INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH

Financial Statements

Year ended December 31, 2021

Deloitte.

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REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF MANAGMENT OF 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 statements of financial position as at December 31, 2021, and the related statements of profit or loss and other comprehensive income, changes in Head Office account and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Industrial and Commercial Bank of China Limited, Vientiane Branch as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 ("IESBA Code") together with the ethical requirements that are 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.

Other Matter

The financial statements of Industrial and Commercial Bank of China Limited, Vientiane Branch for the year ended December 31, 2020, were audited by another auditor whose report thereon dated March 25, 2021, expressed an unmodified opinion on those statements after reclassifications, presented herein as comparative information.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a 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.

ບໍລິສັດ ດີລອຍ (ລາວ) ຈຳກັດຜູ້ດຽວ
Deloitte (Lao) Sole Company Limited

Waraporn K

Waraporn Kriengsuntornkij
Certified Public Accountant
DELOITTE (LAO) SOLE COMPANY LIMITED

VIENTIANE
March 30, 2022

Industrial and Commercial Bank of China Limited
Vientiane Branch

Branch Information

Branch	Industrial and Commercial Bank of China Limited Vientiane Branch	
Banking Licence	No.18/BOL dated May 8, 2015 Business Registration Certificate No.0392 dated March 21, 2019	
Registered Office	Unit 12, Asean Road Sibounheuang Village Chanthabouly District Vientiane Capital, Lao PDR	
Board of Management	Mr. Sun Fenglei Mr. Joxiong Bouasinengma Mr. Ruan Jing	General Manager Deputy General Manager Deputy General Manager
Auditor	Deloitte (Lao) Sole Company Limited	

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Management of Industrial and Commercial Bank of China Limited, Vientiane Branch (the "Branch") is responsible for ascertaining that the financial statements are properly drawn up so as to give a true and fair view of the statement of financial position of the Branch as at December 31, 2021, and the related statements of profit or loss and other comprehensive income, changes in Head Office account and cash flows for the year then ended. In preparing these financial statements. The Branch's 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 presentation and disclosure requirements of the International Financial Reporting Standards or, 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.

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

Signed on behalf of the Board of Management,

Sun Fenglei
General Manager
March 30, 2022

SUN FENG LEI

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

UNIT : LAK

	Notes	2021	2020
ASSETS			
Cash	5	224,675,777,902	128,316,072,585
Interbank and money market items			
Amounts due from Head Office and other branches	25.1	6,913,422,749,609	4,179,942,207,807
Amounts due from other banks	6	18,247,141,449,872	14,585,932,211,685
Statutory deposits with Central Bank	7	509,612,458,820	421,945,235,761
Investments	8	4,138,852,000,532	3,909,914,160,266
Loans and advances	9	13,948,024,920,554	10,421,762,912,041
Derivative financial assets	10 (a)	-	3,280,000,000
Property and equipment	11	108,838,231,875	111,373,725,783
Intangible assets	12	47,556,453,736	48,374,697,596
Other assets	13	472,003,756,748	473,942,224,679
Deferred tax asset	14	115,638,579,156	42,707,844,439
TOTAL ASSETS		44,725,766,378,804	34,327,491,292,642

Notes to the financial statements form an integral part of these statements

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2021

UNIT : LAK

	Notes	2021	2020
LIABILITIES AND HEAD OFFICE ACCOUNT			
LIABILITIES			
Deposits from customers	15	12,609,292,784,165	7,868,397,739,865
Interbank and money market items			
Amounts due to other branches	25.1	28,278,333,591,320	22,072,809,255,469
Amounts due to other banks	16	161,842,523,382	85,058,086,492
Borrowings from other than Head Office and other branches	17	1,606,464,000,000	2,776,500,000,000
Tax liabilities	18	53,271,527,110	47,601,101,083
Derivative financial liabilities	10 (b)	-	421,905,813
Other liabilities	19	453,417,434,502	319,178,041,514
TOTAL LIABILITIES		43,162,621,860,479	33,169,966,130,236
HEAD OFFICE ACCOUNT			
Head Office's capital contribution	20.1	300,000,000,000	239,970,000,000
Legal reserve	20.2	150,000,000,000	150,000,000,000
Retained earnings		1,113,144,518,325	767,555,162,406
TOTAL HEAD OFFICE ACCOUNT		1,563,144,518,325	1,157,525,162,406
TOTAL LIABILITIES AND HEAD OFFICE ACCOUNT		44,725,766,378,804	34,327,491,292,642

Notes to the financial statements form an integral part of these statements

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHESIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

UNIT : LAK

	Notes	2021	2020
Interest income			
Interest from loans and advances		455,358,700,048	182,681,376,802
Interest from interbank and money market items		700,107,192,786	689,283,740,413
Interest from investment in bonds		181,273,816,255	209,324,347,923
Total interest income		1,336,739,709,089	1,081,289,465,138
Interest expense			
Interest on deposits		(85,904,884,862)	(71,955,929,565)
Interest on interbank and money market items		(548,764,213,119)	(441,050,312,104)
Interest from borrowings from			
other than Head Office and other branches		(9,469,357,593)	(12,660,568,079)
Total interest expense	21	(644,138,455,574)	(525,666,809,748)
Net interest income		692,601,253,515	555,622,655,390
Fee and commission income		153,572,556,739	114,032,190,261
Fee and commission expense		(2,418,784,491)	(2,258,270,243)
Net fee and commission income	22	151,153,772,248	111,773,920,018
Impairment loss	6,8,9	(306,096,041,711)	(62,993,443,759)
Net income from interest			
after doubtful accounts		537,658,984,052	604,403,131,649
Other income			
Gain on foreign exchange		236,917,559,626	25,609,171,096
Other income		1,180,948	5,667,090
Total other income		236,918,740,574	25,614,838,186
Income before non-interest			
expense and income tax		774,577,724,626	630,017,969,835

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHESIVE INCOME (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2021

UNIT : LAK

	Notes	2021	2020
Operating expenses			
Personnel expenses	23	(83,095,345,598)	(64,367,136,440)
Depreciation and amortization expenses		(9,763,140,240)	(9,701,699,724)
Other expenses		(27,314,427,370)	(22,721,991,715)
Total operating expense		(120,172,913,208)	(96,790,827,879)
Profit before income tax		654,404,811,418	533,227,141,956
Income tax expense	24	(71,086,654,967)	(112,503,338,806)
Profit for the year		583,318,156,451	420,723,803,150
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		583,318,156,451	420,723,803,150

Notes to the financial statements form an integral part of these statements

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH

STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2021

UNIT : LAK

	Notes	Head Office's capital contribution	Legal reserve	Retained earnings	Total Hear Office account
Balance as at January 1, 2020		239,970,000,000	126,557,300,387	541,345,823,474	907,873,123,861
Profit for the year		-	-	420,723,803.150	420,723,803,150
Legal reserve	20.2	-	23,442,699,613	(23,442,699,613)	-
Profit appropriation	20.3	-	-	(171,071,764,605)	(171,071,764,605)
Balance as at December 31, 2020		239,970,000,000	150,000,000,000	767,555,162,406	1,157,525,162,406
Balance as at January 1, 2021		239,970,000,000	150,000,000,000	767,555,162,406	1,157,525,162,406
Capital increase	20.1	60,030,000,000	-	(60,030,000,000)	-
Profit for the year	20.2	-	-	583,318,156,451	583,318,156,451
Profit appropriation	20.3	-	-	(177,698,800,532)	(177,698,800,532)
Balance as at December 31, 2021		300,000,000,000	150,000,000,000	1,113,144,518,325	1,563,144,518,325

Notes to the financial statements form an integral part of these statements

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

UNIT : LAK

	Notes	2021	2020
Cash flows from operating activities			
Net profit for the year		583,318,156,451	420,723,803,150
Adjustment for:			
Allowance for doubtful debts		306,096,041,711	62,993,443,759
Depreciation and amortization		9,763,140,240	9,701,699,724
Interest income from investment in bonds		(181,273,816,255)	(209,324,347,923)
Interest expenses on borrowing from institutions other than Head Office and other branches		9,469,357,593	12,660,568,079
Gain on foreign exchange		(46,723,862,467)	12,076,416,093
Income tax expenses		71,086,654,967	112,503,338,806
		751,735,672,240	421,334,921,688
Change in operation asset / liabilities			
Change in interbank ang money market assets		(10,864,226,353,290)	8,501,146,522,000
Change in statutory deposit		(87,667,223,059)	(110,305,413,119)
Change in loan and advance to customers		(3,571,047,271,941)	(5,888,927,715,642)
Change in other assets excluding interest receivable investments		10,527,215,861	134,770,775,966
Change in deposit from customers		4,740,895,044,300	1,200,783,868,483
Change in interbank money market liabilities		6,282,308,772,741	1,924,704,841,957
Change in withholding tax liabilities		(4,495,880,072)	6,061,003,359
Change in other liabilities		140,937,340,820	(68,528,845,029)
Income tax paid		(133,851,083,585)	(59,300,181,777)
Net cash provided by (used in) operating activities		(2,734,883,765,985)	6,061,739,777,886
Cash flow from investing activities			
Acquisition of property and equipment		(6,409,402,472)	(1,038,407,803)
Acquisition of intangible assets		-	(1,080,778,388)
Purchases of bond investments		(3,063,624,000,000)	(1,609,150,000,000)
Proceeds from sale and redemption of bond investments		3,448,304,000,000	1,493,948,000,000
Interest income from investment in bonds		175,965,068,325	219,624,313,784
Net cash provided by investing activities		554,235,665,853	102,303,127,593

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2021

UNIT : LAK

	Notes	2021	2020
Cash flow from financing activities			
Proceeds from borrowings		10,085,024,000,000	6,756,150,000,000
Repayment of borrowings		(11,825,360,000,000)	(3,979,650,000,000)
Payment for interest		(9,469,357,593)	(12,660,568,079)
Payment for profit distribution		(177,698,800,532)	(171,071,764,605)
Net cash provided by (used in) financing activities		(1,927,504,158,125)	2,592,767,667,316
Net change in cash and cash equivalents		(4,108,152,258,257)	8,756,810,572,795
Cash and cash equivalents at January 1,		18,653,339,014,320	9,896,528,441,525
Cash and cash equivalent at December 31,		14,545,186,756,063	18,653,339,014,320
Cash and cash equivalents			
Cash	5	224,675,777,902	128,316,072,585
Deposits and placements with Head Office and other branches		6,262,193,625,957	3,794,712,603,807
Deposits and placements with other banks		8,058,317,352,204	14,730,310,337,928
		14,545,186,756,063	18,653,339,013,320

Notes to the financial statements form an integral part of these statements

1. REPORTING ENTITY

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 ("Lao PDR"). The Branch commenced its operations on November 28, 2011 in accordance with investment license 180-11/MP13 dated August 2, 2011. It received approval from the Bank of the Lao PDR ("BoL") to operate as a bank under Banking License 18/BOL dated May 8, 2015 and amendment Banking Business License in March 2019. 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 principal activities of the Branch consist of providing services in finance, commerce and banking to Lao, Chinese and Thai corporate investors and banking services to individuals.

As at December 31, 2021, the Branch had 89 (2020: 96) employees.

BoL's announcement number 338/BoL dated September 13, 2012 requested the branchs in Lao PDR to prepare a separate set of financial statements in accordance with International Financial Reporting Standards. The Branch has also prepared the financial statements in accordance with regulations of the Bank of Lao PDR and the Branch's principal accounting policies. Therefore, the Branch has 2 set of financial statements which are:

1. In accordance with regulations of the Bank of the Lao PDR and the Branch's principal accounting policies ("Lao Practice")
2. In accordance with International Financial Reporting Standards ("IFRS")

The financial statements of the Branch based on Lao Practice were approved for issue by the Branch's Management on March 30, 2022.

2. BASIS OF FINANCIAL STATEMENT PREPARATION

The Branch's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") interpretation. The Branch's financial statements have been prepared on the historical cost convention.

The Branch's financial statements are presented in Lao Kip ("LAK"), which is the Branch's functional currency.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Branch's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Branch's financial statements are disclosed in Note 4.

New amendments to IFRSs effective from annual periods beginning on or after January 1, 2021

In the current financial year, the Branch has adopted all new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2021.

1) The Rent Concessions related to COVID-19

   In 2020, Covid-19 Related Rent Concessions (Amendment to IFRS 16) provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021.

   In March 2021, the Board issued Covid-19 Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before June 30, 2022.

   The practical expedient permits a lessee to elect not to assess whether a COVID-19 related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19 related rent concession applying IFRS 16 as if the change were not a lease modification.

   The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

   - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
   - Any reduction in lease payments affects only payments originally due on or before June 30, 2022 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2022 and increased lease payments that extend beyond June 30, 2022)
   - There is no substantive change to other terms and conditions of the lease

2) Interest Rate Benchmark Reform - Phase 2

   The Phase 2 of the interest rate benchmark reform amendments which provided practical expedients for the modification of the contractual cash flows of financial assets or financial liabilities resulted from the interest rate benchmark reform, including temporary exceptions from specific hedge accounting requirements, and additional disclosure requirements of IFRS 7.

   The Branch has no transaction which is impacted from adoption on Interest Rate Benchmark Reform - Phase 2.

   The Branch's management has assessed the impact of these IFRSs and considered that these financial reporting standards are not applicable to preparation of the financial statements of the Branch.

New standards and amendments to standards and interpretations of IFRSs not yet adopted

Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018-2020 - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The Annual Improvements include amendments to four Standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards

  The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

  The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

- IFRS 9 Financial Instruments

  The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

  The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

- IFRS 16 Leases

  The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

  - IAS 41 Agriculture

    The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

    The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted.

<u>Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies</u>

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

<u>Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates</u>

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:

  - Right-of-use assets and lease liabilities

  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

The Branch does not anticipate that the application of the standards and amendments in the future will have a significant impact on the Branch's financial statements in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 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 into the functional currency at the exchange rate at the reporting date.

Foreign exchange differences arising from the translation are recognised in the profit or loss.

Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated into the functional currency at the exchange rate at the date of the transaction.

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

	31 December 2021	**31 December 2020**
	LAK	**LAK**
United States Dollar ("USD")	11,156.00	9,255.00
Thai Baht ("THB")	346.80	330.79
Chinese Yuan ("CNY")	1,747.00	1,416.06
Euro ("EUR")	12,632.00	11,425.00
HongKong Dollar ("HKD")	1,400.00	1,166.50
Japanese Yen ("JPY")	96.38	88.60

3.2 Financial assets and financial liabilities

3.2.1 Recognition

The Branch initially recognises loans and advances, deposits and borrowings from other than Head Office and other branches on the date that they are originated. A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

3.2.2 Classification

The Branch's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets and are summarized below:

Financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

On initial recognition, a financial asset is classified as measured at; amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within business model whose objective is to hold assets to collect contractual cash flows: and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL;
- The asset is held within business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- For an equity instrument that is not held for trading, the branch may elect at initial recognition to irrecovably designate those instruments under FVOCI. This election is made on an investment on investment basis. All other financial assets are classified as measured at FVTPL. Under FVOCI, fair value changes are recognised in other comprehensive income (OCI) while dividends are recognised in profit or loss. On disposal of the investment the capital gain / loss is required to remain in OCI and is not recycled to profit or loss.

  In addition, on initial recognition the Branch may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

  IFRS 9 removes the requirement contained in IAS 39 relating to bifurcation of an embedded derivative from an asset host contract. However, entities are still required to separate derivatives embedded in financial liabilities where they are not closely related to the host contract.

  IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognized in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Financial liabilities

The Branch classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

Business model assessment

The Branch's business model reflects how it manages the assets to generate cash flows. Whether it is solely to collect the contractual cash flows from the asset or both the contractual cash flows and from sale of asset. Factors considered by the Branch in determining the business models for group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed.

Assessment whether contractual cash flows are solely payments of principal and interest

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Branch assesses whether the financial instruments' cash flows represents solely payment of principal and interest. In making this assessment, the Branch considers whether the contractual cash flows are consistent with basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

3.2.3 Derecognition

Financial assets

The Branch derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Branch neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Amy interest in such transferred financial assets that qualify for derecognition that is created or retained by the Branch is recognised as a separate asset or liability.

In transactions in which the Branch neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Branch continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Branch derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

3.2.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Branch currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.2.5 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured on initial recognition, minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any impairment allowance.

3.2.6 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Branch has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Branch measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Branch uses valuation techniques that maximise the use of relevant observable inputs and minimise use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Branch determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial installment is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Branch measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Branch on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Branch recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.2.7 Impairment

The Branch assess 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 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 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 (EDA)

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.

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.

3.3 Cash and cash equivalents

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

3.4 Investments

Investments measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

3.5 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 swaps is the estimated amount that the Branch would receive or pay to terminate the swap at the reporting date, taking into account current interest rates.

3.6 Loans and advances

Loans and advances in the statement of financial position are loans and advances measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

3.7 Deposits from customers

Deposits are the Branch's sources of debt funding. Deposits are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3.8 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. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation of property and equipment is charged to the profit or loss 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%

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. Ongoing repairs and maintenance are expensed as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the statement of profit or loss on the date of retirement or disposal.

Fully depreciated property and equipment is retained on the balance sheet until disposed of or written off.

3.9 Intangible assets

Software

Software acquired by the Branch is stated at cost less accumulated amortisation and any 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 as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of the software is 5 years.

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 in profit or loss over the expected period of benefit from the land use rights.

3.10 Interest income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The "effective interest rate" is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or

- the amortised cost of the financial liability

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Branch estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 3.2.1.

3.11 Fee and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial assets or financial liabilities are included in the measurement of the effective interest rate.

Other fees and commission income are recognised as the related services are performed. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

3.12 Income Tax

Income tax expense for the year comprises current and deferred tax. It is recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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.

For each profitable year, the Branch is subject to the tax rate of 20% on taxable profit.

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. Deferred tax is not recognised for the following temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. 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.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

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

3.13 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.

3.14 Leases

At inception of a contract, the Branch assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use

As a lessee:

Where the contract contains lease component(s) and non-lease component(s), the Branch has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Branch recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Branch, are primarily laptops and office furniture. When the Branch enters into a lease in respect of a low-value asset, the Branch decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Branch's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Branch will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In the statement of financial position, the Branch presents right-of-use assets within the same line item as similar underlying assets and presents lease liabilities separately.

3.15 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Branch's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgments, which necessarily have to be made in the course of preparation of the financial statements.

The Branch makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and management's judgments for certain items are especially critical for the Branch's results and financial situation due to their materiality.

4.1 Calculation of allowance for impairment

When measuring ECL the Branch uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

4.2 Significant increase in credit risk

As explained in note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Branch takes into account qualitative and quantitative reasonable and supportable forward-looking information.

4.3 Income taxes

The Branch's tax returns are subject to examination by the tax authorities. As 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 the 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 the 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.

5. CASH

Cash as at December 31, consists of the following:

	2021 LAK	2020 LAK
Lao Kip ("LAK")	39,084,841,500	48,777,881,000
United States Dollar ("USD")	71,525,154,472	36,599,767,470
Thai Baht ("THB")	12,865,520,508	9,467,610,056
Chiness Yuan ("CNY")	101,200,261,422	33,470,814,059
	224,675,777,902	128,316,072,585

6. AMOUNTS DUE FROM OTHER BANKS

Amounts due from other banks as at December 31, consist of the following:

	2021 LAK	2020 LAK
LAK	409,485,950,900	195,966,921,062
Other Foreign Items	18,247,058,234,942	14,534,343,416,866
	18,656,544,185,842	14,730,310,337,928
Less Allowance for impairment	(409,402,735,970)	(144,378,126,243)
	18,247,141,449,872	14,585,932,211,685

a) Domestic items

	2021 LAK	2020 LAK
Bank of Lao PDR	399,451,050,697	189,749,630,639
Other commercial banks	10,034,900,203	6,217,290,423
	409,485,950,900	195,966,921,062

b) Foreign items

	2021 LAK	2020 LAK
USD	17,905,904,064,033	14,468,809,880,090
THB	41,880,569,083	57,591,811,801
CNY	299,271,117,315	7,939,654,846
HKD	2,484,510	2,070,129
	18,247,058,234,942	14,534,343,416,866

c) Allowance for impairment

	2021 LAK	2020 LAK
Amounts due from other banks	409,402,735,970	144,378,126,243
	409,402,735,970	144,378,126,243

7. STATUTORY DEPOSITS WITH CENTRAL BANK

Statutory deposits with Central Bank as at December 31, consist of the following:

	2021 LAK	2020 LAK
Registered capital reserve	5,000,000	5,000,000
Compulsory reserve	509,607,458,820	421,940,235,761
	509,612,458,820	421,945,235,761

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 3% for LAK and 5% for foreign currencies (2020: 4% and 8%), 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.

8. INVESTMENTS

Investments as at December 31, consist of the following:

	2021 LAK	2020 LAK
Government bonds	456,000,000,000	506,000,000,000
Financial bonds	3,837,664,000,000	3,461,370,000,000
	4,293,664,000,000	3,967,370,000,000
Less Allowance for investments	154,811,999,468	57,455,839,734
	4,138,852,000,532	3,909,914,160,266

Investments represent investment measured at amortised cost in bonds. These bonds have maturities ranging from date March 30, 2022 to date September 30, 2023 (2020: March 17, 2021 to date September 30, 2023) and interest rates ranging from 4.45% to 6.80% (2020: 4.45% to 6.80%).

For the years ended December 31, movements of the allowance for impairment losses on financial investments measured at amortised cost are as follows:

LAK

	2021			
	Stage1	Stage2	Stage3	Total
Balance as at January 1, 2021	57,455,839,734	-	-	57,455,839,734
Transfer:				
- To stage1	-	-	-	-
- To stage2	-	-	-	-
- To stage 3	-	-	-	-
Charge	85,820,632,674			85,820,632,674
Foreign exchange translation	11,535,527,060	-	-	11,535,527,060
Balance as at December 31, 2021	154,811,999,468	-	-	154,811,999,468

LAK

	2020			
	Stage1	Stage2	Stage3	Total
Balance as at January 1, 2020	56,030,436,009	-	-	56,030,436,009
Transfer:				
- To stage1	-	-	-	-
- To stage2	-	-	-	-
- To stage 3	-	-	-	-
Reversal	(566,471,408)	-	-	(566,471,408)
Foreign exchange translation	1,991,875,133	-	-	1,991,875,133
Balance as at December 31, 2020	57,455,839,734	-	-	57,455,839,734

9. LOANS AND ADVANCES

Loans and advances as at December 31, consist of the following:

	2021 LAK	2020 LAK
Overdrafts	1,020,787,326	1,350,955,882
Loans	14,104,439,884,615	10,533,062,444,118
	14,105,460,671,941	10,534,413,400,000
Less Allowance for impairment loss	157,435,751,387	112,650,487,959
	13,948,024,920,554	10,421,762,912,041

a) Classified by residual maturity

	2021 LAK	2020 LAK
Within 1 year	12,519,422,977,323	9,254,455,866,470
Over 1 year	1,586,037,694,618	1,279,957,533,530
	14,105,460,671,941	10,534,413,400,000

b) Classified by currencies

	2021 LAK	2020 LAK
LAK	10,111,347,891	890,376,029
USD	3,255,822,706,209	1,985,776,256,427
CNY	10,734,823,605,412	8,536,051,077,750
EUR	104,698,145,653	11,688,224,231
THB	4,866,776	7,465,563
	14,105,460,671,941	10,534,413,400,000

c) Classified by interest rate (per annum)

	2021 %	2020 %
USD	0.28-7.00	0.70-7.30
CNY	2.50-3.30	2.55-3.30

d) Classified by type of business

	2021 LAK	2020 LAK
Construction	145,387,889,324	160,099,835,275
Personal	2,775,197,067	5,132,666,142
Other	13,957,297,585,550	10,369,180,898,583
	14,105,460,671,941	10,534,413,400,000

e) Movements of allowance for impairment losses of loans and advances to customers measured at amortised cost are as follows:

LAK

	2021			
	Stage1	Stage2	Stage3	Total
Balance as at January 1, 2021	112,650,487,959	-	-	112,650,487,959
Transfer:				
- To stage1	-	-	-	-
- To stage2	-	-	-	-
- To stage 3	-	-	-	-
Charge	10,102,564,612	-	-	10,102,564,612
Foreign exchange translation	34,682,698,816	-	-	34,682,698,816
Balance as at December 31, 2021	157,435,751,387	-	-	157,435,751,387

LAK

	2020			
	Stage1	Stage2	Stage3	Total
Balance as at January 1, 2020	44,252,180,481	1,079,089,970	-	45,331,270,451
Transfer:				
- To stage1	-	-	-	-
- To stage2	-	-	-	-
- To stage 3	-	-	-	-
Charge/(Reversal)	62,926,501,457	(1,080,891,878)	-	61,845,609,579
Foreign exchange translation	5,471,806,021	1,801,908	-	5,473,607,929
Balance as at December 31, 2020	112,650,487,959	-	-	112,650,487,959

10. DERIVATIVES

(a) Derivative financial assets

Derivatives financial assets as at December 31, consist of the following:

	2021 LAK	2020 LAK
Foreign exchange rate forward	-	3,280,000,000
	-	3,280,000,000

(b) Derivative financial liabilities

Derivatives financial liabilities as at December 31, consist of the following:

	2021 LAK	2020 LAK
Foreign exchange rate swap	-	421,905,813
	-	421,905,813

11. PROPERTY AND EQUIPMENT

Property and equipment as at December 31, consist of the following:

	Property LAK	Right-of-used-assets LAK	Electronic equipment LAK	Furniture, fitting and office equipment LAK	Vehicle LAK	Total LAK
Cost						
Balance as at January 1, 2020	152,794,300,966	511,813,205	7,536,667,389	10,326,454,299	3,250,665,650	174,419,901,509
Additions	-	-	174,217,810	864,189,993	-	1,038,407,803
Write off	-	-	-	(52,468,307)	-	(52,468,307)
Balance as at December 31, 2020 and as at January 1, 2021	152,794,300,966	511,813,205	7,710,885,199	11,138,175,985	3,250,665,650	175,405,841,005
Additions	-	-	5,239,039,918	1,170,362,554	-	6,409,402,472
Write off	-	-	-	-	-	-
Balance as at December 31, 2021	152,794,300,966	511,813,205	12,949,925,117	12,308,538,539	3,250,665,650	181,815,243,477
Accumulated depreciation						
Balance as at January 1, 2020	(36,310,870,400)	(191,929,953)	(6,132,515,387)	(9,326,210,001)	(3,029,373,840)	(54,990,899,581)
Depreciation for the year	(7,655,402,400)	(255,906,604)	(524,844,710)	(576,940,694)	(80,589,540)	(9,093,683,948)
Write off	-	-	-	52,468,307	-	52,468,307
Balance as at December 31, 2020 and at January 1, 2021	(43,966,272,800)	(447,836,557)	(6,657,360,097)	(9,850,682,388)	(3,109,963,380)	(64,032,115,222)
Depreciation for the year	(7,634,486,000)	(63,976,648)	(716,075,480)	(449,988,902)	(80,369,350)	(8,944,896,380)
Write off	-	-	-	-	-	-
Balance as at December 31, 2021	(51,600,758,800)	(511,813,205)	(7,373,435,577)	(10,300,671,290)	(3,190,332,730)	(72,977,011,602)
Carrying amounts						
As at January 1, 2020	116,483,430,566	319,883,252	1,404,152,002	1,000,244,298	221,291,810	119,429,001,928
As at December 31, 2020	108,828,028,166	63,976,648	1,053,525,102	1,287,493,597	140,702,270	111,373,725,783
As at December 31, 2021	101,193,542,166	-	5,576,489,540	2,007,867,249	60,332,920	108,838,231,875

12. INTANGIBLE ASSETS

Intangible assets as at December 31, consist of the following:

	Software LAK	Land use rights LAK	Total LAK
Cost			
Balance as at 1 January 2020	336,254,724	51,863,500,000	52,199,754,724
Addition	1,080,778,388	-	1,080,778,388
Balance as at December 31, 2020 and as at January 1, 2021	1,417,033,112	51,863,500,000	53,280,533,112
Addition	-	-	-
Balance as at December 31, 2021	1,417,033,112	51,863,500,000	53,280,533,112
Accumulated amortisation			
Balance as at January 1, 2020	(258,679,900)	(4,039,139,840)	(4,297,819,740)
Amortisation for the year	(30,545,002)	577,470,774)	(608,015,776)
Balance as at December 31, 2020 and as at January 1, 2021	(289,224,902)	(4,616,610,614)	(4,905,835,516)
Amortization for the year	(242,350,875)	(575,892,985)	(818,243,860)
Balance as at December 31, 2021	(531,575,777)	(5,192,503,599)	(5,724,079,376)
Carrying amounts			
As at January 1, 2020	77,574,824	47,824,360,160	47,901,934,984
As at December 31, 2020	1,127,808,210	47,246,889,386	48,374,697,596
As at December 31, 2021	885,457,335	46,670,996,401	47,556,453,736

13. DEFERRED TAX ASSET

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Deferred income taxes are calculated on all temporary differences using an effective tax rate of 20% (Note 24).

Deferred tax asset as at December 31, consist of the following:

	2021 LAK	2020 LAK
Deferred tax assets	115,638,579,156	42,707,844,439
Deferred tax liabilities	-	-
	115,638,579,156	42,707,844,439

The gross movement and the deferred income tax account is as follows:

	2021 LAK	2020 LAK
As at January 1,	42,707,844,439	57,292,170,686
Transactions recognized in statement of income		
Origination / (reversal) of temporary differences (Note 24)	72,930,734,717	(14,584,326,247)
As at December 31,	115,638,579,156	42,707,844,439

Movements in deferred tax assets and liabilities during the years are as follows:

	Balance as at January 1, 2021	Transactions recognized in statement of profit or loss		Balance as at December 31, 2021
		Increase	Utilized	
	LAK	LAK	LAK	LAK
Deferred tax assets				
Loan loss allowance (before 2020)	2,341,076,492	691,337,845	-	3,032,414,338
Non-loan impairment provision	40,366,767,947	72,239,396,871	-	112,606,164,818
Total	42,707,844,439	72,930,734,717	-	115,638,579,156

	Balance as at January 1, 2020	Transactions recognized in statement of profit or loss		Balance as at December 31, 2020
		Increase	Utilized	
	LAK	LAK	LAK	LAK
Deferred tax assets				
Loan loss allowance (before 2020)	18,499,043,484	-	(16,157,966,992)	2,341,076,492
Non-loan impairment provision	38,793,127,202	1,573,640,745	-	40,366,767,947
Total	57,292,170,686	1,573,640,745	(16,157,966,992)	42,707,844,439

14. OTHER ASSETS

Other assets as at December 31, consist of the following:

	2021 LAK	2020 LAK
Accrued interest receivable	466,490,748,357	467,977,383,260
Other receivable and prepayments	5,513,008,391	5,964,841,419
	472,003,756,748	473,942,224,679

15. DEPOSITS FROM CUSTOMERS

Deposits from customers as at December 31, consist of the following:

(a) Classified by type of deposits

	2021 LAK	2020 LAK
Current	9,316,433,694,927	5,270,984,941,696
Savings	724,548,784,906	565,151,979,031
Term (contractual maturity)		
Within 1 year	1,148,571,223,886	955,205,297,220
Over 1 year	401,104,731,372	309,356,680,541
Others	1,018,634,349,074	767,698,841,377
	12,609,292,784,165	7,868,397,739,865

(b) Classified by currencies

	2021 LAK	2020 LAK
LAK	980,432,316,985	552,943,832,722
USD	7,045,913,210,972	6,124,237,065,669
THB	78,609,322,735	81,431,767,694
CNY	4,504,337,833,473	1,109,785,073,780
	12,609,292,784,165	7,868,397,739,865

(c) Interest rate (per annum)

	2021 %	2020 %
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	2.90-6.65
USD	1.65-5.00	1.65-5.00
THB	0.90-4.70	0.90-4.70
CNY	1.60-2.20	1.60-2.20

16. AMOUNTS DUE TO OTHER BANKS

Amounts due to other banks as at December 31, consist of the following:

(a) By maturity:

	2021 LAK	2020 LAK
At Call	103,216,523,382	85,058,086,492
Within 3 months	58,626,000,000	-
	161,842,523,382	85,058,086,492

(b) By residence:

	2021 LAK	2020 LAK
Foreign	161,842,523,382	85,058,086,492
	161,842,523,382	85,058,086,492

(c) By currency:

	2021 LAK	2020 LAK
CNY	82,437,160,341	61,245,094,389
USD	40,572,226,813	23,689,658,019
LAK	33,070,853,084	123,334,084
THB	5,762,283,144	-
	161,842,523,382	85,058,086,492

17. BORROWINGS FROM OTHER THAN HEAD OFFICE AND OTHER BRANCHES

Borrowings from other than Head Office and other branches as at December 31, consist of the following:

	2021 LAK	2020 LAK
At Call	1,606,464,000,000	2,776,500,000,000

(a) Classified by residence

	2021 LAK	2020 LAK
Overseas	1,606,464,000,000	2,776,500,000,000
	1,606,464,000,000	2,776,500,000,000

(b) Classified by currency

	2021 LAK	2020 LAK
USD	1,606,464,000,000	2,776,500,000,000
	1,606,464,000,000	2,776,500,000,000

18. TAX LIABILITIES

Tax liabilities as at December 31, consist of the following:

	2021 LAK	2020 LAK
Corporate tax	51,694,792,543	41,528,486,444
Withholding personal income tax	892,986,070	1,280,396,754
Other withholding tax	683,748,497	4,792,217,885
	53,271,527,110	47,601,101,083

19. OTHER LIABILITIES

Other liabilities as at December 31, consist of the following:

	2021 LAK	2020 LAK
Accrued interest payable	278,103,132,261	191,276,625,055
Payable to employee	55,468,253,278	32,331,210,336
Settlement accounts	81,926,710,078	28,359,916,339
Deferred income	30,370,290,758	54,541,625,807
Other payables	4,853,836,988	2,853,599,193
Allowance for impairment losses on credit commitments	2,695,211,139	9,815,064,784
	453,417,434,502	319,178,041,514

20. CAPITAL CONTRIBUTION

Capital Contribution as at December 31, consists of the following:

20.1 Head Office's capital contribution

	2021 LAK	2020 LAK
Contributed legal capital	300,000,000,000	239,970,000,000

On May 4, 2021, the Branch increased the Branch capital from LAK 239,970,000,000 to LAK 300,000,000,000 in accordance with the approval of capital increment by Bank Supervision Department ("BSD"). During the year 2021, the Branch transferred from retained earnings of LAK 60,030,000,000 to Head Office's capital contribution.

20.2 Legal reserve

The legal reserve is provided for at the rate of at least 10% of net profit during the year, and it is not required to provide furthermore if the statutory reserve exceeds 50% of the capital in accordance with regulations of the Bank of the Lao PDR.

20.3 Profit appropriation

For the years ended December 31, 2021 and 2020, profit appropriation to Industrial and Commercial Bank of China Limited, Head Office were approved by the Bank of Lao PDR on June 4, 2021 and November 11, 2020, respectively.

21. INTEREST EXPENSES

Interest expense for the years ended December 31, consist of the following:

	2021 LAK	2020 LAK
Deposits	85,904,884,862	71,955,929,565
Interbank and money market items	558,233,570,712	453,710,880,183
	644,138,455,574	525,666,809,748

22. NET FEE AND COMMISSION INCOME

Net fee and commission income for the years ended December 31, consist of the following:

	2021 LAK	2020 LAK
Fee and commission income		
Commission on bank cards	1,688,469,302	2,227,641,935
Commission on guarantees	5,602,228,995	1,575,896,601
Commission on letters of credit	15,386,986,225	6,051,613,104
Commission on fund transfers	15,094,074,852	13,087,074,350
Commission on foreign exchange trading	15,885,447,045	13,038,981,452
Commission on e-Banking	140,007,556	140,121,167
Fees on financial services	99,775,342,764	77,910,861,652
	153,572,556,739	114,032,190,261
Fee and commission expenses		
Commission on bank cards	692,192,495	1,107,283,690
Commission on fund transfers	1,499,052,031	1,037,091,910
Others	227,539,965	113,894,643
	2,418,784,491	2,258,270,243
Net fee and commission income	151,153,772,248	111,773,920,018

23. PERSONNEL EXPENSES

Personnel expenses for the years ended December 31, consist of the following:

	2021 LAK	2020 LAK
Staff salaries	75,804,911,463	58,507,126,393
Other staff cost	7,290,434,135	5,860,010,047
	83,095,345,598	64,367,136,440

24. INCOME TAX EXPENSE

Income tax expenses for the years ended December 31, consist of the following:

	2021 LAK	2020 LAK
Current tax expenses for the years	144,017,389,684	97,919,012,559
Net deferred tax (income) expenses for the years (Note 13)	(72,930,734,717)	14,584,326,247
	71,086,654,967	112,503,338,806

The corporate tax expense is calculated at 20% on taxable profit.

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

Reconciliation of effective tax rate

	Rate %	2021 LAK	Rate %	2020 LAK
Profit before income tax expense		654,404,811,418		533,227,141,956
Income tax using the Lao PDR Corporation tax rate	20.0	130,880,962,284	20.0	106,645,428,391
Add / (Less) Tax effect of income and expense that are not exempt for tax purposes	9.1	(59,794,307,317)	1.1	5,857,910,415
Income tax expense	10.9	71,086,654,967	21.1	112,503,338,806

25. RELATED PARTY TRANSACTIONS

A portion of the Branch's assets, liabilities, revenues 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.

25.1 Head Office and other branches of the same juristic person

Amounts due from Head Office and other branches as at December 31, consist of the following:

	2021 LAK	2020 LAK
Amount due from Head Office and other branches	6,913,422,749,609	4,179,942,207,807
Interest receivable	16,157,859,495	10,926,418,338
	6,929,580,609,104	4,190,868,626,145

Classified by currencies

	2021 LAK	2020 LAK
USD	1,470,402,678,620	3,110,416,830,255
CNY	5,446,387,629,239	1,077,693,602,475
EUR	12,628,433,734	2,609,392,196
JPY	161,867,511	148,801,219
	6,929,580,609,104	4,190,868,626,145

Deposit from other branches and amounts due to Head Office and other branches as at December 31, consist of the following:

	2021 LAK	2020 LAK
Deposits from other branches	5,596,966,754,585	3,724,280,881,533
Amount due to Head Office and other branches	22,681,366,836,735	18,348,528,373,936
	28,278,333,591,320	22,072,809,255,469
Interest payable	210,336,631,158	140,936,251,155
	28,488,670,222,478	22,213,745,506,624

Significant transactions with related parties for the years ended December 31, consist of the following:

	2021 LAK	2020 LAK
Interest income from interbank and money market items	71,312,482,292	66,464,758,012
Interest expense on interbank and money market items	547,319,630,125	440,042,413,305

25.2 Other related parties

Other related parties balance as at December 31, consist of the following:

	2021 LAK	2020 LAK
Due from banks and financial institution	38,272,283,723	35,283,699,636
Borrowing from other than Head Office and other branches	1,606,464,000,000	2,776,500,000,000

Other related parties transactions for the years ended December 31, consist of the following:

	2021 LAK	2020 LAK
Interest income from amount due from these banks and financial institutions	933,794,363	89,443,139
Interest expense on borrowings from institutions other than Head Office and other branches	4,488,533,348	12,660,568,079

25.3 Key management personnel

Compensation of key management personnel for the years ended December 31, consists of the following:

	2021 LAK	2020 LAK
Compensation	10,675,257,405	9,047,520,273

26. COMMITMENTS

In the normal course of business, the Branch maker various commitments and incurs certain contingent liabilities with legal recourse to its customers, which as at December 31, consist of the following:

	2021 LAK	2020 LAK
Letters of guarantee outstanding	2,020,581,882,978	1,325,363,421,353
Letters of credit and other commitments outstanding	1,215,408,841,851	727,045,021,107
	3,235,990,724,829	2,052,408,442,460

27. FINANCIAL RISK MANAGEMENT

27.1 Introduction and overview

Risk is inherent in the Branch's activities, which is managed through a process of ongoing identification, measurement and monitoring and subject to risk limits and other controls. This process of risk management is critical to the Branch's continuing profitability and each individual within the Branch is accountable for the risk exposures relating to his or her responsibilities.

The Branch is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to various operating risks.

The Branch's policies are also to monitor business risks arising from changes in the environment, technology and industry through the Branch's strategic planning process.

Risk management framework

The Branch's risk management strategies and principles are approved by the Head Office, who is responsible for the overall risk management approach.

The Branch has appointed Risk Management Department which is in charge of monitoring the overall risk process within the Branch. This department has the overall responsibility for the development of the Branch's risk strategy as well as the implementation of principles, frameworks, policies and limits. It also manages decisions on risk, monitors risk levels and reports directly to the Head Office.

The Branch's risk management processes are annually audited by the Internal Audit function in terms of the adequacy of the designed processes as well as the compliance with the designed processes. The Internal Audit then discusses the results of the audit with the Branch's management and reports all findings and recommendation to the Group Internal Audit Department.

27.2 Credit risk

Credit risk refers to the risk that a counterparty or a borrower may default on its contractual obligations or agreements. Such defaults may be caused by counterparty's inability to pay due to financial encumbrances or intention not to abide by the contractual agreement, resulting in a loss to the Branch.

Loan portfolio management

The Branch sets and reviews loan targets, performs continuous monitoring of portfolio quality to better reflect changing economic situations, ensures consistency with the Branch's policies and risk appetite before submitting quarterly reports to the Risk Management Committee.

The Branch determines the target of loan growth and its desirable credit portfolio composition that strive for the highest possible risk-adjusted return within the acceptable risk levels under stress conditions, by taking into account the economic outlook, potential market opportunities, and the Branch's strategic direction. In assessing medium and large corporate customers' credit risk level, the Branch utilizes credit risk rating tools to enhance the quality of loans granted. The Branch has additional processes in place for regular reviewing of the customers' credit ratings and performance on all approved transactions.

Credit underwriting, approval process and monitoring

In the credit approval process, the Branch considers the customers' ability to repay and the loan objectives as key factors in the approval of credit and may obtain sufficient collateral or other securities, where appropriate, as a means of mitigating the risk of financial losses from defaults. To maximize the effectiveness of the credit approval process, credit analysis and approval functions are separated from the units responsible for maintaining customer relationship and undertaken by credit underwriters in ICBC Head Office. However, large loans will require additional acknowledgement by BOD.

The Branch also has process for regularly reviewing customer's credit rating and performance establishes monitoring mechanism for continuous tracking of customer performance, taking into account the changing economic situation and other major events. Relationship managers will be assigned to monitor customers and prepare post-loaning reports. Proper mitigation actions will be taken as soon as negative signals from customers are detected. Moreover, the Branch will monitor and control credit usages to ensure that borrowing objectives are strictly met.

Loan risks classification and provisioning

Loan classification and loan loss provisions have been completely established in compliance with regulatory and internal requirements. The Branch assesses the risk and classifies the loans based on the possibilities of repayment. Principle factors taken into consideration include: the borrower's repayment ability, repayment record and willingness to repay the loan, profitability of the loan project, the loan guarantees as well as the legal obligations relating to loan repayment.

During the reporting period, the Branch refines the loan risk classification mechanism and reinforces loan detection and monitoring for adjustment of the potential risk classifications to ensure that loan classifications are objective and prudent.

The provisioning must be set aside to offset any possible loss. The book value of assets shall be reduced via allowances for doubtful accounts. The amount of provisioning shall be determined by the number derived from the expected loss model.

Processes for measuring expected credit losses ("ECL") including initial approval, regular validation, back-testing of the models used, and incorporation of forward-looking information are also developed and maintained by Head Office credit committee. The approval process for granting credit must go through several management levels to ensure a credit facility is reviewed independently together with the limit applied to each competent level. In addition, the participation of Credit Council in the credit approval model also helps to ensure a highest quality and concentrated approval process.

Exposure to credit risk

As at December 31, 2021

Million LAK	Loans and advances	Investments	Interbank and money market items
Carrying amount	**14,105,461**	**4,293,664**	**25,569,967**
Assets at amortised cost			
Stage 1	14,105,461	4,293,664	25,569,967
Stage 2	-	-	-
Stage 3	-	-	-
Total	**14,105,461**	**4,293,664**	**25,569,967**

As at December 31, 2020

Million LAK	Loans and advances	Investments	Interbank and money market items
Carrying amount	**10,534,413**	**3,967,370**	**18,910,253**
Assets at amortised cost			
Stage 1	10,534,413	3,967,370	18,910,253
Stage 2	-	-	-
Stage 3	-	-	-
Total	**10,534,413**	**3,967,370**	**18,910,253**

For the definition of three stages, see Note 3.2.7.

Neither past due nor impaired: financial assets or the loans with interest or principal payments not yet past due and there is no evidence of impairment.

Past due but not impaired: financial assets with past due interest and principal payments but the Branch believes that these assets are not impaired as they are secured by collaterals and has confidence in the customer's credit worthiness and other credit enhancements.

Collateral held and other credit enhancements and their financial effect

The Branch holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

Million LAK	Principal type of collateral held for secured lending	Percentage of exposure that is subject to an arrangement that requires collateralisation December 31, 2021	December 31, 2020
Type of credit exposure			
Derivative financial assets	None	-	-
Loans and advances			
	Land and building and LCS issued by other banks;		
Corporate Loans	Guarantee	100%	100%
Participant loans	Financial Guarantee	100%	100%
Personal loans	Building	100%	100%
Credit cards	None	-	-
Investments	None	-	-

The Branch typically does not hold collateral against investments, and no such collateral was held at December 31, 2021 and 2020.

Loans and advances to corporate customers

The Branch's loans and advances to corporate customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Branch generally requests corporate borrowers to provide it. The Branch may take collateral in the form of a charge over real estate and guarantees.

Concentration of credit risk

The Branch monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances, lending commitments and investment is shown below:

	Loan and advances		Investments		Interbank and money market items	
Million LAK	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Carrying amount	**14,105,461**	**10,534,413**	**4,293,664**	**3,967,370**	**25,569,967**	**18,910,253**
Concentration by sector						
Corporate:						
Construction	145,388	160,100	-	-	-	-
Commercial	-	-	-	-	-	-
Others	13,957,298	10,369,181	-	-	-	-
Personal	2,775	5,132	-	-	-	-
Government	-	-	456,000	506,000	-	-
Bank and financial institution	-	-	3,837,664	3,461,370	25,569,967	18,910,253
	14,105,461	**10,534,413**	**4,293,664**	**3,967,370**	**25,569,967**	**18,910,253**

27.3 Liquidity risk

Liquidity risk is the risk that the Branch will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

Liquidity risk arises because of the possibility that the Branch might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Branch has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The following assumptions and conditions are applied in the liquidity risk analysis of the Branch's financial assets and liabilities:

- Deposits at the BOL are classified as demand deposits which include compulsory deposits. The balance of compulsory deposits depends on the proportion and terms of the Branch's customer deposits.

- The maturity term of investment securities is calculated based on the maturity date of each kind of securities.

- The maturity term of loans to customers is determined on the maturity date as stipulated in contracts. The actual maturity term may be altered because loan contracts may be extended.

- The maturity term of deposits and borrowings from other than Head Office and other banks; and customer's deposits is determined based on features of these items or the maturity date as stipulated in contracts. Demand deposits are transacted as required by customers and therefore being classified as current accounts. The maturity term of borrowings from other than Head Office and other banks and term deposits is determined based on the maturity date in contracts. In fact, these amounts may be rotated and therefore they last beyond the original maturity date.

- The maturity of other borrowed funds in which the risks are borne by the Branch is calculated based on the actual maturity date of each fund borrowed and loans at the balance sheet date. The maturity term of other liabilities is determined based on the actual maturity term if each other liability.

Maturity analysis for financial assets and liabilities

The tables below set out the remaining contractual maturities of the Branch's financial assets and financial liabilities.

As at December 31, 2021

Million LAK	Carrying amount	On demand	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	No maturity
Assets								
Cash	224,676	224,676	-	-	-	-	-	-
Interbank and money market items								
- Amount due from Head Office and other branches	6,913,423	1,310,707	1,952,312	2,999,174	651,229	-	-	-
- Amounts due from other banks	18,656,544	1,364,717	3,346,800	3,346,800	10,598,200	-	-	27
Statutory deposits with Central Bank	509,612	-	-	-	-	-	-	509,612
Investments	4,293,664	-	-	496,240	2,952,064	845,360	-	-
Loans and advances	14,105,461	1,021	2,102,248	2,812,560	7,603,594	565,130	1,020,908	-
Other assets	472,004	472,004	-	-	-	-	-	-
	45,175,384	**3,373,125**	**7,401,360**	**9,654,774**	**21,805,087**	**1,410,490**	**1,020,908**	**509,639**
Liabilities								
Deposits from customers	(12,609,293)	(724,549)	(71,734)	(131,396)	(1,138,833)	(207,713)	(1,018,634)	(9,316,434)
Interbank and money market items								
- Amount due to other branches	(28,278,334)	(18,967)	(5,630,962)	(10,846,295)	(8,435,310)	(3,346,800)	-	-
- Amounts due to other banks	(161,843)	(103,217)	(41,156)	(17,470)	-	-	-	-
Borrowings from other than Head Office and other branches	(1,606,464)	(1,606,464)	-	-	-	-	-	-
Other liabilities	(453,417)	(453,417)	-	-	-	-	-	-
	(43,109,350)	**(2,906,613)**	**(5,743,853)**	**(10,995,161)**	**(9,574,143)**	**(3,554,513)**	**(1,018,634)**	**(9,316,434)**
Commitments	3,235,991	17,733	690,035	799,724	624,187	1,104,312	-	-
Liquidity exposure	**5,302,024**	**484,244**	**2,347,543**	**(540,663)**	**12,855,132**	**(1,039,712)**	**2,274**	**(8,806,794)**

As at December 31, 2020

Million LAK	**Carrying amount**	**On demand**	**Less than 1 month**	**1-3 months**	**3month to 1 year**	**1-5 years**	**More than 5 years**	**No maturity**
Assets								
Cash	128,316	128,316	-	-	-	-	-	-
Interbank and money market items								
- Amount due from Head office and other branches	4,179,942	1,486,170	898,119	1,410,424	385,229	-	-	-
- Amount due from other banks	14,730,310	250,186	9,760,075	4,720,049	-	-	-	-
Statutory deposits with Central Bank	421,945	-	-	-	-	-	-	421,945
Investment	3,967,370	-	-	975,500	1,932,920	1,058,950	-	-
Loan and advances	10,534,413	-	280,697	1,327,401	7,646,357	345,991	933,967	-
Derivative financial assets	3,280	-	-	-	3,280	-	-	-
Other assets	473,942	473,942	-	-	-	-	-	-
	34,439,518	**2,338,614**	**10,938,891**	**8,433,374**	**9,967,786**	**1,404,941**	**933,967**	**421,945**
Liabilities								
Deposit from customer	(7,868,398)	(6,603,836)	(59,460)	(42,630)	(946,655)	(215,817)	-	-
Interbank and money market items								
- Amount due to other branches	(22,072,809)	(947,781)	(3,047,226)	(8,388,861)	(6,912,441)	(2,776,500)	-	-
- Amount due to other banks	(85,058)	(85,058)	-	-	-	-	-	-
Borrowings from other than Head Office and other branches	(2,776,500)	(2,776,500)	-	-	-	-	-	-
Derivative financial liabilities	(422)	-	-	-	(422)	-	-	-
Other liabilities	(309,363)	(309,363)	-	-	-	-	-	-
	(33,112,550)	(10,722,538)	(3,106,686)	(8,431,491)	(7,859,518)	(2,992,317)	-	-
Commitments	2,052,717	-	182,239	259,060	649,514	961,904	-	-
Liquidity exposure	3,379,685	(8,377,707)	8,008,227	260,943	2,757,782	(625,472)	933,967	421,945

27.4 Market risks

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Branch's income or the value of its holdings of financial instruments. Market risk arises from the open position of interest rates and currency which are also affected by the fluctuations in general market and in each particular market and by market variables such as interest rates and foreign exchange rates. The objective of the Branch's market risk management is to manage and control market risk exposures within acceptable parameters in order to ensure the solvency while optimising the return on risk.

Management of market risks

The Branch classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately. The market risk for the trading portfolio is managed and monitored based on a Value-at-Risk (VaR) methodology that reflects the interdependency between risk variables. Non-trading positions are managed and monitored using other sensitivity analyses.

Exposure to interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Management has established limits on the non-trading interest rate gaps for stipulated periods. The Branch's policy is to monitor positions on a daily basis.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate non-trading financial assets and financial liabilities held as at December 31, 2021 and 2020. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

As at December 31, 2021

Million LAK	Carrying amount	Non-interest bearing	Less than 3 months	1-6 months	6-12 month	1-5 years	More than 5 years
Assets							
Cash	224,676	224,676	-	-	-	-	-
Interbank and money market items							
- Amount due from Head office and other branches	6,913,423	1,310,707	1,584,615	-	4,018,100	-	-
- Amount due from other banks	18,656,544	1,364,744	-	8,032,320	6,693,600	2,565,880	-
Statutory deposits with Central Bank	509,612	509,612	-	-	-	-	-
Investments	4,293,664	-	496,240	752,424	2,199,640	845,360	-
Loan and advances	14,105,461	1,021	4,914,808	4,189,144	3,414,450	565,130	1,020,908
Other assets	472,004	472,004	-	-	-	-	-
	45,175,384	3,882,764	6,995,663	12,973,888	16,325,790	3,976,370	1,020,908
Liabilities							
Deposit from customer	(12,609,293)	(11,059,617)	(203,130)	(951,750)	(187,083)	(207,713)	-
Interbank and money market items							
- Amount due to other branches	(28,278,334)	(18,967)	(21,391,067)	(174,700)	(3,346,800)	(3,346,800)	-
- Amount due to other banks	(161,843)	(103,217)	(58,626)	-	-	-	-
Borrowings from other than Head Office and other branches	(1,606,464)	-	(1,606,464)	-	-	-	-
Other liabilities	(453,417)	(453,417)	-	-	-	-	-
	(43,109,350)	(11,635,218)	(23,259,287)	(1,126,450)	(3,533,883)	(3,554,513)	-
Different of on-financial reporting items	2,066,033	(7,752,453)	(16,263,624)	11,847,438	12,791,908	421,857	1,020,908
Off-financial reporting items	3,235,991	3,235,991	-	-	-	-	-
Total interest sensitivity gap	5,302,024	(4,516,462)	(16,263,624)	11,847,438	12,791,908	421,857	1,020,908

As at December 31, 2020

Million LAK	Carrying amount	Non-interest bearing	Less than 3 months	1-6 months	6-12 months	1-5 years	More than 5 years
Assets							
Cash	128,316	128,316	-	-	-	-	-
Interbank and money market items							
- Amount due from Head office and other branches	4,179,942	1,337,712	2,457,001	385,229	-	-	-
- Amount due from other banks	14,730,311	290,098	14,440,213	-	-	-	-
Statutory deposits with Central Bank	421,945	421,945	-	-	-	-	-
Investments	3,967,370	-	1,530,800	877,420	1,333,150	226,000	-
Loan and advances	10,534,413	1,351	1,606,748	1,221,459	6,424,898	345,991	933,966
Derivative financial assets	3,280	3,280	-	-	-	-	-
Other assets	473,942	473,942	-	-	-	-	-
	34,439,518	2,656,644	20,034,762	2,484,108	7,758,048	571,991	933,966
Liabilities							
Deposit from customer	(7,868,398)	(6,603,836)	(102,090)	(802,188)	(144,467)	(215,817)	-
Interbank and money market items							
- Amount due to other branches	(22,072,809)	(947,781)	(11,436,087)	(971,808)	(5,940,633)	(2,776,500)	-
- Amount due to other banks	(85,058)	(75,803)	(9,255)	-	-	-	-
Borrowings from other than Head Office and other branches	(2,776,500)	(2,776,500)	-	-	-	-	-
Derivative financials liabilities	(422)	(422)	-	-	-	-	-
Other liabilities	(309,363)	(309,363)	-	-	-	-	-
	(33,112,550)	(10,713,705)	(11,547,432)	(1,773,996)	(6,085,100)	(2,992,317)	-
Different of on-financial reporting items	1,326,968	(8,057,061)	8,487,330	710,112	1,672,948	(2,420,326)	933,966
Off-financial reporting items	2,052,408	2,052,408	-	-	-	-	-
Total interest sensitivity gap	3,379,376	(6,004,653)	8,487,330	710,112	1,672,948	(2,420,326)	933,966

27.5 Market risks

Foreign currency transactions

The Branch monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the functional currency of the Branch. As at the reporting date net currency exposures representing more than 10 percent of the Branch's equity are as follows:

Foreign currency transactions

Million LAK	2021	2020
Net foreign currency exposure:		
USD	147,124	87,017
EUR	88	479
CNY	2,083	4,127
THB	4,106	2,962
JPY	16	15

27.6 Fair value of financial instruments

Methods and assumptions used by the Branch in estimating the fair values of financial assets and liabilities are as follows:

The fair values of cash, interbank and money market items, amounts due from related parties, deposits, accounts payable, accrued interest payable and advance from asset purchaser are approximately their carrying values at the reporting date due to their short-term duration.

The carrying values of investments and loans to customers approximated fair value at the date of initial recognition. Subsequent increases/ decreases in fair value arising from any changes to the net present value of expected future cash collections are recognised in income, only to the extent of cash receipts or impairment. The fair value of floating-rate loans and advances to customers that reprice within 1 year since the reporting date approximates carrying value at the reporting date. The fair value of other fixed-rate loans and advances to customers is estimated using discounted cash flow analysis and interest rates currently being offered for loans and advances to customers with similar credit quality.

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Branch uses market observable data as far as possible. Fair value measurements for assets and liabilities are categorised into different levels in the fair value hierarchy based on the inputs used in valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on unobservable market data (unobservable input).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Branch recognises transfers between levels of the fair value hierarchy as hierarchy as of the end of the reporting period during which the transfer has occurred. There were no fransfers between Level 1 to Level 2 of the fair value hierarchy during the years ended December 31, 2021 and 2020.

27.7 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Branch's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Branch's operations.

The Branch's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the reputation with overall cost effectiveness and innovation. In all cases, the Branch's policy requires compliance with all applicable legal and regulatory requirements.

The Head Office has delegated responsibility for operational risk to its management which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;

- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management, with summaries submitted to the Branch Internal Audit Department and senior management of the Branch.

27.8 Capital management

The Central Bank of the Lao PDR, the BOL, sets and monitors capital requirements for the Branch. In accordance with Regulation No. 135/BOL dated 20 March 2007, the Branch's capital comprises of tier 1 capital and tier 2 capital:

- Tier 1 capital is the core capital which is not allowed to be withdrawn as long as the Branch is still in operation, unless the Branch is under liquidation. It includes registered capital, share premium, statutory and surplus reserve, business expansion reserve and accumulated retained earnings.

- Tier 2 capital is the supplementary capital which can be adjusted or withdrawn. It includes gain or loss from re-evaluation, allowance for bad and doubtful loans and advances, supplementary liabilities, risk reserve, profit and loss for the year, unappropriated profit and allowance and fund distributed by the government.

Banking operations are categorised as either on-balance sheet items or off-balance sheet items, and risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognised in the statement of financial position. The BoL's regulation maintains a risk-weighted asset requirement in respect of operational risk.

The primary objectives of the Branch's capital management are to ensure that the Branch complies with externally imposed capital requirements by BOL. The Branch recognises the need to maintain effectiveness of assets and liabilities management to balance profit and capital adequacy.

The Branch has complied with all externally imposed capital requirements.

The Branch's regulatory capital position under BoL's regulation as at December 31, was as follows:

Million LAK	2021	2020
Tier 1 capital		
Branch capital	300,000	239.970
Retained earnings	1,113,145	767,555
Legal reserve	150,000	150,000
	1,563,145	1,157,525
Tier 2 capital		
Loan loss reserve (at the lower of loan loss reserve for the year or 1.25% of risk-weighted assets on the Branch's assets)	64,668	74,424
Profit for the years	583,318	420,724
	647;986	495,148
Total regulatory capital	2,211,131	1,652,673

Note: The regulatory capital position above is calculated based on the financial figures under Lao GAAP.

The BoL's approach to measurement of capital adequacy is primarily based on monitoring the relationship of the capital resources requirement to available capital resources.

Capital allocation

The amount of capital allocated to each operation or activity is based on primarily on the regulatory capital, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with difference activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Branch to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Branch's longer term strategic objectives.

28. OPERATING SEGMENTS

The major business of the Branch is providing financial services to the corporate customers. The rest of the business is not significant to overall financial statements. The management considers the business conducted in Lao PDR as one whole segment. The information reviewed by the General Manager is similar as presented in the statement of profit or loss. When taking into consideration the business location of the Branch, there is only one geographical segment as the business operates only in Lao PDR.

29. RECLASSIFICATIONS

Certain reclassifications have been made in the financial statements for the year ended December 31, 2020, to conform to the classification used in current period's financial statements. Such reclassifications have no effect to previously reported net profit and Head Office account. The reclassifications are as follows:

Account	Previous presentation	Current presentation	Amount LAK
Commission on foreign exchange trading	Gain on foreign exchange	Fee and services income	13,038,981,452
Labor Protection and employee education costs	Other expenses	Personnel expenses	635,646,139

30. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved for issue by an authorized management of the Branch on March 30, 2022.