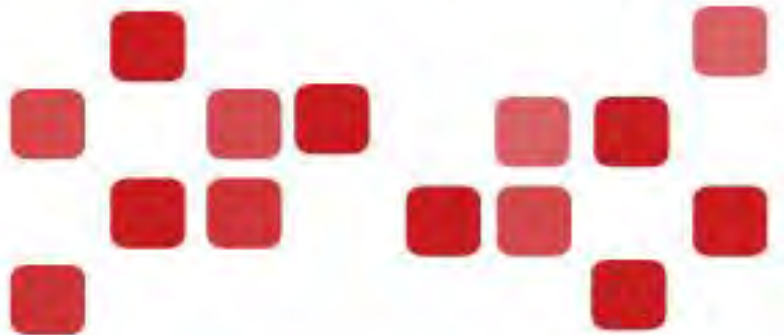




Banque Pour Le Commerce Extérieur Lao Public

A Summary of Business Performance for the nine-month 2017



1. Banque pour le Commerce Extérieur Lao Public

Banque Pour Le Commerce Extérieur Lao Public (BCEL) is a joint-stock bank incorporated and registered in the Lao People's Democratic Republic

The Bank was established from the equitization of Banque Pour Le Commerce Extérieur Lao which had been established in accordance with the Banking Business License No. 129/BOL dated 01 November 1989, and its latest Amended Banking Business License No. 4284/BOL dated on 11 November 2010 issued by the Bank of Lao People's Democratic Republic. On 23 December 2010, the Bank successfully undertook its Initial Public Offering. On 10 January 2011, the Bank was equitized and renamed into Banque Pour Le Commerce Extérieur Lao Public under the Enterprise Registration No.0061 dated on 10 January 2011 issued by the Department of Enterprise Registration and Management, Ministry of Industry and Commerce of the Lao P.D.R. Ministry of Finance representing the Government holds 80% of the shares.

On 15 July 2011, the Bank continued to sell 10% of the total ordinary shares to its strategic partner named COFIBRED in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and COFIBRED.

The current structure of BCEL's shareholders includes: The Government's shares account for 70% of the Bank's chartered capital; local investors' shares (including employees of the Bank) account for 10% of the Bank's chartered capital; strategic partners' shares account for 10%; and other foreign investors' proportion of 10%.

The principal activities of the Bank are to provide banking services including mobilizing and receiving short-term, medium-term, and long-term deposits from organizations and individuals; making short-term, medium-term, and long-term loans to organizations and individuals based on the requests and capability of the Bank's sources of capital; foreign exchange transactions, international trade financial services, discounting of commercial papers, bonds and other valuable papers, and providing other banking services allowed by the Bank of Lao P.D.R.

Charter Capital

The charter capital as of 30 September 2017 is LAKm 1.038.617 (as of 31 Dec 2016: LAKm 682.888).

Location and Network

The Bank's Head Office is located at No.01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane, Lao P.D.R. 30 September 2017, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-three (83) services units, and sixteen (16) exchange units all over Lao P.D.R.

2. Vision

BCEL has adopted a vision and apply to its business development to achieve its goal and objective of “Becoming a strong, modern and meet international standards bank”.

3. Mission

In order to become a strong, modern and meet international standards bank, the important mission of BCEL includes: Improve the strength on the area of the Corporate Governance (CG) by focusing on development to be adaptable for the changing circumstances of the new era, emphasizing on the creation of the strength in the culture of Risk Management and to comply with the BASEL II principles, increase business operation capacity, create and develop the Management of Information System (MIS) to be effective, complete, correct and punctual, to meet international standards on the reporting system, apply modern technology and upgrade the knowledge and expertise of the employees as of regional and international levels.

➤ Business Targets for 2017

In order to prepare and ensure for the effective implementation of the long-term mission, BCEL has to develop its fundamental organizational structure to be appropriate; develop necessary tools in all areas and improve other fundamental factors to facilitate for the development of its services; build the strength on its financial status and having an excellent management. For the excellent management ideal, the allocation and appointment of management structure and organizational structure are needed to be improved such as to propose for the establishment of the Marketing Division, research on the establishment of the branches in Vientiane Capital, extend the service units where appropriate, improve the regulations on internal operations and management to be complied with the new amended legal documents and additional regulations and improve the roles and responsibilities of the Board of Directors to comply with CG.

4. Organization Structure.

4.1 The organization of BCEL consists of the Board of Directors (7 Directors), Executive Management (7 members), 11 Divisions, 3 Centers, 19 Branches, 83 Service Units and 16 Money Changers nationwide.

Board of Directors of BCEL



Dr. Bounleua Sinxayvoravong
Chairman



Mr. Kamsouk Sundara
Voice Chairman



Mr. Phoukhong Chanthachack
Member



Mr. Phansana
Khounnouvong Member



Ms. Khamthaly
Vongxayrath Member



Mr . Viengxay
Chanthanvisouk Member



Mr Marc ROBERT
Member

BCEL Management Team



Mr. Phoukhong Chanthachack
General Managing Director



Mr. Phansana Khoumouvong
Deputy managing Director



Mr. Lachay Khanpravong
Deputy managing Director



Mr. Nanthalath Keopaseuth
Deputy managing



Mr. Khamsian Mingboupouha
Deputy managing Director



Mr. Souphak Thinxayphone
Deputy managing Director



Mr. Bouavanh Symalyvong
Deputy managing Director

5. Achievement for the nine months of the year 2017

For the last 9 months of the year 2017, BCEL can achieve its target in many areas such as: completing the year-end financial report for 2016, held the quarterly review meetings for the year 2016, and for the quarterly review meeting of 2017 for 2 times, held the Board of Director Meeting for 2 times, held the Meeting of BCEL's shareholders for the year 2016 to approve the important issues especially the Financial Statement of BCEL for the year 2016 which audited by the independent auditor in accordance with LAS and IFRS (Separated), review the financial statement for the first six month of 2017 in accordance with LAS and IFRS, and approve for the dividend payment for the year 2016 in amount of 614 kip/share.

BCEL has successfully selected and appointed the financial advisor, legal advisor and underwriter for recapitalization shares in the amount of 360 billion kip. The recapitalization was successful, Implemented the BASEL II Project and the risk assessment of each tasks base on Basel II principle, checked out the draft of the analysis report on of the gap of ICAAP risk, completed basic project such as gap analysis of risks, created the Roadmap of BASEL II project, closed the risk gaps which have been found, researched and proposed to the Bank of Lao PDR on the establishment of Marketing Division, the establishment of a new branch in Xaysettha District and the merger of Audit Division and Branch Management Division.

BCEL has disclosed its Financial Statement for the year 2016 and the business performance report for the first quarter of 2017 and the first six month of 2017 via the disclosure system of Lao stock exchange market. BCEL is applying the new credit program which is currently under the process of providing the information from related division to the consulting company. Besides, BCEL has distributed its long-term strategic plan 2016-2020 and plan of 2017 to all of the branches to perceive the directions of the plan and extent it to the achievement in each plan.

BCEL expanded its service by cooperating with other parties such as holding of signing ceremony on the overall Banking Cooperation between BCEL and Bank of China, the Signing ceremony on financial advisory service between BCEL and Lao-china Securities Company Limited, the signing ceremony on Bill Payment with Krungsri Leasing service Company and AEON, Thai-Ace, Pratumkham and ST-Meuangthai insurance, signing MOU with KEB hana Bank from South Korea on Overall banking Co-operation. Moreover, BCEL extent its network by launching 3 new service units, in which 2 units located in Vientiane

capital: Hauy hong service unit and Dong Chong Service Unit, and 1 units at Savanhnaketh province, held the ceremony for using new building as Meung ngoi Service Unit which is under Laungprabang Branch.

Besides, BCEL received the prize of Domestic Retail Bank of The Year 2017, BCEL collaborate with CUP held the campaign for returning benefit to the customers by creating 4 promotions which provide the travel package Malaysia-Singapore for 13 customers, and Travel Package Honkhong-Macua for 6 customers, and provide Iphone 7 for 5 customers who is the top spender on UnionPay card, and BCEL set an advertisement boot in the intellectual property exhibition.

6. The Activities Board of Directors, Management and other Committees

➤ Board of Directors

In the last nine months, the Board of Directors met to discuss and approve important issues as follow:

- Approved the plan for share issuance for recapitalization, the purpose for the use of recapitalized fund, approved the appointment of Lao China Securities Co., Ltd as the underwriter for the recapitalization and approved the appointment of Lao Law and Consultancy Group as the legal advisor for the recapitalization
- Considered the nomination for the new members of the Board of Directors, and new Shareholders' Audit Committee
- Approved the business performance for the year 2016 and approved the principles on allocation of the profit after tax 50% into dividends and 50% into compulsory reserve funds.
- Approved the closing date of the shareholders' registration book, the date for the Annual General Shareholders' Meeting and the date for dividend payment for the year 2016.
- Approved the Financial Statement for the first six months of the year 2017 in accordance with LAS and IFRS by a circular letter.
- Approved the regulation on the roles, rights and duties of the 5 committees of the Board of Directors.
- Approved the amendment of the regulation on procurement, construction and reparation.

➤ **Governance Committee**

Over nine months of the year 2017, the committee focused on following up BCEL's business performances in each period and provided effective guidance to the business operation of BCEL in all areas effectively such as human resource development and following up the nomination of new Board of Directors. With regards to fund mobilization, a research committee was established for fund mobilization through several channels as such: advertisement and setting flexible interests. The Governance Committee also followed up the credit management work, especially the cooperate clients and control NPL to be at the suitable level, followed up the management of affiliate companies, followed up the liquidity issues and fund management of BCEL in each period of time, considered the level of BCEL's capital adequacy ratio basing on LAS and IFRS.

Besides, the committee also supervised the implementation of BCEL's long-term strategic plan, researched on the roles of the Board of Directors' Committees in order to propose to the Board of Directors, researched and set the direction for the plan of 2018. Moreover, the Committee has assessed the KPI at branches basing on the defined conditions and followed up the research on KPI of BCEL's staff in Head Office, supervised the authorization right at branches and service units level by standardizing each authorization level in accordance with volume of cash and deposit transactions.

The Committee has approved in principle the draft amendment of regulations such as BCEL's Articles of Association (subject to further approval by the shareholders' meeting), the regulation on procurement, construction and reparation of BCEL and the regulation on vehicle management and approved the Annual report 2016 of BCEL.

➤ **Risk Management Committee**

BCEL has been continuously focused on the efficient implementation of the Risk management. Some of outstanding performances by the Committee include: Summary of the findings and risk recommendations of BCEL in 2016 in order to put in the Risk Record Document (Cloud Computing Risk Log), which was basically created for risk analysis, Analysis of the impacts of internal and external risks on the business operation of BCEL such as frauds on credit cards, and use of EDC in the offline form among others.

Besides, the committee monthly evaluate the transactions of divisions, centers and branches which did not comply with the service rules as well as compare the data among divisions, centers, branches and report to the risk management section (Second Line of

Defense); report the findings to the Audit Section (Third Line of Defense) to ensure the accuracy of the report, draft the risk management policy for BCEL. BCEL has also focused on implementation of risk management to meet with the international standard. It can be seen in the preparation for the adoption of BASEL II and completion of the Roadmap for Basel II implementation which is divided into 3 phases. BCEL also cooperate with EY in a project to improve the credit approval procedures by using Loan Origination System and Credit Rating System, and research the possible risks associated with all product of BCEL.

➤ **Internal Audit Committee**

Completed the financial report for the year 2016, and reviewed the financial report for the first six months of the year 2017 by the external audit company (E&Y) and disclosed to the public.

Completed the audits of BCEL's financial statement for the year 2016 by State Audit Organization and Commercial Bank Supervision Department and both organizations are working on report issuance process. BCEL has also issued an invitation letter on newspaper for the application of the External Auditor for the year 2018.

7. BCEL's Business Performance for nine months of the year 2017

For nine months of the year 2017, BCEL achieved the business performance as follows:

- Total Assets: **33.518.315,00** million LAK, equal to 94,9% of the year plan,
- Total Deposits: **29.169.211,00** million LAK, equal to 98,2% of the year plan,
- Total Loans: **21.412.708,00** million LAK, equal to 105,2% of the year plan
- Profit before tax: **356.123,00** million LAK, exceeding the plan 42,4%.

General Managing Director
Banque pour le Commerce Extérieur Lao Public

 **Phoukhong CHANTHACHACK**

Note: The figures of nine months for the year 2017 presented above are in accordance with IFRS (unaudited).



Banque Pour Le Commerce Extérieur Lao Public

Interim Consolidated Financial Statements (Unaudited)

30 September 2017

Banque Pour Le Commerce Extérieur Lao Public

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Banque Pour Le Commerce Exterieur Lao Public

GENERAL INFORMATION (continued)

THE BANK

Banque Pour Le Commerce Exterieur Lao Public (herein referred to as “the Bank”) is a joint-stock bank incorporated and registered in the Lao People’s Democratic Republic (“Lao P.D.R”).

Establishment and Operations

The Bank was established from the equitization of Banque Pour Le Commerce Exterieur Lao which had been established in accordance with the Banking Business License No. 129/BOL dated 01 November 1989. On 23 December 2010, the Bank successfully undertook its Initial Public Offering. On 10 January 2011, the Bank was equitized and renamed into Banque Pour Le Commerce Exterieur Lao Public under the Operating License No. 0061/LRO dated 10 January 2011 issued by the Business License Registration Office of the Lao P.D.R. At that date, the Government, represented by the MOF, was the largest shareholder with 80% shareholding.

On 15 July 2011, the MOF sold 10% of the total ordinary shares (equivalent 13.657.759 shares) to its strategic partner named Compagnie Financière de la BRED (“COFIBRED”) in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and COFIBRED. COFIBRED is a subsidiary of BRED, the biggest regional banking society in the Banque Populaire Group - a French group of cooperative banks. The total purchased price of LAK 150.235.349.000 has been paid fully by COFIBRED.

On 17 August 2017, The Lao Securities Commission approved the Bank to recapitalize by issuing Right offering and Public offering in Lao Stock Exchange in order to increase its charter capital. The Bank received its New Established Bank License No. 21/BOL, dated 13 September 2017 issued by Bank of the Lao PDR. On 15 September 2017, The Bank successfully increased its charter capital amount LAK 355.728.500.000 (71.145.700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest Amended Business License No.0889/ERO dated 15 September 2017 issued by Ministry of Industry and Commerce.

According to notification from Lao Securities and Exchange Commission, the shareholding structure of the Bank as at 30 September 2017 is as follows:

<i>Shareholders</i>	<i>Number of shares</i>	<i>%</i>
The Government	145.406.321	70%
Domestic Investors and foreign investors	41.544.620	20%
Strategic partners	20.772.359	10%
	207.723.300	100%

The principal activities of the Bank are to provide banking services including mobilizing and receiving short-term, medium-term, and long-term deposits from organizations and individuals; making short-term, medium-term, and long-term loans to organizations and individuals based on the nature and capability of the Bank’s sources of capital; foreign exchange transactions, international trade financial services, discounting of commercial papers, bonds and other valuable papers, and providing other banking services allowed by the Bank of Lao P.D.R.

Charter Capital

The charter capital as at 30 September 2017 is LAKm 1.038.617 (31 December 2016: LAKm 682.888).

Location and Network

The Bank’s Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao P.D.R. As at 30 September 2017, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-three (83) services units, and sixteen (16) exchange units all over Lao P.D.R.

Banque Pour Le Commerce Extérieur Lao Public

GENERAL INFORMATION (continued)

THE BANK (continued)

Subsidiary

As at 30 September 2017, the Bank has one (01) subsidiary as follows:

<i>Name</i>	<i>Established in accordance with Business License No.</i>	<i>Business sector</i>	<i>% owned by the Bank</i>
BCEL - Krung Thai Securities Company Limited	180-10 dated 14 December 2010 by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R	Securities	70%

Joint ventures

As at 30 September 2017, the Bank has four (04) joint ventures as follows:

<i>Name</i>	<i>Business License No.</i>	<i>Business Sector</i>	<i>% owned by the Bank</i>
Lao Viet Joint Venture Bank	732/ERO dated 29 August 2016 by the Ministry of Industry and Commerce	Banking & Finance	25%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of Lao P.D.R	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commerce	Insurance	35%
Lao China Bank Limited	041/ERM dated 27 January 2014 by the Department of Enterprise Register and Management of Lao P.D.R	Banking & Finance	49%

BOARD OF DIRECTORS

Members of the Board of Directors during the nine-month ended 30 September 2017 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Bounleua Sinxayvoravong	Chairman	09 April 2015
Mr. Khamsouk Sundara	Vice Chairman	09 April 2015
Mr. Phoukhong Chanthachack	Member	09 April 2015
Mr. Phansana Khounnouvong	Member	09 April 2015
Ms. Khanthaly Vongxayarath	Member	09 April 2015
Mr. Marc Robert	Member	09 April 2015
Mr. Viengxay Chanthavisouk	Member	09 April 2015

Banque Pour Le Commerce Exterieur Lao Public

GENERAL INFORMATION (continued)

BOARD OF MANAGEMENT

Members of the Board of Management during the nine-month ended 30 September 2017 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/resignation</i>
Mr. Phoukhong Chanthachack	General Managing Director	Appointment on 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointment on 06 June 2008
Ms. Khanthaly Vongxayarath	Deputy Managing Director	Appointment on 30 September 2014 Resigned on 01 March 2017
Mr. Lachay Khanpravong	Deputy Managing Director	Appointment on 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointment on 30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	Appointment on 23 November 2015
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointment on 23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	Appointment on 01 November 2016

LEGAL REPRESENTATIVE

The legal representative of the Bank during the period and as at the date of this report is Mr. Phoukhong Chanthachack - General Managing Director.

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED INCOME STATEMENT (Unaudited)
for the nine-month period ended 30 September 2017

	Notes	For the nine-month period ended 30 September 2017 LAKm	For the nine-month period ended 30 September 2016 LAKm
Interest and similar income	8	1.286.155	978.899
Interest and similar expense	9	(665.779)	(633.855)
Net interest and similar income		620.376	345.044
Fee and commission income	10	144.109	140.367
Fee and commission expense	10	(14.964)	(11.235)
Net fee and commission income	10	129.145	129.132
Net trading income	11	32.421	38.276
Other operating income	12	9.665	8.855
Total operating income		791.607	521.307
Credit loss expense of loans to customers	19	(151.548)	(94.807)
Reversal of/(additional) impairment losses of financial investments	13	7.583	(11.501)
NET OPERATING INCOME		647.642	414.999
Personnel expenses	14	(158.512)	(150.057)
Depreciation and amortization	23, 24	(55.101)	(52.722)
Other operating expenses	15	(101.001)	(69.664)
Total operating expenses		(314.614)	(272.443)
Share of profit and loss of joint ventures	22	23.095	(3.713)
PROFIT BEFORE TAX		356.123	138.843
Current profit tax expense	29.1	(71.541)	(34.876)
Deferred profit tax income	29.1	(2.499)	(6.664)
PROFIT FOR THE PERIOD		282.083	97.303
Attributable to:			
Equity holders of the parent		281.226	96.697
Non-controlling interest		857	606
Earnings per shares (LAK)	40	1.354	708

Prepared by:

Approved by:

Mrs. Lammaniseng Sayaphet
Head of Accounting
Department

Mrs. Phetsamone Somsana
Acting Deputy Chief of Internal
Audit Department



Approved by:

Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao P.D.R

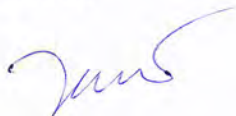
13 November 2017

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
for the nine-month period ended 30 September 2017

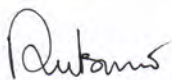
	Notes	For the nine-month period ended 30 September 2017 LAKm	For the nine-month period ended 30 September 2016 LAKm
NET PROFIT FOR THE PERIOD		282.083	97.303
OTHER COMPREHENSIVE INCOME			
Net loss on available-for-sale financial assets		-	(27.688)
Profit tax related to components of other comprehensive income		-	6.645
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		-	(21.043)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		282.083	76.260
Attributable to:			
Equity holders of the parent		281.226	75.654
Non-controlling interest		857	606

Prepared by:



Mrs. Lammaniseng Sayaphet
Head of Accounting
Department

Approved by:



Mrs. Phetsamone Somsana
Acting Deputy Chief of Internal
Audit Department

Approved by:



Mr. Bouavanh Simavong
Deputy Managing Director

Vientiane, Lao P.D.R

13 November 2017

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)
as at 30 September 2017

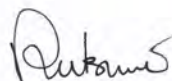
	Notes	30 September 2017 LAKm	31 December 2016 LAKm
ASSETS			
Cash and balances with the BOL	16	5.094.036	5.680.936
Due from banks	17	2.887.734	2.950.093
Loans to customers	18	21.138.475	19.093.205
Financial assets - Held-for-trading		45	39
Financial investments - Available-for-sale	20	198.121	198.121
Financial investments - Held-to-maturity	21	2.589.341	2.553.110
Investments in joint ventures	22	551.775	551.449
Property and equipment	23	465.059	447.935
Intangible assets	24	250.828	243.521
Deferred tax assets	29.4	3.499	10.856
Other assets	25	339.402	294.009
TOTAL ASSETS		33.518.315	32.023.274
LIABILITIES			
Due to banks and other financial institutions	26	2.316.304	3.164.698
Due to customers	27	27.107.069	25.402.421
Borrowings from other banks	28	2.048.615	2.002.307
Current tax liabilities	29.2	80.440	36.496
Deferred tax liabilities	29.4	4.976	9.834
Other liabilities	30	95.456	94.324
TOTAL LIABILITIES		31.652.860	30.710.080
EQUITY			
Charter capital	31	1.038.617	682.888
Statutory and other reserves	32	393.948	359.007
Available-for-sale reserve	33	7.385	7.385
Treasury shares		(1.010)	(1.010)
Retained earnings		391.726	230.992
Total equity attributable to equity holders of the parent		1.830.666	1.279.262
Non-controlling interest		34.789	33.932
TOTAL EQUITY		1.865.455	1.313.194
TOTAL LIABILITIES AND EQUITY		33.518.315	32.023.274

Prepared by:



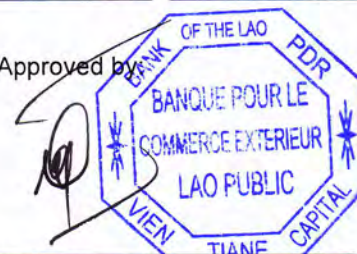
Mrs. Lammaniseng Sayaphet
Head of Accounting
Department

Approved by:



Mrs. Phetsamone Somsana
Acting Deputy Chief of Internal
Audit Department

Approved by:



Mr. Bouavanh Simavong
Deputy Managing Director

Vientiane, Lao P.D.R

13 November 2017

Banque Pour Le Commerce Extérieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
for the nine-month period ended 30 September 2017

	Chartered capital LAKm	Statutory and other reserves LAKm	Treasury share LAKm	Available- for-sale reserve LAKm	Retained earnings LAKm	Non- controlling interest LAKm	Total LAKm
Balances as at 31 December 2016	682.888	359.007	(1.010)	7.385	230.992	33.932	1.313.194
Dividend paid out to shareholders	-	-	-	-	(85.582)	-	(85.582)
Net profit for the period	-	-	-	-	281.226	857	282.083
Increase share capital	355.729	-	-	-	-	-	355.729
Appropriation to reserve for the year 2016	-	34.910	-	-	(34.910)	-	-
Others	-	31	-	-	-	-	31
Balances as at 30 September 2017	1.038.617	393.948	(1.010)	7.385	391.726	34.789	1.865.455

Prepared by:

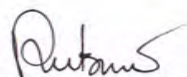


Mrs. Lammaniseng Sayaphet
Head of Accounting Department

Vientiane, Lao P.D.R

13 November 2017

Approved by:



Mrs. Phetsamone Somsana
Acting Deputy Chief of Internal Audit Department

Approved by:



Mr. Bouayanh Simalivong
Deputy Managing Director

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

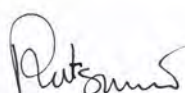
	Notes	For the nine-month period ended 30 September 2017 LAKm	For the nine-month period ended 30 September 2016 LAKm
OPERATING ACTIVITIES			
Profit before tax		356.123	138.843
<i>Adjustments for:</i>			
Depreciation and amortization charges	23, 24	55.101	52.722
Expense for impairment losses	19	151.548	106.221
Share of associate's profit under equity method	22	(23.095)	3.713
Gain on disposal of fixed assets		-	(10)
Dividend income	12	(6.344)	(6.074)
Cash flows from operating profit before changing in operating assets and liabilities		533.333	295.415
<i>Changes in operating assets</i>			
Due from banks		(62.359)	1.134.609
Loans to customers		(2.195.783)	(6.716.741)
Financial investment - Held-for-trading		(6)	5.986
Financial investment - Available-for-sale		-	30.244
Financial investment - Held-to-maturity		(36.231)	(765.185)
Other assets		(46.445)	(84.181)
<i>Changes in operating liabilities</i>			
Due to other banks and the BOL		(772.272)	1.526.655
Due to customers		1.704.648	3.162.662
Other liabilities		(4.205)	(18.952)
Profit tax paid during the period	29.3	(26.978)	(34.373)
Net cash flows used in operating activities		(906.298)	(1.463.862)
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(80.443)	(13.351)
Proceeds from disposals of fixed assets		887	47.229
Dividends received		6.344	6.074
Net cash flows (used in)/from investing activities		(73.212)	39.952
FINANCING ACTIVITIES			
Increase share capital of received		355.764	-
Payment of dividend		(83.858)	(34.882)
Net cash flows used in financing activities		271.906	(34.882)
Net decrease in cash and cash equivalents		(707.604)	(1.458.792)
Cash and cash equivalents at the beginning of the period		7.125.584	10.154.343
Foreign exchange difference		(836)	1.200
Cash and cash equivalents at the end of the period	34	6.417.144	8.696.751

Prepared by:



Mrs. Lammaniseng Sayaphet
Head of Accounting
Department

Approved by:



Mrs. Phetsamone Somsana
Acting Deputy Chief of Internal Audit
Department

Approved by:



Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao P.D.R
13 November 2017

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

1. CORPORATE INFORMATION

Banque Pour Le Commerce Extérieur Lao Public (herein referred to as “the Bank”) is a joint-stock bank incorporated and registered in the Lao People’s Democratic Republic (“Lao P.D.R”).

Establishment and Operations

The Bank was established from the equitization of Banque Pour Le Commerce Extérieur Lao which had been established in accordance with the Banking Business License No. 129/BOL dated 01 November 1989. On 23 December 2010, the Bank successfully undertook its Initial Public Offering. On 10 January 2011, the Bank was equitized and renamed into Banque Pour Le Commerce Extérieur Lao Public under the Operating License No. 0061/LRO dated 10 January 2011 issued by the Business License Registration Office of the Lao P.D.R. At that date, the Government, represented by the MOF, was the largest shareholder with 80% shareholding.

On 15 July 2011, the MOF sold 10% of the total ordinary shares (equivalent 13.657.759 shares) to its strategic partner named Compagnie Financière de la BRED (“COFIBRED”) in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and COFIBRED. COFIBRED is a subsidiary of BRED, the biggest regional banking society in the Banque Populaire Group - a French group of cooperative banks. The total purchased price of LAK 150.235.349.000 has been paid fully by COFIBRED.

On 17 August 2017, The Lao Securities Commission approved the Bank to recapitalize by issuing Right offering and Public offering in Lao Stock Exchange in order to increase its charter capital. The Bank received its New Established Bank License No. 21/BOL, dated 13 September 2017 issued by Bank of the Lao PDR. On 15 September 2017, The Bank successfully increased its charter capital amount LAK 355.728.500.000 (71.145.700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest Amended Business License No.0889/ERO dated 15 September 2017 issued by Ministry of Industry and Commerce.

According to notification from Lao Securities and Exchange Commission, the shareholding structure of the Bank as at 30 September 2017 is as follows:

<i>Shareholders</i>	<i>Number of shares</i>	<i>%</i>
The Government	145.406.321	70%
Local investors and foreign investors	41.544.620	20%
Strategic partners	20.772.359	10%
	207.723.300	100%

The principal activities of the Bank are to provide banking services including mobilizing and receiving short-term, medium-term, and long-term deposits from organizations and individuals; making short-term, medium-term, and long-term loans to organizations and individuals based on the nature and capability of the Bank’s sources of capital; foreign exchange transactions, international trade financial services, discounting of commercial papers, bonds and other valuable papers, and providing other banking services allowed by the Bank of Lao P.D.R.

Charter Capital

The charter capital as at 30 September 2017 is LAKm 1.038.617 (31 December 2016: LAKm 682.888).

Location and Network

The Bank’s Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao P.D.R. As at 30 September 2017, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-three (83) services units, and sixteen (16) exchange units all over Lao P.D.R.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

1. CORPORATE INFORMATION (continued)

Subsidiary

As at 30 September 2017, the Bank has one (01) subsidiary as follows:

<i>Name</i>	<i>Established in accordance with Business License No.</i>	<i>Business sector</i>	<i>% owned by the Bank</i>
BCEL - Krung Thai Securities Company Limited	180-10 dated 14 December 2010 by the Investment Promotion Department of the Ministry of Planning and Investment of Lao P.D.R	Securities	70%

Joint ventures

As at 30 September 2017, the Bank has four (04) joint ventures as follows:

<i>Name</i>	<i>Business License No.</i>	<i>Business Sector</i>	<i>% owned by the Bank</i>
Lao Viet Joint Venture Bank	732/ERO dated 29 August 2016 by the Ministry of Industry and Commerce	Banking & Finance	25%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of Lao P.D.R	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commerce	Insurance	35%
Lao China Bank Limited	041/ERM dated 27 January 2014 by the Department of Enterprise Register and Management of Lao P.D.R	Banking & Finance	49%

Board of Directors

Members of the Board of Directors during the nine-month ended 30 September 2017 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Bounleua Sinxayvoravong	Chairman	09 April 2015
Mr. Khamsouk Sundara	Vice Chairman	09 April 2015
Mr. Phoukhong Chanthachack	Member	09 April 2015
Mr. Phansana Khounnouvong	Member	09 April 2015
Ms. Khanthaly Vongxayarath	Member	09 April 2015
Mr. Marc Robert	Member	09 April 2015
Mr. Viengxay Chanthanvisouk	Member	09 April 2015

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

1. CORPORATE INFORMATION (continued)

Board of Management

Members of the Board of Management during the nine-month ended 30 September 2017 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/resignation</i>
Mr. Phoukhong Chanthachack	General Managing Director	Appointment on 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointment on 06 June 2008
Ms. Khanthaly Vongxayarath	Deputy Managing Director	Appointment on 30 September 2014 Resigned on 1 March 2017
Mr. Lachay Khanpravong	Deputy Managing Director	Appointment on 30 September 2014
Mr. Nanthath Keopaseuth	Deputy Managing Director	Appointment on 30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	Appointment on 23 November 2015
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointment on 23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	Appointment on 01 November 2016

Employees

Total number of employees of the Bank and its subsidiary as at 30 September 2017 is 1.691 persons (as at 31 December 2016: 1.621 persons).

2. BASIS OF PREPARATION

The interim consolidated financial statements have been prepared on a historical cost basis, except as disclosed in other notes. The Bank maintains its records in Lao Kip ("LAK") and prepared its interim consolidated financial statements in millions of LAK ("LAKm"). The Bank uses a decimal comma (,) and a dot (.) to separate thousands.

The Bank also prepared and issued its interim separate financial statements in accordance with IFRS on 13 November 2017.

The Bank's fiscal year starts on 1 January and ends on 31 December.

3. STATEMENT OF COMPLIANCE

The interim consolidated financial statements of the Bank for nine months ended 30 September 2017 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

4. PRESENTATION OF THE INTERIM FINANCIAL STATEMENTS

The Bank presents its interim statement of financial position in order of liquidity. Financial assets and financial liabilities are generally reported gross in the interim consolidated statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognized amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- ▶ The normal course of business
- ▶ The event of default
- ▶ The event of insolvency or bankruptcy of the Bank and/or its counterparties

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

5. BASIS OF CONSOLIDATION

The interim consolidated financial statements comprise the financial statements of the Bank and its subsidiary (collectively referred to as the “Group”) as at 30 September 2017. Subsidiary is the investee that the Bank has control over. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. However, under individual circumstances, the Bank may still exercise control with less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity’s shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Bank considers all relevant facts and circumstances, including:

- ▶ The purpose and design of the investee
- ▶ The relevant activities and how decisions about those activities are made and whether the Bank can direct those activities
- ▶ Contractual arrangements such as call rights, put rights and liquidation rights
- ▶ Whether the Bank is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest (NCI) and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016.

6.1 *Foreign currency translation*

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK on 30 September 2017 and 31 December 2016 as presented in Note 43). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance date are recognized in the interim consolidated income statement.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 *Financial instruments - initial recognition and subsequent measurement*

6.2.1 *Date of recognition*

All financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes "regular way trades" - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' account. The Bank recognises due to customer balances when funds reach the Bank.

6.2.2 *Initial measurement of financial instruments*

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

6.2.3 *Financial assets or financial liabilities held for trading*

Financial assets or financial liabilities held-for-trading are recorded in the interim consolidated statement of financial position at fair value. Changes in fair value are recognized in "Net gain/(loss) on securities and foreign currencies trading". Interest and dividend income are also recorded in "Net gain/(loss) from securities and foreign currencies trading" according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are equity securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

6.2.4 *The effective interest rate method*

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period, to the net carrying amount of the financial asset or financial liability. The amortised cost of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted amortised cost is calculated based on the original or latest re-estimated EIR and the change in is recorded as "Interest and similar income" for financial assets and "Interest and similar expense" for financial liabilities. The accounting policies for the EIR method vary by instruments and are further explained in Notes:

- ▶ 6.2.7 for "Held-to-maturity investment"
- ▶ 6.2.8 for "Due from banks and loans to customers"
- ▶ 6.2.9 for "Due to other banks and customers and other borrowed funds"
- ▶ 6.4 for "Impairment of financial assets"
- ▶ 6.8 for "Recognition of income and expenses"

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 *Financial instruments - initial recognition and subsequent measurement* (continued)

6.2.5 *'Day 1' profit or loss*

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a „Day 1“ profit or loss) in „Net trading income“. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the interim consolidated income statement when the inputs become observable, or when the instrument is derecognised.

6.2.6 *Available for sale financial investments*

Available for sale investments include equity. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

The Bank has not designated any loans or receivables as available for sale.

After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognized directly in equity (Other comprehensive income) in the „Available-for-sale reserve“. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the interim consolidated income statement in „Other operating income“. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Dividends earned while holding available-for-sale financial investments are recognized in the interim consolidated income statement as „Other operating income“ when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the interim consolidated income statement in „Impairment losses on financial investments“ and removed from the „Available-for-sale reserve“.

6.2.7 *Held-to-maturity financial investments*

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the EIR. Periodically, held-to-maturity securities are subject to review for impairment. Allowance for impairment of these securities is made when there has been a significant or prolonged decline in the fair value below their cost. The losses arising from impairment of such investments are recognized in the interim consolidated income statement line „Impairment loss expense“.

If the Bank were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 Financial instruments - initial recognition and subsequent measurement (continued)

6.2.8 Due from banks and loans and advances to customers

„Due from banks“ and „Loans and advances to customers“ include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- ▶ Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss;
- ▶ Those that the Bank, upon initial recognition, designates as available-for-sale;
- ▶ Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts „Due from banks“ and „Loans and advances to customers“ are subsequently measured at amortized cost using the EIR methodology, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Therefore, the Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of the loan, hence, recognising the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (prepayments, penalty interest and charges).

If expectations are revised the adjustment is booked a positive or negative adjustment to the carrying amount in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the interim consolidated income statement.

The Bank may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Bank, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss (for example, due to a counterparty credit event).

6.2.9 Due to other banks and customers and other borrowed funds

“Due to other banks and customers and other borrowed funds” include arrangements where the substance of the contractual arrangements result in the Bank having an obligation either to deliver cash or another financial asset to the holder.

After initial measurement, “Due to other banks and customers and other borrowed funds” are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 *Financial instruments - initial recognition and subsequent measurement* (continued)

6.2.10 *Reclassification of financial assets*

Effective from 1 July 2008, the Bank was permitted to reclassify, in certain circumstances, non-derivative financial assets out of the „Held-for-trading“ category and into the „Available-for-sale“, „Loans and receivables“, or „Held-to-maturity“ categories. From this date it was also permitted to reclassify, in certain circumstances, financial instruments out of the „Available-for-sale“ category and into the „Loans and receivables“ category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost.

For a financial asset reclassified out of the „Available-for-sale“ category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to the interim consolidated income statement.

In rare circumstances, the Bank may reclassify a non-derivative trading asset out of the „Held-for-trading“ category and into the „Loans and receivables“ category if it meets the definition of loans and receivables and the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis.

6.3 *De-recognition of financial assets and financial liabilities*

6.3.1 *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired. The Bank also derecognises the assets if it has both transferred the asset, and the transfer qualifies for derecognition.

The Bank has transferred the asset if, and only if, either:

- ▶ The Bank has transferred its contractual rights to receive cash flows from the asset or
- ▶ It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a „pass-through“ arrangement.

Pass-through arrangements are transactions when the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when certain conditions are met. As at 30 September 2017, the Bank does not have financial assets which are subject to such arrangements.

A transfer only qualifies for derecognition if either:

- ▶ The Bank has transferred substantially all the risks and rewards of the asset or
- ▶ The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.3 *De-recognition of financial assets and financial liabilities* (continued)

6.3.1 *Financial assets* (continued)

In relation to the above, the Bank considers the control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

The Bank also derecognises a financial asset, in particular, a loan to customer when the terms and conditions have been renegotiated to the extent that it substantially became a new loan, with the difference recognised as an impairment in the interim consolidated income statement.

6.3.2 *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

6.4 *Impairment of financial assets*

The Bank and its subsidiaries assess at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred „loss event“) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganization; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.4 *Impairment of financial assets* (continued)

6.4.1 *Financial assets carried at amortized cost*

Specific impairment losses

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers), the Bank first assesses whether objective evidence of impairment exists for financial assets that are individually significant or are already under specific work out by management.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in credit loss expense in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and similar income.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective impairment model

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of a credit risk evaluation or grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors).

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, personal indebtedness, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.4 *Impairment of financial assets* (continued)

6.4.2 *Impairment of available for sale investments*

The Bank records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is „significant“ or „prolonged“ requires judgment. In making this judgment, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

6.4.3 *Collateral valuation*

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's annually reporting schedule.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited interim consolidated financial statements, and other independent sources.

6.4.4 *Collateral repossessed*

The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold, are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy.

6.5 *Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated statement of financial positions if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the interim consolidated statement of financial position.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.6 *Investment in joint ventures*

The Bank has interests in joint ventures, which are jointly controlled entities, whereby the ventures have a contractual arrangement that establishes joint control over the economic activities of the entities. The arrangement requires unanimous agreement for financial and operating decisions among the ventures.

The Bank recognizes its interest in the joint ventures using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost in the interim consolidated statement of financial position plus any adjustment to the joint ventures' net assets relatively to the percentage of the Bank's investment in the joint ventures afterwards. Goodwill relating to the joint ventures is recognized at residual value included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Bank's share of profit of a joint venture is shown on the face of the interim consolidated income statement. This is the profit attributable to equity holders of the joint venture and, therefore, is profit after tax and non-controlling interest in the subsidiaries of the joint venture.

After application of the equity method, the Bank will determine whether it is necessary to recognize an additional impairment loss of the investments in its joint ventures. The Bank determines at each reporting date whether there is objective evidence of impairment that the investment in the joint ventures is impaired. In that circumstance, the Bank will calculate the amount of impairment as the difference between the recoverable amount and carrying value of the investments in the joint ventures and recognize the difference in the interim consolidated income statement.

6.7 *Leasing*

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Bank as a lessee

Leases that do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the interim consolidated income statement on a straight line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which they are incurred.

6.8 *Recognition of income and expenses*

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

6.8.1 *Interest and similar income and expense*

For all financial instruments measured at amortized cost, interest-bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

When the recorded value of a financial asset or a group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.8.2 Fees and commission income

The Bank earns fees and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Fee income forming an integral part of the corresponding financial instrument

Fees that the Bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR (as defined in Note 6.2.3 above). The exception is, when it is unlikely that a loan will be drawn down, the loan commitment fees are recognised as revenue on expiry. Loan commitments that are within the scope of IAS 39 (i.e., are designated as FVPL, or are at a below market rate of interest or are settled net) are accounted for as derivatives and measured at fair value through profit or loss.

Dividend income

Dividend income is recognized when the Bank's right to receive the payment is established.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities „held for trading“. This includes any ineffectiveness recorded in hedging transactions.

6.9 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, non-restricted current accounts with the BOL and amounts due from banks on demand or with an original maturity of three months or less.

6.10 Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The following are annual rates used:

Buildings & improvements	5%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in „Other operating income“ in the interim consolidated income statement in the period the asset is derecognized.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.11 *Intangible assets*

The Bank's other intangible assets include the value of land use rights and software.

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired consolidated are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the interim consolidated income statement in the expense category consistent with the function of the intangible asset.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

► Software	2 - 5 years
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The land use rights of the Bank was not amortized as land use rights have indefinite term and was granted by the Government of Lao P.D.R.

6.12 *Impairment of non-financial assets*

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit (CGU)'s fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the interim consolidated income statement.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.13 *Financial guarantees*

In the ordinary course of business, the Bank issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the interim consolidated financial statements (within „Other liabilities“) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the interim consolidated income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the interim consolidated income statement in „Credit loss expense“. The premium received is recognized in the interim consolidated income statement in „Net fees and commission income“ on a straight line basis over the life of the guarantee.

6.14 *Employee benefits*

Post-employment benefits

Post-employment benefits are paid to retired employees of the Bank by retirement reserve setup by the Bank. The Bank's policy is to deduct a certain monthly amount from employees' salary to contribute to such reserve. Currently, the applied rate is 8.00% of employees' monthly basic salary. The Bank has no further obligation concerning post-employment benefits for its employees other than this.

Termination benefits

In accordance with Article 82 of the Amended Labour Law No. 43/NA approved by the President of the Lao People's Democratic Republic on 28 January 2014, the Bank has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

- ▶ The worker lacks specialised skills or is not in good health and thus cannot continue to work;
- ▶ The employer considers it necessary to reduce the number of workers in order to improve the work within the labour unit.

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 30 September 2017, there is no employee of the Bank who was dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the interim consolidated financial statements.

6.15 *Provisions*

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Bank determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the interim consolidated income statement net of any reimbursement in other operating expenses.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.16 Profit tax

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Bank operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the interim consolidated income statement except for tax related to the fair value remeasurement of available-for-sale assets, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI. These exceptions are subsequently reclassified from OCI to the interim consolidated income statement together with the respective deferred loss or gain. The Bank also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

Deferred tax asset and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The Bank only off-sets its deferred tax assets against liabilities when there is both a legal right to offset and it is the Bank's intention to settle on a net basis.

6.17 Fiduciary assets

The Bank provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the interim consolidated financial statements, as they are not the assets of the Bank.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.18 Equity reserves

The reserves recorded in equity on the Bank's interim consolidated statement of financial position include:

- ▶ Statutory reserves which are created in accordance with prevailing regulations of Lao P.D.R, as stated in Note 32; and
- ▶ Available-for-sale reserve which comprises changes in fair value of available-for-sale investments, as stated in Note 33.

6.19 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's interim consolidated financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Bank does not anticipate early adopting IFRS 15 and is currently evaluating its impact.

IFRS 16 Leases

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise „short-term“ leases and leases of „low-value“ assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised consolidatedly in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Bank does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
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7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the interim consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

7.1 *Going concern*

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the interim consolidated financial statements continue to be prepared on the going concern basis.

7.2 *Effective Interest Rate method*

The Bank's EIR methodology, as explained in Note 6.2.4, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to other fee income/expense that are integral parts of the instrument.

7.3 *Impairment losses on loans and advances*

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the interim consolidated income statement.

The Bank's impairment methodology for assets carried at amortised cost results in the recording of provisions for:

- ▶ Specific impairment losses on individually significant or specifically identified exposures;
- ▶ Collective impairment.

The detailed approach for each category is further explained in Note 6.4.1. All categories include an element of management's judgement, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the changing of which can result in different levels of allowances.

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as at 30 September 2017 and for the nine-month period then ended

7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

7.4 Impairment of available-for-sale investments

The Bank reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired as explained in Note 6.4.2.

This assessment, including estimated future cash flows and other inputs in to the discounted cash flow model and in the case of equity instruments, the interpretation of what is „significant“ or „prolonged“ requires judgement. In making this judgement, the Bank evaluates, among other factors, historical share price movements, and the duration and extent to which the fair value of an investment is less than its cost.

7.5 Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

8. INTEREST AND SIMILAR INCOME

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the nine-month period ended 30 September 2016 LAKm</i>
Interest income from lending to customers	1.141.112	883.572
Interest income from deposits at other banks	18.221	9.962
Interest income from investment securities	98.187	62.483
Other interest income and similar income	28.635	22.882
	1.286.155	978.899

9. INTEREST AND SIMILAR EXPENSE

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the nine-month period ended 30 September 2016 LAKm</i>
Interest expense for due to other banks	86.702	54.455
Interest expense for customer deposits	579.077	579.400
	665.779	633.855

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
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10. NET FEES AND COMMISSION INCOME

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the nine-month period ended 30 September 2016 LAKm</i>
Fees and commission income from:		
Settlement services	95.626	88.914
Credit activities	42.825	48.581
Other activities	5.658	2.872
	144.109	140.367
Fees and commission expense for:		
Settlement services	(12.818)	(10.081)
Other activities	(2.146)	(1.154)
	(14.964)	(11.235)
Net fees and commission income	129.145	129.132

11. NET TRADING INCOME

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the nine-month period ended 30 September 2016 LAKm</i>
Gains from foreign currencies trading	32.418	37.910
Gain from trading in gold and other precious metals	3	-
Changes in fair value of financial assets held-for-trading	-	366
	32.421	38.276

12. OTHER OPERATING INCOME

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the nine-month period ended 30 September 2016 LAKm</i>
Dividend income from investment securities	6.344	6.074
Recovery of the bad debts written off	3.065	2.192
Others	256	589
	9.665	8.855

13. REVERSAL OF/(ADDITIONAL) IMPAIRMENT LOSSES FOR FINANCIAL INVESTMENTS

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the nine-month period ended 30 September 2016 LAKm</i>
Reversal of/(additional) impairment losses for held-to-maturity securities (Note 21)	7.583	(11.501)
	7.583	(11.501)

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14. PERSONNEL EXPENSES

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the nine-month period ended 30 September 2016 LAKm</i>
Salary and wages	93.796	88.002
Welfare	59.443	56.571
Retirement for employee	897	1.460
Allowance	4.121	3.879
Training	255	145
	158.512	150.057

15. OTHER OPERATING EXPENSES

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the nine-month period ended 30 September 2016 LAKm</i>
External services	19.303	17.554
Repair and maintenance	11.756	10.614
Publication, marketing and promotion	4.565	2.819
Office rental	4.480	6.907
Telecommunication	4.479	900
Training, meeting and seminar	7.324	6.580
Insurance fee for depositor protection fund	18.104	15.638
Tax and other duties	157	495
Write off construction in progress	18.455	-
Others	12.378	8.157
	101.001	69.664

16. CASH AND BALANCES WITH THE BANK OF LAO P.D.R

	<i>30 September 2017 LAKm</i>	<i>31 December 2016 LAKm</i>
Cash on hand in LAK	1.388.217	1.016.618
Cash on hand in foreign currencies ("FC")	844.908	850.541
Balances with the BOL		
- Compulsory deposit	1.300.404	1.378.763
- Demand deposit	1.560.507	2.435.014
	5.094.036	5.680.936

Balances with the BOL include settlement and compulsory deposits. These balances earn no interest.

Under regulations of the BOL, the Bank is required to maintain certain reserves with the BOL in the form of compulsory deposits, which are computed at 5.00% for LAK and 10.00% for foreign currencies, on a bi-weekly basis, (2016: 5.00% and 10.00%) of customer deposits having original maturities of less than 12 months. During the period, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

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17. DUE FROM BANKS

	30 September 2017 LAKm	31 December 2016 LAKm
Current and saving accounts	2.088.343	2.573.530
- In LAK	6.426	2.178.524
- In foreign currencies	2.081.917	395.006
Term deposits	794.705	374.329
- In LAK	604.200	213.170
- In foreign currencies	190.505	161.159
Accrued interest	4.686	2.234
	2.887.734	2.950.093

Interest rates for amounts due from other banks during the period are as follows:

	For the nine-month period ended 30 September 2017 % per annum	For the year ended 31 December 2016 % per annum
Demand deposits	No interest	No interest
Saving deposits	0,02 – 1,25	0,02% - 1,25%
Term deposits	1,00 – 4,00	1,00% - 9,54%

18. LOANS TO CUSTOMERS

	30 September 2017 LAKm	31 December 2016 LAKm
Gross loans to customers	21.412.708	19.240.075
In which:		
<i>Loans funded by borrowings from BOL (Note 28)</i>	<i>1.691.438</i>	<i>1.640.776</i>
Accrued interest related to loans to customers	215.859	192.709
Less: Allowance for impairment losses (see Note 19)	(490.092)	(339.579)
	21.138.475	19.093.205

Interest rates for commercial loans during the period are as follows:

	For the nine-month period ended 30 September 2017 % per annum	For the year ended 31 December 2016 % per annum
Loans denominated in LAK	6,00 – 16,00	6,00 – 16,00
Loans denominated in USD	2,00 – 16,00	2,00 – 14,00
Loans denominated in THB	6,00 – 11,00	6,00 – 12,00

Analysis of loan portfolio by currency:

	30 September 2017 LAKm	31 December 2016 LAKm
Loans denominated in LAK	9.060.320	7.408.014
Loans denominated in USD	9.527.665	9.300.297
Loans denominated in THB	2.824.723	2.531.764
	21.412.708	19.240.075

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18. LOANS TO CUSTOMERS (continued)

Analysis of loan portfolio by original maturity:

	30 September 2017 LAKm	31 December 2016 LAKm
Short-term loans	2.585.218	2.966.973
Medium-term loans	12.553.474	11.301.876
Long-term loans	6.274.016	4.971.226
	21.412.708	19.240.075

The loan portfolio at nine-month ended comprised loans to entities in the following sectors:

	30 September 2017		31 December 2016	
	LAKm	%	LAKm	%
Industrial services companies	10.730.687	50,11%	9.796.735	50,92%
Construction companies	3.508.016	16,38%	3.305.600	17,18%
Technical instruments enterprises	101.074	0,47%	63.867	0,33%
Agricultural & forestry	50.972	0,24%	48.385	0,25%
Trading companies	3.895.033	18,19%	3.498.551	18,18%
Transportation companies	627.570	2,93%	642.664	3,34%
Services companies	2.245.906	10,49%	1.701.361	8,84%
Handicrafts	9.182	0,04%	9.958	0,05%
Others	244.268	1,14%	172.954	0,91%
	21.412.708	100%	19.240.075	100%

19. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in the allowance for impairment losses of loans to customers during the nine-month ended 30 September 2017 as follows:

	<i>Allowance for impairment of loans to customers LAKm</i>
Balance as at 1 January 2017	339.579
Net change during the period	151.548
Foreign exchange difference	(1.035)
Balance as at 30 September 2017	490.092

Break down of allowance for impairment losses of loans to customers as at 30 September 2017 and 31 December 2016 are as follows:

	30 September 2017		31 December 2016	
	<i>Outstanding balance LAKm</i>	<i>Impairment LAKm</i>	<i>Outstanding balance LAKm</i>	<i>Impairment LAKm</i>
Individually impaired	2.408.501	352.874	2.792.381	290.125
Collectively impaired	19.004.207	137.218	16.447.694	49.454
	21.412.708	490.092	19.240.075	339.579

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20. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	30 September 2017 LAKm	31 December 2016 LAKm
Listed shares of EDL-Generation Public Company	198.121	198.121
	198.121	198.121

21. FINANCIAL INVESTMENTS - HELD TO MATURITY

	30 September 2017 LAKm	31 December 2016 LAKm
Amortized cost of Treasury bills issued by the Ministry of Finance	2.068.888	1.998.663
Amortized cost of bonds issued by the Ministry of Finance	525.812	567.389
	2.594.700	2.566.052
Impairment losses for investments in Held-to-maturity securities (*)	(5.359)	(12.942)
- Impairment losses for Treasury bills issued by the Ministry of Finance	(73)	(1.926)
- Impairment losses for bonds issued by the Ministry of Finance	(5.286)	(11.016)
	2.589.341	2.553.110

(*): The net change in impairment losses of LAKm 7.583 for the nine-month ended 30 September 2017 is recorded in the interim consolidated income statement as reversal of impairment loss for held-to-maturity securities (Note 13).

21.1. Treasury bills issued by the Ministry of Finance

Details of the treasury bills as at 30 September 2017 are as follows:

Term	Issue date	Maturity date	Face value LAKm	Amortized cost LAKm	Interest rate per annum (nominal)
1 year	20-Dec-16	20-Dec-17	50.000	51.411	4,00%
1 year	10-Oct-16	10-Oct-17	2.000	2.075	4,00%
1 year	12-Nov-16	12-Nov-17	8.000	8.154	4,00%
1 year	18-Nov-16	18-Nov-17	300.000	312.944	5,00%
1 year	16-Dec-16	16-Dec-17	146.000	151.730	5,00%
1 year	17-Feb-17	17-Feb-18	300.000	309.160	5,00%
1 year	10-Mar-17	10-Mar-18	73.000	75.018	5,00%
1 year	28-Mar-17	28-Mar-18	350.000	359.003	5,00%
1 year	18-Apr-17	18-Apr-18	100.000	102.230	5,00%
1 year	28-Apr-17	28-Apr-18	20.000	20.419	5,00%
1 year	19-May-17	19-May-18	10.000	10.181	5,00%
1 year	26-May-17	26-May-18	58.000	58.993	5,00%
1 year	16-Jun-17	16-Jun-18	500.000	507.135	5,00%
1 year	25-Aug-17	25-Aug-18	50.000	50.241	5,00%
1 year	1-Sep-17	1-Sep-18	50.000	50.195	5,00%
			2.017.000	2.068.888	

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21. FINANCIAL INVESTMENTS – HELD-TO-MATURITY (continued)

21.2. Bonds issued by the Ministry of Finance

	30 September 2017 LAKm	31 December 2016 LAKm
Capitalization bonds	67.842	67.391
Other bonds	457.970	499.998
	525.812	567.389

Capitalization bonds were issued by the MOF to increase the Bank's chartered capital with the details as following:

Issue date	Maturity date	Face value (LAKm)	Amortized cost (LAKm)	Term	Interest rate (% per annum)
1 March 2014	1 March 2019	68.600	67.842	5 years	4.00%

Details of other bonds are as follows:

Purchase date	Maturity date	Face value LAKm	Amortized cost LAKm	Interest rate (% p.a)
3-Jul-16	3-Jul-21	29.780	29.995	3,00%
12-Mar-14	12-Mar-18	20.000	20.166	4,25%
31-Jul-15	31-Jul-18	5.000	4.809	4,25%
7-May-13	7-May-18	22.000	21.247	4,25%
11-Jun-13	11-Jun-18	9.000	8.608	4,25%
12-Jun-13	12-Jun-18	25.000	23.904	4,25%
13-Jun-13	13-Jun-18	1.000	956	4,25%
16-May-13	16-May-18	5.000	4.817	4,25%
18-Sep-12	18-Sep-18	4.000	3.732	4,25%
31-Jul-15	31-Jul-18	2.000	1.912	4,25%
30-Dec-14	30-Dec-17	100.000	103.806	5,10%
2-Aug-16	2-Aug-18	14.000	13.336	4,25%
11-Jun-16	11-Jun-18	2.000	1.847	4,25%
23-Dec-16	23-Dec-18	210.000	218.837	5,50%
		448.780	457.970	

22. INVESTMENTS IN JOINT VENTURES

	For the nine-month period ended 30 September 2017 LAKm	For the year ended 31 December 2016 LAKm
Balance at the beginning of the period/year	551.449	555.418
Net share of profit in the period under equity method	23.095	26.413
Less: Dividends received during the period/year	(22.769)	(30.382)
Balance at the end of the period/year	551.775	551.449

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22. INVESTMENTS IN JOINT VENTURES (continued)

	30 September 2017				31 December 2016			
	Cost in USD	Cost in LAKm equiv.	Carrying value in LAKm	% owned by the Bank	Cost in USD	Cost in LAKm Equiv.	Carrying Value in LAKm	% owned by the Bank
Investments in other financial institutions								
Lao Viet Joint Venture Bank	24.500.000	197.839	235.076	25%	24.500.000	197.839	235.076	25%
Banque Franco - Lao Limited	16.322.230	138.000	144.138	46%	16.322.230	138.000	144.138	46%
Lao China Bank	N/A	147.000	151.653	49%	N/A	147.000	151.653	49%
Investments in local economic entities								
Lao-Viet Insurance Joint Venture Company	1.050.000	8.784	20.908	35%	1.050.000	8.784	20.582	35%
		491.623	551.775			491.623	551.449	

- Lao Viet Joint Venture Bank (“LVB”) is incorporated in the Lao P.D.R with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with the Bank for Investment and Development of Vietnam, a state-owned commercial bank incorporated in the Socialist Republic of Vietnam. The joint venture was granted the banking license on 31 March 2000 by Bank of the Lao P.D.R for a year of 30 years. In 2015, LVB increased its contributed capital to LAK 791.357.560.000. The Bank’s ownership rate in LVB after the capital increase is 25% in accordance with Investment License No. 004-15/KH-DDT4 issued by Ministry of Planning and Investment on 24 August 2015, equivalent to LAK 197.839.390.000.
- Banque Franco - Lao Limited (“BFL”) is incorporated in the Lao P.D.R with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with Cofibred Company Frances De La Bred which is a state-owned bank incorporated in Paris, France. The joint venture was granted the temporary banking license on 01 October 2009 and a permanent license on 16 July 2010 by Bank of the Lao P.D.R. The legal capital of BFL was USD 20 million which was later revised to USD 37 million in accordance with the President’s decree issued on 24 September 2009 and letter No. 01/BOL dated 28 January 2010 from BOL. As at 30 September 2017, the contributed capital of the Bank included USD 1.840.000 and LAK 122.854.960.000.
- Lao China Bank Company Limited (“LCNB”) is incorporated in the Lao P.D.R and engages in the provision of banking services. It is a joint venture with Fudian Bank China, a state-owned commercial bank incorporated in China. The joint venture bank was granted the Banking Business Licence on 20 January 2014 by Bank of the Lao P.D.R. The legal capital of LCNB was LAKm 300.000 and had been fully contributed by partners as at 30 September 2017.
- Lao-Viet Insurance Joint Venture Company (“LVI”) is incorporated as a joint venture company in the Lao P.D.R providing insurance services under the Investment License No. 077/08/FIMC issued by the Foreign Investment Management Committee on 09 June 2008. It is a joint venture with BIDV Insurance Joint Stock Corporation and Lao Viet Joint Venture Bank. LVI’s legal capital is USD 3.000.000 and has been fully contributed by partners on 17 July 2008. In 2013, the Bank has contributed additional capital of USD 180.000 on 02 September 2013. As at 30 September 2017, the total contributed capital of the Bank in this company was USD 1.050.000, equivalent to LAKm 8.784.

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23. PROPERTY AND EQUIPMENT

Movements of property and equipment for the nine-month period ended 30 September 2017 are as follows:

	<i>Buildings & improvements LAKm</i>	<i>Office equipment LAKm</i>	<i>Furniture & fixtures LAKm</i>	<i>Motor vehicles LAKm</i>	<i>Total LAKm</i>
Cost:					
As at 1 January 2017	449.057	127.724	36.292	19.479	632.552
Additions	32.318	22.759	2.567	5.059	62.703
<i>In which</i>					
<i>New purchases</i>	-	-	384	-	384
<i>Transferred from CIP and fixed assets in transit</i>	32.318	22.759	2.183	5.059	62.319
Disposals	(3.890)	(23.744)	(277)	(4.538)	(32.448)
As at 30 September 2017	<u>477.486</u>	<u>126.740</u>	<u>38.582</u>	<u>20.000</u>	<u>662.807</u>
Accumulated depreciation:					
As at 1 January 2017	90.756	66.311	18.509	9.041	184.617
Charge for the period	19.248	19.024	3.834	3.047	45.153
Disposals	(3.702)	(23.662)	(121)	(4.537)	(32.021)
As at 30 September 2017	<u>106.302</u>	<u>61.673</u>	<u>22.222</u>	<u>7.551</u>	<u>197.748</u>
Net book value:					
As at 1 January 2017	<u>358.301</u>	<u>61.413</u>	<u>17.783</u>	<u>10.438</u>	<u>447.935</u>
As at 30 September 2017	<u>371.182</u>	<u>65.066</u>	<u>16.396</u>	<u>12.449</u>	<u>465.059</u>

24. INTANGIBLE ASSETS

Movements in intangible assets during the nine-month ended 30 September 2017 are as follows:

	<i>Land use rights LAKm</i>	<i>Computer software LAKm</i>	<i>Total LAKm</i>
Cost:			
As at 1 January 2017	220.518	68.580	289.098
Additions	14.537	3.215	17.752
<i>In which</i>			
<i>New purchases</i>	-	12	12
<i>Transferred from CIP and fixed asset in transit</i>	14.537	3.203	17.740
Disposal	(500)	(5.492)	(5.992)
As at 30 September 2017	<u>234.555</u>	<u>66.303</u>	<u>300.858</u>
Accumulated amortization:			
As at 1 January 2017	-	45.577	45.577
Charge for the period	-	9.948	9.948
Disposal	-	(5.492)	(5.492)
As at 30 September 2017	<u>-</u>	<u>50.033</u>	<u>50.033</u>
Net book value:			
As at 1 January 2017	<u>220.518</u>	<u>23.003</u>	<u>243.521</u>
As at 30 September 2017	<u>234.555</u>	<u>16.273</u>	<u>250.828</u>

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25. OTHER ASSETS

	30 September 2017 LAKm	31 December 2016 LAKm
Assets waiting for sale	205.325	143.098
Stationeries and other tools	1.588	1.467
Checques in collection	20.905	31.472
Construction in progress and fixed assets in transit (*)	19.211	48.260
Prepaid expenses to be allocated	43.498	31.330
Advance payment for other operations	22.530	24.791
Advance to supplier	13.291	3.996
Other receivables	13.054	9.595
	339.402	294.009

(*): Movement of construction in progress and fixed assets in transit for the nine-month ended 30 September 2017 is as follows:

	Land use rights LAKm	Buildings & improvements LAKm	Other LAKm	Total LAKm
As at 1 January 2017	8.061	26.661	13.538	48.260
Additions	7.268	26.351	34.746	68.365
Transferred to fixed assets	(14.537)	(31.290)	(32.438)	(78.265)
Transferred to assets available for sale	(143)	(229)	(323)	(695)
Write off	-	(18.455)	-	18.455
As at 30 September 2017	650	3.037	15.524	19.211

26. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 September 2017 LAKm	31 December 2016 LAKm
Demand deposits	1.952.779	2.813.254
- In LAK	876.907	1.242.744
- In foreign currencies	1.075.872	1.570.510
Saving deposits	73.267	28.299
- In LAK	14.482	20.634
- In foreign currencies	58.785	7.665
Term deposits	278.790	306.858
- In LAK	46.985	45.450
- In foreign currencies	231.805	261.408
Others	9.956	11.257
- In LAK	5.939	8.590
- In foreign currencies	4.017	2.667
	2.314.792	3.159.668
Accrued interest	1.512	5.030
	2.316.304	3.164.698

Saving deposits from other banks and financial institutions denominated in LAK, USD, THB bear interest at rates ranging of 0% - 0,2%, 0% - 0,3% and 0% - 0,3% per annum, respectively.

Term deposits from other banks and financial institutions denominated in LAK, USD bear interest at rates ranging of 1,75% – 4,96% and 0% - 6,00% per annum, respectively.

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27. DUE TO CUSTOMERS

	30 September 2017 LAKm	31 December 2016 LAKm
Demand deposits	5.660.546	6.082.985
Demand deposits in LAK	2.143.462	1.656.340
Demand deposits in FC	3.517.084	4.426.645
Demand savings	10.828.838	9.341.554
Demand saving deposits in LAK	4.693.682	3.704.509
Demand saving deposits in FC	6.135.156	5.637.045
Term deposits	10.246.759	9.495.540
Term deposits in LAK	6.125.123	5.868.476
Term deposits in FC	4.121.636	3.627.064
Margin deposits	128.232	119.478
Margin deposits in LAK	14.408	11.716
Margin deposits in FC	113.824	107.762
Other payables to customers	48.503	270.585
	26.912.878	25.310.142
Accrued interest	194.191	92.279
	27.107.069	25.402.421

Saving deposits from customers denominated in LAK, USD and THB bear interest at rate ranging of 1,25% – 1,91%, 0,90% - 1,15% and 0,45% – 0,90% per annum respectively.

Fixed term deposits in LAK, USD, THB have terms of 3, 6, 12 months and more than 1 year and are subject to interest rates ranging of 2,00% – 14,00%, 1,05% - 8,00% and 1,40% – 7,50% per annum respectively.

28. BORROWINGS FROM OTHER BANKS

	30 September 2017 LAKm	31 December 2016 LAKm
Borrowings from the BOL	1.691.438	1.640.776
Borrowings from foreign banks	322.803	359.436
Accrued interest payables	34.374	2.095
	2.048.615	2.002.307

Borrowings from the BOL as at 30 September 2017 include:

- ▶ USD 4.599.999 long-term borrowing (original borrowing amount was USD 9.200.000 with interest rate of 0,25% per annum) for the purpose of investment in Banque Franco – Lao Limited. The loan's principal is paid annually from 2010 to 2023. Interest is paid semi-annually.
- ▶ USD 99.854.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,5% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 1 January 2016 to 27 August 2025. Interest is paid semi-annually.
- ▶ USD 99.900.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,3% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 3 May 2016 to 3 May 2026. Interest is paid semi-annually.

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28. BORROWINGS FROM OTHER BANKS (continued)

Borrowings from foreign banks and other financial institutions include:

- ▶ USD 24.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 4,58% per annum. The loan's principal and interest are paid at maturity date.
- ▶ USD 15.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 4,68% per annum. The loan's principal and interest are paid at maturity date.

29. TAXATION

29.1 Profit tax expense

Major components of tax expense for the period 30 September 2017 and 30 September 2016 are as follows:

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the nine-month period ended 30 September 2016 LAKm</i>
Current profit tax expense	71.541	34.876
Deferred profit tax income	2.499	6.664
	74.040	41.540

29.2 Tax payables

	<i>30 September 2017 LAKm</i>	<i>31 December 2016 LAKm</i>
Profit Tax payable	68.375	24.431
Value Added Tax payable	11.900	12.065
Other payable for tax	165	-
	80.440	36.496

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29. TAXATION (continued)

29.3 Current Profit tax

The Bank is obliged to pay tax at rate of 24% on total profit before tax in accordance with the Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016.

Accordingly, the Bank is subject to the tax rate of 24% for the nine-month ended 30 September 2017 (2016: 24%). The subsidiary is subject to the tax rate of 24% for the nine-month ended 30 September 2017 (2016: 24%).

The calculations of Profit taxes ("PT") for the period 30 September 2017 and 30 September 2016 are as follows:

	<i>For the period ended 30 September 2017 LAKm</i>	<i>For the period ended 30 September 2016 LAKm</i>
Consolidated profit before tax under IFRS	356.123	138.843
<i>Adjustments for:</i>		
- Difference between carrying value under LAS and amortized cost under IFRS of bonds	(17.279)	12.356
- Difference in allowance for impairment losses between LAS and IFRS of loans to customers	(26.785)	(16.368)
- Difference in allocation of subvention funds	-	1.572
- Difference in impairment loss expense of investment between LAS and IFRS	18.300	11.501
- Non-taxable profit arising from consolidation adjustments	3.118	(22.721)
- Income exempted from PT	(32.266)	(36.484)
- Non-deductible expenses	191	87
Taxable profit under LAS	301.402	88.785
<i>in which:</i>		
- Taxable profit of the parent bank	297.892	142.887
- Taxable profit of the subsidiary	3.511	2.178
PT expense of the parent bank at rate of 24% (2016: 24%)	71.494	34.293
PT expense of the subsidiary at rate of 24% (2016: 24%)	854	503
Consolidated PT expense in the period	72.348	34.796
PT payable at the beginning of the period	24.300	18.766
PT paid in the period	(26.978)	(34.373)
Additional tax liability for previous period	(1.295)	(1.319)
Other adjustment	-	(719)
PT payable at the end of the period	68.375	17.150

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

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29. TAXATION (continued)

29.4 Deferred tax assets/(liabilities)

	<i>Deferred tax assets</i>	<i>Deferred tax liabilities</i>	<i>Net deferred tax assets/ (liabilities)</i>
	<i>LAKm</i>	<i>LAKm</i>	<i>LAKm</i>
As at 1 January 2017	10.856	(9.834)	1.022
<i>Increase during the period due to:</i>			
Changes in temporary difference between taxable profit under LAS and taxable profit under IFRS	(7.357)	4.858	(2.499)
As at 30 September 2017	3.499	(4.976)	(1.477)

30. OTHER LIABILITIES

	<i>30 September 2017 LAKm</i>	<i>31 December 2016 LAKm</i>
Payables to employees	16	19.772
Payable to suppliers	21.359	20.236
Termination allowances	20.604	17.906
Items pending for settlement	50.567	33.888
Others	2.909	2.522
	95.456	94.324

31. CHARTER CAPITAL

	<i>30 September 2017 LAKm</i>	<i>31 December 2016 LAKm</i>
Balance as at 1 January 2017	682.888	682.888
Increase share capital during the period	355.729	-
Balance as at 30 September 2017	1.038.617	682.888

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32. STATUTORY RESERVES AND OTHER RESERVES

	<i>Regulatory reserve fund LAKm</i>	<i>Business expansion fund LAKm</i>	<i>Capital supplement reserve LAKm</i>	<i>Premium Stocks LAKm</i>	<i>Total LAKm</i>
As at 1 January 2017	83.955	262.777	12.275	-	359.007
Appropriation to reserves for the year 2016	17.455	17.455	-	-	34.910
Share capital surplus	-	-	-	35	35
Other	(4)	-	-	-	(4)
As at 30 September 2017	101.406	280.232	12.275	35	393.948

Under the requirement of the Law on Commercial Bank dated 16 January 2007, commercial banks are required to appropriate net profit to following reserves:

- ▶ Regulatory reserve fund
- ▶ Business expansion fund and other funds

In accordance with the Regulation on capital adequacy No.1/BOL dated 28 August 2002 by the Governor of the Bank of Lao PDR and other relevant guidance, commercial banks are required to provide regulatory reserve at the rate between 5% to 10% of profit after tax depending on the decision of the Board of Directors. The Business expansion fund and other shall be created upon decision of the Board of Directors.

33. AVAILABLE-FOR-SALE RESERVE

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the year ended 31 December 2016 LAKm</i>
Opening balance	7.385	32.789
Net changes in fair value of available-for- sale financial investments	-	(25.404)
	7.385	7.385

34. ADDITIONAL CASH FLOW INFORMATION

Cash and cash equivalents included in the interim consolidated statement of cash flows comprise the following interim consolidated statement of financial position amounts:

	<i>30 September 2017 LAKm</i>	<i>31 December 2016 LAKm</i>
Cash and cash equivalents on hand	2.233.125	1.867.159
Balances with the BOL	1.560.507	2.435.014
Current accounts with other banks	2.088.343	2.573.530
Term deposits due within 3 months	535.169	249.881
	6.417.144	7.125.584

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35. CONTINGENT LIABILITIES AND COMMITMENTS

	30 September 2017 LAKm	31 December 2016 LAKm
Bank guarantees	275.493	248.997
At sight letters of credit	285.402	579.768
Deferred payment letters of credit	204.846	141.234
Credit limit given to customer	4.000.444	4.088.546
Credit limit given to other banks	548	22.232
	4.766.732	5.080.777

Letter of credit and bank guarantees

Letters of credit (including standby letters of credit) and bank guarantees commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. Guarantees and standby letters of credit carry the same credit risks as loans. Credit guarantees can be in the form of bills of exchange or in the form of irrevocable letters of credit, advance payment guarantees, and endorsement liabilities from bills discounted.

Un-drawn commitments to lend

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Lease commitments

As at 30 September 2017, the Bank did not enter into any lease contracts as either lessor or lessee which results in future cash inflows and/or outflows.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

36. RELATED PARTY DISCLOSURES

Transactions with key management personnel of the Bank

Remuneration to members of the Board of Directors and the Board of Management is as follows:

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the nine-month period ended 30 September 2016 LAKm</i>
Salaries	1.122	1.082
Bonus	297	185
Responsibility allowance	929	903
	2.348	2.170

Other related parties

Significant balances with other related parties at 30 September 2017 are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Receivable LAKm</i>	<i>Payable LAKm</i>
The Bank of the Lao P.D.R	Direct controller	Borrowings from the BOL	-	1.714.279
The Bank of the Lao P.D.R	Direct controller	Bank's demand deposits at BOL	1.300.404	-
The Bank of the Lao P.D.R	Direct controller	Bank's compulsory deposits at BOL	1.560.507	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Investment in MOF's bonds	2.589.341	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Accrued interest	98.187	-
Lao Viet Joint Venture Bank	Joint venture	Current accounts	-	158.245
Lao Viet Joint Venture Bank	Joint venture	Term deposit	274.085	-
Banque Franco – Lao Company Limited	Joint venture	Current accounts	-	37.059
Lao China Bank Co.Ltd	Joint venture	Current accounts	-	15.377

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

37. RISK MANAGEMENT POLICIES

Introduction

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

The primary objective of the Bank in risk management is to comply with the BOL regulations. On the other hand, the Bank has recognized the importance of meeting international best practices on risk management. The Board of Directors and Board of Management, with support from an Asset and Liability Management Committee, are in process to formulate broad parameters of acceptable risk for the Bank and monitor the activities against these parameters.

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

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor those business risks through the Bank's strategic planning process.

Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Board has appointed Asset and Liability Management Committee which has the responsibility to monitor the overall risk process within the Bank.

The Asset and Liability Management Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk-Compliance Department is responsible for managing risk decisions and monitoring risk levels and reports to the Board of Directors.

The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

38. CAPITAL MANAGEMENT

The Bank maintains minimum regulatory capital in accordance with Regulation No 536/BFSD/BOL dated 14 October 2009 by the Governor of Commercial Bank Supervision Department of BOL and other detailed guidance. The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements by the BOL. The Bank recognizes the need to maintain effectiveness of assets and liabilities management to balance its profit and capital adequacy.

In accordance with Regulation 536/BFSD/BOL, the Bank's regulatory capital is analysed into two tiers:

- ▶ Tier 1 capital, which includes charter capital, regulatory reserve fund, business expansion fund and other funds, and retained earnings;
- ▶ Tier 2 capital, which is the lower of: 1.25% of total risk weighted balance sheet items and outstanding balance of general provision during the period.

Various limits are applied to elements of the capital base: qualifying tier 2 cannot exceed tier 1 capital, and qualifying subordinated liabilities may not exceed 50 percent of tier 1 capital.

An analysis of the Bank's capital based on financial information deprived from IFRS interim consolidated financial statements is as follows:

	30 September 2017 LAKm	31 December 2016 LAKm
Tier 1 capital	1.824.290	1.272.887
Tier 2 capital	3.323	3.323
Total capital	1.827.613	1.276.210
Less: Deductions from capital (Investments in other entities)	(551.775)	(551.449)
Capital for CAR calculation (A)	1.275.838	724.761
Risk weighted balance sheet items	12.155.193	11.125.282
Risk weighted off balance sheet items	2.463.975	2.463.599
Total risk weighted assets (B)	14.619.168	13.588.881
Capital Adequacy Ratio (A/B)	8,73%	5,33%

39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank's financial assets and liabilities, fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the Bank's management, the carrying amount of the financial assets and liabilities included in the interim consolidated statement of financial position are a reasonable estimation of their fair values. In making this assessment, the Bank's management assumes that loans are mainly held to maturity with fair values equal to the book value of loans adjusted for allowance for impairment losses.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

40. EARNINGS PER SHARE

Earnings per share ("EPS") amounts is calculated by dividing net profit after tax for the period attributable to ordinary shareholders of the Bank by the weighted average number of ordinary share outstanding during the period.

The following reflects the income and share data used in the basic earnings per share computation.

	<u>30 September 2017</u>	<u>30 September 2016</u>
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	281.226	96.697
Weighted average number of ordinary shares for basic earnings per share (shares)	207.723.300	136.577.600
Face value per share (LAK)	5.000	5.000
Earnings per share (LAK)	1.354	708

41. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 30 September 2017 that requires adjustment or disclosure in the interim consolidated financial statements of the Bank.

42. RECLASSIFICATION OF COMPARATIVE FIGURES

During the period, certain corresponding figures in the interim consolidated of financial position and interim consolidated of cash flows for the previous period has been reclassified to conform to the current period's presentation.

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

43. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST LAK AT PERIOD

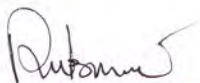
	30 September 2017 LAK	31 December 2016 LAK
USD	8.277,00	8.169,00
EUR	9.734,00	8.620,00
THB	248,80	229,19
GBP	10.928,00	9.892,00
CHF	8.124,00	7.675,00
JPY	72,19	69,15
SGD	6.182,00	5.886,00
CAD	6.341,00	5.799,00
AUD	6.387,00	5.826,00
CNY	1.227,00	1.153,00
VND	0,36	0,36

Prepared by:



Mrs. Lammaniseng Sayaphet
Head of Accounting
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Approved by:



Mrs. Phetsamone Somsana
Acting Deputy Chief of Internal
Audit Department

Approved by:



Mr. Bouavanh Simaivong
Deputy Managing Director

Vientiane, Lao P.D.R

13 November 2017



Banque Pour Le Commerce Extérieur Lao Public

Interim separate financial statements (Unaudited)

30 September 2017

Banque Pour Le Commerce Extérieur Lao Public

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Banque Pour Le Commerce Extérieur Lao Public

GENERAL INFORMATION

THE BANK

Banque Pour Le Commerce Extérieur Lao Public (herein referred to as “the Bank”) is a joint-stock bank incorporated and registered in the Lao People’s Democratic Republic (“Lao P.D.R”).

Establishment and Operations

The Bank was established from the equitization of Banque Pour Le Commerce Extérieur Lao which had been established in accordance with the Banking Business License No. 129/BOL dated 01 November 1989. On 23 December 2010, the Bank successfully undertook its Initial Public Offering. On 10 January 2011, the Bank was equitized and renamed into Banque Pour Le Commerce Extérieur Lao Public under the Operating License No. 0061/LRO dated 10 January 2011 issued by the Business License Registration Office of the Lao P.D.R. At that date, the Government, represented by the MOF, was the largest shareholder with 80% shareholding.

On 15 July 2011, the MOF sold 10% of the total ordinary shares (equivalent 13.657.759 shares) to its strategic partner named Compagnie Financière de la BRED (“COFIBRED”) in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and COFIBRED. COFIBRED is a subsidiary of BRED, the biggest regional banking society in the Banque Populaire Group - a French group of cooperative banks. The total purchased price of LAK 150.235.349.000 has been paid fully by COFIBRED.

On 17 August 2017, The Lao Securities Commission approved the Bank to recapitalize by issuing Right offering and Public offering in Lao Stock Exchange in order to increase its charter capital. The Bank received its New Established Bank License No. 21/BOL, dated 13 September 2017 issued by Bank of the Lao PDR. On 15 September 2017, The Bank successfully increased its charter capital amount LAK 355.728.500.000 (71.145.700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest Amended Business License No.0889/ERO dated 15 September 2017 issued by Ministry of Industry and Commerce.

According to notification from Lao Securities and Exchange, the shareholding structure of the Bank as at 30 September 2017 is as follows:

<i>Shareholders</i>	<i>Number of shares</i>	<i>%</i>
The Government	145.406.321	70%
Domestic Investors and foreign investors	41.544.620	20%
Strategic partners	20.772.359	10%
	207.723.300	100%

The principal activities of the Bank are to provide banking services including mobilizing and receiving short-term, medium-term, and long-term deposits from organizations and individuals; making short-term, medium-term, and long-term loans to organizations and individuals based on the nature and capability of the Bank’s sources of capital; foreign exchange transactions, international trade financial services, discounting of commercial papers, bonds and other valuable papers, and providing other banking services allowed by the Bank of Lao P.D.R.

Charter Capital

The charter capital as at 30 September 2017 is LAKm 1.038.617 (31 December 2016: LAKm 682.888).

Location and Network

The Bank’s Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao P.D.R. As at 30 September 2017, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-three (83) services units, and sixteen (16) exchange units all over Lao P.D.R.

Banque Pour Le Commerce Extérieur Lao Public

GENERAL INFORMATION (continued)

THE BANK (continued)

Subsidiary

As at 30 September 2017 the Bank has one (01) subsidiary as follows:

<i>Name</i>	<i>Business License No.</i>	<i>Business sector</i>	<i>% owned by the Bank</i>
BCEL - Krung Thai Securities Company Limited	180-10 dated 14 December 2010 by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R	Securities	70%

Joint ventures

As at 30 September 2017, the Bank has four (04) joint ventures as follows:

<i>Name</i>	<i>Business License No.</i>	<i>Business sector</i>	<i>% owned by the Bank</i>
Lao Viet Joint Venture Bank	732/ERO dated 29 August 2016 by the Ministry of Industry and Commerce	Banking & Finance	25%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of Lao P.D.R	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commerce	Insurance	35%
Lao China Bank Limited	041/ERM dated 27 January 2014 by the Department of Enterprise Register and Management of Lao P.D.R	Banking & Finance	49%

BOARD OF DIRECTORS

Members of the Board of Directors during the nine-month period ended 30 September 2017 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Bounleua Sinxayvoravong	Chairman	09 April 2015
Mr. Khamsouk Sundara	Vice Chairman	09 April 2015
Mr. Phoukhong Chanthachack	Member	09 April 2015
Mr. Phansana Khounnouvong	Member	09 April 2015
Ms. Khanthaly Vongxayarath	Member	09 April 2015
Mr. Marc Robert	Member	09 April 2015
Mr. Viengxay Chanthanvisouk	Member	09 April 2015

Banque Pour Le Commerce Exterieur Lao Public

GENERAL INFORMATION (continued)

BOARD OF MANAGEMENT

Members of the Board of Management during the nine-month period ended 30 September 2017 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/resignation</i>
Mr. Phoukhong Chanthachack	General Managing Director	Appointment on 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointment on 06 June 2008
Ms. Khanthaly Vongxayarath	Deputy Managing Director	Appointment on 30 September 2014 Resigned on 1 March 2017
Mr. Lachay Khanpravong	Deputy Managing Director	Appointment on 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointment on 30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	Appointment on 23 November 2015
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointment on 23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	Appointment on 01 November 2016

LEGAL REPRESENTATIVE

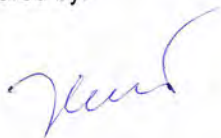
The legal representative of the Bank during the period and as at the date of this report is Mr. Phoukhong Chanthachack - General Managing Director.

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE INCOME STATEMENT (Unaudited)
for the nine-month period ended 30 September 2017

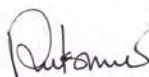
	Notes	For the nine-month period ended 30 September 2017 LAKm	For the nine-month period ended 30 September 2016 LAKm
Interest and similar income	7	1.280.412	973.290
Interest and similar expense	8	(665.778)	(633.855)
Net interest and similar income		614.634	339.435
Fee and commission income	9	143.081	139.375
Fee and commission expense	9	(14.852)	(11.085)
Net fee and commission income	9	128.229	128.290
Net trading income	10	32.414	37.934
Other operating income	11	35.082	38.913
Operating income		810.359	544.572
Credit loss expense of loans to customers	18	(151.547)	(94.807)
Reversal of/(additional) impairment losses of financial investments	12	7.583	(11.501)
NET OPERATING INCOME		666.395	438.264
Personnel expenses	13	(156.259)	(147.553)
Depreciation and amortization	22, 23	(54.835)	(52.445)
Other operating expenses	14	(99.770)	(68.389)
TOTAL OPERATING EXPENSES		(310.864)	(268.387)
PROFIT BEFORE TAX		355.531	169.877
Current profit tax expense	28.1	(70.687)	(34.373)
Deferred profit tax income	28.1	(2.499)	(6.664)
NET PROFIT FOR THE PERIOD		282.345	128.840
Earnings per share (LAK)	36	1.359	943

Prepared by:



Mrs. Lammaniseng Sayaphet
Head of Accounting
Department

Approved by:



Mrs. Phetsamone Somsana
Acting Deputy Chief of Internal
Audit Department

Approved by:



Mr. Bouavanh Simativong
Deputy Managing Director

Vientiane, Lao P.D.R

13 November 2017

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
for the nine-month period ended 30 September 2017

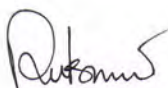
	Notes	For the nine-month period ended 30 September 2017 LAKm	For the nine-month period ended 30 September 2016 LAKm
NET PROFIT FOR THE PERIOD		282.345	128.840
OTHER COMPREHENSIVE INCOME			
Net loss on available-for-sale financial assets		-	(27.688)
Profit tax related to components of other comprehensive income		-	6.645
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		-	(21.043)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		282.345	107.797

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Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao P.D.R

13 November 2017

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION (Unaudited)
as at 30 September 2017

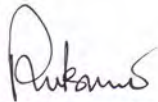
	Notes	30 September 2017 LAKm	31 December 2016 LAKm
ASSETS			
Cash and balances with the Bank of Lao P.D.R	15	5.091.750	5.678.649
Due from banks	16	2.794.839	2.855.631
Loans to customers	17	21.138.475	19.093.205
Financial investments - Available-for-sale	19	191.750	191.750
Financial investments - Held-to-maturity	20	2.589.341	2.553.110
Investments in subsidiary and joint ventures	21	561.623	561.623
Property and equipment	22	463.757	446.733
Intangible assets	23	250.808	243.503
Deferred tax assets	28.4	3.300	10.657
Other assets	24	338.790	292.715
TOTAL ASSETS		33.424.433	31.927.576
LIABILITIES			
Due to banks and other financial institutions	25	2.317.120	3.165.445
Due to customers	26	27.107.301	25.403.131
Borrowings from other banks	27	2.048.615	2.002.307
Current tax liabilities	28.2	80.098	36.365
Deferred tax liabilities	28.4	4.976	9.834
Other liabilities	29	92.505	90.927
TOTAL LIABILITIES		31.650.615	30.708.009
EQUITY			
Charter capital	30	1.038.617	682.888
Statutory reserves and other reserves	31	392.657	357.712
Available-for-sale reserve	32	8.014	8.014
Retained earnings		334.530	170.953
TOTAL EQUITY		1.773.818	1.219.567
TOTAL LIABILITIES AND EQUITY		33.424.433	31.927.576

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Mr. Bouavanh Simaliyong
Deputy Managing Director

Vientiane, Lao P.D.R

13 November 2017

Banque Pour Le Commerce Extérieur Lao Public

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY (Unaudited)
for the nine-month period ended 30 September 2017

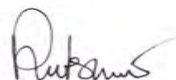
	Charter capital LAKm	Statutory reserves and other reserves LAKm	Available-for-sale reserve LAKm	Retained earnings LAKm	Total LAKm
Balance as at 31 December 2016	682.888	357.712	8.014	170.953	1.219.567
Dividend of 2016 paid out to shareholders	-	-	-	(83.858)	(83.858)
Net profit for the period	-	-	-	282.345	282.345
Increase share capital	355.729	-	-	-	355.729
Appropriation to reserve for the year 2016	-	34.910	-	(34.910)	-
Others	-	35	-	-	35
Balances as at 30 September 2017	1.038.617	392.657	8.014	334.530	1.773.818

Prepared by:



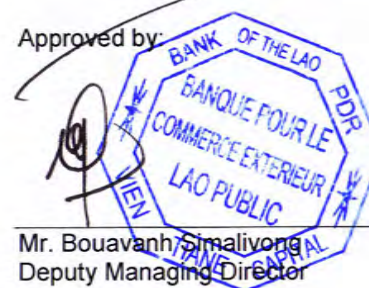
Mrs. Lammaniseng Sayaphet
Head of Accounting Department

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Acting Deputy Chief of Internal Audit Department

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Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao P.D.R

13 November 2017

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF CASH FLOWS (Unaudited)
for the nine-month period ended 30 September 2017

		For the nine-month period ended 30 September 2017 LAKm	For the nine-month period ended 30 September 2016 LAKm
OPERATING ACTIVITIES	<i>Notes</i>		
Profit before tax		355.531	169.877
<i>Adjustments for:</i>			
Depreciation and amortization charges	22, 23	54.835	52.445
Expense for impairment losses	18	151.548	94.807
Changes in provision for impairment loss on investment securities	12	7.583	11.501
Allocation of subvention fund		-	1.572
Dividend income	11	(31.978)	(36.134)
Cash flows from operating profit before changing in operating assets and liabilities		537.519	294.068
<i>Changes in operating assets</i>			
Net change in balances with other banks		(59.243)	1.208.459
Net change in loans to customers		(2.195.783)	(6.718.216)
Financial investment - Held-to-maturity		(36.231)	(777.810)
Financial investment - Available-for-sale		-	36.433
Net change in other assets		(38.718)	(87.770)
<i>Changes in operating liabilities</i>			
Net change in due to other banks		(802.017)	1.525.408
Net change in due to customers		1.704.170	3.162.443
Net change in other liabilities		(13.072)	(51.540)
Tax paid during the period	28.3	(26.466)	(34.373)
Net cash flows used in operating activities		(929.841)	(1.442.899)
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(80.059)	(66.093)
Proceeds from disposals of fixed assets		887	47.250
Dividend received		31.978	36.134
Net cash flows (used in)/from investing activities		(47.194)	17.291
FINANCING ACTIVITIES			
Increase share capital of received		355.764	-
Payment of dividends		(83.858)	(34.910)
Net cash flows used in financing activities		271.906	(34.910)
Net decrease in cash and cash equivalents		(705.129)	(1.460.518)
Cash and cash equivalents at the beginning of the period		7.119.186	10.148.821
Foreign exchange difference		(1.803)	1.200
Cash and cash equivalents at the end of the period	33	6.412.254	8.689.501

Prepared by:

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Approved by:



Mr. Bouavanh Simavong
Deputy Managing Director

Vientiane, Lao P.D.R

13 November 2017

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

1. CORPORATE INFORMATION

Banque Pour Le Commerce Extérieur Lao Public (herein referred to as “the Bank”) is a joint-stock bank incorporated and registered in the Lao People’s Democratic Republic.

Establishment and Operations

The Bank was established from the equitization of Banque Pour Le Commerce Extérieur Lao which had been established in accordance with the Banking Business License No. 129/BOL dated 01 November 1989. On 23 December 2010, the Bank successfully undertook its Initial Public Offering. On 10 January 2011, the Bank was equitized and renamed into Banque Pour Le Commerce Extérieur Lao Public under the Operating License No. 0061/LRO dated 10 January 2011 issued by the Business License Registration Office of the Lao P.D.R. At that date, the Government, represented by the MOF, was the largest shareholder with 80% shareholding.

On 15 July 2011, the MOF sold 10% of the total ordinary shares (equivalent 13.657.759 shares) to its strategic partner named Compagnie Financière de la BRED (“COFIBRED”) in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and COFIBRED. COFIBRED is a subsidiary of BRED, the biggest regional banking society in the Banque Populaire Group - a French group of cooperative banks. The total purchased price of LAK 150.235.349.000 has been paid fully by COFIBRED.

On 17 August 2017, The Lao Securities Commission approved the Bank to recapitalize by issuing Right offering and Public offering in Lao Stock Exchange in order to increase its charter capital. The Bank received its New Established Bank License No. 21/BOL, dated 13 September 2017 issued by Bank of the Lao PDR. On 15 September 2017, The Bank successfully increased its charter capital amount LAK 355.728.500.000 (71.145.700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest Amended Business License No.0889/ERO dated 15 September 2017 issued by Ministry of Industry and Commerce.

According to notification from Lao Securities and Exchange Commission, the shareholding structure of the Bank as at 30 September 2017 is as follows:

<i>Shareholders</i>	<i>Number of shares</i>	<i>%</i>
The Government	145.406.321	70%
Local investors and foreign investors	41.544.620	20%
Strategic partners	20.772.359	10%
	207.723.300	100%

The principal activities of the Bank are to provide banking services including mobilizing and receiving short-term, medium-term, and long-term deposits from organizations and individuals; making short-term, medium-term, and long-term loans to organizations and individuals based on the nature and capability of the Bank’s sources of capital; foreign exchange transactions, international trade financial services, discounting of commercial papers, bonds and other valuable papers, and providing other banking services allowed by the Bank of Lao P.D.R.

Charter Capital

The charter capital as at 30 September 2017 is LAKm 1.038.617 (31 December 2016: LAKm 682.888).

Location and Network

The Bank’s Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao P.D.R. As at 30 September 2017, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-three (83) services units, and sixteen (16) exchange units all over Lao P.D.R.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

1. CORPORATE INFORMATION (continued)

Subsidiary

As at 30 September 2017, the Bank has one (01) subsidiary as follows:

<i>Name</i>	<i>Business License No.</i>	<i>Business sector</i>	<i>% owned by the Bank</i>
BCEL - Krung Thai Securities Company Limited	180-10 dated 14 December 2010 by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R	Securities	70%

Joint ventures

As at 30 September 2017, the Bank has four (04) joint ventures as follows:

<i>Name</i>	<i>Business License No.</i>	<i>Business Sector</i>	<i>% owned by the Bank</i>
Lao Viet Joint Venture Bank	732/ERO dated 29 August 2016 by the Ministry Of Industry and Commerce	Banking & Finance	25%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of Lao P.D.R	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry Of Industry and Commerce	Insurance	35%
Lao China Bank Limited	041/ERM dated 27 January 2014 by the Department of Enterprise Register and Management of Lao P.D.R	Banking & Finance	49%

Board of Directors

Members of the Board of Directors during the nine-month period ended 30 September 2017 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Bounleua Sinxayvoravong	Chairman	09 April 2015
Mr. Khamsouk Sundara	Vice Chairman	09 April 2015
Mr. Phoukhong Chanthachack	Member	09 April 2015
Mr. Phansana Khounnouvong	Member	09 April 2015
Ms. Khanthaly Vongxayarath	Member	09 April 2015
Mr. Marc Robert	Member	09 April 2015
Mr. Viengxay Chanthanvisouk	Member	09 April 2015

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

1. CORPORATE INFORMATION (continued)

Board of Management

Members of the Board of Management during the nine-month period ended 30 September 2017 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/resignation</i>
Mr. Phoukhong Chanthachack	General Managing Director	Appointment on 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointment on 06 June 2008
Ms. Khanthaly Vongxayarath	Deputy Managing Director	Appointment on 30 September 2014 Resigned on 1 March 2017
Mr. Lachay Khanpravong	Deputy Managing Director	Appointment on 30 September 2014
Mr. Nanthath Keopaseuth	Deputy Managing Director	Appointment on 30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	Appointment on 23 November 2015
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointment on 23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	Appointment on 01 November 2016

Employees

Total number of employees of the Bank as at 30 September 2017 is 1.667 persons (as at 31 December 2016: 1.591 persons).

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

2. BASIS OF PREPARATION

The interim separate financial statements have been prepared on a historical cost basis, except as disclosed in other notes.

The Bank maintains its records in Lao Kip ("LAK") and prepared its interim separate financial statements in millions of LAK ("LAKm"). The Bank uses a decimal comma (,) and a dot (.) to separate thousands.

The interim separate financial statements were prepared in order to present the interim separate financial position and interim separate financial performance and interim separate cash flows of the Bank, specifically:

- ▶ The accompanying financial statements cover operations of the Bank including Head office and its branches only;
- ▶ Investments in subsidiary and joint ventures are accounted for under the cost method of accounting.

Purpose of preparing the interim separate financial statements

The Bank has prepared and issued the interim separate financial statements in accordance with IFRS. In addition, the Bank has also prepared and issued its interim consolidated financial statements for the nine-month period ended 30 September 2017 on 13 November 2017.

Users of the accompanying interim separate financial statements should read them together with the interim consolidated financial statements of the Bank and its subsidiary for the nine-month period ended 30 September 2017 in order to obtain full information on the interim consolidated financial position, interim consolidated results of operations and interim consolidated cash flows of the Bank and its subsidiary.

The Bank's fiscal year starts on 1 January and ends on 31 December.

3. STATEMENT OF COMPLIANCE

The interim financial statements of the Bank for the nine-month period ended 30 September 2017 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

4. PRESENTATION OF THE INTERIM FINANCIAL STATEMENTS

The Bank presents its interim statement of financial position in order of liquidity. Financial assets and financial liabilities are generally reported gross in the interim separate statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognized amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- ▶ The normal course of business
- ▶ The event of default
- ▶ The event of insolvency or bankruptcy of the Bank and/or its counterparties

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim separate financial statements are consistent with those followed in the preparation of the Bank's annual separate financial statements for the year ended 31 December 2016.

5.1 *Foreign currency translation*

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK on 30 September 2017 and 31 December 2016 as presented in Note 41). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance date are recognized in the interim separate income statement.

5.2 *Financial instruments - initial recognition and subsequent measurement*

5.2.1 *Date of recognition*

All financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes "regular way trades" - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' account. The Bank recognises due to customer balances when funds reach the Bank.

5.2.2 *Initial measurement of financial instruments*

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

5.2.3 *The effective interest rate method*

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period, to the net carrying amount of the financial asset or financial liability. The amortised cost of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted amortised cost is calculated based on the original or latest re-estimated EIR and the change in is recorded as "Interest and similar income" for financial assets and "Interest and similar expense" for financial liabilities. The accounting policies for the EIR method vary by instruments and are further explained in Notes:

- ▶ 5.2.6 for "Held-to-maturity financial investments"
- ▶ 5.2.7 for "Due from banks and loans and advances to customers"
- ▶ 5.2.8 for "Due to other banks and customers and other borrowed funds"
- ▶ 5.4 for "Impairment of financial assets"
- ▶ 5.7 for "Recognition of income and expenses"

5.2.4 *'Day 1' profit or loss*

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a "Day 1" profit or loss) in "Net trading income". In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 *Financial instruments - initial recognition and subsequent measurement* (continued)

5.2.5 *Available for sale financial investments*

Available for sale investments include equity. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

The Bank has not designated any loans or receivables as available for sale.

After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognized directly in equity (Other comprehensive income) in the „Available-for-sale reserve“. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the interim separate income statement in „Other operating income“. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Dividends earned while holding available-for-sale financial investments are recognized in the interim separate income statement as „Other operating income“ when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the interim separate income statement in „Impairment losses on financial investments“ and removed from the „Available-for-sale reserve“.

5.2.6 *Held-to-maturity financial investments*

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the EIR. Periodically, held-to-maturity securities are subject to review for impairment. Allowance for impairment of these securities is made when there has been a significant or prolonged decline in the fair value below their cost. The losses arising from impairment of such investments are recognized in the interim separate income statement line „Impairment loss expense“.

If the Bank were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

5.2.7 *Due from banks and loans and advances to customers*

„Due from banks“ and „Loans and advances to customers“ include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- ▶ Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss;
- ▶ Those that the Bank, upon initial recognition, designates as available-for-sale;
- ▶ Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 *Financial instruments - initial recognition and subsequent measurement* (continued)

5.2.7 *Due from banks and loans and advances to customers* (continued)

After initial measurement, amounts „Due from banks“ and „Loans and advances to customers“ are subsequently measured at amortized cost using the EIR methodology, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Therefore, the Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of the loan, hence, recognising the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (prepayments, penalty interest and charges).

If expectations are revised the adjustment is booked a positive or negative adjustment to the carrying amount in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the interim separate income statement.

The Bank may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Bank, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss (for example, due to a counterparty credit event).

5.2.8 *Due to other banks and customers and other borrowed funds*

“Due to other banks and customers and other borrowed funds” include arrangements where the substance of the contractual arrangements result in the Bank having an obligation either to deliver cash or another financial asset to the holder.

After initial measurement, “Due to other banks and customers and other borrowed funds” are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

5.2.9 *Reclassification of financial assets*

Effective from 1 July 2008, the Bank was permitted to reclassify, in certain circumstances, non-derivative financial assets out of the „Held-for-trading“ category and into the „Available-for-sale“, „Loans and receivables“, or „Held-to-maturity“ categories. From this date it was also permitted to reclassify, in certain circumstances, financial instruments out of the „Available-for-sale“ category and into the „Loans and receivables“ category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost.

For a financial asset reclassified out of the „Available-for-sale“ category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to the interim separate income statement.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 *Financial instruments - initial recognition and subsequent measurement* (continued)

5.2.9 *Reclassification of financial assets* (continued)

In rare circumstances, the Bank may reclassify a non-derivative trading asset out of the „Held-for-trading“ category and into the „Loans and receivables“ category if it meets the definition of loans and receivables and the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis.

5.3 *De-recognition of financial assets and financial liabilities*

5.3.1 *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired. The Bank also derecognises the assets if it has both transferred the asset, and the transfer qualifies for derecognition.

The Bank has transferred the asset if, and only if, either:

- ▶ The Bank has transferred its contractual rights to receive cash flows from the asset or
- ▶ It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a „pass-through“ arrangement.

Pass-through arrangements are transactions when the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when certain conditions are met. As at 30 September 2017, the Bank does not have financial assets which are subject to such arrangements.

A transfer only qualifies for derecognition if either:

- ▶ The Bank has transferred substantially all the risks and rewards of the asset or
- ▶ The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

In relation to the above, the Bank considers the control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3 *De-recognition of financial assets and financial liabilities* (continued)

5.3.1 *Financial assets* (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

The Bank also derecognises a financial asset, in particular, a loan to customer when the terms and conditions have been renegotiated to the extent that it substantially became a new loan, with the difference recognised as an impairment in the interim separate income statement.

5.3.2 *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

5.4 *Impairment of financial assets*

The Bank assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred „loss event“) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganization; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 *Impairment of financial assets* (continued)

5.4.1 *Financial assets carried at amortized cost*

Specific impairment losses

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers), the Bank first assesses whether objective evidence of impairment exists for financial assets that are individually significant or are already under specific work out by management.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in credit loss expense in the interim separate income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and similar income.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 Impairment of financial assets (continued)

5.4.1 Financial assets carried at amortized cost (continued)

Collective impairment model

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of a credit risk evaluation or grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors).

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, personal indebtedness, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

5.4.2 Impairment of available for sale investments

The Bank records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is „significant“ or „prolonged“ requires judgment. In making this judgment, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

5.4.3 Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's annually reporting schedule.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited interim separate financial statements, and other independent sources.

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 *Impairment of financial assets (continued)*

5.4.4 *Collateral repossessed*

The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold, are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy.

5.5 *Investment in subsidiaries*

Investments in subsidiaries over which the Bank has control are accounted for under the cost method of accounting. Distributions from accumulated net profits of the subsidiaries arising subsequent to the date of acquisition are recognized in the interim separate income statement. Distributions from sources other than from such profits are considered a recovery of investment and are deducted from the cost of the investment.

The allowance for impairment is made for investment in subsidiary when the subsidiary is making loss (except for the loss which is identified in the business plan before establishment). Accordingly, the allowance is made for difference between actual investment in the subsidiary and the Bank's proportionate share in the subsidiary's net equity.

5.6 *Investment in joint ventures*

Investments in joint ventures over which the Bank has control are accounted for under the cost method of accounting. Distributions from accumulated net profits of the joint ventures arising subsequent to the date of acquisition are recognized in the interim separate income statement. Distributions from sources other than from such profits are considered a recovery of investment and are deducted from the cost of the investment.

The allowance for impairment is made for investment in joint venture when the joint venture is making loss (except for the loss which is identified in the business plan before establishment). Accordingly, the allowance is made for difference between actual investment in the joint venture and the Bank's proportionate share in the joint venture's net equity.

5.7 *Recognition of income and expense*

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

5.7.1 *Interest and similar income and expense*

For all financial instruments measured at amortized cost, interest-bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

When the recorded value of a financial asset or a group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.7 Recognition of income and expense (continued)

5.7.2 Fees and commission income

The Bank earns fees and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Fee income forming an integral part of the corresponding financial instrument

Fees that the Bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR (as defined in Note 5.2.3 above). The exception is, when it is unlikely that a loan will be drawn down, the loan commitment fees are recognised as revenue on expiry. Loan commitments that are within the scope of IAS 39 (i.e., are designated as FVPL, or are at a below market rate of interest, or are settled net) are accounted for as derivatives and measured at fair value through profit or loss.

Dividend income

Dividend income is recognized when the Bank's right to receive the payment is established.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities „held for trading“. This includes any ineffectiveness recorded in hedging transactions.

5.8 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, non-restricted current accounts with the BOL and amounts due from banks on demand or with an original maturity of three months or less.

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.9 Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The following are annual rates used:

Buildings & improvements	5%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in „Other operating income‘ in the interim separate income statement in the year the asset is derecognized.

5.10 Intangible assets

The Bank’s other intangible assets include the value of land use rights and software.

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the interim separate income statement in the expense category consistent with the function of the intangible asset.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

► Software	2 - 5 years
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The land use rights of the Bank was not amortized as land use rights have indefinite term and was granted by the Government of Lao P.D.R.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.11 *Impairment of non-financial assets*

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit (CGU)'s fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the interim separate income statement.

5.12 *Financial guarantees*

In the ordinary course of business, the Bank issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the interim separate financial statements (within „Other liabilities“) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the interim separate income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the interim separate income statement in „Credit loss expense“. The premium received is recognized in the interim separate income statement in „Net fees and commission income“ on a straight line basis over the life of the guarantee.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.13 *Employee benefits*

Post-employment benefits

Post-employment benefits are paid to retired employees of the Bank by retirement reserve setup by the Bank. The Bank's policy is to deduct a certain monthly amount from employees' salary to contribute to such reserve. Currently, the applied rate is 8,00% of employees' monthly basic salary. The Bank has no further obligation concerning post-employment benefits for its employees other than this.

Termination benefits

In accordance with Article 82 of the Amended Labour Law No. 43/NA approved by the President of the Lao People's Democratic Republic on 28 January 2014, the Bank has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

- ▶ The worker lacks specialised skills or is not in good health and thus cannot continue to work;
- ▶ The employer considers it necessary to reduce the number of workers in order to improve the work within the labour unit.

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 30 September 2017, there is no employee of the Bank who was dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the interim separate financial statements.

5.14 *Provisions*

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Bank determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the interim separate income statement net of any reimbursement in other operating expenses.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.15 Profit tax

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Bank operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of available-for-sale assets, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI. These exceptions are subsequently reclassified from OCI to the income statement together with the respective deferred loss or gain. The Bank also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Bank only off-sets its deferred tax assets against liabilities when there is both a legal right to offset and it is the Bank's intention to settle on a net basis.

5.16 Fiduciary assets

The Bank provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the interim separate financial statements, as they are not the assets of the Bank.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.17 Equity reserves

The reserves recorded in equity on the Bank's interim separate statement of financial position include:

- ▶ Statutory reserves which are created in accordance with prevailing regulations of Lao P.D.R, as stated in Note 31; and
- ▶ Available-for-sale reserve which comprises changes in fair value of available-for-sale investments, as stated in Note 32.

5.18 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's interim separate financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Bank does not anticipate early adopting IFRS 15 and is currently evaluating its impact.

IFRS 16 Leases

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise „short-term“ leases and leases of „low-value“ assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Bank does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's interim separate financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the interim separate financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

6.1 *Going concern*

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the interim separate financial statements continue to be prepared on the going concern basis.

6.2 *Effective Interest Rate method*

The Bank's EIR methodology, as explained in Note 5.2.3, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to other fee income/expense that are integral parts of the instrument.

6.3 *Impairment losses on loans and advances*

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the interim separate income statement.

The Bank's impairment methodology for assets carried at amortised cost results in the recording of provisions for:

- ▶ Specific impairment losses on individually significant or specifically identified exposures;
- ▶ Collective impairment.

The detailed approach for each category is further explained in Note 5.4.1. All categories include an element of management's judgement, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the changing of which can result in different levels of allowances.

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

6.4 Impairment of available-for-sale investments

The Bank reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired as explained in Note 5.4.2.

This assessment, including estimated future cash flows and other inputs in to the discounted cash flow model and in the case of equity instruments, the interpretation of what is „significant“ or „prolonged“ requires judgement. In making this judgement, the Bank evaluates, among other factors, historical share price movements, and the duration and extent to which the fair value of an investment is less than its cost.

6.5 Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

7. INTEREST AND SIMILAR INCOME

	<i>For the nine-month period ended 30 September 2017</i>	<i>For the nine-month period ended 30 September 2016</i>
	<i>LAKm</i>	<i>LAKm</i>
Interest income from lending to customers	1.141.112	883.572
Interest income from deposits at other banks	12.479	4.353
Interest income from investment securities	98.187	62.483
Other interest and similar income	28.634	22.882
	1.280.412	973.290

8. INTEREST AND SIMILAR EXPENSE

	<i>For the nine-month period ended 30 September 2017</i>	<i>For the nine-month period ended 30 September 2016</i>
	<i>LAKm</i>	<i>LAKm</i>
Interest expense for due to other banks	86.701	54.455
Interest expense for customer deposits	579.077	579.400
	665.778	633.855

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9. NET FEES AND COMMISSION INCOME

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the nine-month period ended 30 September 2016 LAKm</i>
Fees and commission income from:		
Settlement services	95.626	88.914
Treasury activities	42.825	48.581
Other activities	4.630	1.880
	143.081	139.375
Fees and commission expense for:		
Settlement services	(12.818)	(10.081)
Treasury activities	(2.034)	(1.004)
	(14.852)	(11.085)
Net fees and commission income	128.229	128.290

10. NET TRADING INCOME

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the nine-month period ended 30 September 2016 LAKm</i>
Gains from foreign currencies trading	2.577.237	2.469.275
Loss from foreign currencies trading	(2.544.826)	(2.431.341)
Gain from foreign currencies trading	32.411	37.934
Gain/loss from trading in gold and other precious metals	3	-
	32.414	37.934

11. OTHER OPERATING INCOME

	<i>For the nine- month period ended 30 September 2017 LAKm</i>	<i>For the nine- month period ended 30 September 2016 LAKm</i>
Dividend income	31.978	36.134
Recovery of bad debts written-off	3.065	2.192
Others	39	587
	35.082	38.913

12. REVERSAL OF/(ADDITIONAL) IMPAIRMENT LOSSES FOR FINANCIAL INVESTMENTS

	<i>For the nine- month period ended 30 September 2017 LAKm</i>	<i>For the nine- month period ended 30 September 2016 LAKm</i>
Reversal of/(additional) impairment losses for held- to-maturity securities (Note 20)	7.583	(11.501)
	7.583	(11.501)

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13. PERSONNEL EXPENSES

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the nine-month period ended 30 September 2016 LAKm</i>
Salary and wages	92.118	86.014
Welfare	58.917	56.111
Retirement for employee	897	1.460
Allowance	4.121	3.879
Training	206	89
	156.259	147.553

14. OTHER OPERATING EXPENSES

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the nine-month period ended 30 September 2016 LAKm</i>
External services	18.796	17.077
Repair and maintenance	11.695	10.546
Publication, marketing and promotion	4.547	2.781
Office rental	4.012	6.538
Telecommunication	4.449	835
Training, meeting and seminar	7.311	6.580
Insurance fee for depositor protection fund	18.104	15.638
Tax and other duties	123	495
Written construction in progress	18.455	-
Others	12.278	7.899
	99.770	68.389

15. CASH AND BALANCES WITH THE BANK OF LAO P.D.R

	<i>30 September 2017 LAKm</i>	<i>31 December 2016 LAKm</i>
Cash on hand in LAK	1.388.212	1.016.613
Cash on hand in foreign currencies ("FC")	844.908	850.541
Balances with the BOL:		
- Compulsory deposit	1.300.405	1.378.763
- Demand deposit	1.558.225	2.432.732
	5.091.750	5.678.649

Balances with the BOL include settlement and compulsory. These balances earn no interest.

Under regulations of the BOL, the Bank is required to maintain certain reserves with the BOL in the form of compulsory deposits, which are computed at 5,00% for LAK and 10,00% for foreign currencies (2016: 5,00% and 10,00%), on a bi-monthly basis, of customer deposits having original maturities of less than 12 months. During the period, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

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16. DUE FROM BANKS

	30 September 2017 LAKm	31 December 2016 LAKm
Current and saving accounts	2.085.740	2.569.420
- In LAK	3.823	2.174.414
- In foreign currencies	2.081.917	395.006
Term deposits	704.705	284.330
- In LAK	514.200	123.171
- In foreign currencies	190.505	161.159
Accrued interest	4.394	1.881
	2.794.839	2.855.631

Interest rates for amounts due from other banks during the nine-month period are as follows:

	For the nine-month period ended 30 September 2017 % per annum	For the year ended 31 December 2016 % per annum
Demand deposits	No interest	No interest
Saving deposits	0,02 – 1,25	0,02 – 1,25
Term deposits	1,00 – 4,00	1,00 – 3,00

17. LOANS TO CUSTOMERS

	30 September 2017 LAKm	31 December 2016 LAKm
Gross loans	21.412.708	19.240.075
In which:		
Loans funded by borrowing from BOL (Note 27)	1.691.438	1.640.776
Accrued interest related to loans to customers	215.859	192.709
Less: Allowance for impairment losses (see Note 18)	(490.092)	(339.579)
	21.138.475	19.093.205

Interest rates for commercial loans during the nine-month period are as follows:

	For the nine-month period ended 30 September 2017 % per annum	For the year ended 31 December 2016 % per annum
Loans denominated in LAK	6,00 – 16,00	6,00 – 16,00
Loans denominated in USD	2,00 – 16,00	2,00 – 14,00
Loans denominated in THB	6,00 – 11,00	6,00 – 12,00

Analysis of loan portfolio by currency:

	30 September 2017 LAKm	31 December 2016 LAKm
Loans denominated in LAK	9.060.320	7.408.014
Loans denominated in USD	9.527.665	9.300.297
Loans denominated in THB	2.824.723	2.531.764
	21.412.708	19.240.075

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17. LOANS TO CUSTOMERS (continued)

Analysis of loan portfolio by original maturity:

	30 September 2017 LAKm	31 December 2016 LAKm
Short-term loans	2.585.218	2.966.973
Medium-term loans	12.553.474	11.301.876
Long-term loans	6.274.016	4.971.226
	21.412.708	19.240.075

The loan portfolio at nine-month ended comprised loans to entities in the following sectors:

	30 September 2017		31 December 2016	
	LAKm	%	LAKm	%
Industrial services companies	10.730.687	50,11%	9.796.735	50,92%
Construction companies	3.508.016	16,38%	3.305.600	17,18%
Technical instruments enterprises	101.074	0,47%	63.867	0,33%
Agricultural & forestry	50.972	0,24%	48.385	0,25%
Trading companies	3.895.033	18,19%	3.498.551	18,18%
Transportation companies	627.570	2,93%	642.664	3,34%
Services companies	2.245.906	10,49%	1.701.361	8,84%
Handicrafts	9.182	0,04%	9.958	0,05%
Others	244.268	1,14%	172.954	0,91%
	21.412.708	100%	19.240.075	100%

18. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in the allowance for impairment losses of loans to customers during the nine-month period ended 30 September 2017 are as follows:

	<i>Allowance for impairment of loans to customers LAKm</i>
Balance as at 1 January 2017	339.579
Net change during the period	151.548
Foreign exchange differences	(1.035)
Balance as at 30 September 2017	490.092

Break down of allowance for impairment losses of loans to customers as at 30 September 2017 and 31 December 2016 are as follows:

	30 September 2017		31 December 2016	
	<i>Outstanding balance LAKm</i>	<i>Impairment LAKm</i>	<i>Outstanding balance LAKm</i>	<i>Impairment LAKm</i>
Individually impaired	2.408.501	352.874	2.792.381	290.125
Collectively impaired	19.004.207	137.218	16.447.694	49.454
	21.412.708	490.092	19.240.075	339.579

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19. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	30 September 2017 LAKm	31 December 2016 LAKm
Listed shares of EDL-Generation Public Company	191.750	191.750
	191.750	191.750

20. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

	30 September 2017 LAKm	31 December 2016 LAKm
Amortized cost of Treasury bills issued by the Ministry of Finance	2.068.888	1.998.663
Amortized cost of Bonds issued by the Ministry of Finance	525.812	567.389
	2.594.700	2.566.052
Impairment losses for investments in Held-to-maturity securities (*)	(5.359)	(12.942)
- Impairment losses for Treasury bills issued by the Ministry of Finance	(73)	(1.926)
- Impairment losses for Bonds issued by the Ministry of Finance	(5.286)	(11.016)
	2.589.341	2.553.110

(*): The net change in impairment losses of LAKm 7.583 for the nine-month ended 30 September 2017 is recorded in the interim separate income statement as reversal of impairment loss for held-to-maturity securities (Note 12).

20.1 Treasury bills issued by the Ministry of Finance

Details of the treasury bills as at 30 September 2017 are as follows:

Term	Issue date	Maturity date	Face value LAKm	Amortized cost LAKm	Interest rate per annum (nominal)
1 year	20-Dec-16	20-Dec-17	50.000	51.411	4,00%
1 year	10-Oct-16	10-Oct-17	2.000	2.075	4,00%
1 year	12-Nov-16	12-Nov-17	8.000	8.154	4,00%
1 year	18-Nov-16	18-Nov-17	300.000	312.944	5,00%
1 year	16-Dec-16	16-Dec-17	146.000	151.730	5,00%
1 year	17-Feb-17	17-Feb-18	300.000	309.160	5,00%
1 year	10-Mar-17	10-Mar-18	73.000	75.018	5,00%
1 year	28-Mar-17	28-Mar-18	350.000	359.003	5,00%
1 year	18-Apr-17	18-Apr-18	100.000	102.230	5,00%
1 year	28-Apr-17	28-Apr-18	20.000	20.419	5,00%
1 year	19-May-17	19-May-18	10.000	10.181	5,00%
1 year	26-May-17	26-May-18	58.000	58.993	5,00%
1 year	16-Jun-17	16-Jun-18	500.000	507.135	5,00%
1 year	25-Aug-17	25-Aug-18	50.000	50.241	5,00%
1 year	1-Sep-17	1-Sep-18	50.000	50.195	5,00%
			2.017.000	2.068.888	

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20. FINANCIAL INVESTMENTS - HELD-TO-MATURITY (continued)

20.2 Bonds issued by the Ministry of Finance

	30 September 2017 LAKm	31 December 2016 LAKm
Capitalization bonds	67.842	67.391
Other bonds	457.970	499.998
	525.812	567.389

Capitalization bonds were issued by the MOF to increase the Bank's chartered capital with details as followings:

<i>Purchased date</i>	<i>Maturity date</i>	<i>Face value (LAKm)</i>	<i>Amortized cost (LAKm)</i>	<i>Term</i>	<i>Interest rate (% per annum)</i>
1 March 2014	1 March 2019	68.600	67.842	5 years	4.00%
		68.600	67.842		

► Details of other bonds are as follows:

<i>Purchase date</i>	<i>Maturity date</i>	<i>Face value LAKm</i>	<i>Amortized cost LAKm</i>	<i>Interest rate (% p.a)</i>
3-Jul-16	3-Jul-21	29.780	29.995	3,00%
12-Mar-14	12-Mar-18	20.000	20.166	4,25%
31-Jul-15	31-Jul-18	5.000	4.809	4,25%
7-May-13	7-May-18	22.000	21.247	4,25%
11-Jun-13	11-Jun-18	9.000	8.608	4,25%
12-Jun-13	12-Jun-18	25.000	23.904	4,25%
13-Jun-13	13-Jun-18	1.000	956	4,25%
16-May-13	16-May-18	5.000	4.817	4,25%
18-Sep-12	18-Sep-18	4.000	3.732	4,25%
31-Jul-15	31-Jul-18	2.000	1.912	4,25%
30-Dec-14	30-Dec-17	100.000	103.806	5,10%
2-Aug-16	2-Aug-18	14.000	13.336	4,25%
11-Jun-16	11-Jun-18	2.000	1.847	4,25%
23-Dec-16	23-Dec-18	210.000	218.837	5,50%
		448.780	457.970	

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21. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

	30 September 2017		31 December 2016	
	Cost LAKm	Ownership %	Cost LAKm	Ownership %
Investments in subsidiaries				
BCEL - Krung Thai Securities Company Limited	70.000	70%	70.000	70%
Investments in joint ventures				
Lao Viet Joint Venture Bank	197.839	25%	197.839	25%
Banque Franco - Lao Company Limited	138.000	46%	138.000	46%
Lao China Bank Company Limited	147.000	49%	147.000	49%
Lao-Viet Insurance Joint Venture Company	8.784	35%	8.784	35%
	561.623		561.623	

- BCEL - Krung Thai Securities Company Limited is incorporated in the Lao P.D.R under the Business License No. 180-10 granted by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R on 14 December 2010. The company's principal activities are to provide brokerage services, proprietary trading, finance and securities investment advisory services, custody services, underwriting for share issues and other value added services.
- Lao Viet Joint Venture Bank ("LVB") is incorporated in the Lao P.D.R with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with the Bank for Investment and Development of Vietnam, a state-owned commercial bank incorporated in the Socialist Republic of Vietnam. The joint venture was granted the banking license on 31 March 2000 by Bank of the Lao P.D.R for a year of 30 years. In 2015, LVB increased its contributed capital to LAK 791.357.560.000. The Bank's ownership rate in LVB after the capital increase is 25% in accordance with Investment License No. 004-15/KH-DDT4 issued by Ministry of Planning and Investment on 24 August 2015, equivalent to LAK 197.839.390.000.
- Banque Franco - Lao Limited ("BFL") is incorporated in the Lao P.D.R with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with Cofibred Company Frances De La Bred which is a state-owned bank incorporated in Paris, France. The joint venture was granted the temporary banking license on 01 October 2009 and a permanent license on 16 July 2010 by Bank of the Lao P.D.R. The legal capital of BFL was USD 20 million which was later revised to USD 37 million in accordance with the President's decree issued on 24 September 2009 and letter No. 01/BOL dated 28 January 2010 from BOL. As at 30 September 2017, the contributed capital of the Bank included USD 1.840.000 and LAK 122.854.960.000.
- Lao-Viet Insurance Joint Venture Company ("LVI") is incorporated as a joint venture company in the Lao P.D.R providing insurance services under the Investment License No. 077/08/FIMC issued by the Foreign Investment Management Committee on 09 June 2008. It is a joint venture with BIDV Insurance Joint Stock Corporation and Lao Viet Joint Venture Bank. LVI's legal capital is USD 3.000.000 and has been fully contributed by partners on 17 July 2008. In 2013, the Bank has contributed additional capital of USD 180.000 on 02 September 2013. As at 30 September 2017, the total contributed capital of the Bank in this company was USD 1.050.000, equivalent to LAKm 8.784.
- Lao China Bank Company Limited ("LCNB") is incorporated in the Lao P.D.R and engages in the provision of banking services. It is a joint venture with Fudian Bank China, a state-owned commercial bank incorporated in China. The joint venture bank was granted the Banking Business Licence on 20 January 2014 by Bank of the Lao P.D.R. The legal capital of LCNB was LAKm 300.000 and had been fully contributed by partners as at 30 September 2017.

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22. PROPERTY AND EQUIPMENT

Movements of property and equipment for the nine-month period ended 30 September 2017 are as follows:

	<i>Buildings & improvements LAKm</i>	<i>Office equipment LAKm</i>	<i>Furniture & fixtures LAKm</i>	<i>Motor vehicles LAKm</i>	<i>Total LAKm</i>
Cost:					
As at 1 January 2017	447.479	127.724	35.042	18.852	629.097
Additions	32.318	22.759	2.183	5.059	62.319
<i>In which</i>					
<i>New purchases</i>	-	-	-	-	-
<i>Transferred from CIP and fixed assets in transit</i>	32.318	22.759	2.183	5.059	62.319
Disposals	(3.843)	(23.744)	(242)	(3.923)	(31.751)
As at 30 September 2017	475.955	126.740	36.983	19.988	659.665
Accumulated depreciation:					
As at 1 January 2017	89.823	66.311	17.816	8.414	182.364
Charge for the period	19.157	19.024	3.682	3.046	44.909
Disposals	(3.677)	(23.662)	(104)	(3.922)	(31.364)
As at 30 September 2017	105.303	61.673	21.394	7.538	195.908
Net book value:					
As at 1 January 2017	357.656	61.413	17.226	10.438	446.733
As at 30 September 2017	370.652	65.067	15.589	12.450	463.757

23. INTANGIBLE ASSETS

Movements of intangible assets during the nine-month period ended 30 September 2017 are as follows:

	<i>Land use rights LAKm</i>	<i>Software LAKm</i>	<i>Total LAKm</i>
Cost:			
As at 1 January 2017	220.518	68.255	288.773
Additions	14.537	3.203	17.740
<i>In which</i>			
<i>New purchases</i>	-	-	-
<i>Transferred from CIP and fixed assets in transit</i>	14.537	3.203	17.740
Disposals	(500)	(5.492)	(5.992)
As at 30 September 2017	234.555	65.966	300.521
Accumulated amortization:			
As at 1 January 2017	-	45.270	45.270
Charge for the period	-	9.934	9.934
Disposals	-	(5.492)	(5.492)
As at 30 September 2017	-	49.713	49.713
Net book value:			
As at 1 January 2017	220.518	22.985	243.503
As at 30 September 2017	234.555	16.254	250.808

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24. OTHER ASSETS

	30 September 2017	31 December 2016
	LAKm	LAKm
Assets waiting for sale	205.325	143.098
Stationeries and other tools	1.588	1.467
Cheques in collection	20.905	31.472
Construction in progress and fixed assets in transit (*)	19.211	48.260
Prepaid expenses to be allocated	43.361	30.800
Advance payment for other operations	22.530	24.791
Advance to supplier	12.963	3.412
Other receivables	12.907	9.415
	338.790	292.715

(*): Movement of construction in progress and fixed assets in transit for the nine-month ended 30 September 2017 is as follows:

	Land use rights LAKm	Buildings & improvements LAKm	Other LAKm	Total LAKm
As at 1 January 2017	8.061	26.661	13.538	48.260
Additions	7.268	26.351	34.746	68.365
Transferred to fixed assets	(14.537)	(31.290)	(32.438)	(78.265)
Transferred to assets available for sale	(143)	(230)	(323)	(696)
Write off	-	(18.454)	-	(18.454)
As at 30 September 2017	650	3.037	15.524	19.211

25. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 September 2017	31 December 2016
	LAKm	LAKm
Demand deposits	1.952.779	2.813.254
- In LAK	876.907	1.242.744
- In foreign currencies	1.075.872	1.570.510
Saving deposits	74.083	29.046
- In LAK	15.298	21.381
- In foreign currencies	58.785	7.665
Term deposits	278.790	306.858
- In LAK	46.985	45.450
- In foreign currencies	231.805	261.408
Others	9.956	11.257
- In LAK	5.939	8.590
- In foreign currencies	4.017	2.667
Accrued interest payables	1.512	5.030
	2.317.120	3.165.445

Saving deposits from other banks and financial institutions denominated in LAK, USD, THB bear interest at rates ranging of 0% - 0,2%, 0% - 0,3% and 0% - 0,3% per annum, respectively.

Term deposits from other banks and financial institutions denominated in LAK, USD bear interest at rates ranging of 1,75% – 4,96% and 0% - 6,00% per annum, respectively.

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26. DUE TO CUSTOMERS

	30 September 2017 LAKm	31 December 2016 LAKm
Demand deposits	5.660.778	6.082.985
Demand deposits in LAK	2.143.694	1.656.340
Demand deposits in FC	3.517.084	4.426.645
Demand savings	10.828.838	9.341.554
Demand saving deposits in LAK	4.693.682	3.704.509
Demand saving deposits in FC	6.135.156	5.637.045
Term deposits	10.246.759	9.495.540
Term deposits in LAK	6.125.123	5.868.476
Term deposits in FC	4.121.636	3.627.064
Margin deposits	128.232	119.478
Margin deposits in LAK	14.408	11.716
Margin deposits in FC	113.824	107.762
Others	48.503	271.295
	26.913.110	25.310.852
Accrued interest	194.191	92.279
	27.107.301	25.403.131

Saving deposits from customers denominated in LAK, USD and THB bear interest at rate ranging of 1,25% – 1,91%, 0,90% - 1,15% and 0,45% – 0,90% per annum respectively.

Fixed term deposits in LAK, USD, THB have terms of 3, 6, 12 months and more than 1 year and are subject to interest rates ranging of 2,00% – 14,00%, 1,05% - 8,00% and 1,40% – 7,50% per annum respectively.

27. BORROWINGS FROM OTHER BANKS

	30 September 2017 LAKm	31 December 2016 LAKm
Borrowings from the BOL	1.691.438	1.640.776
Borrowings from foreign banks	322.803	359.436
Accrued interest payables	34.374	2.095
	2.048.615	2.002.307

Borrowings from the BOL as at 30 September 2017 include:

- ▶ USD 4.599.999 long-term borrowing (original borrowing amount was USD 9.200.000 with interest rate of 0,25% per annum) for the purpose of investment in Banque Franco – Lao Limited. The loan's principal is paid annually from 2010 to 2023. Interest is paid semi-annually.
- ▶ USD 99.854.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,5% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 1 January 2016 to 27 August 2025. Interest is paid semi-annually.
- ▶ USD 99.900.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,3% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 3 May 2016 to 3 May 2026. Interest is paid semi-annually.

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27. BORROWINGS FROM OTHER BANKS (continued)

Borrowings from foreign banks and other financial institutions include:

- ▶ USD 24.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 4,58% per annum. The loan's principal and interest are paid at maturity date.
- ▶ USD 15.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 4,68% per annum. The loan's principal and interest are paid at maturity date.

28. TAXATION

28.1 Profit tax expense

Major components of tax expense are as follows:

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the nine-month period ended 30 September 2016 LAKm</i>
Current profit tax expense	70.687	34.373
Deferred profit tax income	2.499	6.664
Total tax expense for the period	73.186	41.037

28.2 Tax payables

	<i>30 September 2017 LAKm</i>	<i>31 December 2016 LAKm</i>
Profit Tax payable	68.033	24.300
Value Added Tax payable	11.900	12.065
Other payable for tax	165	-
	80.098	36.365

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28. TAXATION (continued)

28.3 Current Profit Tax ("PT")

The Bank is obliged to pay tax at rate of 24% on total profit before tax in accordance with the Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016.

The calculations of Profit taxes for the nine-month period ended 30 September 2017 and 30 September 2016 are as follows:

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the nine-month period ended 30 September 2016 LAKm</i>
Profit before tax in accordance with IFRS	355.531	169.877
<i>Adjustments for:</i>		
- Difference between carrying value under LAS and amortized cost under IFRS of Bonds	(17.279)	12.356
- Difference in allowance for impairment losses between LAS and IFRS of loans to banks and customers	(26.785)	(16.368)
- Difference in allocation of subvention funds	-	1.572
- Difference in impairment expense of investment between LAS and IFRS	18.300	11.501
Profit before tax in accordance with LAS	329.767	178.938
<i>Increase/(Decrease):</i>		
- Income exempted from PT (dividend income)	(31.978)	(36.134)
- Non-deductible expenses	103	83
Taxable profit under LAS	297.892	142.887
PT expense at rate of 24%	71.494	34.293
Payable at the beginning of the period	24.300	18.797
Tax paid in the period	(26.466)	(34.373)
Additional tax payable for previous period	(1.295)	(1.319)
Other adjustment	-	(537)
PT payable at the end of the period	68.033	16.860

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

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28. TAXATION (continued)

28.4 Deferred tax assets/(liabilities)

	<i>Deferred tax assets (tax rate of 24%) LAKm</i>	<i>Deferred tax liabilities (tax rate of 24%) LAKm</i>	<i>Net deferred tax assets/ (liabilities) LAKm</i>
As at 1 January 2017	10.657	(9.834)	823
Increase during the period due to:			
Changes in temporary difference between taxable profit under LAS and taxable profit under IFRS	(7.357)	4.858	(2.499)
As at 30 September 2017	3.300	(4.976)	(1.676)

29. OTHER LIABILITIES

	<i>30 September 2017 LAKm</i>	<i>31 December 2016 LAKm</i>
Payables to employees	16	19.772
Payable to suppliers	18.570	17.271
Termination allowances	20.604	17.906
Items waiting to settle with customers	50.551	33.855
Others	2.764	2.123
	92.505	90.927

30. CHARTER CAPITAL

	<i>30 September 2017 LAKm</i>	<i>31 December 2016 LAKm</i>
Balance as at 1 January 2017	682.888	682.888
Increase share capital during the period	355.729	-
Balance as at 30 September 2017	1.038.617	682.888

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31. STATUTORY RESERVES AND OTHER RESERVES

	<i>Regulatory reserve fund LAKm</i>	<i>Business expansion fund LAKm</i>	<i>Capital supplement reserve LAKm</i>	<i>Premium Stocks LAKm</i>	<i>Total LAKm</i>
As at 1 January 2017	82.635	262.802	12.275	-	357.712
Appropriation to reserves for the year 2016	17.455	17.455	-	-	34.910
Share capital surplus	-	-	-	35	35
As at 30 September 2017	100.090	280.257	12.275	35	392.657

Under the requirement of the Law on Commercial Bank dated 16 January 2007, commercial banks are required to appropriate net profit to following reserves:

- ▶ Regulatory reserve fund
- ▶ Business expansion fund and other funds

In accordance with the Regulation on capital adequacy No.1/BOL dated 28 August 2002 by the Governor of the Bank of Lao P.D.R and other relevant guidance, commercial banks are required to provide regulatory reserve fund at the rate between 5% to 10% of profit after tax depending on decision of the Board of Directors. The Business expansion fund and other shall be created upon decision of the Board of Directors.

32. AVAILABLE-FOR-SALE RESERVE

	<i>For the nine-month period ended 30 September 2017 LAKm</i>	<i>For the year ended 31 December 2016 LAKm</i>
Opening balance	8.014	32.789
Net changes in fair value of available-for- sale financial investments	-	(24.775)
	8.014	8.014

33. ADDITIONAL CASH FLOW INFORMATION

Cash and cash equivalents included in the Interim separate statement of cash flows comprise the following Interim separate statement of financial position amounts:

	<i>30 September 2017 LAKm</i>	<i>31 December 2016 LAKm</i>
Cash and cash equivalents on hand	2.233.120	1.867.154
Demand deposits with the BOL	1.558.225	2.432.732
Current accounts with other banks	2.085.740	2.569.420
Term deposits due within 3 months	535.169	249.881
	6.412.254	7.119.187

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34. CONTINGENT LIABILITIES AND COMMITMENTS

	30 September 2017 LAKm	31 December 2016 LAKm
Bank guarantees	275.493	248.997
At sight letters of credit	285.402	579.768
Deferred payment letters of credit	204.846	141.234
Credit limit given to customers	4.000.444	4.088.546
Credit limit given to other banks	548	22.232
	4.766.732	5.080.777

Letter of credit and bank guarantees

Letters of credit (including standby letters of credit) and bank guarantees commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. Guarantees and standby letters of credit carry the same credit risks as loans. Credit guarantees can be in the form of bills of exchange or in the form of irrevocable letters of credit, advance payment guarantees, and endorsement liabilities from bills discounted.

Un-drawn commitments to lend

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Lease commitments

As at 30 September 2017, the Bank did not entered into any lease contracts as either lessor or lessee which results in future cash inflows and/or outflows.

35. RELATED PARTY DISCLOSURES

Transactions with key management personnel of the Bank

Remuneration to members of the Board of Directors and the Board of Management is as follows:

	For the nine-month period ended 30 September 2017 LAKm	For the nine-month period ended 30 September 2016 LAKm
Salaries	1.122	1.082
Bonus	297	185
Responsibility allowance	929	903
	2.348	2.170

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35. RELATED PARTY DISCLOSURES (continued)

Other related parties

Significant balances with other related parties as at 30 September 2017 are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Receivable LAKm</i>	<i>Payable LAKm</i>
Bank of the Lao P.D.R	Direct controller	Borrowings and accrued interest from the BOL	-	1.714.279
Bank of the Lao P.D.R	Direct controller	BCEL's demand deposits at BOL	1.558.225	-
Bank of the Lao P.D.R	Direct controller	BCEL's compulsory deposits at BOL	1.300.405	-
Bank of the Lao P.D.R	Direct controller	Demand deposit at BCEL	-	4.660
The Ministry of Finance of the Lao P.D.R	Direct owner	Investment in MOF's bonds	2.589.341	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Accrued interest	98.187	-
BCEL - Krung Thai Securities Company Limited	Subsidiary	Saving accounts	-	817
Lao Viet Joint Venture Bank	Joint venture	Current accounts	-	158.245
Lao Viet Joint Venture Bank	Joint venture	Term deposit	214.085	-
Banque Franco – Lao Company Limited	Joint venture	Current accounts	-	37.059
Lao China Bank Co.Ltd	Joint venture	Current accounts	-	15.377

36. EARNINGS PER SHARE

Earnings per share ("EPS") is calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Bank by the weighted average number of ordinary share outstanding during the period.

The following reflects the income and share data used in the earnings per share computation.

	<i>For the nine-month period ended 30 September 2017</i>	<i>For the nine- month period ended 30 September 2016</i>
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	282.345	128.840
Weighted average number of ordinary shares for basic earnings per share (shares)	207.723.300	136.577.600
Face value per share (LAK)	5.000	5.000
Earnings per share (LAK)	1.359	943

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37. RISK MANAGEMENT POLICIES

Introduction

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

The primary objective of the Bank in risk management is to comply with the BOL regulations. On the other hand, the Bank has recognized the importance of meeting international best practices on risk management. The Board of Directors and Board of Management, with support from an Asset and Liability Management Committee, are in process to formulate broad parameters of acceptable risk for the Bank and monitor the activities against these parameters.

The Board has appointed Asset and Liability Management Committee which has the responsibility to monitor the overall risk process within the Bank.

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

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor those business risks through the Bank's strategic planning process.

Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Asset and Liability Management Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk-Compliance Department is responsible for managing risk decisions and monitoring risk levels and reports to the Board of Directors.

The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

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38. CAPITAL MANAGEMENT

The Bank maintains minimum regulatory capital in accordance with Regulation No 536/BFSD/BOL dated 14 October 2009 by the Governor of Commercial Bank Supervision Department of BOL and other detailed guidance. The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements by the BOL. The Bank recognizes the need to maintain effectiveness of assets and liabilities management to balance its profit and capital adequacy.

In accordance with Regulation 536/BFSD/BOL, the Bank's regulatory capital is analysed into two tiers:

- ▶ Tier 1 capital, which includes charter capital, regulatory reserve fund, business expansion fund and other funds, and retained earnings;
- ▶ Tier 2 capital, which is equal higher option between 1.25% of total risk weighted balance sheet items and outstanding balance of general provision during the period.

Various limits are applied to elements of the capital base: qualifying tier 2 cannot exceed tier 1 capital, and qualifying subordinated liabilities may not exceed 50 percent of tier 1 capital.

An analysis of the Bank's capital based on financial information deprived from IFRS interim separate financial statements is as follows:

	30 September 2017	31 December 2016
	LAKm	LAKm
Tier 1 capital	1.765.804	1.211.553
Tier 2 capital	3.607	3.607
Total capital	1.769.411	1.215.160
Less: Deductions from capital (Investments in other entities)	(561.623)	(561.623)
Capital for CAR calculation (A)	1.207.788	653.537
Risk weighted balance sheet items	12.128.264	10.829.925
Risk weighted off balance sheet items	2.463.975	2.463.599
Total risk weighted assets (B)	14.592.239	13.293.524
Capital Adequacy Ratio (A/B)	8,28%	4,92%

39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank's financial assets and liabilities, fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the Bank's management, except for bonds issued by the Ministry of Finance, bonds issued by and borrowings from the BOL, the carrying amount of the financial assets and liabilities included in the Interim separate statement of financial position are a reasonable estimation of their fair values. In making this assessment, the Bank's management assumes that loans are mainly held to maturity with fair values equal to the book value of loans adjusted for allowance for impairment losses.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
as at 30 September 2017 and for the nine-month period then ended

40. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 30 September 2017 that requires adjustment or disclosure in the interim separate financial statements of the Bank.

41. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST LAK AT PERIOD

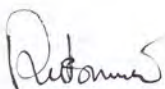
	30 September 2017 LAK	31 December 2016 LAK
USD	8.277,00	8.169,00
EUR	9.734,00	8.620,00
THB	248,80	229,19
GBP	10.928,00	9.892,00
CHF	8.124,00	7.675,00
JPY	72,19	69,15
SGD	6.182,00	5.886,00
CAD	6.341,00	5.799,00
AUD	6.387,00	5.826,00
CNY	1.227,00	1.153,00
VND	0,36	0,36

Prepared by:



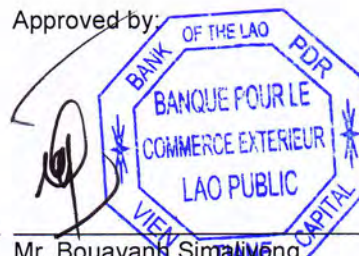
Mrs. Lammaniseng Sayaphet
Head of Accounting
Department

Approved by:



Mrs. Phetsamone Somsana
Acting Deputy Chief of Internal
Audit Department

Approved by:



Mr. Bouavanh Simavong
Deputy Managing Director

Vientiane, Lao P.D.R

13 November 2017