK                        | 2015<br>LAK                        |
|--|------------------------------------|------------------------------------|
| <b>Other balances at end of the year:</b>      |                                    |                                    |
| Deposits from other branches                   | (2,445,926,635,309)                | (1,346,635,638,749)                |
| Borrowings from head office and other branches | (15,068,550,517,935)               | (9,804,422,275,043)                |
| Subtotal                                       | <u>(17,514,477,153,244)</u>        | <u>(11,151,057,913,792)</u>        |
| Interest payable                               | (74,285,409,082)                   | (26,433,382,795)                   |
| <b>Total</b>                                   | <b><u>(17,588,762,562,326)</u></b> | <b><u>(11,177,491,296,587)</u></b> |

**Transactions during the year:**

|   |                          |                          |
|---|--------------------------|--------------------------|
| Interest income from interbank and money market items | 36,136,365,293           | 17,166,251,654           |
| Interest expense on interbank and money market items  | <u>(240,593,603,102)</u> | <u>(145,745,072,260)</u> |



Industrial and Commercial Bank of China Limited Vientiane Branch  
Notes to Financial Statements (continued)  
Year ended 31 December 2016

25. Related party transactions (continued)

(b) Other related parties

|   | <u>2016</u><br><u>LAK</u> | <u>2015</u><br><u>LAK</u> |
|---|---------------------------|---------------------------|
| <b>Balances at end of the year:</b>   |                           |                           |
| Due from other banks  | 1,238,310,478,729         | 3,019,127,085,197         |
| Borrowings from other than head office and other branches                     | (73,485,000,000)          | -                         |
| <b>Transactions during the year:</b>  |                           |                           |
| Interest income from amounts due from other banks                             | 35,851,530,340            | 7,412,695,624             |
| Interest expense on borrowings from other than head office and other branches | <u>(9,063,932,950)</u>    | <u>(2,767,326,907)</u>    |

26. Commitments

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers, which consist of:

|                                  | <u>2016</u><br><u>LAK</u> | <u>2015</u><br><u>LAK</u> |
|----------------------------------|---------------------------|---------------------------|
| Letters of guarantee outstanding | 87,639,532,298            | -                         |
| Letters of credit outstanding    | 23,449,880,000            | -                         |
|                                  | <u>111,089,412,298</u>    | <u>-</u>                  |

No material losses are anticipated from these transactions.