

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

Audited Financial Statements  
and  
Independent Auditors' Report  
Year ended 31 December 2013

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

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## Corporate Information

<b>Bank</b>	Industrial and Commercial Bank of China Limited Vientiane Branch
<b>Banking Licence No.</b>	06/BOL date 11 February 2013 Business Registration Certificate No. 1497 date 25 December 2012
<b>Board of Management</b>	Mr. Lu Jian            General Manager Mr. Chen Yingzhi    Deputy General Manager
<b>Registered office</b>	Unit no. 15, Lane Xang Avenue Hatsady Village Chanthaboury District Vientiane Capital, Lao PDR
<b>Auditors</b>	KPMG Lao Co., Ltd 4th Floor, K.P. Tower 23 Singha Road P.O. Box 6978 Vientiane Capital, Lao PDR

**MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS**

The Management of Industrial and Commercial Bank of China Limited Vientiane Branch ("Branch") is responsible for the preparation of the financial statements of each financial year that ensure a true and fair presentation of its statement of financial position of the Branch as at 31 December 2013, statement of income, statement of changes in capital and other reserves and statement of cash flows in accordance with the accounting regulations and accounting principles generally accepted in the Lao People's Democratic Republic ("Lao PDR"). In preparing the financial statements, Management is required to:

- i) Adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) Comply with accounting principles generally accepted in the Lao PDR ("Lao GAAP") and the guidelines issued by the Bank of the Lao PDR, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) Maintain adequate accounting records and an effective system of internal controls;
- iv) Take reasonable steps for safeguarding the assets of the Branch and for preventing and detecting fraud, error and other irregularities;
- v) Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Branch will continue operations in the foreseeable future; and
- vi) Effectively control and direct the Branch and be involved in all material decisions affecting the Branch's operations and performance and ascertain that such have been properly reflected in the financial statements.

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

**APPROVAL OF THE FINANCIAL STATEMENTS**

I, Mr. Chen Yingzhi, on behalf of the Board of Management, do hereby state that the financial statements set out on pages 5 to 29 give a true and fair view of the financial position of Industrial and Commercial Bank of China Limited Vientiane Branch as at 31 December 2013 and of the results of its operations and its cash flows for the year then ended and have been properly drawn up in accordance with generally accepted accounting principles in the Lao PDR.

*Signed on behalf of the Board of Management,*

CHEN YINGZHI  
陈英志



Chen Yingzhi  
Deputy General Manager  
11 April 2014

## **INDEPENDENT AUDITORS' REPORT**

**To: The Management  
Industrial and Commercial Bank of China Limited Vientiane Branch**

We have audited the accompanying statement of financial position of Industrial and Commercial Bank of China Limited Vientiane Branch ("the Branch") as at 31 December 2013, the related statements of income, changes in capital and other reserves and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. 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 financial statements have been prepared by the Branch using the basis of financial statement preparation and the accounting policies described in Notes 2 and 3 to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Lao PDR generally accepted accounting principles, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Industrial and Commercial Bank of China Limited Vientiane Branch as of 31 December 2013 and the results of its operations and its cash flows for the year then ended in accordance with the accounting regulations of the Bank of the Lao PDR and the accounting principles generally accepted in the Lao PDR.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 2(a)(i) to the financial statements, which states that the accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than the Lao PDR. Accordingly, the accompanying financial statements are not designed for those who are not informed about Lao legal and statutory requirements.

*Other Matter*

The financial statements of the Branch for the year ended 31 December 2012 were audited by another firm of auditors whose report dated 29 March 2013 expressed an unqualified opinion on the financial statements.



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

Date: 11 April 2014

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Statement of Financial Position as at 31 December 2013**

	Note	2013 LAK	2012 LAK
<b><u>ASSETS</u></b>			
Cash	4	18,572,855,821	9,919,894,435
Interbank and money market items			
Amounts due from head office and other branches	25	253,936,135,106	60,685,806,378
Amounts due from other banks	5	162,725,218,092	242,036,059,955
Statutory deposits with Central Bank	6	139,119,849,416	90,889,946,018
Investments	7	1,596,626,627,598	1,099,686,739,245
Loans and advances	8	6,197,768,385,353	926,119,669,976
Derivative financial assets	9	900,885,258	-
Property and equipment	10	13,903,547,050	13,513,481,489
Intangible assets	11	51,448,216,349	35,463,261
Other assets	12	18,179,789,806	10,351,673,871
<b>Total assets</b>		<b>8,453,181,509,849</b>	<b>2,453,238,734,628</b>

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Statement of Financial Position as at 31 December 2013**

		<b>2013</b>	<b>2012</b>
	<b>Note</b>	<b>LAK</b>	<b>LAK</b>
<b><u>LIABILITIES AND CAPITAL AND OTHER RESERVES</u></b>			
<b>Liabilities</b>			
Deposits from customers	13	990,478,055,529	586,147,324,600
Interbank and money market items			
Amounts due to other branches	25	1,804,892,501,573	796,300,000,000
Amounts due to other banks	14	66,490,247	-
Borrowings	15	5,354,676,000,000	800,096,020,000
Tax liabilities	16	656,944,451	710,323,860
Other liabilities	17	20,727,675,697	19,471,151,258
<b>Total liabilities</b>		<b>8,171,498,667,497</b>	<b>2,202,724,819,718</b>
<b>Capital and other reserves</b>			
Paid up capital	18	239,970,000,000	239,970,000,000
Statutory reserve	19	4,173,694,285	1,054,391,491
Retained earnings		37,540,148,067	9,489,523,419
<b>Total capital and other reserves</b>		<b>281,683,842,352</b>	<b>250,513,914,910</b>
<b>Total liabilities and capital and other reserves</b>		<b>8,453,181,509,849</b>	<b>2,453,238,734,628</b>

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



**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Statement of income**  
**Year ended 31 December 2013**

	Note	2013 LAK	2012 LAK
<b>Interest income</b>			
Interest from Loans and advances		81,483,900,217	39,797,593,679
Interest from Interbank and money market items		16,098,721,839	893,620,360
Interest from investment in bonds		77,472,184,512	29,458,322,470
<b>Total interest income</b>		<b>175,054,806,568</b>	<b>70,149,536,509</b>
<b>Interest expense</b>			
Interest from Deposits		(3,375,819,685)	(3,452,800,456)
Interest from Interbank and money market items		(49,345,883,416)	(13,855,109,544)
Interest from Borrowings		(34,964,871,078)	(9,775,166,290)
<b>Total interest expense</b>	20	<b>(87,686,574,179)</b>	<b>(27,083,076,290)</b>
<b>Net interest income</b>		<b>87,368,232,389</b>	<b>43,066,460,219</b>
Provision for bad and doubtful loans and advances	8	(26,184,887,767)	(4,675,045,352)
<b>Net income from interest after doubtful accounts</b>		<b>61,183,344,622</b>	<b>38,391,414,867</b>
<b>Other income</b>			
Fees and services income, net		5,077,613,262	1,680,997,854
Gain on foreign exchange		4,965,261,267	151,016,818
Other income		1,129,545,468	5,055,083
<b>Total other income</b>	21	<b>11,172,419,997</b>	<b>1,837,069,755</b>
<b>Income before non-interest expense and income tax</b>		<b>72,355,764,619</b>	<b>40,228,484,622</b>
<b>Operating Expenses</b>			
Personnel expenses		(17,504,804,692)	(11,491,866,211)
Depreciation and amortization expenses		(2,712,617,397)	(1,869,582,528)
Other expenses		(10,239,977,210)	(9,346,687,519)
		(30,457,399,299)	(22,708,136,258)
<b>Profit before income tax</b>		<b>41,898,365,320</b>	<b>17,520,348,364</b>
<b>Income tax</b>	22	<b>(10,728,437,878)</b>	<b>(4,100,411,354)</b>
<b>Profit for the year</b>		<b>31,169,927,442</b>	<b>13,419,937,010</b>

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

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Statement of changes in capital and other reserves**  
**Year ended 31 December 2013**

	<b>Paid up capital</b>	<b>Retained earnings / (Accumulated losses)</b>	<b>Statutory reserve</b>	<b>Total</b>
	<b>LAK</b>	<b>LAK</b>	<b>LAK</b>	<b>LAK</b>
<b>Balance at 1 January 2012</b>	<b>239,970,000,000</b>	<b>(2,876,022,100)</b>	-	<b>237,093,977,900</b>
Profit for the year	-	13,419,937,010	-	13,419,937,010
Statutory reserve for the year	-	(1,054,391,491)	1,054,391,491	-
<b>Balance at 31 December 2012 and 1 January 2013</b>	<b>239,970,000,000</b>	<b>9,489,523,419</b>	<b>1,054,391,491</b>	<b>250,513,914,910</b>
Profit for the year	-	31,169,927,442	-	31,169,927,442
Statutory reserve for the year	-	(3,119,302,794)	3,119,302,794	-
<b>Balance at 31 December 2013</b>	<b>239,970,000,000</b>	<b>37,540,148,067</b>	<b>4,173,694,285</b>	<b>281,683,842,352</b>

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

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Statement of cash flows**  
**Year ended 31 December 2013**

	Note	2013 LAK	2012 LAK
<b>Cash flows from operating activities</b>			
Profit after tax		31,169,927,442	13,419,937,010
<i>Adjustments for:</i>			
Allowance for doubtful debts		26,184,887,767	4,675,045,352
Depreciation and amortisation		2,712,617,397	1,869,582,528
Income from investment in bonds		(77,472,184,512)	(29,458,322,470)
Income tax expenses		10,728,437,878	4,100,411,354
		<b>(6,676,314,028)</b>	<b>(5,393,346,226)</b>
Change in operating assets / liabilities			
Change in statutory deposits		(48,229,903,398)	58,926,269,079
Change in loans and advances to customers		(5,297,833,603,144)	(930,794,715,327)
Change in derivative financial assets		(900,885,258)	-
Change in other assets		(7,828,115,934)	997,243,347
Change in deposits from customers		404,330,730,929	478,230,424,591
Change in deposits from banks		1,008,658,991,820	796,300,000,000
Change in withholding tax liabilities		515,886,658	141,057,793
Change in other liabilities		1,256,524,438	18,261,616,209
Income tax paid		(11,297,703,945)	(3,532,568,765)
<b>Net cash used in operating activities</b>		<b>(3,958,004,391,862)</b>	<b>413,135,980,701</b>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment		(2,500,552,882)	(3,346,444,771)
Acquisition of intangible assets		(52,014,883,164)	-
Purchases of bond investments		(1,247,536,000,000)	(1,082,930,000,000)
Proceeds from sale and redemption of bond investments		762,770,000,000	-
Income from investment in bonds		65,298,296,159	12,701,583,225
<b>Net cash used in investing activities</b>		<b>(473,983,139,887)</b>	<b>(1,073,574,861,546)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		56,711,864,200,000	800,096,020,000
Repayment of borrowings		(52,157,284,220,000)	-
<b>Net cash generated from financing activities</b>		<b>4,554,579,980,000</b>	<b>800,096,020,000</b>

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Statement of cash flows**  
**Year ended 31 December 2013**

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	Note	2013 LAK	2012 LAK
<b>Net change in cash and cash equivalents</b>		<b>122,592,448,251</b>	<b>139,657,139,155</b>
Cash and cash equivalents at 1 January		312,641,760,768	172,984,621,613
<b>Cash and cash equivalents at 31 December</b>	23	<b>435,234,209,019</b>	<b>312,641,760,768</b>

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

## **1. Organisation and principal activities**

The Industrial and Commercial Bank of China Limited Vientiane Branch (“the Branch”) is a branch of Industrial and Commercial Bank of China Limited which is incorporated in People's Republic of China and has its registered office at Unit no. 15, Lane Xang Avenue, Hatsady Village, Chanthaboury District, Vientiane, Lao People's Democratic Republic (“Lao PDR”). The Branch commenced its operations on 28 November 2011 in accordance with investment licence 180-11/MPI 2 August 2011. It received approval from the Bank of the Lao PDR (“BoL”) to operate as a bank under Banking Licence 16/BOL 25 August 2011 and amendment Banking Business License in February 2013.

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

As at 31 December 2013, the Branch had 53 (2012: 38) employees.

## **2. Basis of financial statement preparation**

### **(a) General basis of accounting**

#### **(i) Basis of preparation**

The accompanying financial statements are expressed in Lao Kip (“LAK”), which is the functional currency of the Branch. The financial statements have been prepared in accordance with the accounting regulations and accounting principles generally accepted in the Lao PDR, which may differ in some material respects from International Financial Reporting Standards and the generally accepted accounting principles and standards of other countries. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations, changes in equity, cash flows and notes thereto in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than the Lao PDR. Furthermore, their utilisation is not designed for those who are not informed about the Lao PDR's accounting principles, procedures and practices.

The Branch is a part of Industrial and Commercial Bank of China Limited and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally. The Branch has significant transactions and balances with its Head Office and other branches.

The financial statements were authorised for issue by the Board of Management on **11 April 2014**.

#### **(ii) Basis of measurement**

The financial statements are prepared on the historical cost basis except as stated in the accounting policies. The accounting policies have been consistently applied by the Branch and are consistent with those used in the previous year except otherwise stated.

#### **(iii) Use of accounting estimates and judgments**

The preparation of the Branch's financial statements requires management to make judgments, estimates and assumptions based on the management's best knowledge of current events and actions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and the disclosures of contingent liabilities at the reporting date.

**2. Basis of financial statement preparation (continued)**

**(a) General basis of accounting (continued)**

**(iii) Use of accounting estimates and judgments (continued)**

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual outcomes may differ from management's assessment and such differences could require revisions that are recognised in the period in which the estimates are revised and in any future periods affected.

**(b) Foreign currency transactions**

Transactions in a currency other than the functional currency of the Branch are translated to LAK at the exchange rates approximating those ruling at the transaction dates.

All monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into LAK at the foreign exchange rates ruling at that date. All realised and unrealised foreign exchange differences arising from the translation are recognised in the statement of income.

The applicable exchange rates for the Lao Kip against foreign currencies were:

	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>LAK</b>	<b>LAK</b>
United State Dollar ("USD")	8,004.00	7,963.00
Thai Baht ("THB")	244.82	260.15
Chinese Yuan ("CNY")	1,311.53	1,258.41
Euro ("EUR")	11,045.00	-

**(c) Fiscal Year**

The Branch reporting period starts on 1 January and ends on 31 December.

**3. Summary of significant accounting policies**

The significant accounting policies set out below have been adopted by the Branch in the preparation of the financial statements.

**(a) Financial instruments**

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

**(b) Cash and cash equivalents**

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

**3. Summary of significant accounting policies (continued)**

**(c) Investments**

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

Other investments are stated at cost.

**(d) Derivatives**

Derivative financial instruments are used to manage exposure to foreign exchange, interest rate arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of item being hedged.

The fair value of interest rate 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.

**(e) Loans and advances**

Loans and advances are originated by the Branch providing money to a customer for purposes other than short-term profit taking. They are stated at the outstanding principal balances less an impairment allowance for bad and doubtful loans and advances, to reflect the estimated recoverable amount. Loans and advances are shown exclusive of accrued interest receivable.

**(f) Allowance for bad and doubtful loans and advances**

In compliance with BoL regulations, a minimum specific allowance for doubtful loans and advances is made for loans and advances that are identified as non-performing. In addition, a general allowance based on 0.5% of Normal outstanding loans and advances (performing loans), is maintained by the Branch against risks which are not specifically identified.

<b>Classification</b>	<b>Number of days past due</b>	<b>Provision</b>
Normal (A)	0-30 days	0.5%
Special mention (B)	30-89 days	3%
Substandard (C)	90-179 days	20%
Doubtful (D)	180-359 days	50%
Loss (E)	Over 360 days	100%

Recoveries on loans previously written off and reversals of previous provisions are disclosed as a deduction from the provision for bad and doubtful accounts in the statement of income.

**(g) Deposits with banks**

Deposits with banks are carried at cost.

**3. Summary of significant accounting policies (continued)**

**(h) Property and equipment**

(i) 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.

(ii) 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 assets at the following annual rates:

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

(iii) 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.

(iv) 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.

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

**(i) Intangible assets**

**(i) Software**

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

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

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

**ii) Land use rights**

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



**3. Summary of significant accounting policies (continued)**

**(j) Deposits**

Deposits are stated at placement value and are adjusted for interest accrued thereon.

**(k) Income recognition**

Interest income is recognised on a daily accrual basis, except in relation to non-performing accounts. Where an account becomes non-performing, the recording of interest as income is suspended until it is realized on a cash basis. Customers' accounts are deemed to be non-performing where repayments are in arrears for more than three months, in accordance with BoL regulations.

Income from the various activities of the Branch is accrued using the following bases:

- (i) Loan arrangement fees and commissions on services and facilities extended to customers are recognised on the occurrence of such transactions;
- (i) Commitment fees and guarantee fees on services and facilities extended to customers are recognised as income over the period in which the services and facilities are extended; and
- (ii) Service charges and processing fees are recognised when the service is provided.

**(l) Interest expense**

Interest expense on deposits is recognised on a daily accrual basis.

**(m) Income 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 company is subject to the current tax rate of 28% on total profit before tax or 1% minimum tax rate of total revenue in case of losses, whichever is higher.

As per the revised tax law, from 1 January 2013 the minimum tax of 1% has been abolished and the new corporate tax rate is 24%.

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.

**3. Summary of significant accounting policies (continued)**

**(m) Income tax (continued)**

The taxation system in Lao PDR is relatively new and is characterized 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.

**(n) 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.

**(o) Related parties**

Parties are considered to be related to the Branch if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or where the Branch and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Notes to financial statements (continued)**  
**Year ended 31 December 2013**

**4. Cash**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Lao Kip (“LAK”)	1,067,079,000	4,278,322,500
United States Dollar (“USD”)	1,963,365,192	3,361,484,894
Thai Baht (“THB”)	2,905,800,406	1,114,472,194
China Yuan (“CNY”)	12,636,611,223	1,165,614,847
	<b>18,572,855,821</b>	<b>9,919,894,435</b>

**5. Amounts due from other banks**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Lao Kip (“LAK”)	40,931,893,959	44,726,665,567
Other foreign items	121,793,324,133	197,309,394,388
	<b>162,725,218,092</b>	<b>242,036,059,955</b>

a) Domestic items

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
<b>At call</b>		
Bank of Lao PDR	35,425,670,130	44,726,665,567
Other commercial banks	5,506,223,829	-
	<b>40,931,893,959</b>	<b>44,726,665,567</b>

b) Foreign items

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
<b>At call</b>		
USD	98,813,132,515	152,631,762,758
THB	15,706,441,726	37,837,698,759
CNY	7,273,749,892	6,839,932,871
	<b>121,793,324,133</b>	<b>197,309,394,388</b>

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Notes to financial statements (continued)**  
**Year ended 31 December 2013**

**6. Statutory deposits with Central Bank**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Statutory deposits on:		
Capital	7,539,719,883	59,403,219,883
Customer deposits	131,580,129,533	31,486,726,136
	<b>139,119,849,416</b>	<b>90,889,946,019</b>

Statutory deposits on capital are maintained with the Bank of the Lao PDR (“Central Bank” or “BoL”) in compliance with BoL regulations, the amounts of which are determined as 25% of the Branch’s capital.

Statutory deposits on customer deposits are maintained with the BoL in compliance with applicable BoL regulations, the amounts of which are determined as a defined percentage of customers’ deposits with the Branch, i.e. 5% on deposits of Lao Kip and 10% on deposits of other foreign currencies.

These deposits do not earn interest.

**7. Investments**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Government Bonds	1,567,696,000,000	1,082,930,000,000
Accrued interest receivable	28,930,627,598	16,756,739,245
	<b>1,596,626,627,598</b>	<b>1,099,686,739,245</b>

Investments represent investment in bonds. These bonds have maturities ranging from date 23 May 2014 to date 29 January 2018 (2012: 21 February 2013 to 25 December 2017) and interest rates ranging from 4.38% to 9% (2012: 3.50% to 8.50%).

**8. Loans and advances**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Loans and receivables:		
- Overdrafts	538,250,852	40,116,088
- Loans	6,228,506,474,192	930,733,219,941
	<b>6,229,044,725,044</b>	<b>930,773,336,029</b>
Allowances for bad and doubtful loans and advances:		
- General	(31,276,339,691)	(4,653,666,053)
	<b>(31,276,339,691)</b>	<b>(4,653,666,053)</b>
Loans and advances to customers	<b>6,197,768,385,353</b>	<b>926,119,669,976</b>

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Notes to financial statements (continued)**  
**Year ended 31 December 2013**

**8. Loans and advances (continued)**

**a) Classified by residual maturity**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Within 1 year	5,498,759,765,044	520,280,686,029
Over 1 year	730,284,960,000	410,492,650,000
	<b>6,229,044,725,044</b>	<b>930,773,336,029</b>

**b) Classified by currencies**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
LAK	445,918,183	40,116,088
USD	6,178,668,334,192	838,995,130,941
CNY	49,930,472,669	91,738,089,000
	<b>6,229,044,725,044</b>	<b>930,773,336,029</b>

**c) Classified by type of business**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Industry	182,091,000,000	228,936,250,000
Technology	320,160,000,000	-
Service	104,052,000,000	509,477,437,766
Trading	-	8,945,793,460
Other	5,622,741,725,044	183,413,854,803
	<b>6,229,044,725,044</b>	<b>930,773,336,029</b>

**d) Classified by performance**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Performing loans	<b>6,229,044,725,044</b>	<b>930,773,336,029</b>

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Notes to financial statements (continued)**  
**Year ended 31 December 2013**

**8. Loans and advances to other banks and customers (continued)**

**e) Classified by interest rate (per annum)**

	<b>2013</b>	<b>2012</b>
	<b>%</b>	<b>%</b>
	<hr/>	<hr/>
Loans		
USD	1.35% - 7.20%	1.01% - 7.20%
CNY	4.20% - 4.50%	4.10% - 4.30%

**f) The movement in the allowance for bad and doubtful loans and advances is as follows:**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
	<hr/>	<hr/>
Balance at beginning of the year	4,653,666,053	-
Foreign exchange translation	437,785,871	(21,379,299)
Provision made in the year	26,184,887,767	4,675,045,352
Balance at end of the year	<b>31,276,339,691</b>	<b>4,653,666,053</b>

**9. Derivative financial assets**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
	<hr/>	<hr/>
Interest rate swap	<b>900,885,258</b>	-

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Notes to financial statements (continued)**  
**Year ended 31 December 2013**

**10. Property and equipment**

	Leasehold improvement LAK	Electronic equipment LAK	Furniture, fitting and office equipment LAK	Vehicle LAK	Construction in progress LAK	Total LAK
<b>Cost</b>						
Balance at 1 January 2012	10,361,077,500	1,728,389,207	41,896,000	-	-	12,131,362,707
Additions	-	289,150,735	208,696,186	2,848,597,850	-	3,346,444,771
<b>Balance at 31 December 2012 and at 1 January 2013</b>	<b>10,361,077,500</b>	<b>2,017,539,942</b>	<b>250,592,186</b>	<b>2,848,597,850</b>	<b>-</b>	<b>15,477,807,478</b>
Additions	-	624,707,278	136,613,450	-	1,739,232,154	2,500,552,882
<b>Balance at 31 December 2013</b>	<b>10,361,077,500</b>	<b>2,642,247,220</b>	<b>387,205,636</b>	<b>2,848,597,850</b>	<b>1,739,232,154</b>	<b>17,978,360,360</b>
<b>Accumulated depreciation</b>						
Balance at 1 January 2012	94,976,544	8,641,946	46,551	-	-	103,665,041
Depreciation for the year	1,036,107,756	367,661,760	23,271,535	433,619,897	-	1,860,660,948
<b>Balance at 31 December 2012 and at 1 January 2013</b>	<b>1,131,084,300</b>	<b>376,303,760</b>	<b>23,318,086</b>	<b>433,619,897</b>	<b>-</b>	<b>1,964,325,989</b>
Depreciation for the year	1,038,700,500	433,690,207	67,063,048	571,033,566	-	2,110,487,321
<b>Balance at 31 December 2013</b>	<b>2,169,784,800</b>	<b>809,993,913</b>	<b>90,381,134</b>	<b>1,004,653,463</b>	<b>-</b>	<b>4,074,813,310</b>
<b>Net book value</b>						
At 1 January 2012	10,266,100,956	1,719,747,261	41,849,449	-	-	12,027,697,666
At 31 December 2012	9,229,993,200	1,641,236,236	227,274,100	2,414,977,953	-	13,513,481,489
At 31 December 2013	8,191,292,700	1,832,253,307	296,824,502	1,843,944,387	1,739,232,154	13,903,547,050

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Notes to financial statements (continued)**  
**Year ended 31 December 2013**

**11. Intangible assets**

	<b>Computer software LAK</b>	<b>Land use rights LAK</b>	<b>Total LAK</b>
<b>Cost</b>			
Balance at 1 January 2012	44,607,880	-	44,607,880
Additions	-	-	-
<b>Balance at 31 December 2012 and at 1 January 2013</b>	<b>44,607,880</b>	<b>-</b>	<b>44,607,880</b>
Additions	151,383,164	51,863,500,000	52,014,883,164
<b>Balance at 31 December 2013</b>	<b>195,991,044</b>	<b>51,863,500,000</b>	<b>52,059,491,044</b>
<b>Accumulated depreciation</b>			
Balance at 1 January 2012	223,039	-	223,039
Charge for the period	8,921,580	-	8,921,580
<b>Balance at 31 December 2012 and at 1 January 2013</b>	<b>9,144,619</b>	<b>-</b>	<b>9,144,619</b>
Charge for the year	19,925,935	582,204,141	602,130,076
<b>Balance at 31 December 2013</b>	<b>29,070,554</b>	<b>582,204,141</b>	<b>611,274,695</b>
<b>Net book value</b>			
At 1 January 2012	<b>44,384,841</b>	-	<b>44,384,841</b>
At 31 December 2012	<b>35,463,261</b>	-	<b>35,463,261</b>
At 31 December 2013	<b>166,920,490</b>	<b>51,281,295,859</b>	<b>51,448,216,349</b>

**12. Other assets**

	<b>2013 LAK</b>	<b>2012 LAK</b>
Accrued interest receivable	9,924,982,410	1,285,208,326
Other receivables and prepayments	8,254,807,396	9,066,465,545
	<b>18,179,789,806</b>	<b>10,351,673,871</b>



**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Notes to financial statements (continued)**  
**Year ended 31 December 2013**

**13. Deposits from customers**

**a) Classified by type of deposits**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Current	776,688,304,038	382,661,712,488
Savings	125,413,960,569	54,624,964,204
Term (residual maturity):		
Within 1 year	45,995,767,622	103,808,954,219
Over 1 year	42,380,023,300	45,051,693,689
	<b>990,478,055,529</b>	<b>586,147,324,600</b>

**b) Classified by currencies**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
LAK	65,797,752,843	71,726,072,762
USD	814,599,466,745	410,015,093,442
THB	18,837,794,999	41,287,330,488
CNY	91,243,040,942	63,118,827,908
	<b>990,478,055,529</b>	<b>586,147,324,600</b>

**c) Interest rate (per annum)**

	<b>2013</b>	<b>2012</b>
	<b>%</b>	<b>%</b>
Saving accounts		
LAK	0.50% - 2.00%	1% - 3%
USD	0.75% - 1.25%	0.25% - 1.25%
THB	0.25% - 0.50%	0.25% - 1.00%
CNY	0.20%	0.20%
Fixed deposits		
LAK	5% - 11%	5% - 12%
USD	2.00% - 6.25%	2.00% - 6.25%
THB	0.75% - 2.50%	0.75% - 5.00%
CNY	0.25% - 0.40%	0.25% - 0.40%

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Notes to financial statements (continued)**  
**Year ended 31 December 2013**

**14. Amounts due to other banks**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
At Call	<b>66,490,247</b>	-
<b>a) By residence:</b>		
	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Domestic	<b>66,490,247</b>	-
<b>b) By currency:</b>		
	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
LAK	233,992	-
USD	720,360	-
CNY	65,535,895	-
	<b>66,490,247</b>	-

**15. Borrowings**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Industrial and Commercial Bank of China (Asia) Limited	5,354,676,000,000	27,685,020,000
Industrial and Commercial Bank of China (Middle East) Limited	-	772,411,000,000
	<b>5,354,676,000,000</b>	<b>800,096,020,000</b>

The amounts were unsecured, bore interest between 0.85% and 1.20% and were repayable over a period from 6 to 27 January 2014.

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Notes to financial statements (continued)**  
**Year ended 31 December 2013**

**16. Tax liabilities**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Corporate Tax	-	569,266,067
Withholding tax – PIT	-	139,573,657
Other withholding tax	656,944,451	1,484,136
	<b>656,944,451</b>	<b>710,323,860</b>

**17. Other liabilities**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Accrued interest payables	11,086,249,961	5,917,098,958
Payable to employees	3,154,040,000	2,496,285,338
Settlement accounts	5,806,395,798	9,734,307,786
Deferred income	629,274,480	648,346,504
Other payables	51,715,458	675,112,672
	<b>20,727,675,697</b>	<b>19,471,151,258</b>

**18. Paid up capital**

The movement of the paid up capital during the year is presented below:

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Balance as at 1 January	239,970,000,000	239,970,000,000
Movement during the year	-	-
<b>Balance as at 31 December</b>	<b>239,970,000,000</b>	<b>239,970,000,000</b>
<b>Total contributed legal capital</b>	<b>239,970,000,000</b>	<b>239,970,000,000</b>

**19. Statutory reserve**

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Notes to financial statements (continued)**  
**Year ended 31 December 2013**

**20. Interest expense**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Savings deposits:		
Customer	926,744,577	382,941,983
Bank	49,345,883,416	13,855,109,544
Fixed deposits	2,449,075,108	3,069,858,473
Borrowings	34,964,871,078	9,775,166,290
	<b>87,686,574,179</b>	<b>27,083,076,290</b>

**21. Other income**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Fee and commission income		
Commissions on banks	361,804,184	76,322,600
Commissions on guarantees	153,300	77,132,372
Commissions on letters of credit	72,015,734	327,681,291
Commissions on fund transfers	1,430,275,630	581,881,051
Commissions on e-Banking	50,377,590	2,341,540
Fees on financial services	3,501,629,218	819,273,229
Other	(338,642,394)	(203,634,229)
Total fee and commission income	5,077,613,262	1,680,997,854
Gain on foreign exchange	4,965,261,267	151,016,818
Other income	1,129,545,468	5,055,083
	<b>11,172,419,997</b>	<b>1,837,069,755</b>

**22. Income tax**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
<b>Tax expenses</b>	<b>10,728,437,878</b>	<b>4,100,411,354</b>

The corporate tax expense is calculated as the higher of the minimum tax payable of 1% of total revenue or 28% on taxable profit. As per the revised tax law, from 1 January 2013 the minimum tax of 1% has been abolished and the new corporate tax rate is 24%.

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

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Notes to financial statements (continued)**  
**Year ended 31 December 2013**

**23. Cash and cash equivalents**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Cash	18,572,855,821	9,919,894,435
Deposits and placements with head office and other branches	253,936,135,106	60,685,806,378
Deposits and placements with other banks	162,725,218,092	242,036,059,955
	<b>435,234,209,019</b>	<b>312,641,760,768</b>

**24. Related party transactions**

A portion of the Bank'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.

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

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Interbank and money market items		
Due from head office	38,432,489,697	60,685,806,378
Due from other branches	189,228,463,105	-
Loans to other branches	26,230,600,000	-
Interest receivable from other branches	44,582,304	-
	<b>253,936,135,106</b>	<b>60,685,806,378</b>

**(i) Foreign items**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
USD	211,068,661,190	45,745,699,385
CNY	42,864,790,533	14,940,106,993
EUR	2,683,383	-
	<b>253,936,135,106</b>	<b>60,685,806,378</b>

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Notes to financial statements (continued)**  
**Year ended 31 December 2013**

**24. Related party transactions (continued)**

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

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
<b>Other balances at end of the year:</b>		
Deposits from other branches	(1,004,492,501,573)	(557,410,000,000)
Borrowings from other branches	(800,400,000,000)	(238,890,000,000)
Interest payable	9,746,924,547	3,295,005,419
<b>Transactions during the year:</b>		
Interest expense on deposits	(49,345,882,684)	(13,632,145,544)

**(b) Other related parties**

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
<b>Balances at end of the year:</b>		
Due from banks and financial institutions	62,833,595,941	144,203,615,014
Borrowings	(5,354,676,000,000)	(800,096,020,000)
<b>Transactions during the year:</b>		
Interest income on amount due from these banks and financial institutions	203,569,059	108,049,690
Interest income on loans	15,895,152,780	785,570,670
Interest expense on borrowings	(34,964,871,078)	(8,980,259,815)

**25. Commitments**

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated from these transactions, which consist of:

	<b>2013</b>	<b>2012</b>
	<b>LAK</b>	<b>LAK</b>
Letters of guarantee outstanding	39,345,900,000	37,752,300,000
Letters of credit outstanding	-	8,331,714,213
	<b>39,345,900,000</b>	<b>46,084,014,213</b>

**Industrial and Commercial Bank of China Limited Vientiane Branch**  
**Notes to financial statements (continued)**  
**Year ended 31 December 2013**

**26. Corresponding figures**

A comparison of the amounts previously reported and as reclassified is as follows:

**Statement of financial position**

	<b>31/12/2012</b>	<b>31/12/2012</b>
	<b>(as reclassified)</b>	<b>(as previously reported)</b>
	<b>LAK</b>	<b>LAK</b>
Demand deposits with the BOL	-	188,722,390,960
Demand deposits from other banks	-	204,889,421,391
Amounts due to head office and other branches	60,685,806,378	-
Amounts due to other banks	242,036,059,955	-
Statutory deposits with Central Bank	90,889,946,018	-
Investments	1,099,686,739,245	1,082,930,000,000
Other assets	10,351,673,872	27,108,413,117
Net loans to other banks	-	708,552,443,261
Loans and advances to customers	-	222,220,892,767
General provision for credit activities	-	(4,653,666,053)
Loans and advances to other banks and customers	926,119,669,976	-
Term deposits due to other banks	-	(1,596,396,020,000)
Borrowings	(800,096,020,000)	-
Amounts due from other branches	(796,300,000,000)	-
Deposits from customers	(586,147,324,600)	(586,169,373,482)
Other amounts due to other bank	-	(114,011,946)
Other liabilities	(19,471,151,259)	(20,045,414,290)
Tax liabilities	(710,323,860)	-