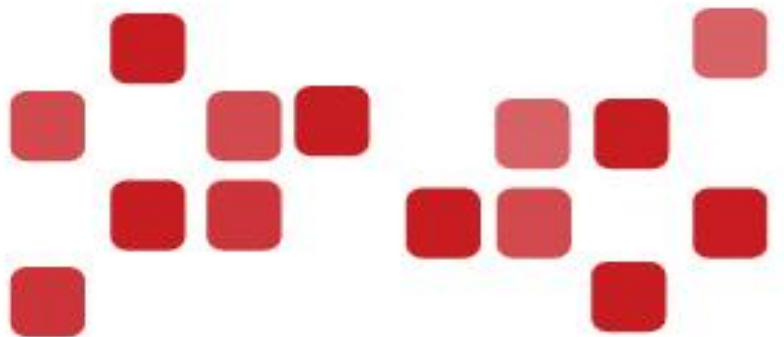




Banque Pour Le Commerce Extérieur Lao Public

A Summary of Business Performance for the six-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 at 30 June 2017 is 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 June 2017, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-two(82) 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, 82 Service Units and 16 Money Changers nationwide.

Board of Directors of BCEL



Dr. Bounleua Sinxayvoravong
Chairman



Mr. Kamsouk Sundara
Voice Chairman



Mr Marc ROBERT
Member



Ms. Kanhaly
Vongxayrath Member



Mr. Phoukhong Chanthachack
Member



Mr. Phansana
Khounnouvong Member



Mr . Viengxay
Chanthavisouk Member

BCEL Management Team



Mr. Phoukhong Chanthachack
General Managing Director



Mr. Lachay Khanpravong
Deputy managing Director



Mr. Phansana Khounnouvong
Deputy managing Director



Mr. Nanthalath Keopaseuth
Deputy managing



Mr. Khamsian Mingboupouha
Deputy managing Director



Mr. Bouavanh Symalyvong
Deputy managing Director



Mr. Souphak Thinxayphone
Deputy managing Director

5. Achievement in the First Six months of the year 2017

In the first six 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 first quarter of 2017, held the Board of Director Meeting for 1 time, 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), and approve for the dividend payment for the year 2016 in amount of 614 kip/share and approve the plan for 2017.

BCEL successfully selected and approved for the financial advisor, legal advisor and underwriter of recapitalization shares in the amount of 360 billion kip, Implement the BASEL II Project and the risk assessment of each tasks base on Basel II principle, check out the draft of the analysis report on of the gap of ICAAP risk, the gap of Market risk, credit risk, and operation risk, proposed to the Bank of Lao PDR on the establishment of Marketing Division and establishment of a new branches in Xaysetha District.

For the first six months of the year 2017, BCEL has disclosed its Financial Statement for the year 2016 and the business performance report for the first quarter of 2017(IFRS consolidated) via the disclosure system of Lao stock exchange market.

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 extend them to the implementation for having the achievement in each plan. BCEL extend its service network by launching 2 new service unit in Vientiane capital: Hauy hong service unit and Dong Chong Service Unit, and held the ceremony on using new building for Meung ngoi Unit Service under the Laungprabang Branch

Moreover, BCEL also cooperated with many parties such as holding of singing 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 and the signing contract with Lao Law Company as the legal advisor for

recapitalization project of BCEL, and establish an advertisement booth in an intellectual property exhibition.

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

➤ Board of Directors

In the last quarter, the bank held 1 meeting of the Board of Directors to discuss and approve important issue as follow:

- Approved the plan for share issuance for recapitalization, the use purpose of recapitalized fund, approved the appointment of Lao China Securities Co.,Ltd as an underwriter for share issuance for recapitalization and approved the appointment of Lao Law and Consultancy group as the legal advisor for share issuance for recapitalization
- Approve the search for target persons as new members of the Board of Director and new BOD and Shareholders audit committee
- Approved the business performance for the year 2016 and approved the principles on allocation of the profit after tax to pay the dividend 50% and to put into the compulsory reserve fund for 50%.
- Approve the closing date of the shareholders registration book, the date for Annual General Shareholders Meeting and the date for dividend payment 2016

➤ Governance Committee

For the first six months of the year 2017, the committee played a closely attention on Follow up on BCEL's business performances in each period and provide the effective guideline to the business operation of BCEL in all areas effectively such as human resource development and follow up on the search of target person as members for new board of Director, follow up on the deposits mobilization by establishing the research committees on fund mobilization through several channels as such: advertisement and setting flexible interests, Follow up on the credit management work, especially the list of cooperate clients and control NPL to be at the suitable level

Besides, the committee also follow up on the TISD work such liquidity issue, FX trading and cash management in each period. Follow up the performance of the subsidiary companies and follow up the effective investment of BCEL, follow up on the implementation of BCEL's long-term strategic plan, Followed up on the research on the roles of committees

to the Board of Directors (BOD) and prepare to propose from BOD, follow up on BCEL's preparation for recapitalization; completed the share pricing; signed the underwriting contract on shares offering, held the Roadshow and set the subscription day for share purchasing

- Follow up on KPI evaluation at branches according to the set conditions in the past and follow up on the research on KPI of BCEL's staff in Head office. Follow up on the research on level of branches and service units. Standardize each level in accordance with cash and deposit transactions in order to determine the rights for branch levels

- The committee has approved the amendment of regulations such as BCEL's Article of association, the regulation on purchasing, construction and repair of BCEL and the regulation on vehicle management and approved the Annual report 2016 of BCEL

➤ **Risk Management Committee**

From the beginning of the year 2017, BCEL has been continuously focused on the efficient implementation of the Risk management. This shows by these following outstanding performances such as: Consolidate the findings and risks of BCEL in 2016 in order to put in the Risk Record Document or Cloud Computing Risk Log, which was basically created to apply for risk analysis, Analyze the impacts of internal and external risks which would effect on the business operation of BCEL such as, the robbery of customers' credit card data; using EDC in the offline form for defrauding

Besides, the committee monthly evaluate the transactions of divisions, centers and branches that did not follow the service rule 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, and BCEL has focused on implementing risk management to meet with the international standard. It can be seen in the preparation for implementing the BASEL II

➤ **Internal Audit Committee**

Completed the financial report for the year 2016 in accordance with LAS and IFRS and disclosed to the public, Completed an audit of BCEL's financial statement for the year 2016 by State Audit Organization and Bank Supervision Department which are currently during report issuance process, Approved the audit plan of the Internal Audit Division for

the year 2017, and BCEL is preparing for the selection of External Audit Company for the year 2018

BCEL completed the issuance of the amended version of the regulation on the process of FX trading; Follow up on Branch Management Division in creating the strategic plan and the research on modifying the Division's organizational chart, Follow up on the resolution for the findings of divisions and centers, it can be seen that most of the findings could be solved. However, some issues still need to be solved such as opening wrong general ledger (GL)

7. BCEL's Business Performance in the first six months of the year 2017

During the first six months of the year 2017, BCEL achieved the business performance as follows:

- Total Assets: 32.740.413 Billion LAK, equal to 92,7 % of the year plan,
- Total Deposits: 28.708.583 Billion LAK, equal to 96,6 % of the year plan,
- Total Loans: 20.629.524 Billion LAK, equal to 101,3 % of the year plan
- Profit before tax: 210.590 Billion LAK, which equal to 84,2% of the year plan,

**General Managing Director
Banque pour le Commerce Extérieur Lao Public**



[Signature]
Phoukhong CHANTHACHACK

Note: The business performance figures in the first six months of the year 2017 are based on the consolidated financial report under the International Financial Reporting Standards (Audited).

Banque Pour Le Commerce Extérieur Lao Public

Interim Consolidated Financial Statements

30 June 2017

Banque Pour Le Commerce Exterieur 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, and its latest Amended Business License No. 4284/BOL dated 11 November 2010 issued by the Bank of Lao P.D.R. 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.

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

<i>Shareholders</i>	<i>Number of shares</i>	<i>%</i>
The Government	95,604,321	70%
Local investors (including employees of the Bank)	13,657,760	10%
Strategic partners	13,657,759	10%
Other foreign investors	13,657,760	10%
	136,577,600	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 June 2017 is LAKm 682.888 (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 June 2017, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-two (82) 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 June 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 June 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 six-month ended 30 June 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. Kamsouk 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

GENERAL INFORMATION (continued)

BOARD OF MANAGEMENT

Members of the Board of Management during the six-month ended 30 June 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 Vongxayarith	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. 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

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.

AUDITORS

The auditors of the Bank are Ernst & Young Lao Company Limited.

Reference: 60790273/18712878-HY-IFRS CONSO

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**To: The shareholders
Banque Pour Le Commerce Extérieur Lao Public**

Introduction

We have reviewed the accompanying interim consolidated financial statements of Banque Pour Le Commerce Extérieur Lao Public ("the Bank") as set out on pages 6 to 48, which comprise the interim consolidated statement of financial position as at 30 June 2017, and the interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity, and interim consolidated statement of cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. The Bank's management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

Due to the limitation of information, the Bank's management was unable to provide disclosures relating to fair value and financial risk management as required by IFRS 7: "Financial Instruments: Disclosures" and IFRS 13: "Fair value measurement".

Qualified Conclusion

Based on our review, with the exception of the matter as described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the interim consolidated financial position of the Bank as at 30 June 2017, and its interim consolidated financial performance and its interim consolidated cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.

Ernst & Young Lao Co., Ltd.:



Trinh Hoang Anh
Partner
Audit Practising Registration
Certificate No. LCPAA/2-1-00001

Vientiane, Lao P.D.R

18 August 2017

Banque Pour Le Commerce Extérieur Lao Public

INTERIM CONSOLIDATED INCOME STATEMENT for the six-month period ended 30 June 2017

	Notes	For the six-month period ended 30 June 2017 LAKm	For the six-month period ended 30 June 2016 LAKm
Interest and similar income	8	826.796	595.444
Interest and similar expense	9	(442.098)	(415.469)
Net interest and similar income		384.698	179.975
Fee and commission income	10	93.327	91.703
Fee and commission expense	10	(10.578)	(7.521)
Net fee and commission income	10	82.749	84.182
Net trading income	11	22.553	26.732
Other operating income	12	8.957	7.542
Total operating income		498.957	298.431
Credit loss expense of loans to customers	19	(104.200)	(35.443)
Reversal of/(additional) impairment losses of financial investments	13	5.809	(13.914)
NET OPERATING INCOME		400.566	249.074
Personnel expenses	14	(105.823)	(100.313)
Depreciation and amortization	23, 24	(36.215)	(34.741)
Other operating expenses	15	(71.665)	(45.786)
Total operating expenses		(213.703)	(180.840)
Share of profit and loss of joint ventures	22	23.727	11.644
PROFIT BEFORE TAX		210.590	79.878
Current profit tax expense	29.1	(51.657)	(17.280)
Deferred profit tax income	29.1	6.485	2.534
PROFIT FOR THE PERIOD		165.418	65.132
Attributable to:			
Equity holders of the parent		164.860	64.745
Non-controlling interest		558	387
Earnings per shares (LAK)	40	1.207	474

Prepared by:

Approved by:

Approved by:



Mrs. Lammaniseng Sayaphet
Head of Accounting
Department



Mrs. Phousengthong Anoulakkham
Acting Head of Internal Audit
Department



Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao P.D.R

18 August 2017

Banque Pour Le Commerce Extérieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the six-month period ended 30 June 2017

	Notes	For the six-month period ended 30 June 2017 LAKm	For the six-month period ended 30 June 2016 LAKm
NET PROFIT FOR THE PERIOD		165.418	65.132
OTHER COMPREHENSIVE INCOME			
Net loss on available-for-sale financial assets		-	(9.588)
Profit tax related to components of other comprehensive income		-	2.301
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		-	(7.287)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		165.418	57.845
Attributable to:			
Equity holders of the parent		164.860	57.458
Non-controlling interest		558	387

Prepared by:

Approved by:

Approved by:



Mrs. Lammaniseng Sayaphet
Head of Accounting
Department



Mrs. Phousengthong Anoulakkham
Acting Head of Internal Audit
Department



Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao P.D.R

18 August 2017

Banque Pour Le Commerce Extérieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2017

	Notes	30 June 2017 LAKm	31 December 2016 LAKm
ASSETS			
Cash and balances with the BOL	16	5.671.988	5.680.936
Due from banks	17	2.316.290	2.950.093
Loans to customers	18	20.380.405	19.093.205
Financial assets - Held-for-trading		44	39
Financial investments - Available-for-sale	20	198.121	198.121
Financial investments - Held-to-maturity	21	2.560.391	2.553.110
Investments in joint ventures	22	575.176	551.449
Property and equipment	23	437.749	447.935
Intangible assets	24	237.819	243.521
Deferred tax assets	29.4	8.327	10.856
Other assets	25	354.103	294.009
TOTAL ASSETS		32.740.413	32.023.274
LIABILITIES			
Due to banks and other financial institutions	26	2.271.686	3.164.698
Due to customers	27	26.730.940	25.402.421
Borrowings from other banks	28	2.191.042	2.002.307
Current tax liabilities	29.2	66.913	36.496
Deferred tax liabilities	29.4	820	9.834
Other liabilities	30	85.982	94.324
TOTAL LIABILITIES		31.347.383	30.710.080
EQUITY			
Charter capital	31	682.888	682.888
Statutory and other reserves	32	393.917	359.007
Available-for-sale reserve	33	7.385	7.385
Treasury shares		(1.010)	(1.010)
Retained earnings		275.360	230.992
Total equity attributable to equity holders of the parent		1.358.540	1.279.262
Non-controlling interest		34.490	33.932
TOTAL EQUITY		1.393.030	1.313.194
TOTAL LIABILITIES AND EQUITY		32.740.413	32.023.274

Prepared by:

Approved by:

Mrs. Lammaniseng Sayaphet
Head of Accounting
Department

Mrs. Phousengthong Anoulakkham
Acting Head of Internal Audit
Department

Approved by:

Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao P.D.R

18 August 2017

Banque Pour Le Commerce Extérieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six-month period ended 30 June 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	-	-	-	-	164.860	558	165.418
Appropriation to reserve for the year 2016	-	34.910	-	-	(34.910)	-	-
Balances as at 30 June 2017	682.888	393.917	(1.010)	7.385	275.360	34.490	1.393.030

Prepared by:



Mrs. Lammaniseng Sayaphet
Head of Accounting Department

Vientiane, Lao P.D.R

18 August 2017

Approved by:



Mrs. Phousengthong Anoulakham
Acting Head of Internal Audit Department

Approved by:



Mr. Bouavanh Simaivong
Deputy Managing Director

Banque Pour Le Commerce Extérieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS for the six-month period ended 30 June 2017

	Notes	For the six-month period ended 30 June 2017 LAKm	For the six-month period ended 30 June 2016 LAKm
OPERATING ACTIVITIES			
Profit before tax		210.590	79.878
<i>Adjustments for:</i>			
Depreciation and amortization charges	23, 24	36.215	34.741
Expense for impairment losses	18	104.200	35.443
Changes in provision for impairment loss on investment securities		(5.809)	13.914
Share of associate's profit under equity method	22	(23.727)	(11.644)
Gain on disposal of fixed assets		31	2.682
Dividend income	12	(6.344)	(5.908)
Cash flows from operating profit before changing in operating assets and liabilities		315.156	149.106
<i>Changes in operating assets</i>			
Due from banks		88.385	53.910
Loans to customers		(1,394,522)	(4.146.581)
Financial investment - Held-for-trading		(5)	6.010
Financial investment - Available-for-sale		-	2.453
Financial investment - Held-to-maturity		(1,468)	(807.810)
Other assets		(25,003)	(78.524)
<i>Changes in operating liabilities</i>			
Due to other banks and the BOL		(704,277)	286.041
Due to customers		1,328,519	982.677
Other liabilities		(10,907)	(1.784)
Profit tax paid during the period	29.3	(21,196)	(19.074)
Net cash flows used in operating activities		(425,318)	(3.573.576)
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(50,588)	(25.857)
Proceeds from disposals of fixed assets		783	45.233
Dividends received		6,344	5.908
Net cash flows (used in)/from investing activities		(43,461)	25.284
FINANCING ACTIVITIES			
Payment of dividend		(85,582)	(29.910)
Net cash flows used in financing activities		(85,582)	(29.910)
Net decrease in cash and cash equivalents		(554,361)	(3.578.202)
Cash and cash equivalents at the beginning of the period		7,125,584	10.154.343
Foreign exchange difference		-	(87)
Cash and cash equivalents at the end of the period	34	6,571,223	6.576.054

Prepared by:

Approved by:

Approved by:

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Head of Accounting
Department

Mrs. Phousengthong Anoulakkham
Acting Head of Internal Audit
Department

Mr. Bouavanh Simavong
Deputy Managing Director

Vientiane, Lao P.D.R

18 August 2017



Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
as at 30 June 2017 and for the six-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, and its latest Amended Business License No. 4284/BOL dated 11 November 2010 issued by the Bank of Lao P.D.R. 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.

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

<i>Shareholders</i>	<i>Number of shares</i>	<i>%</i>
The Government	95,604,321	70%
Local investors (including employees of the Bank)	13,657,760	10%
Strategic partners	13,657,759	10%
Other foreign investors	13,657,760	10%
	136,577,600	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 June 2017 is LAKm 682.888 (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 June 2017, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-two (82) services units, and sixteen (16) exchange units all over Lao P.D.

Banque Pour Le Commerce Extérieur Lao Public

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

1. CORPORATE INFORMATION (continued)

Subsidiary

As at 30 June 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 June 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 six-month ended 30 June 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 Vongxayarith	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

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

1. CORPORATE INFORMATION (continued)

Board of Management

Members of the Board of Management during the six-month ended 30 June 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

Employees

Total number of employees of the Bank and its subsidiary as at 30 June 2017 is 1,689 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 18 August 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 six months ended 30 June 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 Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-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 June 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 June 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 (continued)
as at 30 June 2017 and for the six-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'

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.

Banque Pour Le Commerce Exterieur Lao Public

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 (continued)
as at 30 June 2017 and for the six-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 (continued)
as at 30 June 2017 and for the six-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 June 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 Exterieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-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 (continued)
as at 30 June 2017 and for the six-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 Exterieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-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.

Banque Pour Le Commerce Extérieur Lao Public

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

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 consolidatedly 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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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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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 June 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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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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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 (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 as 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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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-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 six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
Interest income from lending to customers	738.113	540.661
Interest income from deposits at other banks	9.266	5.975
Interest income from investment securities	60.656	35.980
Other interest income and similar income	18.761	12.828
	826.796	595.444

9. INTEREST AND SIMILAR EXPENSE

	<i>For the six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
Interest expense for due to other banks	56.345	29.891
Interest expense for customer deposits	385.753	385.578
	442.098	415.469

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10. NET FEES AND COMMISSION INCOME

	<i>For the six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
Fees and commission income from:		
Settlement services	63.219	57.393
Credit activities	26.563	32.309
Other activities	3.545	2.001
	93.327	91.703
Fees and commission expense for:		
Settlement services	(8.780)	(7.051)
Other activities	(1.798)	(470)
	(10.578)	(7.521)
Net fees and commission income	82.749	84.182

11. NET TRADING INCOME

	<i>For the six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
Gains from foreign currencies trading	1.790.343	1.876.860
Loss from foreign currencies trading	(1.767.790)	(1.850.128)
	22.553	26.732

12. OTHER OPERATING INCOME

	<i>For the six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
Dividend income from investment securities	6.344	5.909
Recovery of the bad debts written off	2.386	1.142
Others	227	491
	8.957	7.542

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

	<i>For the six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
Reversal of/(additional) impairment losses for held-to-maturity securities (Note 21)	5.809	(13.914)
	5.809	(13.914)

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14. PERSONNEL EXPENSES

	<i>For the six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
Salary and wages	61.957	58.026
Welfare	40.316	38.506
Retirement for employee	768	1.139
Allowance	2.666	2.542
Training	116	100
	105.823	100.313

15. OTHER OPERATING EXPENSES

	<i>For the six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
External services	12.288	11.112
Repair and maintenance	7.310	6.961
Publication, marketing and promotion	2.773	1.725
Office rental	5.101	4.233
Telecommunication	788	1.002
Training, meeting and seminar	4.658	4.184
Insurance fee for depositor protection fund	11.878	10.336
Tax and other duties	144	477
Write off construction in progress	18.454	-
Others	8.271	5.756
	71.665	45.786

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

	<i>30 June 2017 LAKm</i>	<i>31 December 2016 LAKm</i>
Cash on hand in LAK	1.359.318	1.016.618
Cash on hand in foreign currencies ("FC")	983.053	850.541
Balances with the BOL		
- Compulsory deposit	1.322.373	1.378.763
- Demand deposit	2.007.244	2.435.014
	5.671.988	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 June 2017 LAKm	31 December 2016 LAKm
Current and saving accounts	1.717.224	2.573.530
- In LAK	963.052	2.178.524
- In foreign currencies	754.172	395.006
Term deposits	597.222	374.329
- In LAK	398.610	213.170
- In foreign currencies	198.612	161.159
Accrued interest	1.844	2.234
	2.316.290	2.950.093

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

	For the six-month period ended 30 June 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% - 9,54%	1,00% - 9,54%

18. LOANS TO CUSTOMERS

	30 June 2017 LAKm	31 December 2016 LAKm
Gross loans to customers	20.629.524	19.240.075
In which:		
<i>Loans funded by borrowings from BOL (Note 28)</i>	<i>1.681.833</i>	<i>1.640.776</i>
Accrued interest related to loans to customers	197.782	192.709
Less: Allowance for impairment losses (see Note 19)	(446.901)	(339.579)
	20.380.405	19.093.205

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

	For the six-month period ended 30 June 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 June 2017 LAKm	31 December 2016 LAKm
Loans denominated in LAK	8.282.196	7.408.014
Loans denominated in USD	9.523.666	9.300.297
Loans denominated in THB	2.823.662	2.531.764
	20.629.524	19.240.075

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18. LOANS TO CUSTOMERS (continued)

Analysis of loan portfolio by original maturity:

	30 June 2017 LAKm	31 December 2016 LAKm
Short-term loans	2.678.924	2.966.973
Medium-term loans	12.258.337	11.301.876
Long-term loans	5.692.263	4.971.226
	20.629.524	19.240.075

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

	30 June 2017		31 December 2016	
	LAKm	%	LAKm	%
Industrial services companies	10.574.687	51,26%	9.796.735	50,92%
Construction companies	3.493.088	16,93%	3.305.600	17,18%
Technical instruments enterprises	100.940	0,49%	63.867	0,33%
Agricultural & forestry	50.309	0,24%	48.385	0,25%
Trading companies	3.641.847	17,65%	3.498.551	18,18%
Transportation companies	626.434	3,04%	642.664	3,34%
Services companies	1.902.942	9,22%	1.701.361	8,84%
Handicrafts	9.923	0,05%	9.958	0,05%
Others	229.354	1,12%	172.954	0,91%
	20.629.524	100%	19.240.075	100%

19. ALLOWANCE FOR IMPAIRMENT LOSSES

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

	Allowance for impairment of loans to customers LAKm
Balance as at 1 January 2017	339.579
Net change during the period	104.200
Foreign exchange difference	3.122
Balance as at 30 June 2017	446.901

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

	30 June 2017		31 December 2016	
	Outstanding balance LAKm	Impairment LAKm	Outstanding balance LAKm	Impairment LAKm
Individually impaired	2.220.497	266.802	2.792.381	290.125
Collectively impaired	18.409.027	180.099	16.447.694	49.454
	20.629.524	446.901	19.240.075	339.579

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20. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	30 June 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 June 2017 LAKm	31 December 2016 LAKm
Amortized cost of Treasury bills issued by the Ministry of Finance	2.048.250	1.998.663
Amortized cost of bonds issued by the Ministry of Finance	519.274	567.389
	2.567.524	2.566.052
Impairment losses for investments in Held-to-maturity securities (*)	(7.133)	(12.942)
- Impairment losses for Treasury bills issued by the Ministry of Finance	(202)	(1.926)
- Impairment losses for bonds issued by the Ministry of Finance	(6.931)	(11.016)
	2.560.391	2.553.110

(*): The net change in impairment losses of LAKm 5,809 for the six-month ended 30 June 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 June 2017 are as follows:

Term	Issue date	Maturity date	Face value LAKm	Amortized cost LAKm	Interest rate per annum (nominal)
1 year	26-Aug-16	26-Aug-17	50.000	52.102	5,00%
1 year	2-Sep-16	2-Sep-17	50.000	52.053	5,00%
1 year	18-Nov-16	18-Nov-17	300.000	309.119	5,00%
1 year	16-Dec-16	16-Dec-17	146.000	149.876	5,00%
1 year	17-Feb-17	17-Feb-18	300.000	305.381	5,00%
1 year	10-Mar-17	10-Mar-18	73.000	74.101	5,00%
1 year	28-Mar-17	28-Mar-18	350.000	354.615	5,00%
1 year	18-Apr-17	18-Apr-18	100.000	100.981	5,00%
1 year	28-Apr-17	28-Apr-18	20.000	20.169	5,00%
1 year	19-May-17	19-May-18	10.000	10.056	5,00%
1 year	26-May-17	26-May-18	58.000	58.272	5,00%
1 year	16-Jun-17	16-Jun-18	500.000	500.937	5,00%
1 year	10-Oct-16	10-Oct-17	2.000	2.030	4,00%
1 year	20-Dec-16	20-Dec-17	50.000	50.750	4,00%
1 year	12-Nov-16	12-Nov-17	8.000	7.808	4,00%
			2.017.000	2.048.250	

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

21.2. Bonds issued by the Ministry of Finance

	30 June 2017 LAKm	31 December 2016 LAKm
Capitalization bonds	66.758	67.391
Other bonds	452.516	499.998
	519.274	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	66.758	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	30.665	3,00%
12-Mar-16	12-Mar-18	20.000	19.790	4,25%
31-Jul-16	31-Jul-18	5.000	4.904	4,25%
7-May-16	7-May-18	22.000	20.576	4,25%
11-Jun-16	11-Jun-18	9.000	8.343	4,25%
12-Jun-16	12-Jun-18	25.000	23.170	4,25%
13-Jun-16	13-Jun-18	1.000	927	4,25%
16-May-16	16-May-18	5.000	4.665	4,25%
18-Sep-16	18-Sep-18	4.000	3.791	4,25%
31-Jul-16	31-Jul-18	2.000	1.932	4,25%
2-Aug-16	2-Aug-18	14.000	13.569	4,25%
11-Jun-16	11-Jun-18	2.000	1.768	4,25%
30-Dec-14	30-Dec-17	100.000	102.514	5,10%
23-Dec-16	23-Dec-18	210.000	215.902	5,50%
		448.780	452.516	

22. INVESTMENTS IN JOINT VENTURES

	For the six-month period ended 30 June 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	23.727	26.413
Less: Dividends received during the period/year	-	(30.382)
Balance at the end of the period/year	575.176	551.449

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22. INVESTMENTS IN JOINT VENTURES (continued)

	30 June 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	253.238	25%	24.500.000	197.839	235.076	25%
Banque Franco - Lao Limited	16.322.230	138.000	147.049	46%	16.322.230	138.000	144.138	46%
Lao China Bank	N/A	147.000	153.591	49%	N/A	147.000	151.653	49%
Investments in local economic entities								
Lao-Viet Insurance Joint Venture Company	1.050.000	8.784	21.298	35%	1.050.000	8.784	20.582	35%
		491.623	575.176			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 June 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 June 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 June 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 six-month period ended 30 June 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	7.730	10.260	1.015	689	19.694
<i>In which</i>					
<i>New purchases</i>	77	-	384	-	461
<i>Transferred from CIP and fixed assets in transit</i>	7.653	10.260	631	689	19.233
Disposals	(2.050)	(14.809)	(186)	(1.014)	(18.059)
As at 30 June 2017	454.737	123.175	37.121	19.154	634.187
Accumulated depreciation:					
As at 1 January 2017	90.756	66.311	18.509	9.041	184.617
Charge for the period	12.656	12.465	2.492	1.952	29.565
Disposals	(1.920)	(14.728)	(82)	(1.014)	(17.744)
As at 30 June 2017	101.492	64.048	20.919	9.979	196.438
Net book value:					
As at 1 January 2017	358.301	61.413	17.783	10.438	447.935
As at 30 June 2017	353.245	59.127	16.202	9.175	437.749

24. INTANGIBLE ASSETS

Movements in intangible assets during the six-month ended 30 June 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	-	1.448	1.448
<i>In which</i>			
<i>New purchases</i>	-	469	469
<i>Transferred from CIP and fixed asset in transit</i>	-	979	979
Disposal	(499)	(3.482)	(3.981)
As at 30 June 2017	220.019	66.546	286.565
Accumulated amortization:			
As at 1 January 2017	-	45.577	45.577
Charge for the period	-	6.650	6.650
Disposal	-	(3.481)	(3.481)
As at 30 June 2017	-	48.746	48.746
Net book value:			
As at 1 January 2017	220.518	23.003	243.521
As at 30 June 2017	220.019	17.800	237.819

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25. OTHER ASSETS

	30 June 2017 LAKm	31 December 2016 LAKm
Assets waiting for sale	195.107	143.098
Stationeries and other tools	1.736	1.467
Checques in collection	19.642	31.472
Construction in progress and fixed assets in transit (*)	53.068	48.260
Prepaid expenses to be allocated	45.635	31.330
Advance payment for other operations	18.866	24.791
Advance to suppliers	11.283	3.996
Other receivables	8.766	9.595
	354.103	294.009

(*): Movement of construction in progress and fixed assets in transit for the six-month ended 30 June 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	-	23.600	26.058	49.658
Transferred to fixed assets	-	(7.653)	(12.559)	(20.212)
Transferred to assets available for sale	(143)	(173)	(5.868)	(6.184)
Written off	-	(18.454)	-	(18.454)
As at 30 June 2017	7.918	23.981	21.169	53.068

26. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2017 LAKm	31 December 2016 LAKm
Demand deposits	1.923.082	2.813.254
- In LAK	866.947	1.242.744
- In foreign currencies	1.056.135	1.570.510
Saving deposits	67.974	28.299
- In LAK	20.343	20.634
- In foreign currencies	47.631	7.665
Term deposits	219.798	306.858
- In LAK	46.450	45.450
- In foreign currencies	173.348	261.408
Others	46.827	11.257
- In LAK	7.228	8.590
- In foreign currencies	39.599	2.667
	2.257.681	3.159.668
Accrued interest	14.005	5.030
	2.271.686	3.164.698

Saving deposits from other banks and financial institutions denominated in LAK, USD, THB bear interest at rates ranging of 0% - 1,25%, 0% - 0,75% and 0% - 0,20% per annum, respectively.

Term deposits from other banks and financial institutions denominated in LAK, USD, THB bear interest at rates ranging of 1,25% - 7,00%, 0% - 3,00% and 0% - 3,00% per annum, respectively.

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27. DUE TO CUSTOMERS

	30 June 2017 LAKm	31 December 2016 LAKm
Demand deposits	5.961.514	6.082.985
Demand deposits in LAK	2.081.239	1.656.340
Demand deposits in FC	3.880.275	4.426.645
Demand savings	10.423.857	9.341.554
Demand saving deposits in LAK	4.402.950	3.704.509
Demand saving deposits in FC	6.020.907	5.637.045
Term deposits	10.020.652	9.495.540
Term deposits in LAK	6.107.648	5.868.476
Term deposits in FC	3.913.004	3.627.064
Margin deposits	91.706	119.478
Margin deposits in LAK	10.682	11.716
Margin deposits in FC	81.024	107.762
Other payables to customers	109.176	270.585
	26.606.905	25.310.142
Accrued interest	124.035	92.279
	26.730.940	25.402.421

Saving deposits from customers denominated in LAK, USD and THB bear interest at rate ranging of 11,25% – 3,00%, 0,90% - 1,25% and 0,45% – 1,00% 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 2,25% – 12,50%, 1,00% - 6,75 % and 0,50% – 6,50% per annum respectively.

28. BORROWINGS FROM OTHER BANKS

	30 June 2017 LAKm	31 December 2016 LAKm
Borrowings from the BOL	1.681.833	1.640.776
Borrowings from foreign banks	485.570	359.436
Accrued interest payables	23.639	2.095
	2.191.042	2.002.307

Borrowings from the BOL as at 30 June 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 20.000.000 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 June 2017 and 30 June 2016 are as follows:

	<i>For the six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
Current profit tax expense	51.657	17.280
Deferred profit tax income	(6.485)	(2.534)
	45.172	14.746

29.2 Tax payables

	<i>30 June 2017 LAKm</i>	<i>31 December 2016 LAKm</i>
Profit Tax payable	54.849	24.431
Value Added Tax payable	12.064	12.065
	66.913	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 six-month ended 30 June 2017 (2016: 24%). The subsidiary is subject to the tax rate of 24% for the six-month ended 30 June 2017 (2016: 24%).

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

	<i>For the period ended 30 June 2017 LAKm</i>	<i>For the period ended 30 June 2016 LAKm</i>
Consolidated profit before tax under IFRS	210.590	79.878
<i>Adjustments for:</i>		
- Difference between carrying value under LAS and amortized cost under IFRS of bonds	(3.952)	12.052
- Difference in allowance for impairment losses between LAS and IFRS of loans to customers	36.790	(17.937)
- Difference in allocation of subvention funds	-	1.572
- Write-off start-up cost as expense during the period	-	(21)
- Difference in impairment loss expense of investment between LAS and IFRS	(5.809)	13.914
- Non-taxable profit arising from consolidation adjustments	(23,741)	(11.627)
- Income exempted from PT	(6,344)	(5.936)
- Non-deductible expenses	7.705	103
Taxable profit under LAS	215.239	71.998
<i>in which:</i>		
- Taxable profit of the parent bank	213.059	70.501
- Taxable profit of the subsidiary	2.180	1.497
PT expense of the parent bank at rate of 24% (2016: 24%)	51.134	16.921
PT expense of the subsidiary at rate of 24% (2016: 24%)	523	359
Consolidated PT expense in the period	51.657	17.280
PT payable at the beginning of the period	24.431	18.765
PT paid in the period	(21.195)	(19.074)
Additional tax liability for previous period	-	2.511
Other adjustment	(44)	(165)
PT payable at the end of the period	54.849	19.317

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)

	Deferred tax assets	Deferred tax liabilities	Net deferred tax assets/ (liabilities)
	LAKm	LAKm	LAKm
As at 1 January 2017	10.856	(9.834)	1.022
Increase during the period due to: Changes in temporary difference between taxable profit under LAS and taxable profit under IFRS	(2.529)	9.014	6.485
As at 30 June 2017	8.327	(820)	7.507

30. OTHER LIABILITIES

	30 June 2017 LAKm	31 December 2016 LAKm
Payables to employees	16	19.772
Payable to suppliers	20.919	20.236
Termination allowances	19.716	17.906
Items pending for settlement	42.021	33.888
Others	3.310	2.522
	85.982	94.324

31. CHARTER CAPITAL

There has been no change to charter capital during the period.

32. STATUTORY RESERVES AND OTHER RESERVES

	Regulatory reserve fund LAKm	Business expansion fund LAKm	Capital supplement LAKm	Total LAKm
As at 1 January 2017	83.955	262.777	12.275	359.007
Appropriations to reserves from LAS profit of BCEL Bank	17.455	17.455	-	34.910
Appropriations to from the LAS profit of BCEL KT Securities Company	-	-	-	-
As at 30 June 2017	101.410	280.232	12.275	393.917

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.

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33. AVAILABLE-FOR-SALE RESERVE

	<i>For the six-month period ended 30 June 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 June 2017 LAKm</i>	<i>31 December 2016 LAKm</i>
Cash and cash equivalents on hand	2.342.371	1.867.159
Balances with the BOL	2.007.244	2.435.014
Current accounts with other banks	1.717.224	2.573.530
Term deposits due within 3 months	504,384	249.881
	6,571,223	7.125.584

35. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>30 June 2017 LAKm</i>	<i>31 December 2016 LAKm</i>
Bank guarantees	237.764	248.997
At sight letters of credit	456.251	579.768
Deferred payment letters of credit	172.377	141.234
Credit limit given to customer	3.923.674	4.088.546
Credit limit given to other banks	4.582	22.232
	4.794.648	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.

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35. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Lease commitments

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

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 six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
Salaries	758	721
Bonus	297	184
Responsibility allowance	629	601
	1.684	1.506

Other related parties

Significant balances with other related parties at 30 June 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	-	1.681.833
The Bank of the Lao P.D.R	Direct controller	Bank's demand deposits at BOL	2.007.244	-
The Bank of the Lao P.D.R	Direct controller	Bank's compulsory deposits at BOL	1.322.373	-
The Bank of the Lao P.D.R	Direct controller	Demand deposits at BCEL	-	4.647
The Ministry of Finance of the Lao P.D.R	Direct owner	Investment in MOF's bonds	2.560.391	-
Lao Viet Joint Venture Bank	Joint venture	Current accounts	306.687	-
Lao Viet Joint Venture Bank	Joint venture	Term deposit	141.150	-
Lao Viet Joint Venture Bank	Joint venture	Current accounts	-	356.831
Banque Franco – Lao Company Limited	Joint venture	Current accounts	-	26.355
Lao China Bank Co.Ltd	Joint venture	Current accounts	-	41.832
LAO- VIET INSURANCE Company Limited	Joint venture	Current accounts	-	76

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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 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 (continued)
as at 30 June 2017 and for the six-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 June 2017 LAKm	31 December 2016 LAKm
Tier 1 capital	1.352.165	1.272.887
Tier 2 capital	3.323	3.323
Total capital	1.355.488	1.276.210
Less: Deductions from capital (Investments in other entities)	(575.177)	(551.449)
Capital for CAR calculation (A)	780.311	724.761
Risk weighted balance sheet items	11.642.133	11.125.282
Risk weighted off balance sheet items	2.499.929	2.463.599
Total risk weighted assets (B)	14.142.062	13.588.881
Capital Adequacy Ratio (A/B)	5,52%	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 (continued)
as at 30 June 2017 and for the six-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 June 2017</u>	<u>30 June 2016</u>
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	164.860	64.745
Weighted average number of ordinary shares for basic earnings per share (shares)	136.577.600	136.577.600
Face value per share (LAK)	5.000	5.000
Earnings per share (LAK)	1.207	474

41. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 30 June 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 Extérieur Lao Public

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

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

	30 June 2017 LAK	31 December 2016 LAK
USD	8.230,00	8.169,00
EUR	9.410,00	8.620,00
THB	242,73	229,19
GBP	10.622,00	9.892,00
CHF	8.515,00	7.675,00
JPY	72,37	69,15
SGD	6.058,00	5.886,00
CAD	6.325,00	5.799,00
AUD	6.298,00	5.826,00
CNY	1.199,00	1.153,00
VND	0,36	0,36

Prepared by:



Mrs. Lammaniseng Sayaphet
Head of Accounting
Department

Approved by:



Mrs. Phousengthong
Anoulakkham
Acting Head of Internal Audit
Department

Approved by:



Mr. Bouavanh Simajivong
Deputy Managing Director

Vientiane, Lao P.D.R

18 August 2017

Banque Pour Le Commerce Extérieur Lao Public

Interim separate financial statements

30 June 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, and its latest Amended Business License No. 4284/BOL dated 11 November 2010 issued by the Bank of Lao P.D.R. 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.

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

<i>Shareholders</i>	<i>Number of shares</i>	<i>%</i>
The Government	95,604,321	70%
Local investors (including employees of the Bank)	13,657,760	10%
Strategic partners	13,657,759	10%
Other foreign investors	13,657,760	10%
	136,577,600	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 June 2017 is LAKm 682.888 (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 June 2017, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-two (82) 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 June 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 June 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 six-month period ended 30 June 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 Vongxayarith	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

GENERAL INFORMATION (continued)

BOARD OF MANAGEMENT

Members of the Board of Management during the six-month period ended 30 June 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.

AUDITORS

The auditors of the Bank are Ernst & Young Lao Company Limited.

Reference: 60790273/18712878-HY-IFRS

REPORT ON REVIEW OF INTERIM SEPARATE FINANCIAL STATEMENTS

**To: The shareholders
Banque Pour Le Commerce Extérieur Lao Public**

Introduction

We have reviewed the accompanying interim separate financial statements of Banque Pour Le Commerce Extérieur Lao Public ("the Bank") as set out on pages 6 to 49, which comprise the interim separate statement of financial position as at 30 June 2017, and the interim separate income statement, interim separate statement of comprehensive income, interim separate statement of changes in equity, interim separate statement of cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. The Bank's management is responsible for the preparation and fair presentation of these interim separate financial statements in accordance International Financial Reporting Standards. Our responsibility is to express a conclusion on these interim separate financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

- Due to the limitation of information, the Bank's management was unable to provide disclosures relating to fair value and financial risk management as required by IFRS 7: "Financial Instruments: Disclosures" and IFRS 13: "Fair value measurement".

Qualified Conclusion

Based on our review, with the exception of the matter as described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim separate financial statements do not present fairly, in all material respects, the interim separate financial position of the Bank as at 30 June 2017, and of its interim separate financial performance and its interim separate cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 2 the interim separate financial statements which states that the Bank prepared the interim consolidated financial statements of the Bank and its subsidiary for the six-month period ended 30 June 2017 in accordance with IFRS. We have reviewed those interim consolidated financial statements and our review report dated 18 August 2017 expressed an unmodified conclusion. Our review conclusion on the interim separate financial statements is not modified in respect of this matter.

Ernst & Young Lao Co., Ltd.:



Trinh Hoang Anh
Partner
Audit Practising Registration
Certificate No. LCPAA/2-1-00001

Vientiane, Lao P.D.R
18 August 2017

Banque Pour Le Commerce Extérieur Lao Public

INTERIM SEPARATE INCOME STATEMENT for the six-month period ended 30 June 2017

	Notes	For the six-month period ended 30 June 2017 LAKm	For the six-month period ended 30 June 2016 LAKm
Interest and similar income	7	822.979	591.774
Interest and similar expense	8	(442.098)	(415.469)
Net interest and similar income		380.881	176.305
Fee and commission income	9	92.517	91.029
Fee and commission expense	9	(10.578)	(7.521)
Net fee and commission income	9	81.939	83.508
Net trading income	10	22.547	26.759
Other operating income	11	11.606	7.386
Operating income		496.973	293.958
Credit loss expense of loans to customers	18	(104.200)	(35.443)
Reversal of/(additional) impairment losses of financial investments	12	5.809	(13.914)
NET OPERATING INCOME		398.582	244.601
Personnel expenses	13	(104.209)	(98.704)
Depreciation and amortization	22, 23	(36.043)	(34.564)
Other operating expenses	14	(70.711)	(44.731)
TOTAL OPERATING EXPENSES		(210.963)	(177.999)
PROFIT BEFORE TAX		187.619	66.602
Current profit tax expense	28.1	(51.134)	(16.921)
Deferred profit tax income	28.1	6.485	2.534
NET PROFIT FOR THE PERIOD		142.970	52.215
Earnings per share (LAK)	36	1.047	382

Prepared by:

Approved by:

Approved by:

Mrs. Lammaniseng Sayaphet
Head of Accounting
Department

Mrs. Phousengthong Anouakkham
Acting Head of Internal Audit
Department

Mr. Bouavanh Simalivong
Deputy Managing Director



Vientiane, Lao P.D.R

18 August 2017

Banque Pour Le Commerce Extérieur Lao Public

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the six-month period ended 30 June 2017

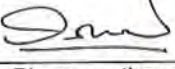
	Notes	For the six-month period ended 30 June 2017 LAKm	For the six-month period ended 30 June 2016 LAKm
NET PROFIT FOR THE PERIOD		142.970	52.215
OTHER COMPREHENSIVE INCOME			
Net loss on available-for-sale financial assets		-	(9.588)
Profit tax related to components of other comprehensive income		-	2.301
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		-	(7.287)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		142.970	44.928

Prepared by:

Approved by:

Approved by:


Mrs. Lammaniseng Sayaphet
Head of Accounting
Department


Mrs. Phousengthong Anoulakkham
Acting Head of Internal Audit
Department


Mr. Bouavanh Simalivong
Deputy Managing Director



Vientiane, Lao P.D.R

18 August 2017

Banque Pour Le Commerce Extérieur Lao Public

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

	Notes	30 June 2017 LAKm	31 December 2016 LAKm
ASSETS			
Cash and balances with the Bank of Lao P.D.R	15	5.669.701	5.678.649
Due from banks	16	2.223.920	2.855.631
Loans to customers	17	20.380.405	19.093.205
Financial investments - Available-for-sale	19	191.750	191.750
Financial investments - Held-to-maturity	20	2.560.391	2.553.110
Investments in subsidiary and joint ventures	21	561.623	561.623
Property and equipment	22	436.359	446.733
Intangible assets	23	237.797	243.503
Deferred tax assets	28.4	8.128	10.657
Other assets	24	353.302	292.715
TOTAL ASSETS		32.623.376	31.927.576
LIABILITIES			
Due to banks and other financial institutions	25	2.272.224	3.165.445
Due to customers	26	26.731.061	25.403.131
Borrowings from other banks	27	2.191.042	2.002.307
Current tax liabilities	28.2	66.478	36.365
Deferred tax liabilities	28.4	820	9.834
Other liabilities	29	83.072	90.927
TOTAL LIABILITIES		31.344.697	30.708.009
EQUITY			
Charter capital	30	682.888	682.888
Statutory reserves and other reserves	31	392.622	357.712
Available-for-sale reserve	32	8.014	8.014
Retained earnings		195.155	170.953
TOTAL EQUITY		1.278.679	1.219.567
TOTAL LIABILITIES AND EQUITY		32.623.376	31.927.576

Prepared by:

Approved by:

Approved by:

Mrs. Lammaniseng
Sayaphet
Head of Accounting
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Acting Head of Internal Audit
Department

Mr. Bouavanh Simalivong
Deputy Managing Director



Vientiane, Lao P.D.R

18 August 2017

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY
for the six-month period ended 30 June 2017

	Charter capital LAKm	Statutory reserves LAKm	Available-for-sale reserve LAKm	Retained earnings LAKm	Capital supplement reserve LAKm	Total LAKm
Balance as at 31 December 2016	682.888	345.437	8.014	170.953	12.275	1.219.567
Dividend of 2016 paid out to shareholders	-	-	-	(83.858)	-	(83.858)
Net profit for the period	-	-	-	142.970	-	142.970
Appropriation to reserve for the year 2016	-	34.910	-	(34.910)	-	-
Balances as at 30 June 2017	682.888	380.347	8.014	195.155	12.275	1.278.679

Prepared by:



Mrs. Lammaniseng Sayaphet
Head of Accounting Department

Approved by:



Mrs. Phousengthong Anoulakkham
Acting Head of Internal Audit Department



Approved by:



Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao P.D.R

18 August 2017

Banque Pour Le Commerce Extérieur Lao Public

INTERIM SEPARATE STATEMENT OF CASH FLOWS for the six-month period ended 30 June 2017

		For the six-month period ended 30 June 2017 LAKm	For the six-month period ended 30 June 2016 LAKm
OPERATING ACTIVITIES	<i>Notes</i>		
Profit before tax		187.619	66.602
<i>Adjustments for:</i>			
Depreciation and amortization charges	22, 23	36.043	34.564
Expense for impairment losses	18	104.200	35.443
Changes in provision for impairment loss on investment securities	12	(5.809)	13.914
Gain on disposal of fixed assets		-	2.682
Dividend income	11	(9.209)	(5.753)
Cash flows from operating profit before changing in operating assets and liabilities		312.844	147.452
<i>Changes in operating assets</i>			
Net change in balances with other banks		88.366	53.784
Net change in loans to customers		(1.394.522)	(4.146.581)
Financial investment - Held-to-maturity		-	(807.810)
Financial investment - Available-for-sale		(1.468)	9.588
Net change in other assets		(25.490)	(78.393)
<i>Changes in operating liabilities</i>			
Net change in due to other banks		(704.486)	284.981
Net change in due to customers		1.327.930	982.487
Net change in other liabilities		(10.433)	(370)
Tax paid during the period	28.3	(20.976)	(18.866)
Net cash flows used in operating activities		(428.235)	(3.573.728)
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(50.192)	(25.853)
Proceeds from disposals of fixed assets		783	45.233
Dividend received		9.209	5.753
Net cash flows (used in)/from investing activities		(40.200)	25.133
FINANCING ACTIVITIES			
Payment of dividends		(83.858)	(29.910)
Net cash flows used in financing activities		(83.858)	(29.910)
Net decrease in cash and cash equivalents		(552.293)	(3.578.505)
Cash and cash equivalents at the beginning of the period		7.119.187	10.148.821
Foreign exchange difference		-	(87)
Cash and cash equivalents at the end of the period	33	6.566.894	6.570.229

Prepared by:

Approved by:

Approved by:

Mrs. Lammaniseng Sayaphet
Head of Accounting
Department

Mrs. Phousengthong Anoulakkham
Acting Head of Internal Audit
Department

Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao P.D.R

18 August 2017



Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-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, and its latest Amended Business License No. 4284/BOL dated 11 November 2010 issued by the Bank of Lao P.D.R. 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.

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

<i>Shareholders</i>	<i>Number of shares</i>	<i>%</i>
The Government	95,604,321	70%
Local investors (including employees of the Bank)	13,657,760	10%
Strategic partners	13,657,759	10%
Other foreign investors	13,657,760	10%
	136,577,600	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 June 2017 is LAKm 682.888 (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 June 2017, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-two (82) services units, and sixteen (16) exchange units all over Lao P.D.R.

Banque Pour Le Commerce Exterieur Lao Public

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

1. CORPORATE INFORMATION (continued)

Subsidiary

As at 30 June 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 June 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 six-month period ended 30 June 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 SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

1. CORPORATE INFORMATION (continued)

Board of Management

Members of the Board of Management during the six-month period ended 30 June 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	Appointed on 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
Ms. Khanthaly Vongxayarath	Deputy Managing Director	Appointed on 30 September 2014 Resigned on 1 March 2017
Mr. Lachay Khanpravong	Deputy Managing Director	Appointed on 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointed on 30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	Appointed on 23 November 2015
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointed on 23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	Appointed on 01 November 2016

Employees

Total number of employees of the Bank as at 30 June 2017 is 1.664 persons (as at 31 December 2016: 1.591 persons).

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-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 six-month period ended 30 June 2017 on 18 August 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 six-month ended 30 June 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 six month period ended 30 June 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 (continued)
as at 30 June 2017 and for the six-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 June 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.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-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 (continued)
as at 30 June 2017 and for the six-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 (continued)
as at 30 June 2017 and for the six-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 June 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.

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-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.

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-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.

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-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 (continued)
as at 30 June 2017 and for the six-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 (continued)
as at 30 June 2017 and for the six-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.

Banque Pour Le Commerce Extérieur Lao Public

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

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.

Banque Pour Le Commerce Exterieur Lao Public

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

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

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

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 six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
Interest income from lending to customers	738.113	540.661
Interest income from deposits at other banks	5.449	2.305
Interest income from investment securities	60.656	35.980
Other interest and similar income	18.761	12.828
	822.979	591.774

8. INTEREST AND SIMILAR EXPENSE

	<i>For the six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
Interest expense for due to other banks	56.345	29.891
Interest expense for customer deposits	385.753	385.578
	442.098	415.469

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

9. NET FEES AND COMMISSION INCOME

	<i>For the six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
Fees and commission income from:		
Settlement services	63.219	57.393
Treasury activities	26.563	32.309
Other activities	2.735	1.327
	92.517	91.029
Fees and commission expense for:		
Settlement services	(8.780)	(7.051)
Treasury activities	(1.798)	(470)
	(10.578)	(7.521)
Net fees and commission income	81.939	83.508

10. NET TRADING INCOME

	<i>For the six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
Gains from foreign currencies trading	1.790.337	1.876.887
Loss from foreign currencies trading	(1.767.790)	(1.850.128)
	22.547	26.759

11. OTHER OPERATING INCOME

	<i>For the six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
Dividend income	9.209	5.753
Recovery of bad debts written-off	2.386	1.142
Others	11	491
	11.606	7.386

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

	<i>For the six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
Reversal of/(additional) impairment losses for held-to-maturity securities (Note 20)	5.809	(13.914)
	5.809	(13.914)

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

13. PERSONNEL EXPENSES

	<i>For the six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
Salary and wages	60.824	56.774
Welfare	40.041	38.222
Retirement for employee	606	1.082
Allowance	2.666	2.542
Training	72	84
	104.209	98.704

14. OTHER OPERATING EXPENSES

	<i>For the six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
External services	12.129	10.892
Repair and maintenance	7.273	6.915
Publication, marketing and promotion	2.760	1.693
Office rental	4.790	3.988
Telecommunication	768	980
Training, meeting and seminar	4.653	4.184
Insurance fee for depositor protection fund	11.877	10.337
Tax and other duties	109	476
Write off construction in progress	18.454	-
Others	7.898	5.266
	70.711	44.731

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

	<i>30 June 2017 LAKm</i>	<i>31 December 2016 LAKm</i>
Cash on hand in LAK	1.359.313	1.016.613
Cash on hand in foreign currencies ("FC")	983.053	850.541
Balances with the BOL:		
- Compulsory deposit	1.322.373	1.378.763
- Demand deposit	2.004.962	2.432.732
	5.669.701	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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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

16. DUE FROM BANKS

	30 June 2017 LAKm	31 December 2016 LAKm
Current and saving accounts	1.715.182	2.569.420
- In LAK	961.010	2.174.414
- In foreign currencies	754.172	395.006
Term deposits	507.222	284.330
- In LAK	308.610	123.171
- In foreign currencies	198.612	161.159
Accrued interest	1.516	1.881
	2.223.920	2.855.631

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

	For the six-month period ended 30 June 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 – 3,00	1,00 – 3,00

17. LOANS TO CUSTOMERS

	30 June 2017 LAKm	31 December 2016 LAKm
Gross loans	20.629.524	19.240.075
In which:		
Loans funded by borrowing from BOL (Note 27)	1.681.833	1.640.776
Accrued interest related to loans to customers	197.782	192.709
Less: Allowance for impairment losses (see Note 18)	(446.901)	(339.579)
	20.380.405	19.093.205

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

	For the six-month period ended 30 June 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 June 2017 LAKm	31 December 2016 LAKm
Loans denominated in LAK	8.282.196	7.408.014
Loans denominated in USD	9.523.666	9.300.297
Loans denominated in THB	2.823.662	2.531.764

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

20.629.524 **19.240.075**

17. LOANS TO CUSTOMERS (continued)

Analysis of loan portfolio by original maturity:

	30 June 2017 LAKm	31 December 2016 LAKm
Short-term loans	2.678.924	2.966.973
Medium-term loans	12.258.337	11.301.876
Long-term loans	5.692.263	4.971.226
	20.629.524	19.240.075

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

	30 June 2017		31 December 2016	
	LAKm	%	LAKm	%
Industrial services companies	10.574.687	51,26%	9.796.735	50,92%
Construction companies	3.493.088	16,93%	3.305.600	17,18%
Technical instruments enterprises	100.940	0,49%	63.867	0,33%
Agricultural & forestry	50.309	0,24%	48.385	0,25%
Trading companies	3.641.847	17,65%	3.498.551	18,18%
Transportation companies	626.434	3,04%	642.664	3,34%
Services companies	1.902.942	9,22%	1.701.361	8,84%
Handicrafts	9.923	0,05%	9.958	0,05%
Others	229.354	1,12%	172.954	0,91%
	20.629.524	100%	19.240.075	100%

18. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in the allowance for impairment losses of loans to customers during the six-month period ended 30 June 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	104.200
Foreign exchange differences	3.122
Balance as at 30 June 2017	446.901

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

	30 June 2017		31 December 2016	
	Outstanding balance LAKm	Impairment LAKm	Outstanding balance LAKm	Impairment LAKm
Individually impaired	2.220.497	266.802	2.792.381	290.125
Collectively impaired	18.409.027	180.099	16.447.694	49.454
	20.629.524	446.901	19.240.075	339.579

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
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19. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	30 June 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 June 2017 LAKm	31 December 2016 LAKm
Amortized cost of Treasury bills issued by the Ministry of Finance	2.048.250	1.998.663
Amortized cost of Bonds issued by the Ministry of Finance	519.274	567.389
	2.567.524	2.566.052
Impairment losses for investments in Held-to-maturity securities (*)	(7.133)	(12.942)
- Impairment losses for Treasury bills issued by the Ministry of Finance	(202)	(1.926)
- Impairment losses for Bonds issued by the Ministry of Finance	(6.931)	(11.016)
	2.560.391	2.553.110

(*): The net change in impairment losses of LAKm 5,809 for the six-month ended 30 June 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 June 2017 are as follows:

Term	Issue date	Maturity date	Face value LAKm	Amortized cost LAKm	Interest rate per annum (nominal)
1 year	26-Aug-16	26-Aug-17	50.000	52.102	5,00%
1 year	2-Sep-16	2-Sep-17	50.000	52.053	5,00%
1 year	18-Nov-16	18-Nov-17	300.000	309.119	5,00%
1 year	16-Dec-16	16-Dec-17	146.000	149.876	5,00%
1 year	17-Feb-17	17-Feb-18	300.000	305.381	5,00%
1 year	10-Mar-17	10-Mar-18	73.000	74.101	5,00%
1 year	28-Mar-17	28-Mar-18	350.000	354.615	5,00%
1 year	18-Apr-17	18-Apr-18	100.000	100.981	5,00%
1 year	28-Apr-17	28-Apr-18	20.000	20.169	5,00%
1 year	19-May-17	19-May-18	10.000	10.056	5,00%
1 year	26-May-17	26-May-18	58.000	58.272	5,00%
1 year	16-Jun-17	16-Jun-18	500.000	500.937	5,00%
1 year	10-Oct-16	10-Oct-17	2.000	2.030	4,00%
1 year	20-Dec-16	20-Dec-17	50.000	50.750	4,00%
1 year	12-Nov-16	12-Nov-17	8.000	7.808	4,00%
			2.017.000	2.048.250	

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

20.2 Bonds issued by the Ministry of Finance

	30 June 2017 LAKm	31 December 2016 LAKm
Capitalization bonds	66.758	67.391
Other bonds	452.516	499.998
	519.274	567.389

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

<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	66.758	5 years	4.00%
		68.600	66.758		

► 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	30.665	3,00%
12-Mar-16	12-Mar-18	20.000	19.790	4,25%
31-Jul-16	31-Jul-18	5.000	4.904	4,25%
7-May-16	7-May-18	22.000	20.576	4,25%
11-Jun-16	11-Jun-18	9.000	8.343	4,25%
12-Jun-16	12-Jun-18	25.000	23.170	4,25%
13-Jun-16	13-Jun-18	1.000	927	4,25%
16-May-16	16-May-18	5.000	4.665	4,25%
18-Sep-16	18-Sep-18	4.000	3.791	4,25%
31-Jul-16	31-Jul-18	2.000	1.932	4,25%
2-Aug-16	2-Aug-18	14.000	13.569	4,25%
11-Jun-16	11-Jun-18	2.000	1.768	4,25%
30-Dec-14	30-Dec-17	100.000	102.514	5,10%
23-Dec-16	23-Dec-18	210.000	215.902	5,50%
		448.780	452.516	

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21. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

	30 June 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 June 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 June 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 June 2017.

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

22. PROPERTY AND EQUIPMENT

Movements of property and equipment for the six-month period ended 30 June 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	7.730	10.260	631	689	19.310
<i>In which</i>					
<i>New purchases</i>	77	-	-	-	77
<i>Transferred from CIP and fixed assets in transit</i>	7.653	10.260	631	689	19.233
Disposals	(2.001)	(14.809)	(159)	(400)	(17.369)
As at 30 June 2017	453.208	123.175	35.514	19.141	631.038
Accumulated depreciation:					
As at 1 January 2017	89.823	66.311	17.816	8.414	182.364
Charge for the period	12.578	12.465	2.407	1.951	29.401
Disposals	(1.895)	(14.728)	(64)	(399)	(17.086)
As at 30 June 2017	100.506	64.048	20.159	9.966	194.679
Net book value:					
As at 1 January 2017	357.656	61.413	17.226	10.438	446.733
As at 30 June 2017	352.702	59.127	15.355	9.175	436.359

23. INTANGIBLE ASSETS

Movements of intangible assets during the six-month period ended 30 June 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	-	1.436	1.436
<i>In which</i>			
<i>New purchases</i>	-	457	457
<i>Transferred from CIP and fixed assets in transit</i>	-	979	979
Disposals	(499)	(3.482)	(3.981)
As at 30 June 2017	220.019	66.209	286.228
Accumulated amortization:			
As at 1 January 2017	-	45.270	45.270
Charge for the period	-	6.642	6.642
Disposals	-	(3.481)	(3.481)
As at 30 June 2017	-	48.431	48.431
Net book value:			
As at 1 January 2017	220.518	22.985	243.503
As at 30 June 2017	220.019	17.778	237.797

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

24. OTHER ASSETS

	30 June 2017	31 December 2016
	LAKm	LAKm
Assets waiting for sale	195.107	143.098
Stationeries and other tools	1.736	1.467
Cheques in collection	19.642	31.472
Construction in progress and fixed assets in transit (*)	53.068	48.260
Prepaid expenses to be allocated	45.386	30.800
Advance payment for other operations	18.866	24.791
Advance to suppliers	10.906	3.412
Others	8.591	9.415
	353.302	292.715

(*): Movement of construction in progress and fixed assets in transit for the six-month ended 30 June 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	-	23.600	26.058	49.658
Transferred to fixed assets	-	(7.653)	(12.559)	(20.212)
Transferred to assets available for sale	(143)	(173)	(5.868)	(6.184)
Written off	-	(18.454)	-	(18.454)
As at 30 June 2017	7.918	23.981	21.169	53.068

25. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2017	31 December 2016
	LAKm	LAKm
Demand deposits	1.923.082	2.813.254
- In LAK	866.947	1.242.744
- In foreign currencies	1.056.135	1.570.510
Saving deposits	68.512	29.046
- In LAK	20.881	21.381
- In foreign currencies	47.631	7.665
Term deposits	219.798	306.858
- In LAK	46.450	45.450
- In foreign currencies	173.348	261.408
Others	46.827	11.257
- In LAK	7.228	8.590
- In foreign currencies	39.599	2.667
Accrued interest payables	14.005	5.030
	2.272.224	3.165.445

Saving deposits from other banks and financial institutions denominated in LAK, USD, THB bear interest at rates ranging of 0% - 1,25%, 0% - 0,75% and 0% - 0,20% per annum, respectively.

Term deposits from other banks and financial institutions denominated in LAK, USD, THB bear interest at rates ranging of 1,25% - 7,00%, 0% - 3,00% and 0% - 3,00% per annum, respectively.

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as at 30 June 2017 and for the six-month period then ended

26. DUE TO CUSTOMERS

	30 June 2017 LAKm	31 December 2016 LAKm
Demand deposits	5.961.635	6.082.985
Demand deposits in LAK	2.081.360	1.656.340
Demand deposits in FC	3.880.275	4.426.645
Demand savings	10.423.857	9.341.554
Demand saving deposits in LAK	4.402.950	3.704.509
Demand saving deposits in FC	6.020.907	5.637.045
Term deposits	10.020.652	9.495.540
Term deposits in LAK	6.107.648	5.868.476
Term deposits in FC	3.913.004	3.627.064
Margin deposits	91.706	119.478
Margin deposits in LAK	10.682	11.716
Margin deposits in FC	81.024	107.762
Others	109.176	271.295
	26.607.026	25.310.852
Accrued interest	124.035	92.279
	26.731.061	25.403.131

Saving deposits from customers denominated in LAK, USD and THB bear interest at rate ranging of 11,25% – 3,00%, 0,90% - 1,25% and 0,45% – 1,00% 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 2,25% – 12,50%, 1,00% - 6,75 % and 0,50% – 6,50% per annum respectively.

27. BORROWINGS FROM OTHER BANKS

	30 June 2017 LAKm	31 December 2016 LAKm
Borrowings from the BOL	1.681.833	1.640.776
Borrowings from foreign banks	485.570	359.436
Accrued interest payables	23.639	2.095
	2.191.042	2.002.307

Borrowings from the BOL as at 30 June 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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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

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 20,000,000 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 six-month period ended 30 June 2017 LAKm</i>	<i>For the six-month period ended 30 June 2016 LAKm</i>
Current profit tax expense	51.134	16.921
Deferred profit tax income	(6.485)	(2.534)
Total tax expense for the period	44.649	14.387

28.2 Tax payables

	<i>30 June 2017 LAKm</i>	<i>31 December 2016 LAKm</i>
Profit Tax payable	54.414	24.300
Value Added Tax payable	12.064	12.065
	66.478	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 six-month period ended 30 June 2017 and 30 June 2016 are as follows:

	For the six-month period ended 30 June 2017 LAKm	For the six-month period ended 30 June 2016 LAKm
Profit before tax in accordance with IFRS	187.619	66.602
<i>Adjustments for:</i>		
- Difference between carrying value under LAS and amortized cost under IFRS of Bonds	(3.952)	12.052
- Difference in allowance for impairment losses between LAS and IFRS of loans to banks and customers	36.790	(17.937)
- Difference in allocation of subvention funds	-	1.572
- Write-off start-up cost as expense during the period	-	(21)
- Difference in impairment expense of investment between LAS and IFRS	(5.809)	13.914
Profit before tax in accordance with LAS	214.648	76.182
<i>Increase/(Decrease):</i>		
- Income exempted from PT (dividend income)	(9.209)	(5.753)
- Non-deductible expenses	7.620	72
Taxable profit under LAS	213.059	70.501
PT expense at rate of 24%	51.134	16.921
Payable at the beginning of the period	24.300	18.796
Tax paid in the period	(20.976)	(18.866)
Additional tax payable for previous period	-	2.511
Other adjustment	(44)	(165)
PT payable at the end of the period	54.414	19.197

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

28. TAXATION (continued)

28.4 Deferred tax assets/(liabilities)

	Deferred tax assets (tax rate of 24%) LAKm	Deferred tax liabilities (tax rate of 24%) LAKm	Net deferred tax assets/ (liabilities) LAKm
As at 1 January 2017	10.657	(9.834)	823
Increase during the period due to:			
Changes in fair value of available for sale financial instruments	-	-	-
Changes in temporary difference between taxable profit under LAS and taxable profit under IFRS	(2.529)	9.014	6.485
As at 30 June 2017	8.128	(820)	7.308

29. OTHER LIABILITIES

	30 June 2017 LAKm	31 December 2016 LAKm
Payables to employees	16	19.772
Payable to suppliers	18.109	17.271
Termination allowances	19.716	17.906
Items waiting to settle with customers	42.006	33.855
Others	3.225	2.123
	83.072	90.927

30. CHARTER CAPITAL

There has been no change to paid-up capital during the period 2017.

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

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>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
As at 30 June 2017	100.090	280.257	12.275	392.622

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 six-month period ended 30 June 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 June 2017 LAKm</i>	<i>31 December 2016 LAKm</i>
Cash and cash equivalents on hand	2.342.366	1.867.154
Demand deposits with the BOL	2.004.962	2.432.732
Current accounts with other banks	1.715.182	2.569.420
Term deposits due within 3 months	504.384	249.881
	6.566.894	7.119.187

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

34. CONTINGENT LIABILITIES AND COMMITMENTS

	30 June 2017 LAKm	31 December 2016 LAKm
Bank guarantees	237.764	248.997
At sight letters of credit	456.251	579.768
Deferred payment letters of credit	172.377	141.234
Credit limit given to customers	3.923.674	4.088.546
Credit limit given to other banks	4.582	22.232
	4.794.648	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 June 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 six-month period ended 30 June 2017 LAKm	For the six-month period ended 30 June 2016 LAKm
Salaries	758	721
Bonus	297	185
Responsibility allowance	629	600
	1.684	1.506

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35. RELATED PARTY DISCLOSURES (continued)

Other related parties

Significant balances with other related parties as at 30 June 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	-	1.681.833
Bank of the Lao P.D.R	Direct controller	BCEL's demand deposits at BOL	2.004.962	-
Bank of the Lao P.D.R	Direct controller	BCEL's compulsory deposits at BOL	1.322.373	-
Bank of the Lao P.D.R	Direct controller	Demand deposit at BCEL	-	4.647
The Ministry of Finance of the Lao P.D.R	Direct owner	Investment in MOF's bonds	2.560.391	-
BCEL - Krung Thai Securities Company Limited	Subsidiary	Current accounts	-	539
Lao Viet Joint Venture Bank	Joint venture	Current accounts	306.687	-
Lao Viet Joint Venture Bank	Joint venture	Term deposit	141.150	-
Lao Viet Joint Venture Bank	Joint venture	Current accounts	-	356.831
Banque Franco – Lao Company Limited	Joint venture	Current accounts	-	26.355
Lao China Bank Co.Ltd	Joint venture	Current accounts	-	41.832
LAO- VIET INSURANCE Company Limited	Joint venture	Current accounts	-	76

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 six-month period ended 30 June 2017</i>	<i>For the six-month period ended 30 June 2016</i>
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	142.970	52.215
Weighted average number of ordinary shares for basic earnings per share (shares)	136.577.600	136.577.600
Face value per share (LAK)	5.000	5.000
Earnings per share (LAK)	1.047	382

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
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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 June 2017	31 December 2016
	LAKm	LAKm
Tier 1 capital	1.270.665	1.211.553
Tier 2 capital	3.607	3.607
Total capital	1.274.272	1.215.160
Less: Deductions from capital (Investments in other entities)	(561.623)	(561.623)
Capital for CAR calculation (A)	712.649	653.537
Risk weighted balance sheet items	11.630.744	10.829.925
Risk weighted off balance sheet items	2.499.929	2.463.599
Total risk weighted assets (B)	14.130.673	13.293.524
Capital Adequacy Ratio (A/B)	5,04%	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.

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40. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 30 June 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 YEAR END

	30 June 2017 LAK	31 December 2016 LAK
USD	8.230,00	8.169,00
EUR	9.410,00	8.620,00
THB	242,73	229,19
GBP	10.622,00	9.892,00
CHF	8.515,00	7.675,00
JPY	72,37	69,15
SGD	6.058,00	5.886,00
CAD	6.325,00	5.799,00
AUD	6.298,00	5.826,00
CNY	1.199,00	1.153,00
VND	0,36	0,36

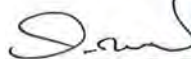
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Acting Head of Internal Audit
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Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao P.D.R

18 August 2017