
*INDUSTRIAL AND COMMERCIAL BANK OF
CHINA LIMITED, VIENTIANE BRANCH*

Financial Statements

Year ended December 31, 2021

**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 Finglei	General Manager
	Mr. Joxiong Bouasinengma	Deputy General Manager
	Mr. Ruan Jing	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



ບໍລິສັດ ດີລອຍ (ລາວ) ຈຳກັດຜູ້ດຽວ
ອາຄານຕະຫຼາດຫຼັກຊັບລາວ
ບ້ານໂພນທັນ, ຖະໜົນ T4
ເມືອງໄຊເສດຖາ
ຖິ່ນໄປສະນີ 2017, ນະຄອນຫຼວງວຽງຈັນ
ສປປ ລາວ

ໂທ : +856 21 419 300
ແຟັກ : +856 21 419 305

Deloitte (Lao) Sole Company Limited
Lao Securities Exchange Building
Phonthan Village, T4 Road
Saysettha District
P.O. Box 2017, Vientiane Capital
Lao PDR

Tel : +856 21 419 300
Fax : +856 21 419 305
www.deloitte.com

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF MANAGEMENT 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 statement of financial position as at December 31, 2021, the related statements of 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 of Industrial and Commercial Bank of China Limited, Vientiane Branch for the year ended December 31, 2021, are prepared, in all material respects, in accordance with the regulations of the Bank of Lao PDR and the Branch’s accounting policies as described in Note 3 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Branch in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“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.

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw your attention to Notes 2 and 3 to the financial statements, which describe the basis of accounting and significant accounting policies. The financial statements are prepared to provide information for use by the Branch and Bank of the Lao PDR. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.



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 the regulations of the Bank of Lao PDR and the Branch's accounting policies as described in Note 3 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

VIENTIANE
March 30, 2022

Waraporn K
Waraporn Kriengsuntorn
Certified Public Accountant
DELOITTE (LAO) SOLE COMPANY LIMITED



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	4	224,675,777,902	128,316,072,585
Interbank and money market items			
Amounts due from Head Office and other branches	24.1	6,913,422,749,609	4,179,942,207,807
Amounts due from other banks	5	18,656,544,185,842	14,730,310,337,928
Statutory deposits with Central Bank	6	509,612,458,820	421,945,235,761
Investments	7	4,293,664,000,000	3,967,370,000,000
Loans to customers	8	14,105,460,671,941	10,534,413,400,000
Derivative financial assets	9 (a)	-	3,280,000,000
Property and equipment	10	108,838,231,875	111,373,725,783
Intangible assets	11	47,556,453,736	48,374,697,596
Deferred tax assets	12	115,638,579,156	42,707,844,439
Other assets	13	472,003,756,748	473,942,224,679
TOTAL ASSETS		45,447,416,865,629	34,641,975,746,578

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	14	12,609,292,784,165	7,868,397,739,865
Interbank and money market items			
Amounts due to other branches	24.1	28,278,333,591,320	22,072,809,255,469
Amounts due to other banks	15	161,842,523,382	85,058,086,492
Borrowings from other than Head Office and other branches	16, 24.2	1,606,464,000,000	2,776,500,000,000
Tax liabilities	17	53,271,527,110	47,601,101,083
Derivative financial liabilities	9 (b)	-	421,905,813
Other liabilities	18	450,722,223,363	309,362,976,730
TOTAL LIABILITIES		43,159,926,649,340	33,160,151,065,452
HEAD OFFICE ACCOUNT			
Head Office's capital contribution	19	300,000,000,000	239,970,000,000
General provision for credit activities	8 (f)	724,345,697,964	324,299,518,720
Legal reserve	20	150,000,000,000	150,000,000,000
Retained earnings		1,113,144,518,325	767,555,162,406
TOTAL HEAD OFFICE ACCOUNT		2,287,490,216,289	1,481,824,681,126
TOTAL LIABILITIES AND HEAD OFFICE ACCOUNT		45,447,416,865,629	34,641,975,746,578

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

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH

STATEMENT OF 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		<u>1,336,739,709,089</u>	<u>1,081,289,465,138</u>
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		<u>(644,138,455,574)</u>	<u>(525,666,809,748)</u>
Net interest income		<u>692,601,253,515</u>	<u>555,622,655,390</u>
Impairment loss	8 (f)	(306,096,041,711)	(62,993,443,759)
Net income from interest after impairment loss		<u>386,505,211,804</u>	<u>492,629,211,631</u>
Other income			
Fee and services income, net		151,153,772,248	111,773,920,018
Gain on foreign exchange		236,917,559,626	25,609,171,096
Other income		1,180,948	5,667,090
Total other income	22	<u>388,072,512,822</u>	<u>137,388,758,204</u>
Income before non-interest expenses and income tax expense		<u>774,577,724,626</u>	<u>630,017,969,835</u>

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED VIENTIANE BRANCH

STATEMENT OF INCOME (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2021

UNIT : LAK

	Note	2021	2020
Operating expenses			
Personnel expenses		(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 expenses		<u>(120,172,913,208)</u>	<u>(96,790,827,879)</u>
Profit before income tax expense		654,404,811,418	533,227,141,956
Income tax expense	23	<u>(71,086,654,967)</u>	<u>(112,503,338,806)</u>
Net profit for the year		<u><u>583,318,156,451</u></u>	<u><u>420,723,803,150</u></u>

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

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH

STATEMENT OF HEAD OFFICE ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2021

UNIT : LAK

	Notes	Head Office's capital contribution	General provision for credit activities	Legal reserve	Retained earnings	Total
Balance as at January 1, 2020		239,970,000,000	246,371,564,681	126,557,300,387	541,345,823,474	1,154,244,688,542
Change in general provision for credit activities	8	-	77,927,954,039	-	-	77,927,954,039
Net profit for the year		-	-	-	420,723,803,150	420,723,803,150
Legal reserve for the year	20	-	-	23,442,699,613	(23,442,699,613)	-
Profit appropriation	21	-	-	-	(171,071,764,605)	(171,071,764,605)
Balance as at December 31, 2020		239,970,000,000	324,299,518,720	150,000,000,000	767,555,162,406	1,481,824,681,126
Balance as at January 1, 2021		239,970,000,000	324,299,518,720	150,000,000,000	767,555,162,406	1,481,824,681,126
Capital increase	19	60,030,000,000	-	-	(60,030,000,000)	-
Change in general provision for credit activities	8	-	400,046,179,244	-	-	400,046,179,244
Net profit for the year		-	-	-	583,318,156,451	583,318,156,451
Profit appropriation	21	-	-	-	(177,698,800,532)	(177,698,800,532)
Balance as at December 31, 2021		300,000,000,000	724,345,697,964	150,000,000,000	1,113,144,518,325	2,287,490,216,289

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

	2021	2020
Cash flows from operating activities		
Net profit for the year	583,318,156,451	420,723,803,150
Adjustment to reconcile net profit for the year:		
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) loss on foreign exchange	(46,723,862,467)	12,076,416,093
Income tax expenses	71,086,654,967	112,503,338,806
	<u>751,735,672,240</u>	<u>421,334,921,688</u>
Change in operation assets / liabilities		
Change in interbank and money market assets	(10,864,226,353,290)	8,501,146,522,000
Change in statutory deposit with Central Bank	(87,667,223,059)	(110,305,413,119)
Change in loans 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 deposits 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	<u>(2,734,883,765,985)</u>	<u>6,061,739,777,886</u>
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	<u>554,235,665,853</u>	<u>102,303,127,593</u>

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

UNIT : LAK

	Note	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		<u>(1,927,504,158,125)</u>	<u>2,592,767,667,316</u>
Net increase (decrease) in cash and cash equivalents		(4,108,152,258,257)	8,756,810,572,795
Cash and cash equivalents at January 1,		<u>18,653,339,014,320</u>	<u>9,896,528,441,525</u>
Cash and cash equivalent at December 31,		<u><u>14,545,186,756,063</u></u>	<u><u>18,653,339,014,320</u></u>
Cash and cash equivalents			
Cash	4	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		<u>8,058,317,352,204</u>	<u>14,730,310,337,928</u>
		<u><u>14,545,186,756,063</u></u>	<u><u>18,653,339,014,320</u></u>

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

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, VIENTIANE BRANCH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. ORGANISATION AND PRINCIPAL ACTIVITIES

The Industrial and Commercial Bank of China Limited Vientiane Branch (“the Branch”) is a branch of the Industrial and Commercial Bank of China Limited which is incorporated in the People's Republic of China. The Branch has its registered office at Unit 12, Asean Road, Sibounheuang Village, Chanthabouly District, Vientiane Capital, Lao People’s Democratic Republic (“Lao PDR”). The Branch commenced its operations on November 28, 2011 in accordance with investment licence 180-11/MPI3 dated August 2, 2011. It received approval from the Bank of the Lao PDR (“BoL”) to operate as a bank under Banking Licence 18/BOL dated May 8, 2015 and amendment Banking Business License in March 2019.

The principal activities of the Branch consist of provide services in finance, commerce and banking to Lao, Chinese and Thai corporate investors and banking services to individuals.

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

These financial statements were approved for issue by the Branch’s management on March 30, 2022.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

The Branch is not a separate legal entity. The financial statements have been prepared from the records of the Branch and reflected only transactions recorded locally. The Branch has significant transactions and balances with its Head Office and other branches.

The financial statements have been prepared in accordance with regulations of Bank of the Lao PDR and the Branch’s principal accounting policies as described in respective notes to financial statements. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are not intended to present the financial position and financial performance in accordance with other jurisdictions. Consequently, these financial statements are addressed only to those who are informed about the Branch’s accounting principles, procedures and practices.

The financial statements have been prepared on an accrual basis under the measurement basis of historical cost as disclosed in the significant accounting policies (see Note 3).

The preparation of financial statements in conformity with the Branch’s accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial instruments

The Branch's significant financial assets and liabilities include cash and cash equivalents, originated loans and receivables, deposits, investments, interbank balances, derivatives and other receivables and payables. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

3.2 Cash and cash equivalents

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

3.3 Investments

Investments consist of investments in bonds and unearned interest income. Investments in bonds issued by the BoL are stated at par. Unearned interest income arising on the acquisition of securities is amortised to interest income on an accrual basis. Other investments are stated at cost.

3.4 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 when gain or loss 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 the statement of income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of item being hedged. The fair value of interest rate swap and the foreign exchange rate swap are the estimated amount that the Branch would receive or pay to terminate the swap at the reporting date, taking into account current interest rates or foreign exchange rate.

3.5 Loans to customers

Loans to customers are originated by the Branch providing money to a customer for purposes other than short-term profit taking. They are stated at the outstanding principal balances. Loans to customers, except bank overdrafts, are shown exclusive of accrued interest receivable.

3.6 Impairment of financial assets

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

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

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

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

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

Measurement of ECL

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

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

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

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

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

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

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 and 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.

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

3.7 Deposits with banks

Deposits with banks are carried at cost.

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.

Depreciation of property and equipment is charged to the statement of income on a straight-line basis over the estimated useful lives of the individual asset at the following annual rates:

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

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. Repair and maintenance are recognized as expenses.

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

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

3.9 Intangible assets

3.9.1 Software

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

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

Amortisation is recognised in the statement of income on a straight-line basis over the estimated useful life of software, from the date that it is available for use. The estimated useful life of software is 5 years.

3.9.2 Land use rights

Land use rights include costs incurred to purchase formal rights to use land and land compensation costs. The initial cost is based on the costs incurred and the value of land approved by the Government at the time of purchase. Amortisation is provided on a straight-line basis over the expected period of benefit from the land use rights.

3.10 Deposits

Deposits are stated at placement value.

3.11 General provision for credit activities

In accordance with BoL No. 512, the Branch is required to create a general provision for loan losses at the rate 0.50% of the total balance of normal loans as at the reporting date and is recorded in the statement of financial position in general provision for credit activities

The Branch's approach has leveraged the existing regulatory capital models and processes for Branch's loan portfolios that use the existing Internal Rating based and behavioural credit models as defined in Note 3.6 and the Branch records general provision for credit activities in the statement of financial position under Head Office account, and changes in general provision in the statement of income as impairment losses.

3.12 Interest expense

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

3.13 Income tax expense

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

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions of amounts payable to the tax authorities.

Provision is made for taxation based on the current year's total revenue as per the laws governing taxation within the Lao PDR. For each profitable year, the Branch is subject to the current tax rate of 20% on total taxable income.

Deferred tax

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

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

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

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

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

Tax exposures

The Branch's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amount reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

The taxation system in Lao PDR is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Lao PDR substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

3.14 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.

3.15 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 components and non-lease components, 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.

3.16 Foreign currency transactions

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

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

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

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

	December 31, 2021 LAK	December 31, 2020 LAK
United State 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
Hong Kong Dollar ("HKD")	1,400.00	1,166.50
Japanese Yen ("JPY")	96.38	88.60

3.17 Use of management's judgments

The preparation of financial statements in conformity with the regulations of BoL and accounting policies set out in Note 3 to the financial statements requires the Branch's management to exercise judgment in order to determine the accounting policies, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the last date of the reporting period and the reported amounts of revenue and expense during the reporting period. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates.

4. 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
Chinese Yuan ("CNY")	101,200,261,422	33,470,814,059
	<u>224,675,777,902</u>	<u>128,316,072,585</u>

5. AMOUNTS DUE FROM OTHER BANKS

Amount 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
	<u>18,656,544,185,842</u>	<u>14,730,310,337,928</u>

(a) Domestic items

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

(b) Foreign items

	2021 LAK	2020 LAK
At call		
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
	<u>18,247,058,234,942</u>	<u>14,534,343,416,866</u>

6. STATUTORY DEPOSITS WITH CENTRAL BANK

Statutory deposits with central bank as at December 31, consist of the following:

	2021 LAK	2020 LAK
Statutory deposit on:		
Registered capital reserve	5,000,000	5,000,000
Compulsory reserve	509,607,458,820	421,940,235,761
	<u>509,612,458,820</u>	<u>421,945,235,761</u>

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.

7. 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
	<u>4,293,664,000,000</u>	<u>3,967,370,000,000</u>

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

8. LOANS TO CUSTOMERS

Loans to customers as at December 31, consist of the following:

	2021 LAK	2020 LAK
Loans to customers:		
- Overdraft	1,020,787,326	1,350,955,882
- Loans	14,104,439,884,615	10,533,062,444,118
	<u>14,105,460,671,941</u>	<u>10,534,413,400,000</u>

(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
	<u>14,105,460,671,941</u>	<u>10,534,413,400,000</u>

(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
	<u>14,105,460,671,941</u>	<u>10,534,413,400,000</u>

(c) 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
Others	13,957,297,585,550	10,369,180,898,583
	<u>14,105,460,671,941</u>	<u>10,534,413,400,000</u>

(d) Classified by performance

	2021 LAK	2020 LAK
Performing loans	<u>14,105,460,671,941</u>	<u>10,534,413,400,000</u>

(e) 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

(f) General provision for credit activities

General provision for credit activities as at December 31, consist of the following:

	2021 LAK	2020 LAK
General provision for credit activities as at January 1,	324,299,518,720	246,371,564,682
Impairment losses during the years	306,096,041,711	62,993,443,759
Foreign exchange translation	93,950,137,533	14,934,510,279
General provision for credit activities as at December 31,	<u>724,345,697,964</u>	<u>324,299,518,720</u>

9. DERIVATIVES

(a) Derivative financial assets

Derivative 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

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

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

10. PROPERTY AND EQUIPMENT

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

	Property		Right-of-use assets	Electronic equipment	Furniture, fitting And office Equipment	Vehicle	Total
	LAK	LAK					
Cost							
Balance 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 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 amount							
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

11. INTANGIBLE ASSETS

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

	Software LAK	Land use rights LAK	Total LAK
Cost			
Balance as at January 1, 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 at January 1, 2021	(289,224,902)	(4,616,610,614)	(4,905,835,516)
Amortisation 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 amount			
At January 1, 2020	77,574,824	47,824,360,160	47,901,934,984
At December 31, 2020	1,127,808,210	47,246,889,386	48,374,697,596
At December 31, 2021	885,457,335	46,670,996,401	47,556,453,736

12. DEFERRED TAX ASSETS

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

	Balance as at January 1, 2021 LAK	Total gain/(losses) recorded in profit and loss LAK	Balance as at December 31, 2021 LAK
Allowance for impairment losses	42,707,844,439	72,930,734,717	115,638,579,156
	Balance as at January 1, 2020 LAK	Total gain/(losses) recorded in profit and loss LAK	Balance as at December 31, 2020 LAK
Allowance for impairment losses	57,292,170,686	(14,584,326,247)	42,707,844,439

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

As announced through the Notification from Ministry of Finance on Implementation of the Taxation Management Law, Income Tax Law and Excise Tax Law, No. 042/ MOF, dated on February 11, 2020, The Income Tax Law No. 67/NA shall be started from January 1, 2020 onwards.

13. 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 receivables and prepayments	5,513,008,391	5,964,841,419
	<u>472,003,756,748</u>	<u>473,942,224,679</u>

14. DEPOSITS FROM CUSTOMERS

Deposits from customer 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
Saving	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
	<u>12,609,292,784,165</u>	<u>7,868,397,739,865</u>

(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	78,609,322,734	81,431,767,694
CNY	4,504,337,833,473	1,109,785,073,780
	<u>12,609,292,784,165</u>	<u>7,868,397,739,865</u>

(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
Term 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

15. AMOUNTS DUE TO OTHER BANKS

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

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

(a) Classified by residence

	2021 LAK	2020 LAK
Domestic	161,842,523,382	85,058,086,492
	<u>161,842,523,382</u>	<u>85,058,086,492</u>

(b) Classified 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	-
	<u>161,842,523,382</u>	<u>85,058,086,492</u>

16. 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	<u>1,606,464,000,000</u>	<u>2,776,500,000,000</u>
(a) Classified by residence		
	2021 LAK	2020 LAK
Domestic	<u>1,606,464,000,000</u>	<u>2,776,500,000,000</u>
	<u>1,606,464,000,000</u>	<u>2,776,500,000,000</u>
(b) Classified by currency		
	2021 LAK	2020 LAK
USD	<u>1,606,464,000,000</u>	<u>2,776,500,000,000</u>
	<u>1,606,464,000,000</u>	<u>2,776,500,000,000</u>

17. 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
	<u>53,271,527,110</u>	<u>47,601,101,083</u>

18. 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 employees	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
	<u>450,722,223,363</u>	<u>309,362,976,730</u>

19. HEAD OFFICE'S CAPITAL CONTRIBUTION

Head Office's capital contribution as at December 31, consists of the following:

	2021 LAK	2020 LAK
Contributed legal capital	<u>300,000,000,000</u>	<u>239,970,000,000</u>

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 retained earnings of LAK 60,030,000,000 to Head office's capital contribution.

20. 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.

21. PROFIT APPROPRIATION

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

22. OTHER INCOME

Other income for the years ended December 31, consist of the following:

	2021 LAK	2020 LAK
Fee and service income, net		
Commission on bank cards	996,276,807	1,120,358,245
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	13,595,022,821	12,049,982,440
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
Others	(227,539,965)	(113,894,643)
Total fee and service income	151,153,772,248	111,773,920,018
Gain on foreign exchange	236,917,559,626	25,609,171,096
Other income	1,180,948	5,667,090
	<u>388,072,512,822</u>	<u>137,388,758,204</u>

23. INCOME TAX EXPENSE

Income tax expense for the years ended December 31, consists of the following:

	2021 LAK	2020 LAK
Current tax expense	144,017,389,684	97,919,012,559
Deferred tax expense		
Temporary differences (reversal) (Note 12)	(72,930,734,717)	14,584,326,247
	<u>71,086,654,967</u>	<u>112,503,338,806</u>

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

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

Reconciliation of effective tax rate for the years ended December 31, are as follows:

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

24. RELATED PARTY BALANCES AND TRANSACTIONS

A portion of the Branch's assets, liabilities, revenue and expenses has arisen from transactions with related parties. These parties are related through common shareholdings and / or directorships. The financial statements reflect the effects of these transactions, which are through negotiated agreements.

24.1 Head Office and other branches

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	<u>16,157,859,495</u>	<u>10,926,418,338</u>
	<u>6,929,580,609,104</u>	<u>4,190,868,626,145</u>

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
	<u>6,929,580,609,104</u>	<u>4,190,868,626,145</u>

Deposits 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
Amounts due to Head Office and other branches	<u>22,681,366,836,735</u>	<u>18,348,528,373,936</u>
	28,278,333,591,320	22,072,809,255,469
Interest payable	<u>210,336,631,158</u>	<u>140,936,251,155</u>
	<u>28,488,670,222,478</u>	<u>22,213,745,506,624</u>

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

24.2 Other related parties

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

	2021 LAK	2020 LAK
Due from banks and financial institutions	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. COMMITMENTS

In the normal course of business, the Branch makes 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
	<u>3,235,990,724,829</u>	<u>2,052,408,442,460</u>

26. 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