

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

Audited Financial Statements
and
Independent Auditors' Report
Year ended 31 December 2017



Industrial and Commercial Bank of China Limited Vientiane Branch

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Corporate Information

Bank	Industrial and Commercial Bank of China Limited Vientiane Branch
Banking Licence No.	18/BOL date 08 May 2015 Business Registration Certificate No. 519 date 28 July 2015
Board of Management	Mr. Lu Jian General Manager Mr. Joxiong Bouasinengma Deputy General Manager Mr. Chen Wenxian 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

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 present fairly in all material respects, the financial position of the Branch as at 31 December 2017, and the statement of profit or loss, statement of changes in capital and other reserves and statement of cash flows for the year then ended that are in accordance with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R. 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 the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R, 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 present fairly, in all material respects, the financial position of the Branch as at 31 December 2017, its financial performance, statement of changes in capital and other reserves and statement of cash flows for the year then ended and have been properly drawn up in accordance with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R.

Signed on behalf of the Board of Management,



LU JIAN

Lu Jian
General Manager
27 March 2018



KPMG Lao Co.,Ltd.
3rd - 4th Floor, 37 K.P. Tower
23 Singha Road, Ban Phonexay,
Saysettha District, P.O. Box 6978
Vientiane Capital, Lao PDR
Tel +856 (21) 454240-7

ບໍລິສັດ ເຄມີເອັມຈີລາວ ຈຳກັດ
ຊັ້ນ 3-4, 37 ຕຶກ ເຄມີທາວເວີ
ຖະໜົນ 23 ສິງຫາ, ບ້ານໂພນໄຊ,
ເມືອງໄຊເສດຖາ, ຖ້ ປ.ນ. 6978,
ນະຄອນຫຼວງວຽງຈັນ, ສປປ ລາວ
ໂທ : +856 (21) 454240-7

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 2017, the statements of income, changes in capital and other reserves and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2017 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants 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 of the Bank of Lao PDR and accounting rules in the 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.

Auditors' 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 auditors' 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 going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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. LTD
Vientiane Capital, Lao PDR

Date: 27 March 2018

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Financial Position as at 31 December 2017

	Note	2017 LAK	2016 LAK
ASSETS			
Cash	4	111,708,236,048	94,719,941,165
Interbank and money market items			
Amounts due from Head Office and other branches	25(a)	828,518,533,681	2,950,238,517,199
Amounts due from other banks	5	11,613,146,039,799	7,173,398,313,935
Statutory deposits with Central Bank	6	397,462,303,646	347,068,803,468
Investments	7	3,187,257,862,004	3,228,516,429,594
Loans and advances	8	2,633,467,809,531	7,958,528,802,432
Derivative financial assets	9	-	91,879,015,327
Property and equipment	10	138,445,495,671	148,122,230,027
Intangible assets	11	49,129,051,420	49,607,147,184
Deferred tax assets	12	24,195,083,609	4,028,930,670
Other assets	13	260,348,808,398	137,972,344,310
Total assets		19,243,679,223,807	22,184,080,475,311

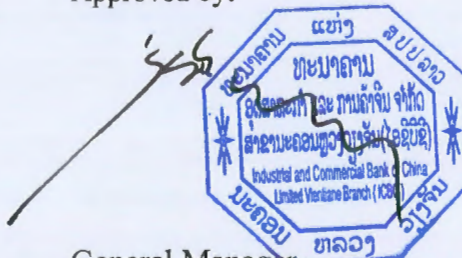
The accompanying notes form an integral part of these financial statements.

Prepared by:



Accountant

Approved by:



General Manager

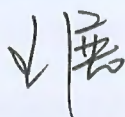
LU JIAN

**Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Financial Position as at 31 December 2017**

		2017	2016
	Note	LAK	LAK
<u>LIABILITIES AND EQUITY</u>			
Liabilities			
Deposits from customers	14	4,740,772,715,647	3,865,566,033,459
Interbank and money market items			
Amounts due to other branches	25(a)	12,865,992,915,201	17,514,477,153,244
Amounts due to other banks	15	764,726,657,723	162,526,608,964
Tax liabilities	16	16,315,522,105	11,600,646,520
Derivative financial liabilities	17	-	80,911,110,938
Other liabilities	18	188,586,996,424	120,494,284,186
Total liabilities		18,576,394,807,100	21,755,575,837,311
Equity			
Head Office's capital contribution	19	239,970,000,000	239,970,000,000
General provision		100,812,848,369	15,843,287,617
Statutory reserve	20	57,537,228,174	35,581,061,318
Retained earnings		268,964,340,164	137,110,289,065
Total equity		667,284,416,707	428,504,638,000
Total liabilities and equity		19,243,679,223,807	22,184,080,475,311

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

Prepared by:



Accountant

Approved by:



General Manager

LU JIAN

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Profit or Loss
Year ended 31 December 2017

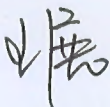
	Note	2017 LAK	2016 LAK
Interest income			
Interest from loans and advances		269,582,371,547	111,200,212,108
Interest from interbank and money market items		414,167,185,752	167,089,074,436
Interest from investment in bonds		181,860,542,000	160,420,492,504
Total interest income		865,610,099,299	438,709,779,048
Interest expense			
Interest on deposits		(31,415,774,030)	(30,150,709,911)
Interest on interbank and money market items		(474,115,664,116)	(249,657,831,979)
Total interest expense	21	(505,531,438,146)	(279,808,541,890)
Net interest income		360,078,661,153	158,901,237,158
Impairment loss		(83,717,193,441)	(9,704,507,532)
Net income from interest after doubtful accounts		276,361,467,712	149,196,729,626
Other income			
Fees and services income, net		18,469,277,107	4,954,758,829
Gain on foreign exchange		60,675,537,354	78,967,041,905
Other income		1,962,717,055	1,285,138,356
Total other income	22	81,107,531,516	85,206,939,090
Income before non-interest expense and income tax		357,468,999,228	234,403,668,716

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Profit or Loss
Year ended 31 December 2017

	2017	2016
Note	LAK	LAK
Operating expenses		
Personnel expenses	(40,341,482,147)	(35,873,381,164)
Depreciation and amortisation expenses	(11,217,792,473)	(18,104,654,350)
Other expenses	(13,416,644,288)	(12,291,095,433)
	<u>(64,975,918,908)</u>	<u>(66,269,130,947)</u>
Profit before income tax	292,493,080,320	168,134,537,769
Income tax	23 (72,894,652,024)	(40,557,456,383)
Profit for the year	<u>219,598,428,296</u>	<u>127,577,081,386</u>

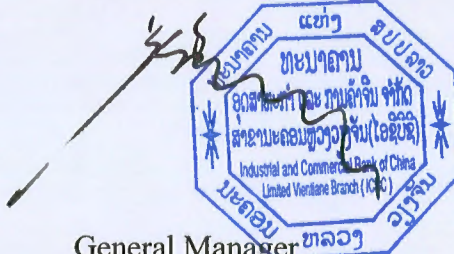
The accompanying notes form an integral part of these financial statements.

Prepared by:



Accountant

Approved by:



General Manager

LU JIAN

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Changes in Equity
Year ended 31 December 2017

	Head Office's capital contribution	General provision	Statutory reserve	Retained earnings	Total
	LAK	LAK	LAK	LAK	LAK
Balance at 1 January 2016	239,970,000,000	6,302,244,056	22,826,058,656	99,972,976,743	369,071,279,455
Change in general provision	-	9,541,043,561	-	-	9,541,043,561
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)
Balance at 31 December 2016 and 1 January 2017	239,970,000,000	15,843,287,617	35,581,061,318	137,110,289,065	428,504,638,000
Change in general provision	-	84,969,560,752	-	-	84,969,560,752
Profit for the year	-	-	-	219,598,428,296	219,598,428,296
Statutory reserve for the year	-	-	21,956,166,856	(21,956,166,856)	-
Profit appropriation	-	-	-	(65,788,210,341)	(65,788,210,341)
Balance at 31 December 2017	239,970,000,000	100,812,848,369	57,537,228,174	268,964,340,164	667,284,416,707

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

Prepared by:



Accountant

Approved by:

General Manager



LU JIAN

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Cash Flows
Year ended 31 December 2017

	Note	2017 LAK	2016 LAK
Cash flows from operating activities			
Profit after tax		<u>219,598,428,296</u>	<u>127,577,081,386</u>
<i>Adjustments for:</i>			
Allowance for doubtful debts		83,717,193,441	9,704,507,532
Depreciation and amortisation		11,217,792,473	18,104,654,350
Interest income from investment in bonds		(181,860,542,000)	(160,420,492,504)
Fair value loss on derivative financial assets and liabilities		10,967,904,389	6,369,138,191
Income tax expenses		<u>72,894,652,024</u>	<u>40,557,456,383</u>
		<u>216,535,428,623</u>	<u>41,892,345,338</u>
Change in operating assets / liabilities			
Change in interbank and money market assets		2,056,818,750,971	(7,536,316,675,971)
Change in statutory deposits		(50,393,500,178)	(36,152,918,394)
Change in loans and advances to customers		5,326,341,285,212	(2,329,821,658,497)
Change in derivative financial assets and liabilities		-	110,547,477
Change in other assets		(122,376,464,088)	(96,294,460,362)
Change in deposits from customers		875,206,682,188	576,921,310,076
Change in interbank and money market liabilities		(4,046,284,189,284)	6,354,299,611,094
Change in withholding tax liabilities		530,782,816	(1,095,813,803)
Change in other liabilities		68,092,712,238	62,020,502,600
Income tax paid		<u>(88,876,712,194)</u>	<u>(44,537,261,495)</u>
Net cash generated from / (used in) operating activities		<u>4,235,594,776,304</u>	<u>(3,008,974,471,937)</u>
Cash flows from investing activities			
Acquisition of property and equipment		(931,310,353)	(402,906,600)
Acquisition of intangible assets		(131,652,000)	-
Purchases of bond investments		(328,220,000,000)	(1,281,244,648,571)
Proceeds from sale and redemption of bond investments		372,934,000,000	479,395,469,249
Interest income from investment in bonds		178,405,109,590	145,769,548,709
Net cash generated from / (used in) investing activities		<u>222,056,147,237</u>	<u>(656,482,537,213)</u>

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/MPI3 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 2017, the Branch had 92 (2016: 92) employees.

2. Basis of financial statement preparation

(a) General basis of accounting

(i) Basis of preparation

The accompanying financial statements are expressed in Lao Kip (“LAK”), which is the functional currency of the Branch. The financial statements have been prepared in accordance with accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R, 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 rules, 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 were authorized for issue by the Board of Management on 27 March 2018.

(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 2017

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:

	31 December 2017	31 December 2016
	LAK	LAK
United State Dollar ("USD")	8,274.00	8,165.00
Thai Baht ("THB")	253.97	229.14
Chinese Yuan ("CNY")	1,258.82	1,163.05
Euro ("EUR")	9,885.00	8,618.00
HongKong Dollar ("HKD")	1,003.00	997.94
Japanese Yen ("JPY")	72.33	69.31

(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.

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. Loans and advances, except bank overdrafts, are shown exclusive of accrued interest receivable.

3. Significant accounting policies (continued)

(f) Provision for amount due from other banks and 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 1% 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%/1%
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 2017, for Normal Participant loans and others which are regarded as low risk by BoL, the general allowance can be provisioned at a range from 0.5% to 1% of these Normal Participant loans and others like amount due from central bank.

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%

Industrial and Commercial Bank of China Limited Vientiane Branch

Notes to Financial Statements (continued)

Year ended 31 December 2017

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.

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.

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 2017

4. Cash

	2017	2016
	LAK	LAK
Lao Kip ("LAK")	14,663,866,000	50,099,232,500
United States Dollar ("USD")	64,447,352,634	20,102,132,020
Thai Baht ("THB")	6,346,880,460	4,512,719,822
China Yuan ("CNY")	26,250,136,954	20,005,856,823
	111,708,236,048	94,719,941,165

5. Amounts due from other banks

	2017	2016
	LAK	LAK
Lao Kip ("LAK")	119,222,331,142	123,976,565,225
Other foreign items	11,493,923,708,657	7,049,421,748,710
	11,613,146,039,799	7,173,398,313,935

a) Domestic items

	2017	2016
	LAK	LAK
At call		
Bank of the Lao PDR	50,670,373,909	123,084,631,474
Other commercial banks	68,551,957,233	891,933,751
	119,222,331,142	123,976,565,225

b) Foreign items

	2017	2016
	LAK	LAK
At call		
USD	11,456,595,192,002	6,198,460,506,570
THB	29,433,229,430	41,454,751,472
CNY	7,893,256,501	21,103,220,189
HKD	2,030,724	2,020,479
JPY	-	788,401,250,000
	11,493,923,708,657	7,049,421,748,710

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2017

6. Statutory deposits with Central Bank

	2017	2016
	LAK	LAK
Statutory deposits on:		
Registered capital reserve	5,000,000	5,000,000
Compulsory reserve	397,457,303,646	347,063,803,468
	397,462,303,646	347,068,803,468

Balances with the BoL include compulsory reserve and registered capital reserve. These balances earn no interest.

Under regulations of the BoL, the Branch is required to maintain certain cash reserves with the BoL in the form of compulsory deposits, which are computed at 5% for LAK and 10% for foreign currencies (2016: 5% and 10%), on a bi-monthly basis, of customer deposits having original maturities of less than 12 months. During the year, the Branch maintained its compulsory deposits in compliance with the requirements by the BoL.

7. Investments

	2017	2016
	LAK	LAK
Government Bonds	623,700,000,000	701,550,000,000
Financial Bonds	2,515,296,000,000	2,482,160,000,000
Accrued interest receivable	48,261,862,004	44,806,429,594
	3,187,257,862,004	3,228,516,429,594

Investments represent held-to-maturity investment in bonds. These bonds have maturities ranging from date 15 Jan 2018 to date 26 Dec 2022 (2016: 29 May 2017 to date 21 June 2021) and interest rates ranging from 5.75% to 6.26% (2016: 4.76% to 6%).

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2017

8. Loans and advances

	2017	2016
	LAK	LAK
Loans and receivables:		
- Overdrafts	2,400,558,607	1,951,953,339
- Loans	2,631,067,250,924	7,956,576,849,093
	<u>2,633,467,809,531</u>	<u>7,958,528,802,432</u>

For more detail of the regulation for allowances, please refer to note 3 (f).

a) Classified by residual maturity

	2017	2016
	LAK	LAK
Within 1 year	1,956,280,934,388	7,361,329,625,874
Over 1 year	677,186,875,143	597,199,176,558
	<u>2,633,467,809,531</u>	<u>7,958,528,802,432</u>

b) Classified by currencies

	2017	2016
	LAK	LAK
LAK	11,840,307,644	938,785,485
USD	749,606,920,266	1,724,846,156,999
CNY	1,871,466,629,145	6,232,288,679,845
THB	553,952,476	455,180,103
	<u>2,633,467,809,531</u>	<u>7,958,528,802,432</u>

c) Classified by type of business

	2017	2016
	LAK	LAK
Industry	-	8,165,000,000
Construction	70,708,569,750	-
Commercial	9,350,000,000	8,981,500,000
Service	-	95,838,414,034
Personal	13,575,974,450	12,752,465,021
Others	2,539,833,265,331	7,832,791,423,377
	<u>2,633,467,809,531</u>	<u>7,958,528,802,432</u>

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2017

8. Loans and advances (continued)

d) Classified by performance

	2017	2016
	LAK	LAK
	<hr/>	<hr/>
Performing loans	2,633,467,809,531	7,958,528,802,432
	<hr/>	<hr/>

e) Classified by interest rate (per annum)

	2017	2016
	%	%
	<hr/>	<hr/>
USD	2.70%-8.45%	1.09%-8.16%
CNY	3.10%-5.50%	3.00%-5.00%

f) The movement in the general provision for loans and advances is as follows:

	2017	2016
	LAK	LAK
	<hr/>	<hr/>
Balance at beginning of the year	15,843,287,617	6,302,244,056
Foreign exchange translation	1,280,292,311	(163,463,971)
Provision made in the year	5,820,518,441	9,704,507,532
Balance at end of the year	22,944,098,369	15,843,287,617
	<hr/>	<hr/>

9. Derivative financial assets

	2017	2016
	LAK	LAK
	<hr/>	<hr/>
Foreign exchange rate forward	-	508,973,440
Foreign exchange rate swap	-	91,370,041,887
	<hr/>	91,879,015,327
	<hr/>	<hr/>

Industrial and Commercial Bank of China Limited Vientiane Branch

Notes to Financial Statements (continued)

Year ended 31 December 2017

10. Property and equipment

	Property	Leasehold improvement	Electronic equipment	Furniture, fitting and office equipment	Vehicle	Total
	LAK	LAK	LAK	LAK	LAK	LAK
Cost						
Balance at 1 January 2016	152,794,300,966	10,361,077,500	6,035,558,020	9,423,952,360	2,848,597,850	181,463,486,696
Additions	-	-	334,125,586	68,781,014	-	402,906,600
Balance at 31 December 2016 and at 1 January 2017	152,794,300,966	10,361,077,500	6,369,683,606	9,492,733,374	2,848,597,850	181,866,393,296
Additions	-	-	264,626,483	264,616,070	402,067,800	931,310,353
Disposal	-	(10,361,077,500)	-	(62,562,206)	-	(10,423,639,706)
Balance at 31 December 2017	152,794,300,966	-	6,634,310,089	9,694,787,238	3,250,665,650	172,374,063,943
Accumulated depreciation						
Balance at 1 January 2016	5,752,010,000	4,240,298,400	2,396,848,824	1,725,138,588	2,143,468,063	16,257,763,875
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
Balance at 31 December 2016 and at 1 January 2017	13,407,412,400	10,361,077,500	3,647,040,692	3,614,197,294	2,714,435,383	33,744,163,269
Depreciation for the year	7,634,486,000	-	924,760,212	1,894,598,740	154,199,757	10,608,044,709
Disposal	-	(10,361,077,500)	-	(62,562,206)	-	(10,423,639,706)
Balance at 31 December 2017	21,041,898,400	-	4,571,800,904	5,446,233,828	2,868,635,140	33,928,568,272
Carrying amounts						
At 1 January 2016	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
At 31 December 2017	131,752,402,566	-	2,062,509,185	4,248,553,410	382,030,510	138,445,495,671

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2017

11. Intangible assets

	Software LAK	Land use rights LAK	Total LAK
Cost			
Balance at 1 January 2016	204,602,724	51,863,500,000	52,068,102,724
Additions	-	-	-
Balance at 31 December 2016 and at 1 January 2017	204,602,724	51,863,500,000	52,068,102,724
Additions	131,652,000	-	131,652,000
Balance at 31 December 2017	336,254,724	51,863,500,000	52,199,754,724
Accumulated amortisation			
Balance at 1 January 2016	108,710,473	1,733,990,111	1,842,700,584
Amortisation for the year	40,784,182	577,470,774	618,254,956
Balance at 31 December 2016 and at 1 January 2017	149,494,655	2,311,460,885	2,460,955,540
Amortisation for the year	33,854,779	575,892,985	609,747,764
Balance at 31 December 2017	183,349,434	2,887,353,870	3,070,703,304
Carrying amounts			
At 1 January 2016	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
At 31 December 2017	152,905,290	48,976,146,130	49,129,051,420

12. Deferred tax asset

	Deferred tax asset		
	At 1 January 2017	Total gains/(losses) recorded in profit and loss	At 31 December 2017
Fair value change of derivative financial assets and liabilities	1,528,593,166	(1,528,593,166)	-
Allowance for impairment losses	2,500,337,504	21,694,746,105	24,195,083,609
	4,028,930,670	20,166,152,939	24,195,083,609

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2017

13. Other assets

	2017	2016
	LAK	LAK
Accrued interest receivable	259,183,296,062	135,968,460,605
Other receivables and prepayments	1,165,512,336	2,003,883,705
	260,348,808,398	137,972,344,310

14. Deposits from customers

a) Classified by type of deposits

	2017	2016
	LAK	LAK
Current	3,134,045,789,821	2,320,097,260,353
Savings	353,767,552,063	237,392,682,099
Term (contractual maturity):		
Within 1 year	1,134,580,706,805	1,151,679,423,122
Over 1 year	106,584,079,958	61,298,912,885
Others	11,794,587,000	95,097,755,000
	4,740,772,715,647	3,865,566,033,459

b) Classified by currencies

	2017	2016
	LAK	LAK
LAK	164,154,844,701	83,681,150,033
USD	4,173,435,496,858	3,658,621,974,688
THB	31,269,711,118	14,725,669,202
CNY	371,912,662,970	108,537,239,536
	4,740,772,715,647	3,865,566,033,459

c) Interest rate (per annum)

	2017	2016
	%	%
Saving accounts		
LAK	1.65%	1.00%
USD	1.00%	1.00%
THB	0.50%	0.50%
CNY	0.90%	0.25%
Fixed deposits		
LAK	2.50%-11.00%	2.50%-11.00%
USD	0.50%-6.25%	1.00%-6.25%
THB	0.75%-4.50%	0.75%-4.50%
CNY	0.40%-3.00%	0.40%-3.00%

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2017

15. Amounts due to other banks

	2017	2016
	LAK	LAK
At Call	<u>764,726,657,723</u>	<u>162,526,608,964</u>
a) By residence:		
	2017	2016
	LAK	LAK
Domestic	102,806,657,723	89,041,608,964
Overseas	<u>661,920,000,000</u>	<u>73,485,000,000</u>
	<u>764,726,657,723</u>	<u>162,526,608,964</u>
b) By currency:		
	2017	2016
	LAK	LAK
LAK	59,705,781,480	9,047,509,480
USD	682,343,332,433	127,850,773,374
CNY	<u>22,677,543,810</u>	<u>25,628,326,110</u>
	<u>764,726,657,723</u>	<u>162,526,608,964</u>

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2017

16. Tax liabilities

	2017	2016
	LAK	LAK
Corporate tax	15,784,739,289	11,600,646,520
Other withholding tax	530,782,816	-
	16,315,522,105	11,600,646,520

17. Derivative financial liabilities

	2017	2016
	LAK	LAK
Foreign exchange rate swap	-	80,911,110,938
	-	80,911,110,938

18. Other liabilities

	2017	2016
	LAK	LAK
Accrued interest payables	172,692,642,789	96,881,465,754
Payable to employees	8,553,720,000	6,087,925,000
Settlement accounts	6,626,197,616	8,108,228,957
Deferred income	116,520,848	2,481,782,780
Other payables	597,915,171	6,934,881,695
	188,586,996,424	120,494,284,186

19. Head Office's capital contribution

	2017	2016
	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 2017

21. Interest expense

	2017	2016
	LAK	LAK
Deposits	31,415,774,030	30,150,709,911
Interbank and money market items	474,115,664,116	249,657,831,979
	505,531,438,146	279,808,541,890

22. Other income

	2017	2016
	LAK	LAK
Fee and commission income/(expenses)		
Commissions on banks cards	1,361,584,256	981,954,718
Commissions on guarantees	461,857,279	922,316,580
Commissions on letters of credit	34,959,364	91,121,811
Commissions on fund transfers	3,728,953,432	1,632,012,698
Commissions on e-Banking	140,839,405	66,198,541
Fees on financial services	15,013,918,913	2,890,811,767
Others	(2,272,835,542)	(1,629,657,286)
Total fee and commission income	18,469,277,107	4,954,758,829
Gain on foreign exchange	60,675,537,354	78,967,041,905
Other income	1,962,717,055	1,285,138,356
	81,107,531,516	85,206,939,090

23. Income tax

	2017	2016
	LAK	LAK
Current tax expense		
Current year	93,060,804,963	44,465,927,548
Adjustment for prior year	-	120,459,505
	93,060,804,963	44,586,387,053
Deferred tax expense		
Reversal of temporary differences	(20,166,152,939)	(4,028,930,670)
	72,894,652,024	40,557,456,383

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 2017

23. Income tax (continued)

(i) Reconciliation of effective tax rate

	<i>Rate</i> %	2017 LAK	<i>Rate</i> %	2016 LAK
Profit before tax		292,493,080,320		168,134,537,769
Income tax using the Lao PDR corporation tax rate	24.0	70,198,339,277	24.0	40,352,289,065
Under provided in prior years – current	-	-	0.1	120,459,505
Others	0.9	2,696,312,747	0.1	84,707,813
Tax expense	24.9	72,894,652,024	24.1	40,557,456,383

24. Cash and cash equivalents

	2017 LAK	2016 LAK
Cash	111,708,236,048	94,719,941,165
Deposits and placements with Head Office and other branches	828,518,533,681	1,101,104,595,109
Deposits and placements with other banks	6,133,676,039,799	1,486,215,560,054
	7,073,902,809,528	2,682,040,096,328

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 2017

25. Related party transactions (continued)

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

	2017	2016
	LAK	LAK
Interbank and money market items		
Due from Head Office and other branches	828,518,533,681	692,854,595,109
Loans to other branches	-	2,257,383,922,090
Subtotal	<u>828,518,533,681</u>	<u>2,950,238,517,199</u>
Interest receivable	-	10,245,332,296
Total	<u>828,518,533,681</u>	<u>2,960,483,849,495</u>

(i) Foreign items

	2017	2016
	LAK	LAK
USD	469,555,133,847	2,073,628,409,233
CNY	358,414,292,593	733,719,331,118
EUR	427,631,031	398,498,647
JPY	121,476,210	152,737,610,497
	<u>828,518,533,681</u>	<u>2,960,483,849,495</u>

	2017	2016
	LAK	LAK
Other balances at end of the year:		
Deposits from other branches	(3,301,618,652,620)	(2,445,926,635,309)
Borrowings from Head Office and other branches	(9,564,374,262,581)	(15,068,550,517,935)
Subtotal	<u>(12,865,992,915,201)</u>	<u>(17,514,477,153,244)</u>
Interest payable	(139,097,792,337)	(74,285,409,082)
Total	<u>(13,005,090,707,538)</u>	<u>(17,588,762,562,326)</u>

Transactions during the year:

Interest income from interbank and money market items	32,031,371,815	36,136,365,293
Interest expense on interbank and money market items	<u>(463,210,610,682)</u>	<u>(240,593,603,102)</u>

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2017

25. Related party transactions (continued)

(b) Other related parties

	2017	2016
	LAK	LAK
Balances at end of the year:		
Due from other banks	31,911,575,691	1,238,310,478,729
Borrowings from other than Head Office and other branches	(661,920,000,000)	(73,485,000,000)
Transactions during the year:		
Interest income from amounts due from other banks	7,621,184,278	35,851,530,340
Interest expense on borrowings from other than Head Office and other branches	(10,482,831,212)	(9,063,932,950)

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:

	2017	2016
	LAK	LAK
Letters of guarantee outstanding	173,675,165,549	87,639,532,298
Letters of credit outstanding	4,803,057,000	23,449,880,000
	178,478,222,549	111,089,412,298

No material losses are anticipated from these transactions.