

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

Audited Financial Statements
and
Independent Auditors' Report
Year ended 31 December 2019



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.0392 dated 21 March 2019	
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 2019, and the statement of comprehensive income, 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 35 present fairly, in all material respects, the financial position of the Branch as at 31 December 2019, 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
25 March 2020

SUN FENG LEI



KPMG Lao Co., Ltd.
10th Floor, Royal Square Office Building,
Samsenthai Road, Nongduong Nua Village,
Sikhotabong District, P.O. Box 6978,
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ຊັ້ນ 10, ອາຄານ ໂຮໂຢລສະເຄລ
ຖະໜົນ ສາມແສນໄທ, ບ້ານ ຫນອງດ້ວງເໜືອ,
ເມືອງ ສີໂຄດຕະບອງ, ຖ້ຳ ປ.ນ. 6978,
ນະຄອນຫຼວງວຽງຈັນ, ສປປ ລາວ
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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 2019, the statements of comprehensive 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 2019 and its financial performance and cash flows for the year then ended in accordance with the accounting regulations of the Bank of Lao P.D.R. and accounting rules in the Lao P.D.R.

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.



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.

Vientiane Capital, Lao PDR

Date: 25 March 2020

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Financial Position as at 31 December 2019

		2019	2018
	Note	LAK	LAK
<u>ASSETS</u>			
Cash	4	119,743,967,583	113,793,419,299
Interbank and money market items			
Amounts due from Head Office and other branches	23(a)	3,689,710,517,997	1,195,206,689,890
Amounts due from other banks	5	14,973,450,081,945	14,618,904,409,426
Statutory deposits with Central Bank	6	311,639,822,642	442,320,835,728
Investments	7	3,852,168,000,000	3,299,243,848,778
Loans and advances	8	4,645,485,684,358	1,798,047,628,308
Property and equipment	9	119,429,001,928	128,366,861,793
Intangible assets	10	47,901,934,984	48,505,864,349
Deferred tax assets	11	57,292,170,686	43,964,010,811
Other assets	12	619,012,966,506	364,225,084,586
Total assets		28,435,834,148,629	22,052,578,652,968

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

Prepared by:



Accountant

Approved by:




SUN FENG LEI

General Manager

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Financial Position as at 31 December 2019

		2019	2018
	Note	LAK	LAK
<u>LIABILITIES AND EQUITY</u>			
Liabilities			
Deposits from customers	13	6,667,613,871,382	5,464,673,566,867
Interbank and money market items			
Amounts due to Head Office and other branches	23(a)	20,066,450,081,849	15,295,640,684,876
Amounts due to other banks	14	166,712,418,155	90,532,722,516
Tax liabilities	15	2,921,266,942	11,236,074,784
Other liabilities	16	377,891,821,759	300,004,088,496
Total liabilities		27,281,589,460,087	21,162,087,137,539
Equity			
Head Office's capital contribution	17	239,970,000,000	239,970,000,000
General provision		246,371,564,681	183,183,378,379
Legal reserve	18	126,557,300,387	89,291,544,507
Retained earnings		541,345,823,474	378,046,592,543
Total equity		1,154,244,688,542	890,491,515,429
Total liabilities and equity		28,435,834,148,629	22,052,578,652,968

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 comprehensive income
Year ended 31 December 2019

	Note	2019 LAK	2018 LAK
Interest income			
Interest from loans and advances		172,381,088,218	121,218,554,729
Interest from interbank and money market items		794,274,923,375	608,985,479,943
Interest from investment in bonds		211,676,639,808	206,998,915,747
Total interest income		1,178,332,651,401	937,202,950,419
Interest expense			
Interest on deposits		(55,000,902,034)	(39,987,481,956)
Interest on interbank and money market items		(603,773,596,568)	(415,700,570,361)
Total interest expense	19	(658,774,498,602)	(455,688,052,317)
Net interest income		519,558,152,799	481,514,898,102
Impairment loss		(55,533,999,478)	(63,433,846,742)
Net income from interest after doubtful accounts		464,024,153,321	418,081,051,360
Other income			
Fees and services income, net		86,461,849,115	66,387,191,668
Gain on foreign exchange		24,068,738,627	17,570,486,209
Other income		57,550,212	1,105,548,733
Total other income	20	110,588,137,954	85,063,226,610
Income before non-interest expense and income tax		574,612,291,275	503,144,277,970

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of comprehensive income
Year ended 31 December 2019

	Note	2019 LAK	2018 LAK
Operating expenses			
Personnel expenses		(56,501,964,212)	(50,194,473,033)
Depreciation and amortisation expenses		(11,385,395,248)	(11,162,574,349)
Other expenses		(20,931,584,713)	(17,049,089,436)
		(88,818,944,173)	(78,406,136,818)
Profit before income tax		485,793,347,102	424,738,141,152
Income tax	21	(116,759,250,477)	(107,142,193,394)
Profit for the year		369,034,096,625	317,595,947,758

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

Prepared by:



Accountant

Approved by:




SUN FENG LEI

General Manager

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of changes in capital and other reserves
Year ended 31 December 2019

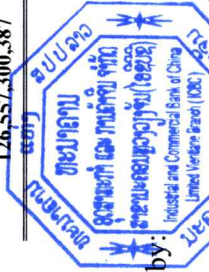
Note	Head Office's capital contribution	General provision	Legal reserve	Retained earnings	Total
	LAK	LAK	LAK	LAK	LAK
Balance at 1 January 2018	239,970,000,000	116,005,955,876	57,537,228,174	257,417,578,458	670,930,762,508
Change in general provision	-	67,177,422,503	-	-	67,177,422,503
Profit for the year	-	-	-	317,595,947,758	317,595,947,758
Legal 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 and 1 January 2019	239,970,000,000	183,183,378,379	89,291,544,507	378,046,592,543	890,491,515,429
Change in general provision	-	63,188,186,302	-	-	63,188,186,302
Profit for the year	-	-	-	369,034,096,625	369,034,096,625
Legal reserve for the year	18	-	37,265,755,880	(37,265,755,880)	-
Profit appropriation (*)	-	-	-	(168,469,109,814)	(168,469,109,814)
Balance at 31 December 2019	239,970,000,000	246,371,564,681	126,557,300,387	541,345,823,474	1,154,244,688,542

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

Prepared by:

[Signature]

Approved by:



[Signature]

Accountant

General Manager

SUN FENG LEI

(*) profit appropriation to ICBC Head Office, approved by Bank of Lao on 05 June 2019.

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Cash Flows
Year ended 31 December 2019

	Note	2019 LAK	2018 LAK
Cash flows from operating activities			
Profit after tax		<u>369,034,096,625</u>	<u>317,595,947,758</u>
<i>Adjustments for:</i>			
Allowance for doubtful debts		55,533,999,478	63,433,846,742
Depreciation and amortisation		11,385,395,248	11,162,574,349
Interest income from investment in bonds		(211,676,639,808)	(206,998,915,747)
Gain on foreign exchanges		7,654,186,824	3,743,575,760
Income tax expenses		<u>116,759,250,477</u>	<u>107,142,193,394</u>
		<u>348,690,288,844</u>	<u>296,079,222,256</u>
Change in operating assets / liabilities			
Change in interbank and money market assets		2,483,253,874,000	(5,890,160,000,000)
Change in statutory deposits		130,681,013,086	(44,858,532,082)
Change in loans and advances to customers		(2,847,438,056,050)	835,420,181,223
Change in other assets		(198,629,963,095)	(103,876,276,188)
Change in deposits from customers		1,202,940,304,515	723,900,851,220
Change in interbank and money market liabilities		4,846,989,092,612	1,755,453,834,468
Change in withholding tax liabilities		(396,109,552)	(123,061,984)
Change in other liabilities		77,887,733,263	111,417,092,072
Income tax paid		<u>(138,006,108,642)</u>	<u>(128,221,160,131)</u>
Net cash generated from / (used in) operating activities		<u>5,905,972,068,981</u>	<u>(2,444,967,849,146)</u>
Cash flows from investing activities			
Acquisition of property and equipment		(1,651,676,065)	(460,753,400)
Purchases of bond investments		(1,114,200,000,000)	(740,660,000,000)
Proceeds from sale and redemption of bond investments		622,100,000,000	636,762,000,000
Interest income from investment in bonds		94,502,639,808	198,910,928,973
Net cash generated (used in) / from investing activities		<u>(399,249,036,257)</u>	<u>94,552,175,573</u>

Industrial and Commercial Bank of China Limited Vientiane Branch
Statement of Cash Flows
Year ended 31 December 2019

	Note	2019 LAK	2018 LAK
Cash flows from financing activities			
Payment for profit distribution		(168,469,109,814)	(165,212,617,340)
Net cash used in financing activities		(168,469,109,814)	(165,212,617,340)
Net change in cash and cash equivalents		5,338,253,922,910	(2,515,628,290,913)
Cash and cash equivalents at 1 January		4,558,274,518,615	7,073,902,809,528
Cash and cash equivalents at 31 December	22	9,896,528,441,525	4,558,274,518,615

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

Prepared by:



Accountant

Approved by:




SUN FENG LEI

General Manager

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements
Year ended 31 December 2019

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 March 2019.

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 2019, the Branch had 93 (2018: 89) 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 capital and other reserves, 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.

New accounting standard IFRS 16 is effective for annual accounting periods on or after 1st January 2019. The application of IFRS 16 is pursuant to the BOL instruction 1433/AF on implementation of International Financial Reporting Standard 16 Leases (“IFRS 16”) dated 24th October 2019. The initial application of new accounting standard has resulted in change of the Branch's accounting policy. The effect of this change is described in Note 2. (iv).

The financial statements were authorized for issue by the Board of Management on 25 March 2020.

(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 2019

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 16, "Leases"

(a) leases

The Branch applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated i.e. it is presented, as previously reported under Lao GAAP and related regulations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(b) Definition of a lease

Previously, the Branch treated Lease contracts as operating leases and booked related lease expense as operating expense. The only lease contracts falling under the domain of IFRS 16 is a vehicle rental agreement. The Branch has now assessed whether the rental agreements fall under the definition of a lease, as described in Note 3 (n).

(c) As a lessee

As a lessee, the Branch leases a vehicle. Under IFRS 16, the Branch recognizes right-of-use asset and lease liability i.e. this lease is recorded in the statement of financial position. Further, the Branch has entered into new vehicle lease during the year ended 31 December 2019.

On transition, for this lease, lease liability was measured at the present value of the remaining lease payments, discounted at the Branch's incremental borrowing rate for the year 2019. The Branch presents the lease liability in other liabilities.

The right-of-use are measured at their carrying amount as if IFRS 16 was applied since the commencement date of the agreement, discounted using the lessee's incremental borrowing rate at the date of transition. The Branch presents the right-of-use asset in property and equipment.

(d) Impact on transition

On transition to IFRS 16, the Branch recognized additional right-of-use assets and additional lease liability, recognizing the difference in retained earnings. At the date of transition, both right-of-use assets and lease liability are zero.:

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2019

2. Basis of financial statement preparation (continued)

(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 comprehensive 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 2019	31 December 2018
	LAK	LAK
United State Dollar ("USD")	8,842.00	8,511.00
Thai Baht ("THB")	298.73	265.56
Chinese Yuan ("CNY")	1,257.88	1,227.53
Euro ("EUR")	9,911.00	9,745.50
HongKong Dollar ("HKD")	1,076.50	1,030.50
Japanese Yen ("JPY")	79.96	75.11

(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 2019

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 comprehensive income 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 comprehensive income. 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) Impairment of financial assets

The Branch 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 Branch 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 Branch's approach leveraged the existing regulatory capital models and processes for Branch'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 Branch 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 2019

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 Branch is using three scenarios that is probability weighted to determine ECL.

The Branch's ECL allowance methodology, requires the Branch 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 Branch 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 2019

3. Significant accounting policies (continued)

(f) Impairment of financial assets (continued)

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Branch in full, without recourse by the Branch 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 Branch.

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 Branch 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 Branch; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument 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.

(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 comprehensive 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 2019

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 comprehensive 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 comprehensive 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.

(k) Interest expense

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

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2019

3. Significant accounting policies (continued)

(l) Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in comprehensive income.

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.

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.

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2019

3. Significant accounting policies (continued)

(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) Leases

The Branch has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under Lao GAAP and related regulations. The details of accounting policies under Lao GAAP and related regulations are disclosed separately if they are different from those under IFRS 16. The impact of changes is disclosed in Note 2.

Policy applicable from 1 January 2019

At inception of a contract, the Branch assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Branch assesses whether:

- the contract involves the use of an identified asset;
- the Branch has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use: and
- the Branch has the right to direct the use of the asset. The Branch has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

This policy is applied to contracts entered in to, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Branch allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(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 2019

4. Cash

	2019	2018
	LAK	LAK
Lao Kip ("LAK")	45,335,702,000	67,525,052,000
United States Dollar ("USD")	27,390,376,236	15,059,805,972
Thai Baht ("THB")	14,932,676,256	21,738,436,206
Chinese Yuan ("CNY")	32,085,213,091	9,470,125,121
	<u>119,743,967,583</u>	<u>113,793,419,299</u>

5. Amounts due from other banks

	2019	2018
	LAK	LAK
Lao Kip ("LAK")	69,009,605,053	67,637,376,281
Other foreign items	14,904,440,476,892	14,551,267,033,145
	<u>14,973,450,081,945</u>	<u>14,618,904,409,426</u>

(a) Domestic items

	2019	2018
	LAK	LAK
At call		
Bank of the Lao PDR	62,615,361,522	14,348,897,973
Other commercial banks	6,394,243,531	53,288,478,308
	<u>69,009,605,053</u>	<u>67,637,376,281</u>

(b) Foreign items

	2019	2018
	LAK	LAK
At call		
USD	14,809,592,053,769	14,348,831,055,148
THB	85,342,148,869	71,662,578,321
CNY	9,504,363,843	130,771,313,274
HKD	1,910,411	2,086,402
	<u>14,904,440,476,892</u>	<u>14,551,267,033,145</u>

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2019

6. Statutory deposits with Central Bank

	2019	2018
	LAK	LAK
Statutory deposits on:		
Registered capital reserve	5,000,000	5,000,000
Compulsory reserve	311,634,822,642	442,315,835,728
	311,639,822,642	442,320,835,728

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 (2018: 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

	2019	2018
	LAK	LAK
Government Bonds	280,000,000,000	655,550,000,000
Financial Bonds	3,572,168,000,000	2,587,344,000,000
Accrued interest receivable	-	56,349,848,778
	3,852,168,000,000	3,299,243,848,778

Investments represent investment measured at amortised cost in bonds. These bonds have maturities ranging from date 03 May 2020 to date 30 Jan 2023 (2018: 27 Apr 2019 to date 30 Jan 2023) and interest rates ranging from 5.00% to 6.80% (2018: 5.00% to 7.49%).

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2019

8. Loans and advances

	2019	2018
	LAK	LAK
Loans and receivables:		
- Overdrafts	1,929,807,896	2,400,838,708
- Loans	4,643,555,876,462	1,795,646,789,600
Loans and advances to customers	<u>4,645,485,684,358</u>	<u>1,798,047,628,308</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

	2019	2018
	LAK	LAK
Within 1 year	2,989,264,795,885	47,149,945,156
Over 1 year	1,656,220,888,473	1,750,897,683,152
	<u>4,645,485,684,358</u>	<u>1,798,047,628,308</u>

(b) Classified by currencies

	2019	2018
	LAK	LAK
LAK	1,294,479,928	11,331,922,259
USD	2,140,604,738,917	1,783,636,724,744
CNY	2,503,303,186,838	2,565,337,760
THB	283,278,675	513,643,545
	<u>4,645,485,684,358</u>	<u>1,798,047,628,308</u>

(c) Classified by type of business

	2019	2018
	LAK	LAK
Construction	332,151,671,261	264,153,349,189
Commercial	-	168,931,250,000
Personal	13,345,145,165	15,580,315,719
Others	4,299,988,867,932	1,349,382,713,400
	<u>4,645,485,684,358</u>	<u>1,798,047,628,308</u>

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2019

8. Loans and advances (continued)

(d) Classified by performance

	2019	2018
	LAK	LAK
Performing loans	4,645,485,684,358	1,798,047,628,308

(e) Classified by interest rate (per annum)

	2019	2018
	%	%
USD	2.50%-9.09%	4.18%-9.52%
CNY	3.00%-4.80%	5.00%

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

	2019	2018
	LAK	LAK
Balance at beginning of the year	31,657,400,940	30,104,894,260
Foreign exchange translation	1,071,514,861	1,146,505,552
Provision made in the year	12,602,354,650	406,001,128
Balance at end of the year	45,331,270,451	31,657,400,940

Industrial and Commercial Bank of China Limited Vientiane Branch

Notes to Financial Statements (continued)

Year ended 31 December 2019

9. Property and equipment

	Property		Right-of-use assets		Electronic equipment		Furniture, fitting and office equipment		Vehicle		Total	
	LAK		LAK		LAK		LAK		LAK		LAK	
Cost												
Balance 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 and at 1 January 2019	152,794,300,966		-		6,706,162,627		10,083,688,100		3,250,665,650		172,834,817,343	
Additions	-		511,813,205		1,089,026,614		242,766,199		-		1,843,606,018	
Write off	-		-		(258,521,852)		-		-		(258,521,852)	
Balance at 31 December 2019	152,794,300,966		511,813,205		7,536,667,389		10,326,454,299		3,250,665,650		174,419,901,509	
Accumulated depreciation												
Balance 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 and at 1 January 2019	28,676,384,400		-		5,473,769,858		7,368,796,802		2,949,004,490		44,467,955,550	
Depreciation for the year	7,634,486,000		191,929,953		917,267,381		1,957,413,199		80,369,350		10,781,465,883	
Write off	-		-		(258,521,852)		-		-		(258,521,852)	
Balance at 31 December 2019	36,310,870,400		191,929,953		6,132,515,387		9,326,210,001		3,029,373,840		54,990,899,581	
Carrying amounts												
At 1 January 2018	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	
At 31 December 2019	116,483,430,566		319,883,252		1,404,152,002		1,000,244,298		221,291,810		119,429,001,928	

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2019

10. Intangible assets

	Software	Land use	Total
	LAK	rights	LAK
		LAK	LAK
Cost			
Balance at 1 January 2018	336,254,724	51,863,500,000	52,199,754,724
Balance at 31 December 2018 and at 1 January 2019	336,254,724	51,863,500,000	52,199,754,724
Balance at 31 December 2019	336,254,724	51,863,500,000	52,199,754,724
Accumulated amortisation			
Balance 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 and at 1 January 2019	230,643,520	3,463,246,855	3,693,890,375
Amortisation for the year	28,036,380	575,892,985	603,929,365
Balance at 31 December 2019	258,679,900	4,039,139,840	4,297,819,740
Carrying amounts			
At 1 January 2018	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
At 31 December 2019	77,574,824	47,824,360,160	47,901,934,984

11. Deferred tax asset

	Deferred tax asset		
	At 1	Total	At 31
	January	gains/(losses)	December
	2019	recorded in	2019
		profit and loss	
Allowance for impairment losses	43,964,010,811	13,328,159,875	57,292,170,686
	43,964,010,811	13,328,159,875	57,292,170,686

The Income Tax Law No. 67/NA dated 31 July 2019 reduced the profit tax rate from 24% to 20% of taxable profit.

As announced through the Notification from Ministry of Finance on Implementation of the Taxation Management Law, Income Tax Law and Excise Tax Law, No. 042/ MOF, dated on 11 February 2020, The Income Tax Law No. 67/NA shall be started from 1st January 2020 onwards. The Branch has decided not to apply the new tax rate in the measurement of deferred tax assets and liabilities as at 31 December 2019 since the effective date of the new tax law is uncertain at 31 December 2019 and the impact is not material.

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2019

12. Other assets

	2019	2018
	LAK	LAK
Accrued interest receivable	617,191,952,392	361,404,645,432
Other receivables and prepayments	1,821,014,114	2,820,439,154
	<u>619,012,966,506</u>	<u>364,225,084,586</u>

13. Deposits from customers

(a) Classified by type of deposits

	2019	2018
	LAK	LAK
Current	4,546,235,303,510	3,858,378,646,488
Savings	429,302,682,061	402,690,554,476
Term (contractual maturity):		
Within 1 year	1,174,677,587,241	1,009,868,842,893
Over 1 year	274,531,175,092	150,819,002,652
Others	242,867,123,478	42,916,520,358
	<u>6,667,613,871,382</u>	<u>5,464,673,566,867</u>

(b) Classified by currencies

	2019	2018
	LAK	LAK
LAK	274,850,966,522	102,043,411,152
USD	4,427,757,004,409	4,557,615,299,014
THB	84,653,549,354	54,275,004,293
CNY	1,774,738,306,902	750,739,852,408
EUR	105,614,044,195	-
	<u>6,667,613,871,382</u>	<u>5,464,673,566,867</u>

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2019

13. Deposits from customers (continued)

(c) Interest rate (per annum)

	2019	2018
	%	%
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%-6.65%	2.90%-11.00%
USD	1.65% - 5.75%	1.05% - 6.25%
THB	0.90%-4.70%	0.90%-4.50%
CNY	1.60%-2.20%	0.40%-2.20%

14. Amounts due to other banks

	2019	2018
	LAK	LAK
At Call	166,712,418,155	90,532,722,516

(a) By residence:

	2019	2018
	LAK	LAK
Domestic	166,712,418,155	90,532,722,516
	166,712,418,155	90,532,722,516

(b) By currency:

	2019	2018
	LAK	LAK
LAK	98,037,719,195	29,954,495
USD	29,230,901,492	56,953,026,017
CNY	39,443,797,468	33,549,742,004
	166,712,418,155	90,532,722,516

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2019

15. Tax liabilities

	2019	2018
	LAK	LAK
Corporate tax	2,909,655,662	10,828,353,952
Other withholding tax	11,611,280	407,720,832
	2,921,266,942	11,236,074,784

16. Other liabilities

	2019	2018
	LAK	LAK
Accrued interest payable	334,667,841,495	223,136,835,135
Payable to employees	22,203,420,302	13,466,236,577
Settlement accounts	9,453,779,807	61,734,663,895
Deferred income	10,160,621,373	1,187,350,425
Lease liabilities	258,873,281	-
Other payables	1,147,285,501	479,002,464
	377,891,821,759	300,004,088,496

17. Head Office's capital contribution

	2019	2018
	LAK	LAK
Contributed legal capital	239,970,000,000	239,970,000,000

18. Legal reserve

The legal 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 2019

19. Interest expense

	2019	2018
	LAK	LAK
Deposits	55,000,902,034	39,987,481,956
Interbank and money market items	603,773,596,568	415,700,570,361
	658,774,498,602	455,688,052,317

20. Other income

	2019	2018
	LAK	LAK
Fee and commission income/(expenses)		
Commissions on banks cards	1,685,369,589	1,293,505,300
Commissions on guarantees	2,426,897,379	906,072,835
Commissions on letters of credit	6,041,445,935	916,580,917
Commissions on fund transfers	9,473,814,776	6,511,324,164
Commissions on e-Banking	88,502,431	92,168,956
Fees on financial services	66,762,389,790	56,924,569,994
Others	(16,570,785)	(257,030,498)
Total fee and commission income	86,461,849,115	66,387,191,668
Gain on foreign exchange	24,068,738,627	17,570,486,209
Other income	57,550,212	1,105,548,733
	110,588,137,954	85,063,226,610

21. Income tax

	2019	2018
	LAK	LAK
Current tax expense		
Current year	130,087,410,352	123,264,774,794
	130,087,410,352	123,264,774,794
Deferred tax expense		
Reversal of temporary differences	(13,328,159,875)	(16,122,581,400)
	116,759,250,477	107,142,193,394

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 2019

21. Income tax (continued)

(a) Reconciliation of effective tax rate

	<i>Rate</i> %	2019 LAK	<i>Rate</i> %	2018 LAK
Profit before tax		485,793,347,102		424,738,141,152
Income tax using the Lao PDR corporation tax rate	24.0	116,590,403,304	24.0	101,937,153,876
Expenses not deductible for tax purposes	0.0	168,847,173	1.2	5,205,039,518
Tax expense	24.0	116,759,250,477	25.2	107,142,193,394

22. Cash and cash equivalents

	2019 LAK	2018 LAK
Cash	119,743,967,583	113,793,419,299
Deposits and placements with Head Office and other branches	3,291,654,391,997	1,195,206,689,890
Deposits and placements with other banks	6,485,130,081,945	3,249,274,409,426
	9,896,528,441,525	4,558,274,518,615

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 2019

23. Related party transactions (continued)

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

	2019	2018
	LAK	LAK
Interbank and money market items		
Due from Head Office and other branches	3,689,710,517,997	1,195,206,689,890
Subtotal	3,689,710,517,997	1,195,206,689,890
Interest receivable	13,228,920,850	3,436,197,453
Total	3,702,939,438,847	1,198,642,887,343

(i) Foreign items

	2019	2018
	LAK	LAK
USD	324,939,413,670	408,918,561,534
CNY	3,275,875,798,397	788,586,514,443
EUR	101,989,936,200	1,011,666,224
JPY	134,290,580	126,145,142
	3,702,939,438,847	1,198,642,887,343

	2019	2018
	LAK	LAK
Other balances at end of the year:		
Deposits from other branches	(2,687,964,925,341)	(2,193,612,684,876)
Borrowings from Head Office and other branches	(17,378,485,156,508)	(13,102,028,000,000)
Subtotal	(20,066,450,081,849)	(15,295,640,684,876)
Interest payable	(298,278,881,723)	(198,885,803,978)
Total	(20,364,728,963,572)	(15,494,526,488,854)

Transactions during the year:

Interest income from interbank and money market items	54,209,012,220	20,554,843,858
Interest expense on interbank and money market items	(603,773,596,568)	(407,603,656,450)

Industrial and Commercial Bank of China Limited Vientiane Branch
Notes to Financial Statements (continued)
Year ended 31 December 2019

23. Related party transactions (continued)

(b) Other related parties

	2019 LAK	2018 LAK
Balances at end of the year:		
Due from other banks	95,549,905,346	288,759,490,994
Transactions during the year:		
Interest income from amounts due from other banks	7,319,262,486	3,710,840,531
Interest expense on borrowings from institutions other than Head Office and other branches	-	(6,726,401,152)

24. Commitments

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

	2019 LAK	2018 LAK
Letters of guarantee outstanding	637,539,697,388	207,540,515,094
Letters of credit and other commitments outstanding	206,982,113,104	30,229,656,685
	844,521,810,492	237,770,171,779

No material losses are anticipated from these transactions.

