

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

Audited Financial Statements
and
Independent Auditors' Report
Year ended 31 December 2018



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. Sun Fenglei	General Manager
Mr. Joxiong Bouasinengma	Deputy General Manager
Mr. Chen Wenxian	Deputy General Manager
Mr. Ruan Jing	Deputy General Manager

Registered Office Unit 12, Asean Road
Sibounheuang Village
Chanthabouly District
Vientiane Capital, Lao PDR

Auditors KPMG Lao Co., Ltd.
10th Floor, Royal Square Office Building,
Samsenthai Road, Nongduong Nua Village,
Sikhotabong District, P.O.Box 6978,
Vientiane, Lao P.D.R

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 2018, 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. Sun Fenglei, on behalf of the Board of Management, do hereby state that the financial statements set out on pages 6 to 37 present fairly, in all material respects, the financial position of the Branch as at 31 December 2018, 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,



Sun Fenglei
General Manager
29 March 2019

SUN FENG LEI



KPMG Lao Co., Ltd.
10th Floor, Royal Square Office Building,
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Sikhotabong District, P.O. Box 6978,
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ຊັ້ນ 10, ອາຄານ ໂຮໂຢລສະແຄລ
ຖະໜົນ ສາມແສນໄທ, ບ້ານ ຫນອງດ້ວງເໜືອ,
ເມືອງ ສີໂຄດຕະບອງ, ຕູ້ ປ.ນ. 6978,
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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 2018, 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 2018 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



KPMG Lao Co., Ltd.
Vientiane Capital, Lao PDR

Date: 29 March 2019

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Financial Position as at 31 December 2018

		2018	2017
	Note	LAK	LAK
<u>ASSETS</u>			
Cash	4	113,793,419,299	111,708,236,048
Interbank and money market items			
Amounts due from Head Office and other branches	24(a)	1,195,206,689,890	828,518,533,681
Amounts due from other banks	5	14,618,904,409,426	11,613,146,039,799
Statutory deposits with Central Bank	6	442,320,835,728	397,462,303,646
Investments	7	3,299,243,848,778	3,187,257,862,004
Loans and advances	8	1,798,047,628,308	2,633,467,809,531
Property and equipment	9	128,366,861,793	138,445,495,671
Intangible assets	10	48,505,864,349	49,129,051,420
Deferred tax assets	11	43,964,010,811	24,195,083,609
Other assets	12	364,225,084,586	260,348,808,398
Total assets		22,052,578,652,968	19,243,679,223,807

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

Prepared by:



Accountant

Approved by:



General Manager

SUN FENG LEI

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Financial Position as at 31 December 2018

		2018	2017
	Note	LAK	LAK
<u>LIABILITIES AND EQUITY</u>			
Liabilities			
Deposits from customers	13	5,464,673,566,867	4,740,772,715,647
Interbank and money market items			
Amounts due to other branches	24(a)	15,295,640,684,876	12,865,992,915,201
Amounts due to other banks	14	90,532,722,516	764,726,657,723
Tax liabilities	15	11,236,074,784	16,315,522,105
Other liabilities	16	300,004,088,496	188,586,996,424
Total liabilities		21,162,087,137,539	18,576,394,807,100
Equity			
Head Office's capital contribution	17	239,970,000,000	239,970,000,000
General provision		183,183,378,379	100,812,848,369
Statutory reserve	18	89,291,544,507	57,537,228,174
Retained earnings		378,046,592,543	268,964,340,164
Total equity		890,491,515,429	667,284,416,707
Total liabilities and equity		22,052,578,652,968	19,243,679,223,807

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

Prepared by:



Accountant

Approved by



General Manager

SUN FENG LEI

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Profit or Loss
Year ended 31 December 2018

	Note	2018 LAK	2017 LAK
Interest income			
Interest from loans and advances		121,218,554,729	269,582,371,547
Interest from interbank and money market items		608,985,479,943	414,167,185,752
Interest from investment in bonds		206,998,915,747	181,860,542,000
Total interest income		937,202,950,419	865,610,099,299
Interest expense			
Interest on deposits		(39,987,481,956)	(31,415,774,030)
Interest on interbank and money market items		(415,700,570,361)	(474,115,664,116)
Total interest expense	19	(455,688,052,317)	(505,531,438,146)
Net interest income		481,514,898,102	360,078,661,153
Impairment loss		(63,433,846,742)	(83,717,193,441)
Net income from interest after doubtful accounts		418,081,051,360	276,361,467,712
Other income			
Fees and services income, net		66,387,191,668	18,469,277,107
Gain on foreign exchange		17,570,486,209	60,675,537,354
Other income		1,105,548,733	1,962,717,055
Total other income	20	85,063,226,610	81,107,531,516
Income before non-interest expense and income tax		503,144,277,970	357,468,999,228

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Profit or Loss
Year ended 31 December 2018

	Note	2018 LAK	2017 LAK
Operating expenses			
Personnel expenses		(50,194,473,033)	(40,341,482,147)
Depreciation and amortisation expenses		(11,162,574,349)	(11,217,792,473)
Other expenses		(17,049,089,436)	(13,416,644,288)
		<u>(78,406,136,818)</u>	<u>(64,975,918,908)</u>
Profit before income tax		424,738,141,152	292,493,080,320
Income tax	21	(107,142,193,394)	(72,894,652,024)
Profit for the year		<u><u>317,595,947,758</u></u>	<u><u>219,598,428,296</u></u>

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

Prepared by:



Accountant

Approved by:



General Manager

SUN FENG LEI

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Changes in Equity
Year ended 31 December 2018

Note	Head Office's capital contribution	General provision	Statutory reserve	Retained earnings	Total
	LAK	LAK	LAK	LAK	LAK
Balance at 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
Change of Accounting policy	-	15,193,107,507	-	(11,546,761,706)	3,646,345,801
Balance at 1 January 2018	239,970,000,000	116,005,955,876	57,537,228,174	257,417,578,458	670,930,762,508
Change in general provision	-	67,177,422,503	-	-	67,177,422,503
Profit for the year	-	-	-	317,595,947,758	317,595,947,758
Statutory reserve for the year	-	-	31,754,316,333	(31,754,316,333)	-
Profit appropriation(*)	-	-	-	(165,212,617,340)	(165,212,617,340)
Balance at 31 December 2018	239,970,000,000	183,183,378,379	89,291,544,507	378,046,592,543	890,491,515,429

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

Prepared by: 

Approved by:





Accountant

General Manager

SUN FENG LEI

(*)profit appropriation to ICBC Head Office

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Cash Flows
Year ended 31 December 2018

	Note	2018 LAK	2017 LAK
Cash flows from operating activities			
Profit after tax		<u>317,595,947,758</u>	<u>219,598,428,296</u>
<i>Adjustments for:</i>			
Allowance for doubtful debts		63,433,846,742	83,717,193,441
Depreciation and amortisation		11,162,574,349	11,217,792,473
Interest income from investment in bonds		(206,998,915,747)	(181,860,542,000)
Gain on foreign exchanges		3,743,575,760	10,967,904,389
Income tax expenses		107,142,193,394	72,894,652,024
		<u>296,079,222,256</u>	<u>216,535,428,623</u>
Change in operating assets / liabilities			
Change in interbank and money market assets		(5,890,160,000,000)	2,056,818,750,971
Change in statutory deposits		(44,858,532,082)	(50,393,500,178)
Change in loans and advances to customers		835,420,181,223	5,326,341,285,212
Change in other assets		(103,876,276,188)	(122,376,464,088)
Change in deposits from customers		723,900,851,220	875,206,682,188
Change in interbank and money market liabilities		1,755,453,834,468	(4,046,284,189,284)
Change in withholding tax liabilities		(123,061,984)	530,782,816
Change in other liabilities		111,417,092,072	68,092,712,238
Income tax paid		(128,221,160,131)	(88,876,712,194)
Net cash generated (used in) / from operating activities		<u>(2,444,967,849,146)</u>	<u>4,235,594,776,304</u>
Cash flows from investing activities			
Acquisition of property and equipment		(460,753,400)	(931,310,353)
Acquisition of intangible assets		-	(131,652,000)
Purchases of bond investments		(740,660,000,000)	(328,220,000,000)
Proceeds from sale and redemption of bond investments		636,762,000,000	372,934,000,000
Interest income from investment in bonds		198,910,928,973	178,405,109,590
Net cash generated from / (used in) investing activities		<u>94,552,175,573</u>	<u>222,056,147,237</u>

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Cash Flows
Year ended 31 December 2018

	Note	2018 LAK	2017 LAK
Cash flows from financing activities			
Payment for profit distribution		(165,212,617,340)	(65,788,210,341)
Net cash used in financing activities		(165,212,617,340)	(65,788,210,341)
Net change in cash and cash equivalents		(2,515,628,290,913)	4,391,862,713,200
Cash and cash equivalents at 1 January		7,073,902,809,528	2,682,040,096,328
Cash and cash equivalents at 31 December	22	4,558,274,518,615	7,073,902,809,528

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

Prepared by:



Accountant

Approved by: ແຂວງ ສປປ ລາວ



General Manager

SUN FENG LEI

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements
Year ended 31 December 2018

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 2018, the Branch had 89 (2017: 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 29 March 2019.

(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 2018

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.

(iv) Change in accounting policies

IFRS 9 "Financial Instruments"

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The branch used the exemption from restating comparative information and recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Classification and measurement

The standard affects the classification and measurement of financial assets held as at 1 January 2018 as follows.

- Loans and advances to banks and to customers that are classified as loans and receivables and measured at amortised cost under IAS 39 also be measured at amortised cost under IFRS 9.
- Held-to-maturity investment securities measured at amortised cost under IAS 39 also be measured at amortised cost under IFRS 9.

The standard has no impact on the classification and measurement of financial instruments of the branch.

Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances.

The branch adopted the new impairment requirements at 1 January 2018, accumulated impairment loss at that date increased compared with that recognised under IAS 39. As a consequence, an adjustment had been made to the opening balances of net assets and retained profits at 1 January 2018.

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2018

The following table reconciles the closing impairment allowance under BoL regulations to opening allowance determined in accordance with IFRS 9 on the initial application date:

	Impairment allowance under BoL regulations as at 31 December 2017	Reclassification	Remeasurement	Impairment allowance under IFRS 9 as at 1 January 2018
Loans and receivables (BoL regulations)/Financial assets measured at amortised cost (IFRS 9)	22,944,098,369	-	7,160,795,891	30,104,894,260
Investment	-	-	8,031,300,558	8,031,300,558
Due from other banks	77,868,750,000	-	1,011,058	77,869,761,058
Subtotal	100,812,848,369	-	15,193,107,507	116,005,955,876
Deferred tax asset	(24,195,083,610)	-	(3,646,345,801)	(27,841,429,411)
Total	76,617,764,759	-	11,546,761,706	88,164,526,465

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2018

(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 2018	31 December 2017
	LAK	LAK
United State Dollar (“USD”)	8,511.00	8,274.00
Thai Baht (“THB”)	265.56	253.97
Chinese Yuan (“CNY”)	1,227.53	1,258.82
Euro (“EUR”)	9,745.50	9,885.00
HongKong Dollar (“HKD”)	1,030.50	1,003.00
Japanese Yen (“JPY”)	75.11	72.33

(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 2018

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.

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2018

3. Significant accounting policies (continued)

(f) Impairment of financial assets

Policy applicable from 1 January 2018

The Bank assesses on a forward-looking basis the expected credit losses (ECL) associated with financial assets measured at amortised cost or FVOCI which mainly include loans & advances and financings, investments (other than equity investments), interbank placements, loan commitments and financial guarantees. The Bank recognises a loss allowance and provision for such losses at reporting date. The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank's approach leveraged the existing regulatory capital models and processes for Bank's loan portfolios that use the existing Internal Rating based and behavioural credit models. IFRS 9 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

Measurement of ECL

Credit loss allowances are measured using a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD)

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2018

3. Significant accounting policies (continued)

(f) Impairment of financial assets (continued)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

Details of these statistical parameters/inputs are as follows:

PD – The probability of default is an estimate of the likelihood of default over a given time horizon.

EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and FLI are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a SICR since origination. The Bank is using three scenarios that is probability weighted to determine ECL.

The Bank's ECL allowance methodology, requires the Bank to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

Assessment of significant increase in credit risk

The expected credit loss model requires the recognition of credit losses based on 12 months of expected losses for performing loans and the recognition of lifetime expected losses on loans that have experienced a SICR since origination. The determination of a SICR takes into account many different macro-economic factors and will vary by product and risk segment. The main factors considered in making this determination are relative changes in probability-weighted probability of default since origination and certain criteria such as 30 day past due and watch list status. The assessment of SICR will require experienced credit judgement.

The bank considers a financial instrument having a significant increase in credit risk based on the following factors:

- The assessment will be based on comparison of risk of default (and not the expected loss) occurring over the lifetime of the asset as at the reporting date and as at the origination i.e. which in turn is derived from the risk rating and expected life of the asset.

- The deterioration in credit quality will be judged as 'significant' if the Distance to Default (DD) on the reporting date has reduced by at least half as compared to the DD at initial recognition provided, however, that on the reporting date (i) the asset is not considered to be of low credit risk and (ii) the expected life of the asset has not increased since initial recognition. DD for any risk rating is defined as the number of notches separating it from default.

- The assessment of risk rating on each reporting date will be performed based on financial / non-financial data & conduct and performance of the related asset.

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2018

3. Significant accounting policies (continued)

(f) Impairment of financial assets (continued)

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation of the Bank.

Overdrafts are considered as being past due once the customer has breached and advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether the borrower is in default, the Bank considers indicators that are;

- qualitative - e.g. breaches of covenant
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instruments is in default and their significance may vary over time to reflect changes in circumstances.

Only the calculation methodology has been adopted in accordance with International Financial Reporting Standards not the related disclosure and the results of measurement of ECL also met the requirements of BOL regulations.

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2018

3. Significant accounting policies (continued)

(f) Impairment (continued)

Policy applicable before 1 January 2018

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 2018

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 2018

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 2018

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 2018

4. Cash

	2018	2017
	LAK	LAK
Lao Kip (“LAK”)	67,525,052,000	14,663,866,000
United States Dollar (“USD”)	15,059,805,972	64,447,352,634
Thai Baht (“THB”)	21,738,436,206	6,346,880,460
China Yuan (“CNY”)	9,470,125,121	26,250,136,954
	113,793,419,299	111,708,236,048

5. Amounts due from other banks

	2018	2017
	LAK	LAK
Lao Kip (“LAK”)	67,637,376,281	119,222,331,142
Other foreign items	14,551,267,033,145	11,493,923,708,657
	14,618,904,409,426	11,613,146,039,799

a) Domestic items

	2018	2017
	LAK	LAK
At call		
Bank of the Lao PDR	14,348,897,973	50,670,373,909
Other commercial banks	53,288,478,308	68,551,957,233
	67,637,376,281	119,222,331,142

b) Foreign items

	2018	2017
	LAK	LAK
At call		
USD	14,348,831,055,148	11,456,595,192,002
THB	71,662,578,321	29,433,229,430
CNY	130,771,313,274	7,893,256,501
HKD	2,086,402	2,030,724
	14,551,267,033,145	11,493,923,708,657

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2018

6. Statutory deposits with Central Bank

	2018	2017
	LAK	LAK
Statutory deposits on:		
Registered capital reserve	5,000,000	5,000,000
Compulsory reserve	442,315,835,728	397,457,303,646
	442,320,835,728	397,462,303,646

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 (2017: 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

	2018	2017
	LAK	LAK
Government Bonds	655,550,000,000	623,700,000,000
Financial Bonds	2,587,344,000,000	2,515,296,000,000
Accrued interest receivable	56,349,848,778	48,261,862,004
	3,299,243,848,778	3,187,257,862,004

Investments represent investment measured at amortised cost in bonds. These bonds have maturities ranging from date 27 Apr 2019 to date 30 Jan 2023 (2017: 15 Jan 2018 to 26 Dec 2022) and interest rates ranging from 5.00% to 7.49% (2017: 5.75 % to 6.26%).

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2018

8. Loans and advances

	2018	2017
	LAK	LAK
Loans and receivables:		
- Overdrafts	2,400,838,708	2,400,558,607
- Loans	1,795,646,789,600	2,631,067,250,924
Loans and advances to customers	<u>1,798,047,628,308</u>	<u>2,633,467,809,531</u>

All loans and advances measured at amortised cost.

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

a) Classified by residual maturity

	2018	2017
	LAK	LAK
Within 1 year	47,149,945,156	1,956,280,934,388
Over 1 year	1,750,897,683,152	677,186,875,143
	<u>1,798,047,628,308</u>	<u>2,633,467,809,531</u>

b) Classified by currencies

	2018	2017
	LAK	LAK
LAK	11,331,922,259	11,840,307,644
USD	1,783,636,724,744	749,606,920,266
CNY	2,565,337,760	1,871,466,629,145
THB	513,643,545	553,952,476
	<u>1,798,047,628,308</u>	<u>2,633,467,809,531</u>

c) Classified by type of business

	2018	2017
	LAK	LAK
Construction	264,153,349,189	70,708,569,750
Commercial	168,931,250,000	9,350,000,000
Personal	15,580,315,719	13,575,974,450
Others	1,349,382,713,400	2,539,833,265,331
	<u>1,798,047,628,308</u>	<u>2,633,467,809,531</u>

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2018

8. Loans and advances (continued)

d) Classified by performance

	2018	2017
	LAK	LAK
	<hr/>	<hr/>
Performing loans	<u>1,798,047,628,308</u>	<u>2,633,467,809,531</u>

e) Classified by interest rate (per annum)

	2018	2017
	%	%
	<hr/>	<hr/>
USD	4.18%-9.52%	2.70%-8.45%
CNY	5.00%	3.10%-5.50%

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

	2018	2017
	LAK	LAK
	<hr/>	<hr/>
Balance at beginning of the year*	30,104,894,260	15,843,287,617
Foreign exchange translation	1,146,505,552	1,280,292,311
Provision made in the year	406,001,128	5,820,518,441
Balance at end of the year	<u>31,657,400,940</u>	<u>22,944,098,369</u>

(*) : For the impact of change in accounting policy, please refer to 2.(a).(iv).

Industrial and Commercial Bank of China Limited Vientiane Branch

Notes to Financial Statements (continued)

Year ended 31 December 2018

9. Property and equipment

	Property		Leasehold improvement		Electronic equipment		Furniture, fitting and office equipment		Vehicle		Total	
	LAK	LAK	LAK	LAK	LAK	LAK	LAK	LAK	LAK	LAK	LAK	LAK
Cost												
Balance 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 and at 1 January 2018	152,794,300,966	-	6,634,310,089	9,694,787,238	3,250,665,650	172,374,063,943						
Additions	-	-	71,852,538	388,900,862	-	460,753,400						
Balance at 31 December 2018	152,794,300,966	-	6,706,162,627	10,083,688,100	3,250,665,650	172,834,817,343						
Accumulated depreciation												
Balance 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 and at 1 January 2018	21,041,898,400	-	4,571,800,904	5,446,233,828	2,868,635,140	33,928,568,272						
Depreciation for the year	7,634,486,000	-	901,968,954	1,922,562,974	80,369,350	10,539,387,278						
Balance at 31 December 2018	28,676,384,400	-	5,473,769,858	7,368,796,802	2,949,004,490	44,467,955,550						
Carrying amounts												
At 1 January 2017	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						
At 31 December 2018	124,117,916,566	-	1,232,392,769	2,714,891,298	301,661,160	128,366,861,793						

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2018

10. Intangible assets

	Software LAK	Land use rights LAK	Total LAK
Cost			
Balance 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 and at 1 January 2018	336,254,724	51,863,500,000	52,199,754,724
Additions	-	-	-
Balance at 31 December 2018	336,254,724	51,863,500,000	52,199,754,724
Accumulated amortisation			
Balance 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 and at 1 January 2018	183,349,434	2,887,353,870	3,070,703,304
Amortisation for the year	47,294,086	575,892,985	623,187,071
Balance at 31 December 2018	230,643,520	3,463,246,855	3,693,890,375
Carrying amounts			
At 1 January 2017	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
At 31 December 2018	105,611,204	48,400,253,145	48,505,864,349

11. Deferred tax asset

	Deferred tax asset		
	At 1 January 2018	Total gains/(losses) recorded in profit and loss	At 31 December 2018
Allowance for impairment losses	27,841,429,411	16,122,581,400	43,964,010,811
	27,841,429,411	16,122,581,400	43,964,010,811

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2018

12. Other assets

	2018	2017
	LAK	LAK
Accrued interest receivable	361,404,645,432	259,183,296,062
Other receivables and prepayments	2,820,439,154	1,165,512,336
	364,225,084,586	260,348,808,398

13. Deposits from customers

a) Classified by type of deposits

	2018	2017
	LAK	LAK
Current	3,858,378,646,488	3,134,045,789,821
Savings	402,690,554,476	353,767,552,063
Term (contractual maturity):		
Within 1 year	1,009,868,842,893	1,134,580,706,805
Over 1 year	150,819,002,652	106,584,079,958
Others	42,916,520,358	11,794,587,000
	5,464,673,566,867	4,740,772,715,647

b) Classified by currencies

	2018	2017
	LAK	LAK
LAK	102,043,411,152	164,154,844,701
USD	4,557,615,299,014	4,173,435,496,858
THB	54,275,004,293	31,269,711,118
CNY	750,739,852,408	371,912,662,970
	5,464,673,566,867	4,740,772,715,647

c) Interest rate (per annum)

	2018	2017
	%	%
Saving accounts		
LAK	1.65%	1.65%
USD	1.00%	1.00%
THB	0.50%	0.50%
CNY	0.90%	0.90%
Fixed deposits		
LAK	2.90%-11.00%	2.50%-11.00%
USD	1.05% - 6.25%	0.50%-6.25%
THB	0.90%-4.50%	0.75%-4.50%
CNY	0.40%-2.20%	0.40%-3.00%

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2018

14. Amounts due to other banks

	2018	2017
	LAK	LAK
At Call	<u>90,532,722,516</u>	<u>764,726,657,723</u>
a) By residence:		
	2018	2017
	LAK	LAK
Domestic	90,532,722,516	102,806,657,723
Overseas	-	661,920,000,000
	<u>90,532,722,516</u>	<u>764,726,657,723</u>
b) By currency:		
	2018	2017
	LAK	LAK
LAK	29,954,495	59,705,781,480
USD	56,953,026,017	682,343,332,433
CNY	33,549,742,004	22,677,543,810
	<u>90,532,722,516</u>	<u>764,726,657,723</u>

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2018

15. Tax liabilities

	2018	2017
	LAK	LAK
Corporate tax	10,828,353,952	15,784,739,289
Other withholding tax	407,720,832	530,782,816
	11,236,074,784	16,315,522,105

16. Other liabilities

	2018	2017
	LAK	LAK
Accrued interest payables	223,136,835,135	172,692,642,789
Payable to employees	13,466,236,577	8,553,720,000
Settlement accounts	61,734,663,895	6,626,197,616
Deferred income	1,187,350,425	116,520,848
Other payables	479,002,464	597,915,171
	300,004,088,496	188,586,996,424

17. Head Office's capital contribution

	2018	2017
	LAK	LAK
Contributed legal capital	239,970,000,000	239,970,000,000

18. Statutory reserve

The statutory reserve is provided for at the rate of at least 10% of net 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 2018

19. Interest expense

	2018	2017
	LAK	LAK
Deposits	39,987,481,956	31,415,774,030
Interbank and money market items	415,700,570,361	474,115,664,116
	455,688,052,317	505,531,438,146

20. Other income

	2018	2017
	LAK	LAK
Fee and commission income/(expenses)		
Commissions on banks cards	1,293,505,300	1,361,584,256
Commissions on guarantees	906,072,835	461,857,279
Commissions on letters of credit	916,580,917	34,959,364
Commissions on fund transfers	6,511,324,164	3,728,953,432
Commissions on e-Banking	92,168,956	140,839,405
Fees on financial services	56,924,569,994	15,013,918,913
Others	(257,030,498)	(2,272,835,542)
Total fee and commission income	66,387,191,668	18,469,277,107
Gain on foreign exchange	17,570,486,209	60,675,537,354
Other income	1,105,548,733	1,962,717,055
	85,063,226,610	81,107,531,516

21. Income tax

	2018	2017
	LAK	LAK
Current tax expense		
Current year	123,264,774,794	93,060,804,963
Adjustment for prior year	-	-
	123,264,774,794	93,060,804,963
Deferred tax expense		
Reversal of temporary differences	(16,122,581,400)	(20,166,152,939)
	107,142,193,394	72,894,652,024

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 2018

21. Income tax (continued)

(i) Reconciliation of effective tax rate

	<i>Rate</i> %	2018 LAK	<i>Rate</i> %	2017 LAK
Profit before tax		424,738,141,152		292,493,080,320
Income tax using the Lao PDR corporation tax rate	24.0	101,937,153,876	24.0	70,198,339,277
Expenses not deductible for tax purposes	1.2	5,205,039,518	0.9	2,696,312,747
Tax expense	25.2	107,142,193,394	24.9	72,894,652,024

22. Cash and cash equivalents

	2018 LAK	2017 LAK
Cash	113,793,419,299	111,708,236,048
Deposits and placements with Head Office and other branches	1,195,206,689,890	828,518,533,681
Deposits and placements with other banks	3,249,274,409,426	6,133,676,039,799
	4,558,274,518,615	7,073,902,809,528

23. 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 2018

23. Related party transactions (continued)

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

	2018	2017
	LAK	LAK
Interbank and money market items		
Due from Head Office and other branches	1,195,206,689,890	828,518,533,681
Subtotal	1,195,206,689,890	828,518,533,681
Interest receivable	3,436,197,453	-
Total	1,198,642,887,343	828,518,533,681

(i) Foreign items

	2018	2017
	LAK	LAK
USD	408,918,561,534	469,555,133,847
CNY	788,586,514,443	358,414,292,593
EUR	1,011,666,224	427,631,031
JPY	126,145,142	121,476,210
	1,198,642,887,343	828,518,533,681

	2018	2017
	LAK	LAK
Other balances at end of the year:		
Deposits from other branches	(2,193,612,684,876)	(3,301,618,652,620)
Borrowings from Head Office and other branches	(13,102,028,000,000)	(9,564,374,262,581)
Subtotal	(15,295,640,684,876)	(12,865,992,915,201)
Interest payable	(198,885,803,978)	(139,097,792,337)
Total	(15,494,526,488,854)	(13,005,090,707,538)

Transactions during the year:

Interest income from interbank and money market items	20,554,843,858	32,031,371,815
Interest expense on interbank and money market items	(407,603,656,450)	(463,210,610,682)

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2018

23. Related party transactions (continued)

(b) Other related parties

	2018	2017
	LAK	LAK
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Balances at end of the year:		
Due from other banks	288,759,490,994	31,911,575,691
Borrowings from institutions other than Head Office and other branches	-	(661,920,000,000)
Transactions during the year:		
Interest income from amounts due from other banks	3,710,840,531	7,621,184,278
Interest expense on borrowings from institutions other than Head Office and other branches	(6,726,401,152)	(10,482,831,212)
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24. 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:

	2018	2017
	LAK	LAK
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Letters of guarantee outstanding	207,540,515,094	173,675,165,549
Letters of credit outstanding	30,229,656,685	4,803,057,000
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	237,770,171,779	178,478,222,549

No material losses are anticipated from these transactions.