

Banque Pour Le Commerce Extérieur Lao Public
(formerly known as Banque Pour Le Commerce Extérieur Lao)

Report of Management and

Audited Separate Financial Statements in accordance with the
Enterprise Accounting Law of Lao P.D.R and other relevant accounting
regulations as stipulated by Bank of the Lao P.D.R

as at and for the year ended 31 December 2011

Banque Pour Le Commerce Extérieur Lao Public
(formerly known as Banque Pour Le Commerce Extérieur Lao)

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Banque Pour Le Commerce Extérieur Lao Public

(formerly known as Banque Pour Le Commerce Extérieur Lao)

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.

Establishment and Operations

The Bank operates under the Banking Business License No. 129/BOL granted by the Bank of Lao People’s Democratic Republic (“Bank of the Lao P.D.R”) which was effective from 01 November 1989, and its Amended Business Licenses; with the latest Amended Business License No. 4284/BOL issued by the BOL on 11 November 2010.

The Bank operates as a universal commercial bank providing a full range of financial, monetary, credit, banking and non-banking products and services in accordance with the law, including: banking services (comprehensive packages of both traditional and modern banking services), insurance services (insurance, re-insurance all types of non-life insurance services); securities (securities brokerage, securities custody, investment consulting business, underwriting, portfolio management), financial investments (investment securities: bonds, stocks); capital investment in new projects.

Equitisation of the Bank

On 14 December 2010, the Bank’s equitisation plan had been approved by the Prime Minister Office according to Decision No. 181/PMO. Under the equitisation plan, the current capital of the Ministry of Finance in the Bank remains unchanged with additional shares to be issued on the condition that the Ministry of Finance still holds 80% of chartered capital of the joint stock bank after equitisation. On 23 December 2010, the Bank successfully completed the Initial Public Offering of 27,315,520 shares equivalent to 20% of its chartered capital. Of the shares issued, 20,490,160 shares were subscribed by the public and 6,825,360 shares were offered to the employees. On 10 January 2011, the Bank had received the Operating License No. 0061/LRO issued by the Business License Registration Office of the Lao P.D.R which is effective from 10 January 2011. Accordingly, the Bank has formally been transformed into joint stock bank under the new name of Banque Pour Le Commerce Extérieur Lao Public. On 15 July 2011, the Bank continues to sell 10% of the total ordinary shares (equivalent 13,657,759 shares) to Cofibred in accordance with the Ordinary Shares Purchase Agreement between Ministry of Finance and Cofibred. Cofibred remitted to the Ministry of Finance the total purchase price of LAK 150,235,349,000 from 25 July to 29 July 2011.

Chartered Capital

The initial chartered capital of the Bank was 1,933 millions of KIP (“LAKm”) and subsequently supplemented based on the approval of its equity holders. The actual charter capital as at 31 December 2011 is LAKm 682,888. (As at 31 December 2010: LAKm 610,433).

Location and Network

The Bank’s Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane, Lao P.D.R. As at 31 December 2011, the Bank has one (01) Head Office, eighteen (18) main branches, twenty six (26) services units, and eleven (11) exchange units all over Lao P.D.R.

Banque Pour Le Commerce Extérieur Lao Public

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GENERAL INFORMATION (continued)

Subsidiaries

As at 30 June 2011 the Bank has two (02) subsidiaries 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 Leasing Company	011/09 dated 17 November 2009 by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R	Banking & Finance	100%
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 31 December 2011, the Bank has three (03) 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	01/NHNN dated 31 March 2000 by the Bank of the Lao P.D.R	Banking & Finance	50%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of the Lao P.D.R	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	077/08/FIMC dated 09 June 2008 by the Foreign Investment Management Committee of the Lao P.D.R	Insurance	29%

BOARD OF DIRECTORS

The members of the Board of Directors for the financial year 2011 and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mrs. Viengthong Siphandone	Chairman	Appointed on 17 September 2007
Mr. Khamlien Pholsena	Vice Chairman	Appointed on 17 September 2007
Mr. Sonexay Sitphasay	Member	Appointed on 16 March 2003
Mr. Onekeo Damlongboun	Member	Appointed on 17 September 2007
Mr. Vanhkhham Voravong	Member	Appointed on 17 September 2007
Mr. Khamhou Thongthavy	Member	Appointed on 16 March 2003
Mrs. Palamy Souannavong	Member	Appointed on 17 September 2007

Banque Pour Le Commerce Exterieur Lao Public

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GENERAL INFORMATION (continued)

BOARD OF MANAGEMENT

The members of the Board of Management for the financial year 2011 and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment/resignation</i>
Mr. Vanhkhram Voravong	General Managing Director	Appointed on 13 January 2012
Mr. Sonexay Sitphasay	General Managing Director	Appointed on 16 January 2003/ Resigned on 18 November 2011
Mr. Vanhkhram Voravong	Deputy Managing Director	Appointed on 08 May 2005
Mr. Onekeo Damlongboun	Deputy Managing Director	Appointed on 02 February 2007
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
Mr. Phoukhong Chanthachack	Deputy Managing Director	Appointed on 08 May 2005

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year and at the date of this report is Mr. Sonexay Sitphasay – General Managing Director.

AUDITORS

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

Banque Pour Le Commerce Exterieur Lao Public

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REPORT OF MANAGEMENT

The Board of Management of Banque Pour Le Commerce Exterieur Lao Public ("the Bank") is pleased to present its report and the Bank's separate financial statements as at and for the year ended 31 December 2011.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE SEPARATE FINANCIAL STATEMENTS

The Bank's Management is responsible for preparation of the separate financial statements of each financial year which give a true and fair view of the separate financial position of the Bank and of its separate operational results and separate cash flows for the year in accordance with the Enterprise Accounting Law of the Lao P.D.R and other relevant accounting regulations as stipulated by Bank of the Lao P.D.R. In preparing those separate financial statements, the management of the Bank is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the separate financial statements; and
- ▶ prepare the separate financial statements on the going concern basis since the newly-formed entity, i.e. Banque Pour Le Commerce Exterieur Lao Public, will carry on all the rights and obligations from the previous 100% state-owned bank, i.e. Banque Pour Le Commerce Exterieur Lao.

The Bank's Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Bank and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Bank's Management has confirmed to the Board of Directors that the Bank has complied with the above requirements in preparing the separate financial statements for the year ended at 31 December 2011.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying separate financial statements give a true and fair view of the separate financial position of the Bank as at 31 December 2011 and of the separate results of its operations and its separate cash flows for the year then ended in accordance with the Enterprise Accounting law of Lao PDR and relevant accounting regulations stipulated by the Bank of Lao PDR.



For and on behalf of management:

Mr. Onekeo Damlongboun
Deputy Managing Director

Vientiane, Lao P.D.R

26 March 2012

Reference: 60790273/15457148

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying separate financial statements of Banque Pour Le Commerce Exterieur Lao Public ("the Bank"), which comprise the separate balance sheet as at 31 December 2011, the separate income statement, the separate statement of changes in equity and the separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 40.

Management's Responsibility for the Separate Financial Statements

The Bank's management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the Enterprise Accounting Law of Lao P.D.R and other relevant accounting regulations as stipulated by Bank of the Lao P.D.R. The responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of these separate financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

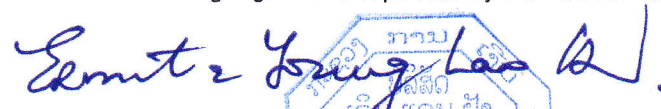
Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the separate financial statements.

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the separate financial position of the Bank as at 31 December 2011 and of its separate financial performance and its separate cash flows for the year then ended in accordance with the Enterprise Accounting Law of Lao P.D.R and relevant accounting regulations stipulated by the Bank of Lao P.D.R.



Vientiane, Lao P.D.R

26 March 2012



Banque Pour Le Commerce Exterieur Lao Public
(formerly known as Banque Pour Le Commerce Exterieur Lao)

SEPARATE INCOME STATEMENT
for the year ended 31 December 2011

Currency: LAKm

Code	ITEMS	Notes	2011	2010
A.	OPERATING INCOME AND EXPENSES			
1.	Interest and similar income	3	443,698	270,587
1.1	Interest and similar income from interbank		22,578	18,785
1.2	Interest and similar income from customers		324,271	198,070
1.3	Other interest and similar income		96,849	53,732
2.	Interest and similar expense	3	(264,815)	(146,909)
2.1	Interest and similar expense for interbank		(22,226)	(3,562)
2.2	Interest and similar expense for customers		(242,589)	(143,347)
2.3	Other interest and similar income		-	-
I.	NET INTEREST AND SIMILAR INCOME	3	178,883	123,678
3	Net gain from trading gold and other precious metals	8	14,711	12,356
8	Net gain from equity investments	4	16,626	16,510
9	Fee and commission income	5	152,002	105,040
10	Fee and commission expense	6	(9,451)	(6,264)
11	Net gain/(loss) from securities investment	7	(2,326)	1,289
12	Net gain from dealing in foreign currencies	8	65,210	41,667
II.	NET OPERATING INCOME		415,655	294,276
B	OTHER INCOME AND EXPENSES			
15	Other operating income	9	50,955	58,067
16	Administration expenses		(201,446)	(129,867)
16.1	Payroll and other staff costs	10	(114,497)	(68,675)
16.2	Other administrative expenses	11	(65,972)	(53,909)
16.3	Other expenses		(20,977)	(7,283)
17	Depreciation and amortization charges	19,20	(29,383)	(23,692)
18	Other operating expenses	12	(30,332)	(16,270)
19	Net specific provision charges/reversal for loans and advances to customers		7,374	(19,061)
19.1	Specific provision expenses for loans and advances to customers	16.5	(37,442)	(47,422)
19.2	Reversal of specific provision for loans and advances to customers	16.5	44,816	28,361
III.	TOTAL PROFIT BEFORE TAX		212,823	163,453
23	Current enterprise income tax	27.1	(61,059)	(54,243)
IV.	PROFIT AFTER TAX		151,764	109,210
	Earnings per share (LAK)	30	1,111	NA

Prepared by:
Mr. Phonenalath Kongvongsa
Accountant

Approved by:
Mrs. Lammaniseng Xayaphet
Head of Accounting Division

Approved by:
Mr. Onekeo Damlongboun
Deputy Managing Director

Vientiane, Lao P.D.R

26 March 2012

Banque Pour Le Commerce Extérieur Lao Public
(formerly known as Banque Pour Le Commerce Extérieur Lao)

SEPARATE BALANCE SHEET
as at 31 December 2011

Currency: LAKm

<i>Code</i>	<i>ASSETS</i>	<i>Notes</i>	<i>31 December 2011</i>	<i>31 December 2010</i>
I	Cash and accounts with the BOL	13	2,697,184	3,119,051
	1. Cash on hand		991,542	717,636
	2. Demand deposits		1,593,367	2,283,225
	3. Term deposits		112,275	118,190
II	Amounts due from other banks	14	2,097,555	1,832,916
	1. Demand deposits		1,199,301	867,262
	2. Term deposits		702,656	738,683
	3. Net loans to other banks, net of specific provisions		195,598	226,971
III	Securities purchased under resale agreements		-	-
IV	Investments in securities	15	2,144,806	1,429,796
	1. Trading securities		-	-
	2. Available-for-sale securities	15.1	97,674	100,000
	3. Held-to-maturity securities	15.2	2,047,132	1,329,796
V	Loans and advances to customers, net of specific provisions	16	5,141,557	2,705,476
VI	Investment in subsidiaries, joint-ventures and other long-term investment	18	287,899	239,099
VII	Fixed assets		301,527	180,075
	1. Construction in progress and fixed assets in transit		109,936	23,935
	2. Intangible fixed assets	19	42,569	23,977
	3. Tangible fixed assets	20	149,022	132,163
VIII	Other assets		143,744	72,259
	1. Accrued interest receivables	21	74,987	38,862
	2. Other assets	22	68,757	33,397
	TOTAL ASSETS		12,814,272	9,578,672

Banque Pour Le Commerce Exterieur Lao Public
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SEPARATE BALANCE SHEET (continued)
as at to 31 December 2011

Currency: LAKm

Code	LIABILITIES AND CAPITAL	Notes	31 December 2011	31 December 2010
I	Amounts due to other banks	23	1,162,556	682,759
	1. Demand deposits		1,069,856	580,495
	2. Term deposits		-	13,291
	3. Borrowings from other banks		66,664	78,566
	4. Other payables to other banks		26,036	10,407
II	Amounts due to customers	24	10,527,328	7,838,612
	1. Demand deposits		7,351,075	5,753,728
	2. Term deposits		3,093,137	1,944,255
	3. Other payables to customers		83,116	140,629
III	Other liabilities		187,805	272,514
	1. Accrued interest payables	25	50,337	36,178
	2. Tax payables to the State	27.2	57,005	50,566
	3. Other liabilities	26	80,463	185,770
	TOTAL LIABILITIES		11,877,689	8,793,885
IV	Capital and reserves		936,583	784,787
	1. Chartered capital		682,888	610,433
	2. Regulatory reserve fund		19,380	4,204
	3. Business expansion fund		73,857	114,857
	4. General provision for credit activities	17	54,395	28,964
	5. Retained earnings		106,063	25,227
	6. Subventions		-	1,102
	TOTAL CAPITAL		936,583	784,787
	TOTAL LIABILITES AND CAPITAL		12,814,272	9,578,672

Banque Pour Le Commerce Exterieur Lao Public
(formerly known as Banque Pour Le Commerce Exterieur Lao)

SEPARATE BALANCE SHEET (continued)
as at to 31 December 2011

Currency: LAKm

Code	OFF BALANCE SHEET ITEMS	Notes	31 December 2011	31 December 2010
I	Commitments given			
A	Commitments for financing given		1,088,142	2,680,001
1	Commitments for financing given to other banks		-	-
2	Commitments for financing given to customers		1,088,142	2,680,001
B	Commitments for guarantees given		136,988	106,075
1	Commitments for guarantees given to other banks		-	-
2	Commitments for guarantees given to customers		136,988	106,075
	TOTAL COMMITMENTS GIVEN		1,225,130	2,786,076

Code	OFF BALANCE SHEET ITEMS	Notes	31 December 2011	31 December 2010
II	Collaterals and Mortgages			
A	Collaterals and Mortgages for loans		10,565,424	11,151,907
1	Collaterals and Mortgages for loans to other banks		-	-
2	Collaterals and Mortgages for loans to customers		10,565,424	11,151,907
B	Collaterals and Mortgages for guarantees given		-	-
1	Collaterals and Mortgages for guarantees given to other banks		-	-
2	Collaterals and Mortgages for guarantees given to customers		-	-
	TOTAL COLLATERALS AND MORTGAGES		10,565,424	11,151,907

Prepared by:
Mr. Phonenalath Kongvongsa
Accountant

Approved by:
Mrs. Lammaniseng Xayaphet
Head of Accounting Division

Approved by:
Mr. Onekeo Damlongboun
Deputy Managing Director

Vientiane, Lao P.D.R

26 March 2012



Banque Pour Le Commerce Exterieur Lao Public
(formerly known as Banque Pour Le Commerce Exterieur Lao)

SEPARATE STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

Currency: LAKm

	Chartered capital	Regulatory reserve fund	Business expansion fund	General provision for credit activities	Subventions	Retained earnings	Total
Balances as at 1 January 2010	326,933	43,874	102,244	39,009	2,267	(111,040)	403,287
Net profit for the year 2010	-	-	-	-	-	109,210	109,210
Capital increase during the year 2010	283,500	-	-	-	-	-	283,500
Transfer legal reserve to retained earnings	-	(43,874)	-	-	-	43,874	-
Appropriation to reserves for the year 2010 based on the profit reported under the Lao Accounting System	-	4,204	12,613	-	-	(16,817)	-
Net reversal of general provision for credit activities	-	-	-	(10,045)	-	-	(10,045)
Subventions allocated to the Separate income statement	-	-	-	-	(1,165)	-	(1,165)
Balances as at 31 December 2010	610,433	4,204	114,857	28,964	1,102	25,227	784,787
Transfer to chartered capital as a result of equitisation	72,455	-	(71,353)	-	(1,102)	-	-
Net profit for the year 2011	-	-	-	-	-	151,764	151,764
Transfer of profit for the year 2010 to the MOF	-	-	-	-	-	(24,319)	(24,319)
Appropriation to statutory reserves for the year 2011	-	15,176	30,353	-	-	(45,529)	-
Net provision expense for credit activities (see note 17)	-	-	-	25,732	-	-	25,732
Subventions allocated to the Separate income statement	-	-	-	-	-	(1,083)	(1,083)
Foreign exchange difference	-	-	-	(301)	-	3	(298)
Balances as at 31 December 2011	682,888	19,380	73,857	54,395	-	106,063	936,583

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Prepared by:
Mr. Phonelath Kongvongsa
Accountant

Vientiane, Lao P.D.R

26 March 2012

Lammaniseng

Approved by:
Mrs. Lammaniseng Xayaphet
Head of Accounting Division



Approved by:
Mr. Onekeo Damlongboun
Deputy Managing Director

Banque Pour Le Commerce Exterieur Lao Public
(formerly known as Banque Pour Le Commerce Exterieur Lao)

SEPARATE CASH FLOW STATEMENT
for the year ended 31 December 2011

Currency: LAKm

	Notes	2011	2010
Net profit after tax		151,764	109,210
<i>Adjustments for:</i>			
Corporate tax expenses	27.1	61,059	54,243
Depreciation and amortization charges		29,383	23,692
Provision for credit losses		18,358	9,897
Provision for impairment of investment in securities	7	2,326	-
Gain from investing activities	4	(16,626)	(16,510)
Cash flows from operating profit before changes in operating assets and liabilities		246,264	180,532
(Increase)/Decrease in operating assets			
Balances with other banks		73,315	(30,448)
Loans and advances to customers		(2,428,535)	(821,387)
Accrued interest income		(36,125)	(12,013)
Other assets		(35,360)	58,139
(Increase)/Decrease in operating liabilities			
Amounts due to other banks		491,699	237,260
Customer deposits and other amounts due to customers		2,688,717	2,174,532
Corporate tax paid during the year	27.2	(54,620)	(49,773)
Other liabilities		(87,483)	3,562
Net cash flows from operating activities		857,872	1,740,404
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(142,510)	(68,153)
Investment in securities		(717,336)	(257,018)
Payments for investments in other entities		(49,000)	(143,286)
Proceeds from sale of investments in other entities		-	8,039
Interest from securities investments and dividends received		3,752	8,472
Net cash flows from investing activities		(905,094)	(451,946)
FINANCING ACTIVITIES			
Capital contribution and issuance of shares		-	163,364
Drawdown of borrowings		-	59,186
Repayment of borrowings		(11,902)	(1,046)
Payment of dividend		(24,319)	(14,726)
Net cash flows from/(used in) financing activities		(36,221)	206,778
Net increase in cash and cash equivalents		(83,443)	1,495,236
Cash and cash equivalents at the beginning of the year		3,868,123	2,372,887
Effect of foreign exchange difference		(470)	-
Cash and cash equivalents at the end of the year	28	3,784,210	3,868,123

Signature

Prepared by:
Mr. Phonnalath Kongvongsa
Accountant

Signature

Approved by:
Mrs. Lammaniseng Xayaphet
Head of Accounting Division



Approved by:
Mr. Onekeo Damlongboun
Deputy Managing Director

Vientiane, Lao P.D.R

26 March 2012

Banque Pour Le Commerce Extérieur Lao Public

(formerly known as Banque Pour Le Commerce Extérieur Lao)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
as at 31 December 2011 and for the year then ended

1. CORPORATE INFORMATION

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Establishment and operations

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Banque Pour Le Commerce Extérieur Lao Public

(formerly known as Banque Pour Le Commerce Extérieur Lao)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2011 and for the year then ended

1. CORPORATE INFORMATION (continued)

Board of Directors

The members of the Board of Directors for the financial year 2011 and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mrs. Viengthong Siphandone	Chairman	Appointed on 17 September 2007
Mr. Khamlien Pholsena	Vice Chairman	Appointed on 17 September 2007
Mr. Sonexay Sitphasay	Member	Appointed on 16 March 2003
Mr. Onekeo Damlongboun	Member	Appointed on 17 September 2007
Mr. Vanhkham Voravong	Member	Appointed on 17 September 2007
Mr. Khamhou Thongthavy	Member	Appointed on 16 March 2003
Mrs. Palamy Souannavong	Member	Appointed on 17 September 2007

Board of Management

The members of the Board of Management for the financial year 2011 and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Vanhkham Voravong	General Managing Director	Appointed on 13 January 2012
Mr. Sonexay Sitphasay	General Managing Director	Appointed on 16 January 2003/ Resigned on 18 November 2011
Mr. Vanhkham Voravong	General Managing Director	Appointed on 08 May 2005
Mr. Onekeo Damlongboun	Deputy Managing Director	Appointed on 02 February 2007
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
Mr. Phoukhong Chanthachack	Deputy Managing Director	Appointed on 08 May 2005

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengneun, Chanthabouly District, Vientiane, Lao P.D.R. As at 30 June 2011, the Bank has one (01) Head Office, eighteen (18) main branches, twenty six (26) services units, and eleven (11) exchange units all over Lao P.D.R.

Subsidiaries

As at 30 June 2011 the Bank has two (02) subsidiaries 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 Leasing Company	011/09 dated 17 November 2009 by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R	Banking & Finance	100%
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%

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2011 and for the year then ended

1. CORPORATE INFORMATION (continued)

Joint ventures

As at 31 December 2011, the Bank has three (03) 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	01/NHNN dated 31 March 2000 by the Bank of the Lao P.D.R	Banking & Finance	50%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of the Lao P.D.R	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	077/08/FIMC dated 09 June 2008 by the Foreign Investment Management Committee of the Lao P.D.R	Insurance	29%

Employees

Total number of employees of the Bank and its subsidiaries as at 31 December 2011 is 1,022 persons (the number of employees of the Bank and its subsidiaries as at 31 December 2010 was 997 persons).

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these separate financial statements are set out below:

2.1 *Statement of compliance with the Enterprise Accounting Law of Lao P.D.R and other relevant accounting regulations as stipulated by the Bank of the Lao P.D.R*

Management of the Bank states that the accompanying separate financial statements have been prepared in compliance with the Enterprise Accounting Law of Lao P.D.R and other relevant accounting regulations as stipulated by the Bank of the Lao P.D.R.

2.2 *Basis of preparation*

The Bank maintains its records in Lao Kip ("LAK") and prepared its separate financial statements in million of LAK ("LAKm") in accordance with the Decree No. 02/PR by the Prime Minister of Lao P.D.R dated 22 March 2000 on the accounting system applicable to BOL and other financial institutions.

The accompanying separate financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Lao P.D.R. Accordingly, the accompanying separate balance sheet, the separate income statement, the separate statement of change in equity, the separate cash flow statement and the notes thereto are not designed for those who are not informed about Lao P.D.R's accounting principles, procedures and practices and furthermore are not intended to present the financial position of the Bank and results of its operations and its cash flows in accordance with accounting principles and practices generally accepted in countries other than Lao P.D.R.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2011 and for the year then ended

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 *Basis of preparation* (continued)

As at 31 December 2011, the Bank has equity investments in subsidiaries and joint ventures as presented in Note 1. As at the date of these accompanying separate financial statements, the authorities of Lao P.D.R have not issued any accounting standards or regulations on the preparation of consolidated financial statements according to Generally Accepted Accounting Principles. As such, the Bank has not prepared such consolidated financial statements for the year ended 31 December 2011 but presents its investments in subsidiaries and joint ventures at cost only as described in the accounting policy in Notes 2.13 and 2.14 to the accompanying separate financial statements. Consequently, the accompanying separate financial statements have been prepared to reflect the separate financial position, the separate results of its operations and its separate cash flows of the Head Office and its branches only and have not included the operations of subsidiaries.

2.3 *Fiscal year*

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

2.4 *Recognition of interest income and expense*

Interest income and expense are recognized in the separate income statement on accrual basis using straight line method and the interest rates as stipulated in the lending/depositing contracts with clients.

The recognition of accrued interest income is suspended when the loans becoming non-performing or when the management believes that the borrower has no ability to repay the interest and principal. Interest income on such loans is only recorded in the separate income statement when actually received.

2.5 *Recognition of fee and commission income*

Fees and commissions consist of fees received for fund transfer (including cheque settlement), fees arising from foreign currency exchange transactions, fees arising from financial guarantees.

Fee and commission income is recognized in the separate income statement on cash basis.

2.6 *Recognition of dividend income*

Dividend income on equity investment is recognized in the separate income statement when the Bank's right to receive the payment is established.

2.7 *Net gain/(loss) from dealing in foreign currency*

Net gain/(loss) from dealing in foreign currencies comprise realised and unrealised foreign exchange differences arising from foreign currencies trading and translation of foreign currencies monetary assets and liabilities. Net gain/(loss) from dealing in foreign currencies during the year are converted into LAK at rates ruling at the month end. Gain/(loss) represents the difference between the amount of foreign currency translated into Lao Kip at month-end ruling rate and the current position on book. Translation of monetary items originated in foreign currencies at the month end are also recorded as income or expense during the financial year.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2011 and for the year then ended

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.8 *Cash and cash equivalents*

Cash and cash equivalents consist of cash and highly liquid short-term investments with an original maturity of less than 30 days that are readily convertible to known amounts of cash and accounts due from banks with original maturity of less than 30 days.

2.9 *Loans and advances to customers*

Loans and advances to customers are recognized at cost and presented at outstanding balance less specific provision for loans and advances to customers as at 31 December 2011.

2.10 *Specific provision for loans and advances to customers*

In accordance with Regulation 324/BOL (“BOL324”) dated 19 April 2011, the Bank is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into Performing loans or Non-performing loans based on the payment arrears status and other qualitative factors. Loans classified as either Normal or Pass (Group A) or Watch or Special mention (Group B) are considered as Performing loans. Loans classified as either Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as Non-performing loans.

According to Regulation 324/BOL, provision for loans and advances to customers is established by multiplying the outstanding balance of each loan item with the provision rates applicable to that loan classification as follows:

<i>Group</i>	<i>Category</i>	<i>Specific provision rate</i>
A	Normal or Pass	0%
B	Watch or Special mention	0%
C	Substandard	20%
D	Doubtful	50%
E	Loss	100%

Changes in specific provision is recorded to the separate income statement as “Net specific provision charges/(reversal) for loans and advances to customers”. Accumulated specific provision reserve is recorded in the separate balance sheet in “Loans and advances to customers, net of specific provisions”.

Details on the loan classification and specific provision and the provision amount that are actually booked by the Bank as at 31 December 2011 are presented in Note 16.5.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2011 and for the year then ended

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.11 *General provision for credit activities*

In accordance with BOL324, a general provision is created for credit activities with both other banks and customers which are yet to be identified during the loan classification process and in specific provision as well as in case of the Bank's potential financial difficulty due to deterioration in loan quality. Accordingly, the Bank is required to create a general provision for loan losses at the rate 3.00% of the total balance of Special Mention loans as at the balance sheet date and general provision made for Normal loans shall be upon the BOL's notification for each period. For the year ended 31 December 2011, the general provision rate for Normal Loans was 1% in accordance with the Official letter No 242/BOL issued by the Bank of the Lao P.D.R on 2 April 2011.

The Bank applied the rates of 1% and 3% to create general provision for Normal and Special loans respectively for the year ended 31 December 2011.

In accordance with the relevant accounting regulations as stipulated by the Bank of the Lao P.D.R, changes in general provision for credit activities are recorded to the separate income statement as "Other operating expenses" for general provision expense and "Other operating income" for reversal of general provision expense and general provision reserve is recorded in the balance sheet in "General provision for credit activities" under capital and reserves of the Bank.

Details of change in general provision for credit activities are presented in Note 17.

2.12 *Investment securities*

2.12.1 *Held-to-maturity securities*

Held-to-maturity investment securities are debt securities with fixed or determinable payments and maturities, which the Bank has intention and ability to hold to maturity for interest earnings. These securities will not be sold before maturity date or reclassified as trading securities or available-for-sale securities. These securities have determined values and maturities. When they are sold before maturity date, these securities will be reclassified as trading securities or available-for-sale securities.

Held-to-maturity securities are initially recognized at cost and subsequently presented at cost for the following years.

Periodically, the held-to-maturity securities are subject to review for impairment. Provision for impairment of these securities is made when there has been a significant or prolonged decline in the fair value below their cost. Provision for impairment is recognized as "Net gain/(loss) from securities investments" in the separate income statement.

2.12.2 *Available-for-sale securities*

Available-for-sale investments include equity instruments and other debt instruments that the Bank has intention to hold for investment and that are ready for trading. These securities are not frequently traded but could be sold at any time the transactions yield benefit.

Available-for-sale equity securities are initially recognized at cost and subsequently presented at cost for the following years.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.12 *Investment securities* (continued)

2.12.2 *Available-for-sale securities* (continued)

Periodically, the available-for-sale securities are subject to review for impairment. Provision for impairment of these securities is made when there has been a significant or prolonged decline in the fair value below their cost. Provision for impairment is recognized as "Net gain/(loss) from securities investment" in the separate income statement.

2.13 *Investments 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 recognised in the separate income statement. Distributions from sources other than from such profits are considered as a recovery of investment and are deducted from the cost of the investment.

Details of investments in subsidiaries are presented in Note 18.

2.14 *Investment in joint ventures*

The Bank's investment in joint ventures is recognized at cost and subsequently reflected at cost on the separate balance sheet. Dividend and income transferred from the joint ventures are recognized in the separate income statement as "Gain/(loss) from equity investment".

The investments in Lao Viet Joint Venture Bank and Lao-Viet Insurance Joint Venture Company were made in the United States dollar ("USD"). Accounting policies applicable for the translation of capital contributed to Lao Viet Joint Venture Bank and Lao-Viet Insurance Joint Venture Company is derived from the guidance issued by the BOL. On 28 January 2010, the Bank of the Lao P.D.R issued a guidance to allow commercial banks to translate the paid-up capital which is contributed in foreign currencies into Lao Kip by using the BOL exchange rate on the separate balance sheet date of 31 January 2011.

Details of the Bank's investment in joint ventures are presented in Note 18.

2.15 *Fixed assets*

Fixed assets include tangible, intangible fixed assets and land use right. Tangible fixed assets consist of buildings, furniture and fixtures, office equipments, vehicles and others. Intangible fixed assets consist of computer software.

Fixed asset are stated at cost less accumulated depreciation, if any.

The cost of an asset comprises its purchase price plus any directly attributable costs of bringing the asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are capitalized and expenditures for maintenance and repairs are charged to the separate income statement, if any.

When assets are sold or retired, their cost and accumulated depreciation are removed from the separate balance sheet and any gains or losses resulting from their disposal are posted to the separate income statement.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2011 and for the year then ended

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.16 Depreciation and amortization

Depreciation and amortization of fixed assets are provided on the straight line basis at prescribed rates over their estimated useful life in accordance with the Lao Tax Law No. 04/NA dated 19 May 2005 stipulated by the President of the National Assembly. The following are the annual rates used:

Land use right	No amortization
Software	20%
Buildings and building improvements	5%
Office equipment	10%
Furniture and fixtures	10%
Motor vehicles	20%

2.17 Statutory reserves

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 statutory reserve at the rate between 5% to 10% of profit after tax depending on the decision of Board of Director. Accordingly, the Bank has provided the following reserves for the year 2011:

Reserve	% of profit after tax
Regulatory reserve fund	10%
Business expansion fund	20%

2.18 Taxation

Provision is made for taxation on the current year's profits, based on the Tax Law governing taxation within Lao P.D.R. The Bank is obliged to pay the higher amount of tax between 35% on total profit before tax and 1% on total revenue. In accordance with Decree 007 dated 28 Dec 2010 issued by the President of Laos P.D.R, the tax rate for listed companies is reduced by 5% within 4 year from the listed date. Accordingly, the Bank is subject to the tax rate of 30% for the year 2011. The Bank's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the separate financial statements could be changed at a later date upon final determination by the tax authorities.

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2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.19 Foreign currency transactions

The Bank maintains its accounting system and records all transactions in original currencies. Monetary assets and liabilities denominated in foreign currencies at year end are translated into LAK at exchange rates ruling on the separate balance sheet date (see the list of exchange rates of applicable foreign currencies against LAK on 31 December 2011 as presented below). Income and expenses arising in foreign currencies during the year are converted into LAK at rates ruling on the transaction dates. Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance sheet date are recognized in the separate income statement.

	31/12/2011 LAK	31/12/2010 LAK
USD	8,007.00	8,007.51
EUR	10,349.00	10,667.00
GBP	12,136.00	12,386.00
CHF	8,370.00	8,469.00
JPY	101.30	98.00
SGD	5,998.00	6,170.00
CAD	7,717.00	7,981.00
AUD	7,996.00	8,129.00

2.21 Employee benefits

Post employment benefits

Post employment benefits are paid to retired employees of the Bank by the Social Security Fund Department which belongs to the Ministry of Labour and Social Welfare. The Bank is required to contribute to these post employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 6.00% of employee's basic salary on a monthly basis. The Bank has no further obligation concerning post employment benefits for its employees other than this.

Termination benefits

The Bank has the obligation, under the prevailing Labour Code, to pay allowance for employees who are dismissed on one of the following circumstances:

- where the employees concerned lacks the required specialized skills;
- where the employees are not in good health and therefore cannot continue to work; or
- where the Bank considers it necessary to reduce the number of workers in order to improve the organization of work within the labour unit

The allowance is equal to 10% and 15% of the basic monthly salary for every month of service for dismissed employees who have worked for the Bank for less than three years and more than three years, respectively.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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3. NET INTEREST AND SIMILAR INCOME

	2011 LAKm	2010 LAKm
Interest and similar income		
Interest income due from other banks	22,578	18,786
Interest income from loans and advances to customers	324,271	198,070
Other interest and similar income	95,512	53,123
- <i>Interest income from available-for-sale securities</i>	-	-
- <i>Interest income from held-to-maturity securities</i>	95,512	53,123
Other income from credit activities	1,337	608
	443,698	270,587
Interest and similar expense		
Interest expense from due to other banks	(6,894)	(2,481)
Interest expense from customer deposits	(242,589)	(143,347)
Other interest and similar expenses	(15,332)	(1,081)
	(264,815)	(146,909)
Net interest and similar income	178,883	123,678

4. NET GAIN FROM EQUITY INVESTMENTS

	2011 LAKm	2010 LAKm
Dividends received in the period	9,874	8,472
- <i>from equity investment securities</i>	3,752	617
- <i>from investments in joint ventures</i>	6,122	7,855
Gain in disposal of equity investments	6,752	8,038
	16,626	16,510

5. FEE AND COMMISSION INCOME

	2011 LAKm	2010 LAKm
Fees and commission income from:		
Settlement services	1,365	8,345
Treasury activities	149,670	94,473
Other fees and commissions	967	2,222
	152,002	105,040

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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6. FEE AND COMMISSION EXPENSE

	2011 LAKm	2010 LAKm
Fees and commission expenses from:		
Settlement services	630	322
Treasury activities	3,764	2,855
Other fees and commissions	5,057	3,087
	9,451	6,264

7. NET GAIN/(LOSS) FROM SECURITIES INVESTMENT

	2011 LAKm	2010 LAKm
Income from trading of investment securities	-	1,289
Provision for impairment of investment securities	(2,326)	-
	(2,326)	1,289

8. NET GAIN / (LOSS) FROM DEALING IN FOREIGN CURRENCIES AND GOLD

	2011 LAKm	2010 LAKm
Net gain/(loss) from trading gold and other precious metals	14,711	12,356
Income from foreign exchange spot rate differences	73,988	63,648
Expense from foreign exchange spot rate differences	(8,778)	(21,981)
Net gain/(loss) from dealing in foreign currencies	65,210	41,667
	79,921	54,023

9. OTHER OPERATING INCOME

	2011 LAKm	2010 LAKm
Reversal of general provision for loans and advances to customers (see Note 17)	2,766	25,090
Recovery of bad debts written off	44,779	28,027
Others	3,410	4,950
	50,955	58,067

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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10. PAYROLL AND OTHER STAFF COST

	<i>2011</i> <i>LAKm</i>	<i>2010</i> <i>LAKm</i>
Salary, wages and allowances	72,829	43,513
Praise for staff	23,647	13,800
Social insurance	17,317	10,588
Training expenses	704	774
	114,497	68,675

11. OTHER ADMINISTRATIVE EXPENSES

	<i>2011</i> <i>LAKm</i>	<i>2010</i> <i>LAKm</i>
External services expenses	32,438	24,976
Repair and maintenance expenses	4,607	3,724
Publication, marketing and promotion expenses	3,853	3,541
Office rental expenses	11,896	8,408
Telecommunication expenses	3,836	1,745
Training, meeting and seminar expenses	7,065	6,590
Tax and other duties expense	38	14
Other expenses	2,239	4,911
	65,972	53,909

12. OTHER OPERATING EXPENSES

	<i>2011</i> <i>LAKm</i>	<i>2010</i> <i>LAKm</i>
General provision for loans to other banks and loans and advances to customers (see Note 17)	28,498	15,926
Other expenses	1,834	344
	30,332	16,270

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13. CASH ON HAND AND ACCOUNTS WITH THE BOL

	31/12/2011 LAKm	31/12/2010 LAKm
Cash on hand		
Cash on hand in LAK	719,226	318,042
Cash on hand in foreign currencies	170,644	399,153
Gold and precious metal	100,595	-
Cheques collection	1,077	441
	991,542	717,636
Demand deposits with BOL		
Compulsory deposit	703,296	402,666
Demand deposits	890,071	1,880,559
	1,593,367	2,283,225
Term deposits with BOL	112,275	118,190
	2,697,184	3,119,051

Balances with the BOL include settlement, compulsory and time deposits. These balances bear no interest.

Under regulations of the BOL, the Bank is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 5.00% and 10.00%, on a bi-monthly basis, (2010: 5.00% and 10.00%) of customer deposits having original maturities of less than 12 months, in LAK and in foreign currencies, respectively. In the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

Term deposits with the BOL have terms ranging from 3 months to 6 months and earn interest at rates ranging from 1% to 1.1% per annum.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2011 and for the year then ended

14. AMOUNT DUE FROM OTHER BANKS

	<i>Note</i>	<i>31/12/ 2011 LAKm</i>	<i>31/12/ 2010 LAKm</i>
Demand deposits at other banks			
Domestic banks		154,908	242,426
- <i>Demand deposits</i>		154,908	242,426
- <i>Saving deposits</i>		-	-
- <i>Call deposits</i>		-	-
Foreign banks		1,044,393	624,836
- <i>Demand deposits</i>		894,926	485,513
- <i>Saving deposits</i>		133,874	127,094
- <i>Call deposits</i>		15,593	12,229
		1,199,301	867,262
Term deposits at other banks			
Domestic banks		7,628	29,467
Foreign banks		695,028	709,216
	14.1	702,656	738,683
Loans to other credit institutions			
Domestic banks		195,598	226,971
Foreign banks		-	-
	14.2	195,598	226,971
		2,097,555	1,832,916

14.1 Term deposits at other banks

Term deposits have term ranging from 1 month to 24 months and bear interest at rates ranging from 0.17% to 3.05% per annum.

14.2 Loans to other credit institutions

Loans to other credit institutions comprise:

- Long-term loans of USD 16,426,600 and THB 95,473,782 to BCEL Leasing have term of 5 years and bear interest rate at 6.5% per annum
- Long-term loans of USD 5,000,000 to Lao Development Bank have term of 4 years and bear interest rate at 5.5% per annum.

Breakdown of loan classification and provision for loans to other credit institutions are as follow:

<i>Classification</i>	<i>Loan balance LAKm</i>	<i>Specific provision LAKm</i>	<i>General provision(*) LAKm</i>
Performing loans	195,598	-	1,956
- <i>Normal or Pass</i>	195,598	-	1,956
- <i>Watch or Special mention</i>	-	-	-
Non-performing loans (NPL)	-	-	-
- <i>Substandard</i>	-	-	-
- <i>Doubtful</i>	-	-	-
- <i>Loss</i>	-	-	-
Total	195,598	-	1,956

(*): General provision for loans to other banks is recorded in capital and reserves (see Note 17).

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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15. INVESTMENTS IN SECURITIES

	<i>31/12/ 2011</i> <i>LAKm</i>	<i>31/12/ 2010</i> <i>LAKm</i>
Trading securities	-	-
Available-for-sale securities		
Equity securities issued by local credit institutions	-	-
Equity securities issued by local corporate	100,000	100,000
Provision for available-for-sale securities	(2,326)	-
	97,674	100,000
Held-to-maturity securities		
Debt securities issued by the Bank of the Lao P.D.R	1,347,550	1,315,103
Debt securities issued by local credit institutions	673,148	-
Debt securities issued by foreign credit institutions	26,434	14,693
	2,047,132	1,329,796
	2,144,806	1,429,796

15.1 Available-for-sale securities

Details of the Bank's equity securities - available-for-sale as at 31 December 2011 are as follows:

	<i>31/12/ 2011</i> <i>LAKm</i>	<i>31/12/ 2010</i> <i>LAKm</i>
Listed shares (EDL-Generation Public Company's shares)	100,000	100,000
Unlisted shares	-	-
Provision for available-for-sale securities	(2,326)	-
	97,674	100,000

15.2 Held-to-maturity securities

	<i>31/12/2011</i> <i>LAKm</i>	<i>31/12/2010</i> <i>LAKm</i>
Treasury bills	279,000	115,000
Bonds issued by the Ministry of Finance	394,148	678,280
Bonds issued by the Bank of the Lao P.D.R	1,347,550	521,823
Other securities (investment fund units)	26,434	14,693
	2,047,132	1,329,796

15.2.1 Treasury bills

Treasury bills carry a term of 1 year and bear interest at rate of 7.00% per annum. Interest is paid on maturity date.

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15. INVESTMENT IN SECURITIES (continued)

15.2 Held-to-maturity securities (continued)

15.2.2 Bonds issued by the Ministry of Finance

	31/12/2011 LAKm	31/12/2010 LAKm
Triangle bonds	29,780	29,780
Capitalization bonds	325,000	608,500
Bonds for settlement of defaulted LC	30,000	40,000
Other bond	9,368	-
	394,148	678,280

- Triangle bonds represent the bonds which were issued by the Ministry of Finance to either settle the balances due from the MOF or settle the debts owed to the Bank by Lao Airline who were in turn owed money by the MOF. The bonds are not transferrable and could be required to be extended on maturity by the MOF. The bonds carry a term of 17 years and bear no interest.
- Capitalization bonds were issued by the MOF to increase the Bank's chartered capital with the details as following:

<i>Issuance date</i>	<i>Face value (LAKm)</i>	<i>Term</i>	<i>Interest rate (% per annum)</i>
01 February 2006	129,000	5 years	7.80%
01 March 2007	98,000	5 years	7.80%
01 March 2009	98,000	5 years	7.80%
	325,000		

- Bonds for settlement of defaulted LC are bonds issued by the MOF on 07 June 2007 under Decision No. 1330 in order to settle overdue letters of credit of customers which had been categorized as "Non-performing" since the year 1999. These bonds have maturities of 4 years with interest rate at 7% per annum.

15.2.3 Bonds issued by the Bank of the Lao P.D.R

Bonds issued by the Bank of the Lao P.D.R in LAK and USD have term of 3 months – 1 year, bear interest at rates ranging from 3.5% to 6.5% per annum. Interest is paid on the maturity date.

15.2.4 Other securities

Investment fund units are the units which the Bank purchased through CIMB Thai Bank Public Company Limited. The fund units have terms ranging from 1 to 6 months and bear interest at rates ranging from 2% to 3.3% per annum. Interest is paid on the maturity date.

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16. LOANS AND ADVANCES TO CUSTOMERS, NET OF SPECIFIC PROVISION

	<i>31/12/2011</i> <i>LAKm</i>	<i>31/12/2010</i> <i>LAKm</i>
Commercial loans	5,166,176	2,737,641
Less specific provision for loans and advances to customers	(24,619)	(32,165)
	<u>5,141,557</u>	<u>2,705,476</u>

Commercial loans denominated in LAK earn interest at rates varying from 8.00% to 13.00% per annum depending on the terms of the loans. Commercial loans denominated in USD and THB earn interest at rates ranging from 6.75% to 10.00% and 6.75% to 10.50% per annum, respectively.

16.1 Analysis of loan portfolio by currency

	<i>31/12/2011</i> <i>LAKm</i>	<i>31/12/2010</i> <i>LAKm</i>
Loans and advances denominated in LAK	1,754,630	1,024,628
Loans and advances denominated in USD	2,680,688	1,371,167
Loans and advances denominated in THB	730,858	341,846
	<u>5,166,176</u>	<u>2,737,641</u>

16.2 Analysis of loan portfolio by quality

	<i>31/12/2011</i> <i>LAKm</i>	<i>31/12/2010</i> <i>LAKm</i>
Performing loans	5,117,283	2,669,456
Non-performing loans	48,893	68,185
	<u>5,166,176</u>	<u>2,737,641</u>

16.3 Analysis of loan portfolio by original term

	<i>31/12/2011</i> <i>LAKm</i>	<i>31/12/2010</i> <i>LAKm</i>
Short-term loans	1,267,801	1,075,430
Medium-term loans	2,636,195	1,442,876
Long-term loans	1,262,180	219,335
	<u>5,166,176</u>	<u>2,737,641</u>

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16. LOANS AND ADVANCES TO CUSTOMERS, NET OF SPECIFIC PROVISIONS (continued)

16.4 Analysis of loan portfolio by type of industrial sectors

	31/12/ 2011 LAKm	31/12/ 2010 LAKm
Industrial services companies	1,161,184	327,197
Construction companies	1,059,654	649,813
Technical instruments enterprises	72,251	79,052
Agricultural and forestry	73,858	47,967
Trading companies	1,184,240	829,556
Transportation companies	167,071	122,597
Services companies	1,179,909	656,026
Other loans	268,009	25,433
	5,166,176	2,737,641

16.5 Changes in provision for credit losses

	Specific provision LAKm	General provision (*) LAKm
Balance as at 1 January 2011	32,165	28,964
Provision charged to expense in the year	37,442	28,498
Reversal of provision in the year	(44,816)	(2,766)
Foreign exchange differences	(172)	(301)
Balance as at 31 December 2011	24,619	54,395

(*): General provision for loans and advances to customers is recorded in general provision for credit activities (see Note 17).

The breakdown of loan classification and provision as required by the BOL as at 31 December 2011 are as follows:

Classification	Loan balance LAKm	Specific provision LAKm	General provision LAKm
Performing loans	5,117,283	-	52,439
- Normal or Pass	5,056,246	-	50,608
- Watch or Special mention	61,037	-	1,831
Non-performing loans (NPL)	48,893	24,619	-
- Substandard	3,810	762	-
- Doubtful	42,452	21,226	-
- Loss	2,631	2,631	-
Total	5,166,176	24,619	52,439

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17. GENERAL PROVISION FOR CREDIT ACTIVITIES

	<i>General provision for loans to other banks LAKm</i>	<i>General provision for loans and advances to customers LAKm</i>	<i>Total LAKm</i>
Balance as at 1 January 2011	2,270	26,694	28,964
Provision expense in the year (see Note 12)	399	28,099	28,498
Reversal of provision in the year (see Note 9)	(694)	(2,072)	(2,766)
Foreign exchange difference	(19)	(282)	(301)
Balance as at 31 December 2011	1,956	52,439	54,395

In accordance accounting regulations as stipulated by the Bank of Lao P.D.R, general provision for credit activities in recorded in the separate balance sheet as capital and reserves. General provision expense is recorded in "Other operating expenses" (see Note 12). Reversal of general provision is recorded in "Other operating income" (see Note 9).

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18. INVESTMENT IN SUBSIDIARIES, JOINT VENTURES AND OTHER LONG-TERM INVESTMENT

	<i>31 December 2011</i>		<i>31 December 2010</i>	
	<i>Book value</i>	<i>Ownership</i>	<i>Book value</i>	<i>Ownership</i>
	<i>LAKm</i>	<i>%</i>	<i>LAKm</i>	<i>%</i>
Investment in subsidiaries				
BCEL Leasing Company Limited	9,000	100%	9,000	100%
BCEL - Krung Thai Securities Company Limited	70,000	70%	21,000	-
Investment in joint ventures				
Lao Viet Joint Venture Bank	63,530	50%	63,530	50%
Banque Franco - Lao Company Limited	138,000	46%	138,000	46%
Lao-Viet Insurance Joint Venture Company	7,369	29%	7,369	29%
Other long-term investment				
Money Changer Counter	-	-	200	20%
	287,899		239,099	

- BCEL Leasing Company Limited is incorporated in the Lao P.D.R under the Business License No. 011/09 granted by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R on 17 November 2009. Its head office is located in Vientiane and it engages in providing leasing services.
- 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 the Bank of the Lao P.D.R for a period of 30 years. The legal capital of LVB is USD 15,000,000 and had been fully contributed by partners as at 31 December 2009. As at 31 December 2011, LVB's chartered capital had been approved to increase to USD 22,500,000, yet both the Bank and the Bank for Investment and Development of Vietnam had not contributed the additional chartered capital.
- Banque Franco - Lao Company 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 the 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. The total amount of USD 1,840,000 and LAK 122,854,960,000 was contributed by the Bank as at 31 December 2011.
- 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.

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19. INTANGIBLE FIXED ASSETS

Movement of the balance of intangible fixed assets for the year ended 31 December 2011 is as follows:

	<i>Land use right LAKm</i>	<i>Software LAKm</i>	<i>Total LAKm</i>
Cost:			
As at 1 January 2011	13,176	16,880	30,056
Additions	9,336	13,900	23,236
Disposal	(453)	(792)	(1,245)
As at 31 December 2011	22,059	29,988	52,047
Accumulated amortization:			
As at 1 January 2011	-	6,079	6,079
Charge for the year 2011	-	4,132	4,132
Disposal	-	(733)	(733)
As at 31 December 2011	-	9,478	9,478
Net book value:			
As at 1 January 2011	13,176	10,801	23,977
As at 31 December 2011	22,059	20,510	42,569

Movement of the balance of intangible fixed assets for the year ended 31 December 2010 was as follows:

	<i>Land use right LAKm</i>	<i>Software LAKm</i>	<i>Total LAKm</i>
Cost:			
As at 1 January 2010	8,518	20,817	29,335
Additions	5,406	5,376	10,782
Disposal	(748)	(9,313)	(10,061)
As at 31 December 2010	13,176	16,880	30,056
Accumulated amortization:			
As at 1 January 2010	-	12,342	12,342
Charge for the year 2010	-	3,045	3,045
Disposal	-	(9,308)	(9,308)
As at 31 December 2010	-	6,079	6,079
Net book value:			
As at 1 January 2010	8,518	8,475	16,993
As at 31 December 2010	13,176	10,801	23,977

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20. TANGIBLE FIXED ASSETS

Movement of the balance of tangible fixed assets for the year ended 31 December 2011 is as follows:

	<i>Building & improvement 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 2011	86,170	72,934	13,144	15,874	188,122
Additions	19,396	16,768	4,688	2,611	43,463
Disposal	(1,588)	(6,033)	(185)	(1,139)	(8,945)
As at 31 December 2011	103,978	83,669	17,647	17,346	222,640
Accumulated depreciation:					
As at 1 January 2011	15,061	31,914	1,548	7,436	55,959
Charge for the year 2011	5,813	15,396	1,550	2,492	25,251
Disposal	(1,164)	(5,603)	(184)	(641)	(7,592)
As at 31 December 2011	19,710	41,707	2,914	9,287	73,618
Net book value:					
As at 1 January 2011	71,109	41,020	11,596	8,438	132,163
As at 31 December 2011	84,268	41,962	14,733	8,059	149,022

Movement of the balance of tangible fixed assets for the year ended 31 December 2010 was as follows:

	<i>Building & improvement 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 2010	72,681	61,399	6,316	12,367	152,763
Additions	16,630	20,670	7,160	4,651	49,111
Disposal	(3,141)	(9,135)	(332)	(1,144)	(13,752)
As at 31 December 2010	86,170	72,934	13,144	15,874	188,122
Accumulated depreciation:					
As at 1 January 2010	11,211	26,305	720	5,383	43,619
Charge for the year 2010	5,216	11,811	929	2,690	20,646
Disposal	(1,366)	(6,202)	(101)	(637)	(8,306)
As at 31 December 2010	15,061	31,914	1,548	7,436	55,959
Net book value:					
As at 1 January 2010	61,470	35,094	5,596	6,984	109,144
As at 31 December 2010	71,109	41,020	11,596	8,438	132,163

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21. ACCRUED INTEREST RECEIVABLES

	31/12/2011 LAKm	31/12/2010 LAKm
Accrued interest receivables – balance with the BOL	273	267
Accrued interest receivables – due from banks	3,123	2,017
Accrued interest receivables – loans and advances to customers	37,041	19,859
Accrued interest receivables – securities investments	34,550	16,719
	74,987	38,862

22. OTHER ASSETS

	31/12/2011 LAKm	31/12/2010 LAKm
Stationeries and other tools	5,413	6,110
Checks in collection	13,343	7,673
Assets waiting for sales	6,041	7,914
Prepaid expenses to be allocated	16,115	8,164
Prepayments	16,061	1,558
Dividend receivables	6,122	-
Others	5,662	1,978
	68,757	33,397

23. AMOUNT DUE TO OTHER BANKS

	31/12/ 2011 LAKm	31/12/ 2010 LAKm
Demand deposits at other banks		
Domestic banks	220,525	255,897
Foreign banks	2,844	396
National treasury	846,462	324,141
Other government institutions	25	61
	1,069,856	580,495
Term deposits from other banks		
Domestic banks	-	13,291
	-	13,291
Borrowings from other banks		
Bank of the Lao P.D.R	66,664	78,566
Foreign banks	-	-
	66,664	78,566
Other payables to other banks	26,036	10,407
	1,162,556	682,759

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23. AMOUNT DUE TO OTHER BANKS (continued)

Borrowings from the BOL include:

- Borrowing from the BOL represents the long-term loan of USD 440,000 as at 31 December 2011 (original loan amount is USD 2,000,000) from the BOL for the purpose of investment in Lao Viet Joint Venture Bank. The loan's principal is paid annually from 2000 to 2014. The loan does not bear interest if the principal repayment is made on time.
- Other borrowings from the BOL represents the long-term loan of USD 7,885,714 as at 31 December 2011 (original loan amount is USD 9,200,000) from the BOL for the purpose of investment in Banque Franco - Lao Company Limited. The loan's principal is paid annually from 2010 to 2023 with the interest rate of 0.25% per annum.

24. AMOUNTS DUE TO CUSTOMERS

	31/12/2011 LAKm	31/12/2010 LAKm
Demand deposits		
Demand deposits in LAK	1,130,723	1,558,682
Demand deposits in FC	1,935,514	1,070,562
	3,066,237	2,629,244
Daily deposits		
Daily deposits in LAK	357	992
Daily deposits in FC	43	302
	400	1,294
Saving deposits		
Saving deposits in LAK	1,099,650	725,647
Saving deposits in FC	3,068,299	2,343,517
	4,167,949	3,069,164
Margin deposits		
Margin deposits in LAK	17,739	8,474
Margin deposits in FC	98,750	45,552
	116,489	54,026
Fixed term deposits		
Fixed term deposits in LAK	1,939,481	974,992
Fixed term deposits in FC	1,153,656	969,263
	3,093,137	1,944,255
Other payables to customers	83,116	140,629
	10,527,328	7,838,612

Interests of customer saving accounts in LAK, THB, and USD range from 1.00 – 3.00%, 0.25 – 1.00% and 0.25 – 1.25% per annum, respectively.

Fixed term deposits in LAK have terms of 3, 6, and 12 months and are subject to interest rates from 2.00 – 6.00%, 3.00 – 8.00 % and 5.00 – 9.00% per annum respectively. Fixed term deposits in foreign currencies have the same range of terms and bear interest at rates ranging from 0.50% to 3.00% per annum for THB and from 0.70% to 3.25% per annum for USD.

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25. ACCRUED INTEREST PAYABLES

	31/12/2011 LAKm	31/12/2010 LAKm
Accrued interest expense – balance with the BOL	23	63
Accrued interest expense – customer deposits	50,314	36,115
	50,337	36,178

26. OTHER LIABILITIES

	31/12/2011 LAKm	31/12/2010 LAKm
Payables to employees	23,647	14,250
Payable to suppliers	10,403	2,583
Termination allowances	3,735	2,796
Payables related to the Bank's IPO	-	163,364
Other payables	42,678	2,777
	80,463	185,770

27. TAXATION

27.1 Enterprise Income Tax Expense

Major components of tax expense for the years 2011 and 2010 are as follows:

	2011 LAKm	2010 LAKm
Enterprise Income Tax expense in accordance with statutory tax regulations		
- Current	61,059	54,243
Total tax expense for the year	61,059	54,243

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27. TAXATION (continued)

27.2 Current Enterprise Income Tax

In accordance with the Lao Tax Law No. 04/NA dated 19 May 2005 stipulated by the President of the National Assembly, and the Degree of the President of the Lao People Democratic Republic No. 46/OP dated 25 May 2005, income tax is payable at the higher of the minimum tax of 1.00% on total income ("1.00% method") or at 35% on the taxable profit of the Bank reported under the Lao Accounting System. In accordance with Decree 007 dated 28 Dec 2010 issued by the President of Laos P.D.R, the tax rate for listed companies is reduced by 5% within 4 year from the listed date. Accordingly, the Bank is subject to the tax rate of 30% for the year 2011.

	2011 LAK	2010 LAK
Option 1		
Total taxable revenues	796,796	555,861
Enterprise Income Tax at 1% of total taxable revenues	7,968	5,559
Income tax expense under 1% method	7,968	5,559
Option 2		
Profit/(loss) before tax of the year	212,823	163,453
<i>Less</i>		
Income exempt from EIT (dividend and interest income)	(9,874)	(8,472)
<i>Add</i>		
Non-deductible expense	581	-
Taxable profit	203,530	154,981
Enterprise Income tax expense at 30% of total taxable profit (tax rate of 35% applied for the year 2010)	61,059	54,243
Current Income Tax (higher between two options)	61,059	54,243
Payable at the beginning of the year	50,566	46,096
Tax paid during the year	(54,620)	(49,774)
Payable at the end of the year	57,005	50,566

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 separate financial statements could be changed at a later date upon final determination by the tax authorities.

28. CASH AND CASH EQUIVALENTS

	31/12/2011 LAKm	31/12/2010 LAKm
Cash on hand	991,542	717,636
Current accounts with the BOL	1,593,367	2,283,225
Current accounts with other banks	1,199,301	867,262
	3,784,210	3,868,123

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29. TRANSACTIONS WITH RELATED PARTIES

Related party transactions include all transactions undertaken with other parties to which the Bank is related. A party is related to the Bank if:

(a) directly, or indirectly through one or more intermediaries, the party:

- ▶ controls, is controlled by, or is under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries);
- ▶ has an interest in the Bank that gives it significant influence over the Bank; or
- ▶ has joint control over the Bank.

(b) the party is a joint venture in which the Bank is a venture;

(c) the party is a member of the key management personnel of the Bank or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (d);

(e) the party is an Bank that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Bank resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any Bank that is a related party of the Bank.

Significant balances with related parties at 31 December 2011 are as follow:

<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	-	66,664
The Bank of the Lao P.D.R	Direct controller	BCEL's demand deposits at BOL	890,071	-
The Bank of the Lao P.D.R	Direct controller	BCEL's compulsory deposits at BOL	703,296	-
The Bank of the Lao P.D.R	Direct controller	BCEL's term deposits at BOL	112,275	-
The Bank of the Lao P.D.R	Direct controller	Investment in BOL's bonds	1,347,550	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Investment in MOF's bonds	394,148	-
BCEL Leasing Company	Subsidiary	Current accounts	-	7,704
BCEL Leasing Company	Subsidiary	Loans	155,563	-
BCEL - Krung Thai Securities Company Limited	Subsidiary	Current accounts	-	42,998
Lao Viet Joint Venture Bank	Joint venture	Current accounts	-	7,332
Banque Franco - Lao Company Limited	Joint venture	Current accounts	-	6,745
Banque Franco - Lao Company Limited	Joint venture	Saving accounts	-	872

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29. TRANSACTIONS WITH RELATED PARTIES (continued)

Significant balances with related parties at 31 December 2010 are as follow:

<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	-	78,566
The Bank of the Lao P.D.R	Direct controller	BCEL's demand deposits at BOL	1,377,866	-
The Bank of the Lao P.D.R	Direct controller	BCEL's compulsory deposits at BOL	402,666	-
The Bank of the Lao P.D.R	Direct controller	BCEL's term deposits at BOL	118,190	-
The Bank of the Lao P.D.R	Direct controller	Investment in BOL's bonds	521,823	-
The Bank of the Lao P.D.R	Direct controller	Accrued interest income from BOL's bonds	1,541	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Capitalization bonds	608,500	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Accrued interest income from capitalization bonds	10,021	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Investment in MOF's bonds	69,780	-
BCEL Leasing Company	Subsidiary	Current accounts	-	4,134
BCEL Leasing Company	Subsidiary	Loans	164,299	-
BCEL - Krung Thai Securities Company Limited	Subsidiary	Current accounts	-	13,360
Lao Viet Joint Venture Bank	Joint venture	Current accounts	-	29,944
Lao Viet Joint Venture Bank	Joint venture	BCEL's deposits at LVB	24,467	-
Banque Franco - Lao Company Limited	Joint venture	Current accounts	-	6,909
Banque Franco - Lao Company Limited	Joint venture	BCEL's demand deposits at BFL	14,365	-
Lao-Viet Insurance Joint Venture Company	Joint venture	Prepaid insurance expenses	255	-
Lao-Viet Insurance Joint Venture Company	Joint venture	Current accounts	-	418
Money Changer Counter	Long-term investment	Current accounts	-	118

Banque Pour Le Commerce Extérieur Lao Public
(formerly known as Banque Pour Le Commerce Extérieur Lao)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2011 and for the year then ended

30. 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 year.

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

	2011 LAK
Net profit after tax attributable to ordinary equity holders for basic earnings (LAK)	151,764,019,945
Weighted average number of ordinary shares for basic earnings per share (units)	136,577,600
Face value per share	5,000
Earnings per share (LAK)	1,111

31. EVENTS AFTER THE SEPARATE BALANCE SHEET DATE

Other than as disclosed elsewhere in these separate financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2011 that significantly impacted the separate financial position of the Bank as at 31 December 2011.


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Vientiane, Lao P.D.R

26 March 2012