

Banque Pour Le Commerce Extérieur Lao Public

Separate financial Statements

31 December 2015

Banque Pour Le Commerce Extérieur Lao Public

CONTENTS

	<i>Pages</i>
General information	1 - 3
Independent auditor's report	4 - 5
Separate income statement	6
Separate statement of comprehensive income	7
Separate statement of financial position	8
Separate statement of changes in equity	9
Separate statement of cash flows	10
Notes to the separate financial statements	11 - 50

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 31 December 2015 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 31 December 2015 is LAKm 682,888 (31 December 2014: LAKm 682,888).

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengneun, Chanthabouly District, Vientiane Capital, Lao P.D.R. As at 31 December 2015, the Bank has one (1) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, seventy-seven (77) services units, and fifteen (15) exchange units all over Lao P.D.R.

Banque Pour Le Commerce Exterieur Lao Public

GENERAL INFORMATION (continued)

THE BANK (continued)

Subsidiary

As at 31 December 2015 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 31 December 2015, 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	232/11 dated 8 September 2011 by the Bank of Lao P.D.R	Banking & Finance	25%
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	35%
Lao China Bank Limited	041/ERM dated 27 January 2014 by the granted by Department of Enterprise Register and Management of Lao P.D.R	Banking & Finance	49%

Banque Pour Le Commerce Exterieur Lao Public

GENERAL INFORMATION (continued)

BOARD OF DIRECTORS

Members of the Board of Directors during the year ended 31 December 2015 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/ reappointment/resignation</i>
Mr. Bounleua Sinxayvoravong	Chairman	Appointed on 9 April 2015
Mr. Saysamone Xaysouliane	Chairman	Resigned on 9 April 2015
Mr. Kamsouk Sundara	Vice Chairman	Reappointed on 9 April 2015
Mr. Phoukhong Chanthachack	Member	Reappointed on 9 April 2015
Mr. Phansana Khounnouvong	Member	Appointed on 9 April 2015
Ms. Khanthaly Vongxayarath	Member	Appointed on 9 April 2015
Mr. Marc Robert	Member	Reappointed on 9 April 2015
Mr. Viengxay Chanthanvisouk	Member	Appointed on 9 April 2015
Mr. Vanhkhham Voravong	Member	Resigned on 9 April 2015

BOARD OF MANAGEMENT

Members of the Board of Management during the year ended 31 December 2015 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. Vanhkhham Voravong	General Managing Director	Appointed on 13 January 2012 Resigned on 16 February 2015
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
Ms. Khanthaly Vongxayarath	Deputy Managing Director	Appointed on 30 September 2014
Mr. Lachay Khanpravong	Deputy Managing Director	Appointed on 30 September 2014
Mr. Nanthath 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. Phoukhong Chanthachack was appointed as Acting General Managing Director on 17 February 2015 and was then officially appointed as General Managing Director on 15 January 2016.

LEGAL REPRESENTATIVE

The legal representative of the Bank from 1 January 2015 to 16 February 2015 was Mr. Vanhkhham Voravong - General Managing Director.

The legal representative of the Bank from 17 February 2015 to 14 January 2016 is Mr. Phoukhong Chanthachack - Acting General Managing Director.

The legal representative of the Bank from 15 January 2016 till the date of this report is Mr. Phoukhong Chanthachack - General Managing Director.

AUDITORS

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



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Ernst & Young Lao Limited
6th Floor, Capital Tower
23 Singha Road, Nongbone Village
Saysettha District, Vientiane Capital, Lao PDR

Tel : + 856 21 455 077
Fax: + 856 21 455 078
ey.com

Reference: 60790273/17968118-IFRS

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") as set out on page 6 to 50, which comprise the separate statement of financial position as at 31 December 2015 and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 about 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 risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 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 qualified audit opinion.



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Basis for Qualified Opinion

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 Opinion

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the separate financial statements present fairly, in all material respects the separate financial position of the Bank as at 31 December 2015, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 2.1 of the separate financial statements. The Bank prepared and issued the consolidated financial statements of the Bank and its subsidiary for the year ended 31 December 2015 in accordance with IFRS. We have audited these consolidated financial statements and our auditors' report dated 31 March 2016 expressed an unqualified opinion. Our opinion is not modified in respect of this matter. Users of the accompanying separate financial statements should read them together with the said consolidated financial statements in order to obtain full information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Bank as a whole.

We also draw attention to Note 31 – Related party disclosures – with regards to the sale of the land use rights of 36 pieces of lands from the Bank to the Bank of Lao P.D.R. The price for such sale was solely determined based on agreement between the Bank and the Bank of Lao P.D.R.

Ernst & Young Lao Ltd

Vientiane, Lao P.D.R.

31 March 2016



Banque Pour Le Commerce Exterieur Lao Public

SEPARATE INCOME STATEMENT for the year ended 31 December 2015

	Notes	2015 LAKm	2014 LAKm
Interest and similar income	3	1,070,150	1,000,598
Interest and similar expense	4	(816,208)	(694,994)
Net interest and similar income		253,942	305,604
Fee and commission income	5	169,130	141,991
Fee and commission expense	5	(30,952)	(26,844)
Net fee and commission income	5	138,178	115,147
Net trading income	6	(246,148)	88,063
Other operating income	7	447,484	31,145
Operating income		593,456	539,959
Credit loss expense of loans to customers	14	(114,455)	(105,928)
Reversal of impairment losses of financial investments	8	1,837	27,237
Reversal of impairment losses of other assets		-	6,445
NET OPERATING INCOME		480,838	467,713
Personnel expenses	9	(217,109)	(209,724)
Depreciation and amortization	18,19	(63,993)	(58,398)
Other operating expenses	10	(77,201)	(67,531)
TOTAL OPERATING EXPENSES		(358,303)	(335,653)
PROFIT BEFORE TAX		122,535	132,060
Current profit tax expense	24.1	(23,627)	(25,827)
Deferred profit tax income	24.1	1,950	2,044
NET PROFIT FOR THE YEAR		100,858	108,277
Earnings per share (LAK)	32	739	793

Prepared by:

Approved by:

Approved by:



Mrs. Lammaniseng Sayaphet
Head of Accounting
Department



Mrs. Phousengthong Anoulakkham
Acting Head of Internal Audit
Department



Mr. Phansana Khounnouvong
Deputy Managing Director

Vientiane, Lao P.D.R

31 March 2016

Banque Pour Le Commerce Extérieur Lao Public

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015

	Notes	2015 LAKm	2014 LAKm
NET PROFIT FOR THE YEAR		100,858	108,277
OTHER COMPREHENSIVE INCOME			
Net gain/(loss) on available-for-sale financial assets		(35,708)	32,293
Profit tax related to components of other comprehensive income		4,627	(6,136)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(31,081)	26,157
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		69,777	134,434

Prepared by:

Approved by:

Approved by:



Mrs. Lammaniseng Sayaphet
Head of Accounting
Department



Mrs. Phousengthong Anoulakkham
Acting Head of Internal Audit
Department



Mr. Phansana Khounnouvong
Deputy Managing Director

Vientiane, Lao P.D.R

31 March 2016

Banque Pour Le Commerce Extérieur Lao Public

SEPARATE STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

	Notes	31 December 2015 LAKm	31 December 2014 LAKm
ASSETS			
Cash and balances with the Bank of Lao P.D.R	11	9,464,499	7,268,963
Due from banks	12	1,892,944	3,746,041
Loans to customers	13	10,854,955	9,622,905
Financial investments - Available-for-sale	15	224,348	222,332
Financial investments - Held-to-maturity	16	1,776,408	1,266,732
Investments in subsidiary and joint ventures	17	561,623	562,909
Property and equipment	18	389,658	248,506
Intangible assets	19	297,659	271,419
Deferred tax assets	24.4	6,259	5,999
Other assets	20	210,586	265,035
TOTAL ASSETS		25,678,939	23,480,841
LIABILITIES			
Due to banks	21	2,448,155	2,929,740
Due to customers	22	21,311,144	19,101,854
Borrowings from other banks	23	720,497	121,287
Current tax liabilities	24.2	30,966	19,815
Deferred tax liabilities	24.4	11,077	17,394
Other liabilities	25	56,024	212,420
TOTAL LIABILITIES		24,577,863	22,402,510
EQUITY			
Charter capital	26	682,888	682,888
Statutory reserves and other reserves	27	313,833	278,208
Available-for-sale reserve	28	32,789	63,870
Retained earnings		71,566	53,365
TOTAL EQUITY		1,101,076	1,078,331
TOTAL LIABILITIES AND EQUITY		25,678,939	23,480,841

Prepared by:

Approved by:

Approved by:


Mrs. Lammaniseng Sayaphet
Head of Accounting
Department


Mrs. Phousengthong Anoulakkham
Acting Head of Internal Audit
Department


Mr. Phansana Khounnouvong
Deputy Managing Director



Vientiane, Lao P.D.R

31 March 2016

Banque Pour Le Commerce Extérieur Lao Public

SEPARATE STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	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 2014	682,888	278,208	63,870	53,365	-	1,078,331
Dividend of 2014 paid out to shareholders	-	-	-	(31,959)	-	(31,959)
Net profit for the year	-	-	-	100,858	-	100,858
Appropriation to reserve for the year 2014	-	23,350	-	(35,625)	12,275	-
Adjustment of overstated dividend obligation in 2012	-	-	-	1,518	-	1,518
Cancellation of unused reserves	-	-	-	6,336	-	6,336
Dividend for the year 2015 paid	-	-	-	(23,628)	-	(23,628)
Net movement in available-for-sale reserve	-	-	(31,081)	-	-	(31,081)
Others	-	-	-	701	-	701
Balances as at 31 December 2015	682,888	301,558	32,789	71,566	12,275	1,101,076

Prepared by:


Mrs. Lammaniseng Sayaphet
Head of Accounting Department

Vientiane, Lao P.D.R

31 March 2016

Approved by:


Mr. Phansana Khounnouvong
Deputy Managing Director


Mrs. Phousengthong Anoulakham
Acting Head of Internal Audit Department

Banque Pour Le Commerce Extérieur Lao Public

SEPARATE STATEMENT OF CASH FLOWS
for the year ended 31 December 2015

	Notes	2015 LAKm	2014 LAKm
OPERATING ACTIVITIES			
Profit before tax		122,535	132,060
<i>Adjustments for:</i>			
Depreciation and amortization charges		63,993	58,398
Expense for impairment losses		112,618	72,246
Allocation of subvention fund		356	(1,928)
Dividend income		(37,706)	(26,588)
Cash flows from operating profit before changing in operating assets and liabilities		261,796	234,188
<i>Changes in operating assets</i>			
Net change in balances with other banks		(264,495)	171,607
Net change in loans to customers		(1,338,065)	(383,438)
Financial investment - Held-to-maturity		(507,839)	(582,934)
Financial investment - Available-for-sale		(2,016)	(9,659)
Net change in other assets		28,407	110,825
<i>Changes in operating liabilities</i>			
Net change in due to other banks		117,625	1,846,139
Net change in due to customers		2,209,289	4,575,299
Tax paid during the year	24.3	(8,074)	(29,915)
Net change in other liabilities		(160,976)	123,536
Net cash flows from operating activities		335,652	6,055,648
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(244,217)	(109,472)
Proceeds from disposals of fixed assets		12,832	1,117
Payments for investments in other entities		-	(147,000)
Dividend received		37,706	26,588
Net cash flows used in investing activities		(193,679)	(228,767)
FINANCING ACTIVITIES			
Payment of dividends		(55,587)	(101,067)
Net cash flows used in financing activities		(55,587)	(101,067)
Net increase in cash and cash equivalents		86,386	5,725,814
Cash and cash equivalents at the beginning of the year		10,070,876	4,343,879
Cash transferred from BCEL Leasing		-	14
Foreign exchange difference		(8,441)	1,169
Cash and cash equivalents at the end of the year	29	10,148,821	10,070,876

Prepared by:

Approved by:

Approved by:

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Head of Accounting
Department

Mrs. Phousengthong Anoulakham
Acting Head of Internal Audit
Department

Mr. Phansana Khounnouvong
Deputy Managing Director

Vientiane, Lao P.D.R
31 March 2016



Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
as at 31 December 2015 and for the year 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.

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According to notification from Lao Securities and Exchange Commission, the shareholding structure of the Bank as at 31 December 2015 is as follows:

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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 31 December 2015 is LAKm 682,888 (31 December 2014: 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 31 December 2015, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, seventy-seven (77) services units, and fifteen (15) exchange units all over Lao P.D.R.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

1. CORPORATE INFORMATION (continued)

Subsidiary

As at 31 December 2015, 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 31 December 2015, 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	232/11 dated 8 September 2011 by the Bank of Lao P.D.R	Banking & Finance	25%
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	35%
Lao China Bank Limited	041/ERM dated 27 January 2014 by the granted by Department of Enterprise Register and Management of Lao P.D.R	Banking & Finance	49%

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

1. CORPORATE INFORMATION (continued)

Board of Directors

Members of the Board of Directors during the year ended 31 December 2015 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/ reappointment/resignation</i>
Mr. Bounleua Sinxayvoravong	Chairman	Appointed on 9 April 2015
Mr. Saysamone Xaysoulane	Chairman	Resigned on 9 April 2015
Mr. Kamsouk Sundara	Vice Chairman	Reappointed on 9 April 2015
Mr. Phoukhong Chanthachack	Member	Reappointed on 9 April 2015
Mr. Phansana Khounnouvong	Member	Appointed on 9 April 2015
Ms. Khanthaly Vongxayarath	Member	Appointed on 9 April 2015
Mr. Marc Robert	Member	Reappointed on 9 April 2015
Mr. Viengxay Chanthavisouk	Member	Appointed on 9 April 2015
Mr. Vanhkhram Voravong	Member	Resigned on 9 April 2015

Board of Management

Members of the Board of Management during the year ended 31 December 2015 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. Vanhkhram Voravong	General Managing Director	Appointed on 13 January 2012
	Deputy Managing Director	Resigned on 16 February 2015
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
Ms. Khanthaly Vongxayarath	Deputy Managing Director	Appointed on 30 September 2014
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. Phoukhong Chanthachack was appointed as Acting General Managing Director on 17 February 2015 and was then officially appointed as General Managing Director on 15 January 2016.

Employees

Total number of employees of the Bank as at 31 December 2015 is 1,519 persons (as at 31 December 2014: 1,470 persons).

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

2. ACCOUNTING POLICIES

2.1 *Basis of preparation*

The Bank prepares its separate financial statements in accordance with International Financial Reporting Standards ("IFRS"). The 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 separate financial statements in millions of LAK ("LAKm").

The separate financial statements were prepared in order to present the separate financial position and separate financial performance and 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 separate financial statements

The Bank has prepared and issued the separate financial statements in accordance with IFRS. In addition, the Bank has also prepared and issued its consolidated financial statements for the year ended 31 December 2015 on 31 March 2016.

Users of the accompanying separate financial statements should read them together with the consolidated financial statements of the Bank and its subsidiary for the year ended 31 December 2015 in order to obtain full information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Bank and its subsidiary.

2.2 *Fiscal year*

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

2.3 *Presentation of separate financial statements*

The Bank presents its separate statement of financial position in order of liquidity. Financial assets and financial liabilities are offset and the net amount reported in the separate statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the separate income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

2.4 *Significant accounting judgments, estimates and assumptions*

The preparation of the Bank's separate financial statements requires management to make judgments, 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 year.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

2. ACCOUNTING POLICIES (continued)

2.4 *Significant accounting judgments, estimates and assumptions* (continued)

2.4.1 *Estimates and assumptions*

The key 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, are described below. The Bank based its assumptions and estimates on parameters available when the separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

2.4.1.1 *Going concern*

The Bank's management has made assessment of the Bank's 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 separate financial statements continue to be prepared on the going concern basis.

2.4.1.2 *Impairment losses on loans*

The Bank reviews its individually significant loans at each separate statement of financial position date to assess whether an impairment loss should be recorded in the separate income statement. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans that have been assessed individually and found not to be impaired and all individually insignificant loans are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

2.4.1.3 *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.

2.5 *Summary of significant accounting policies*

2.5.1 *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 as at 31 December 2015 and 31 December 2014 as presented in Note 37). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the reporting date are recognized in the separate income statement.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

2. ACCOUNTING POLICIES (continued)

2.5 *Summary of significant accounting policies* (continued)

2.5.2 *Financial instruments - initial recognition and subsequent measurement*

2.5.2.1 *Date of recognition*

All financial assets and liabilities 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.

2.5.2.2 *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 their fair value plus transaction cost, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

2.5.2.3 *'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 recognizes 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 recognized in the separate income statement when the inputs become observable, or when the instrument is derecognized.

2.5.2.4 *Available for sale financial investments*

Available for sale investments include equity and debt securities. 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. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

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 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 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 separate income statement in 'Impairment losses on financial investments' and removed from the 'Available-for-sale reserve'.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

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

2.5.2.5 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 effective interest rate ("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 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.

2.5.2.6 Due from banks and loans to customers

'Due from banks' and 'Loans 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 to customers' are subsequently measured at amortized cost using the EIR, less allowance for impairment. Amortized 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. The amortization is included in 'Interest and similar income' in the separate income statement. The losses arising from impairment are recognized in the separate income statement line 'Credit loss expense'.

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).

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

2. ACCOUNTING POLICIES (continued)

2.5 *Summary of significant accounting policies* (continued)

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

2.5.2.7 *Debt issued and other borrowed funds*

Financial instruments issued by the Bank that are not designated at fair value through profit or loss, are classified as liabilities under "Debt issued and other borrowed funds", where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortized cost using the EIR. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

2.5.2.8 *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 separate income statement.

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. The Bank does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.3 Derecognition of financial assets and financial liabilities

2.5.3.1 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 has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and 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.

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.

2.5.3.2 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 derecognition 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.

2.5.4 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

2. ACCOUNTING POLICIES (continued)

2.5 *Summary of significant accounting policies* (continued)

2.5.4 *Determination of fair value* (continued)

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded (Day 1 profit or loss) is deferred and recognized only when the inputs become observable or on derecognition of the instrument.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 35.

2.5.5 *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.

For financial assets carried at amortized cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

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 recognized in the 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'.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.5 Impairment of financial assets (continued)

Financial assets carried at amortized cost

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 'Other operating 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, 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 collateralized 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.

For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics.

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 exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, 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.

Available for sale financial investments

For available for sale financial investments, the Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The Bank treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the separate income statement – is removed from equity and recognized in the separate income statement. Impairment losses on equity investments are not reversed through the separate income statement; increases in the fair value after impairment are recognized in other comprehensive income.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

2. ACCOUNTING POLICIES (continued)

2.5 *Summary of significant accounting policies* (continued)

2.5.5 *Impairment of financial assets* (continued)

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

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 quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

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 financial statements, and other independent sources.

2.5.6 *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 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.

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

2. ACCOUNTING POLICIES (continued)

2.5 *Summary of significant accounting policies* (continued)

2.5.7 *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 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.

2.5.8 *Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the separate 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 separate statement of financial position.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.9 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:

(i) 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, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. 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 impairment losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Other operating income'. However, for a reclassified financial asset for which 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.

Once the recorded value of a financial asset of a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

(ii) 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. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight line basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

(iii) Dividend income

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

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.10 Cash and cash equivalents

Cash and cash equivalents as referred to in the separate statement of cash flows comprises cash on hand, non-restricted current account with the Bank of Lao P.D.R ("the BOL") and amounts due from banks on demand or with an original maturity of three months or less.

2.5.11 Property and equipment

Property and equipment (including equipment under operating leases where the Bank is the lessor) 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 the annual rates used:

Buildings & improvements	5%
Office equipment	20%
Furniture & 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 separate income statement in the year the asset is derecognized.

2.5.12 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.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.12 Intangible assets (continued)

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 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:

► Land use rights with indefinite life	No amortization
► Software	2 - 5 years

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.

2.5.13 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 separate income statement.

2.5.14 Provisions for contingent liabilities

Provisions for contingent liabilities 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. The expense relating to any provision is presented in the separate income statement net of any reimbursement.

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

2. ACCOUNTING POLICIES (continued)

2.5 *Summary of significant accounting policies* (continued)

2.5.15 *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 separate statement of financial position date.

Deferred tax

Deferred tax is provided on temporary differences at the separate statement of financial position 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.
- ▶ In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- ▶ Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition 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.
- ▶ In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each separate statement of financial position 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 utilized. Unrecognized deferred tax assets are reassessed at each separate statement of financial position date and are recognized to the extent that it has become 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 realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the separate statement of financial position date.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.16 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 separate financial statements, as they are not the assets of the Bank.

2.5.17 Equity reserves

The reserves recorded in equity on the Bank's 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 27; and
- ▶ Available-for-sale reserve which comprises changes in fair value of available-for-sale investments, as stated in Note 28.

2.5.18 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 specialized 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 31 December 2015, there is no employees of the Bank who were dismissed under the above-mentioned grounds, therefore the Bank has not made a provision for termination allowance in the financial statements.

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.19 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 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.

3. INTEREST AND SIMILAR INCOME

	2015 LAKm	2014 LAKm
Interest income from lending to customers	933,530	900,677
Interest income from deposits at other banks	5,993	11,377
Interest income from investment securities	82,137	37,494
Other interest and similar income	48,490	51,050
	<u>1,070,150</u>	<u>1,000,598</u>

4. INTEREST AND SIMILAR EXPENSE

	2015 LAKm	2014 LAKm
Interest expense for due to other banks	30,666	25,645
Interest expense for customer deposits	784,962	669,245
Other interest and similar expenses	580	104
	<u>816,208</u>	<u>694,994</u>

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

5. NET FEES AND COMMISSION INCOME

	2015 LAKm	2014 LAKm
Fees and commission income from:		
Settlement services	106,908	92,480
Guarantee activities	60,519	48,640
Other activities	1,703	871
	169,130	141,991
Fees and commission expense for:		
Treasury activities	(10,707)	(10,140)
Other activities	(20,245)	(16,704)
	(30,952)	(26,844)
Net fees and commission income	138,178	115,147

6. NET TRADING INCOME

	2015 LAKm	2014 LAKm
Gains from foreign currencies trading	4,028,733	3,254,941
Loss from foreign currencies trading	(3,987,731)	(3,200,152)
Net gain from foreign currencies trading	41,002	54,789
(Loss)/gain from margin trading	(287,150)	33,274
	(246,148)	88,063

7. OTHER OPERATING INCOME

	2015 LAKm	2014 LAKm
Dividend income	37,706	26,588
Other income from financial services	564	444
Income from sale of tangible fixed assets (*)	359,076	534
Recovery of bad debts written-off	49,731	358
Subsidies received from Bank for Investment and Development of Vietnam	116	2,361
Others	291	860
	447,484	31,145

(*) This amount includes LAKm 355,022 gain on the sale of the land use rights of 36 pieces of lands to the Bank of Lao P.D.R (See Note 31 for details).

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

8. REVERSAL OF IMPAIRMENT LOSSES FOR FINANCIAL INVESTMENTS

	2015 LAKm	2014 LAKm
Reversal of impairment losses for held-to-maturity securities (Note 16)	(1,837)	(27,086)
Reversal of impairment losses for available-for-sale securities	-	(151)
	(1,837)	(27,237)

9. PERSONNEL EXPENSES

	2015 LAKm	2014 LAKm
Salary expense	122,982	117,871
Insurance expense for employees	88,664	86,216
Other allowances	5,463	5,637
	217,109	209,724

10. OTHER OPERATING EXPENSES

	2015 LAKm	2014 LAKm
External services	22,292	21,335
Repair and maintenance	14,063	14,174
Publication, marketing and promotion	3,959	5,399
Office rental	7,643	7,819
Telecommunication	1,800	1,674
Training, meeting and seminar	7,225	8,020
Tax and other duties	145	292
Others	20,074	8,818
	77,201	67,531

11. CASH AND BALANCES WITH THE BANK OF LAO P.D.R ("THE BOL")

	31 December 2015 LAKm	31 December 2014 LAKm
Cash on hand in LAK	1,246,254	983,015
Cash on hand in foreign currencies ("FC")	990,378	1,015,743
Travelers' cheques	-	12
Balances with the BOL:		
- Compulsory deposit	1,134,906	925,321
- Demand deposit	6,092,961	4,320,190
- Term deposit	-	24,655
- Accrued interest	-	27
	9,464,499	7,268,963

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

11. CASH AND BALANCES WITH THE BANK OF LAO P.D.R ("THE BOL") (continued)

Balances with the BOL include settlement, compulsory and term 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, (2014: 5.00% and 10.00%) of customer deposits having original maturities of less than 12 months. During the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

12. DUE FROM BANKS

	31 December 2015 LAKm	31 December 2014 LAKm
Current and saving accounts	1,656,449	2,260,164
- In LAK	1,386,963	6,148
- In foreign currencies	269,486	2,254,016
Term deposits	235,797	1,475,220
- In LAK	52,806	-
- In foreign currencies	182,991	1,475,220
Loans to other banks	-	10,100
- In LAK	-	-
- In foreign currencies	-	10,100
Accrued interest	698	557
Impairment loss for loans to other banks (see Note 14)	-	-
	1,892,944	3,746,041

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

13. LOANS TO CUSTOMERS

	31 December 2015 LAKm	31 December 2014 LAKm
Gross loans	11,026,334	9,728,396
Accrued interest related to loans to customers	97,369	93,822
Less: Allowance for impairment losses (see Note 14)	(268,748)	(199,313)
	10,854,955	9,622,905

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

	2015 Interest rates % per annum	2014 Interest rates % per annum
Loans denominated in LAK	7.00% - 16.00%	9.00% - 16.00%
Loans denominated in USD	6.50% - 14.00%	5.50% - 14.00%
Loans denominated in THB	7.75% - 12.00%	7.75% - 12.75%

Analysis of loan portfolio by currency:

	31 December 2015 LAKm	31 December 2014 LAKm
Loans denominated in LAK	4,513,088	4,153,691
Loans denominated in USD	5,177,960	4,232,963
Loans denominated in THB	1,335,286	1,341,742
	11,026,334	9,728,396

Analysis of loan portfolio by original maturity:

	31 December 2015 LAKm	31 December 2014 LAKm
Short-term loans	2,350,521	2,706,990
Medium-term loans	5,674,920	5,393,627
Long-term loans	3,000,893	1,627,779
	11,026,334	9,728,396

The grading of the loan portfolio as at 31 December 2015 is as follows:

Risk classification	Outstanding balance LAKm	Allowance for impairment LAKm	Ratio of impairment/ outstanding balance %
Current	9,106,677	18,250	0.20%
Special Mention	1,630,590	80,285	4.92%
Substandard	27,742	2,224	8.02%
Doubtful	184,498	112,357	60.90%
Loss	76,827	55,632	72.41%
	11,026,334	268,748	

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

13. LOANS TO CUSTOMERS (continued)

The loan portfolio at year-end comprised loans to entities in the following sectors:

	31 December 2015		31 December 2014	
	LAKm	%	LAKm	%
Industrial services companies	2,395,765	21.73%	1,545,510	15.89%
Construction companies	3,526,539	31.98%	3,385,094	34.80%
Technical instruments enterprises	93,269	0.85%	53,409	0.55%
Agricultural & forestry	31,414	0.28%	39,021	0.40%
Trading companies	3,031,544	27.49%	2,621,496	26.95%
Transportation companies	573,180	5.20%	713,939	7.34%
Services companies	1,228,065	11.14%	1,178,883	12.12%
Handicrafts	10,468	0.09%	4,541	0.04%
Others	136,090	1.23%	186,503	1.91%
	11,026,334	100%	9,728,396	100%

14. ALLOWANCE FOR IMPAIRMENT LOSSES OF LOANS TO CUSTOMERS

Changes in the allowance for impairment losses of loans to customers during the year ended 31 December 2015 are as follows:

	<i>Allowance for impairment of loans to customers LAKm</i>
Balance as at 1 January 2015	199,313
Net change during the year	114,455
Non-performing loans written-off	(36,579)
Foreign exchange differences	(8,441)
Balance as at 31 December 2015	268,748

Break down of allowance for impairment losses of loans to customers as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015		31 December 2014	
	<i>Outstanding balance LAKm</i>	<i>Impairment LAKm</i>	<i>Outstanding balance LAKm</i>	<i>Impairment LAKm</i>
Individually impaired	1,694,825	210,793	2,497,162	195,534
Collectively impaired	9,331,509	57,955	7,231,234	3,779
	11,026,334	268,748	9,728,396	199,313

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

15. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	31 December 2015 LAKm	31 December 2014 LAKm
Equity securities issued by local business entity (*)	224,348	202,776
Securities issued by foreign credit institutions	-	19,556
	224,348	222,332

(*): These are shares of EDL Generation Public Company which have total face value of LAKm 181,204 (31 December 2014: LAKm 123,679).

16. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

	31 December 2015 LAKm	31 December 2014 LAKm
Amortized cost of Treasury bills issued by the Ministry of Finance	982,563	759,871
Amortized cost of Bonds issued by the Ministry of Finance	795,802	510,655
	1,778,365	1,270,526
Impairment losses for investments in Held-to-maturity securities (*)	(1,957)	(3,794)
- Impairment losses for Treasury bills issued by the Ministry of Finance	(2)	(856)
- Impairment losses for Bonds issued by the Ministry of Finance	(1,955)	(2,938)
	1,776,408	1,266,732

(*): The net change in impairment losses of LAKm 1,837 is recorded in the separate income statement as reversal of impairment loss for held-to-maturity securities (Note 8).

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

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

16.1 Treasury bills issued by the Ministry of Finance

Details of the treasury bills as at 31 December 2015 are as follows:

<i>Term</i>	<i>Issue date</i>	<i>Maturity date</i>	<i>Face value</i>	<i>Amortized cost</i>	<i>Interest rate per annum (nominal)</i>
1 year	27-Mar-15	27-Mar-16	300,000	303,522	4.50%
1 year	10-Mar-15	10-Mar-16	73,000	75,645	4.50%
1 year	31-Mar-15	31-Mar-16	50,000	51,681	4.50%
1 year	28-Apr-15	28-Apr-16	20,000	20,603	4.50%
1 year	12-May-15	12-May-16	10,000	10,284	4.50%
1 year	25-May-15	25-May-16	58,000	59,555	4.50%
1 year	27-Nov-15	27-Nov-16	300,000	301,095	4.00%
1 year	18-Dec-15	18-Dec-16	100,000	100,139	4.00%
1 year	25-Dec-15	25-Dec-16	60,000	60,039	4.00%
Total			971,000	982,563	

16.2 Bonds issued by the Ministry of Finance

	<i>31 December 2015 LAKm</i>	<i>31 December 2014 LAKm</i>
Triangle bonds	16,714	265,511
Capitalization bonds	65,923	64,558
Other bonds	713,165	180,586
	795,802	510,655

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 customers 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 earn no interest.

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

<i>Issue 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-Mar-14	1-Mar-19	68,600	65,923	5 years	4.00%

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

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

16.2 Bonds issued by the Ministry of Finance (continued)

Other bonds issues by the Ministry of Finance are infrastructure bonds for the implementation of Wung Anh Port/Habour project (with total amount LAKm 46,000). Details of these 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>
5-Dec-11	5-Dec-16	46,000	46,252	8.00%
25-Dec-13	10-Oct-16	2,000	1,922	4.00%
2-Mar-12	20-Dec-16	50,000	49,357	4.00%
16-Aug-12	12-Mar-16	20,000	20,230	3.00%
7-May-14	12-Nov-16	8,000	6,875	4.00%
30-Jul-14	31-Jul-16	5,000	4,748	3.50%
29-Sep-14	7-May-16	22,000	21,031	3.50%
29-Sep-14	11-Jun-16	9,000	8,468	3.50%
29-Sep-14	12-Jun-16	25,000	23,513	3.50%
29-Sep-14	13-Jun-16	1,000	940	3.50%
29-Sep-14	16-May-16	5,000	4,759	3.50%
29-Sep-14	18-Sep-16	4,000	3,629	3.50%
27-Nov-14	31-Jul-16	2,000	1,867	3.50%
18-Dec-14	2-Aug-16	14,000	13,009	3.50%
27-Feb-15	11-Jun-16	2,000	1,380	3.50%
30-Dec-14	30-Dec-16	150,000	150,019	4.75%
30-Dec-14	30-Dec-17	100,000	100,014	5.10%
8-Apr-14	8-Apr-16	100,000	102,978	4.50%
26-Aug-14	26-Aug-16	100,000	101,535	4.50%
16-Sep-14	16-Sep-16	50,000	50,639	4.50%
		715,000	713,165	

17. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

	<i>31 December 2015</i>		<i>31 December 2014</i>	
	<i>Cost LAKm</i>	<i>Ownership %</i>	<i>Cost LAKm</i>	<i>Ownership %</i>
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%	199,125	35%
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		562,909	

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

17. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES (continued)

- 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 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 the Bank of 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 31 December 2015, 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 31 December 2015, 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 the Bank of Lao P.D.R. The legal capital of LCNB was LAKm 300,000 and had been fully contributed by partners as at 31 December 2015.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

18. PROPERTY AND EQUIPMENT

Movements of property and equipment for the year ended 31 December 2015 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 2015	210,814	119,240	26,858	17,801	374,713
Additions	163,840	18,597	6,238	2,045	190,720
<i>In which</i>					
<i>New purchases</i>	18,580	18,105	6,238	2,045	44,968
<i>Transferred from CIP and fixed assets in transit</i>	145,260	492	-	-	145,752
Disposals	(1,309)	(21,273)	(604)	(4,138)	(27,324)
As at 31 December 2015	373,345	116,564	32,492	15,708	538,109
Accumulated depreciation:					
As at 1 January 2015	54,487	53,244	10,342	8,134	126,207
Charge for the year	17,093	24,064	3,566	3,373	48,096
Disposals	(849)	(21,187)	(10)	(3,806)	(25,852)
As at 31 December 2015	70,731	56,121	13,898	7,701	148,451
Net book value:					
As at 1 January 2015	156,327	65,996	16,516	9,667	248,506
As at 31 December 2015	302,614	60,443	18,594	8,007	389,658

19. INTANGIBLE ASSETS

Movements of intangible assets during the year ended 31 December 2015 are as follows:

	<i>Land use rights LAKm</i>	<i>Software LAKm</i>	<i>Total LAKm</i>
Cost:			
As at 1 January 2015	227,076	78,046	305,122
Additions	45,879	7,618	53,497
<i>In which</i>			
<i>New purchases</i>	654	6,458	7,112
<i>Transferred from CIP and fixed assets in transit</i>	45,225	1,160	46,385
Disposals	(11,360)	(5,234)	(16,594)
As at 31 December 2015	261,595	80,430	342,025
Accumulated amortization:			
As at 1 January 2015	-	33,703	33,703
Charge for the year	-	15,897	15,897
Disposals	-	(5,234)	(5,234)
As at 31 December 2015	-	44,366	44,366
Net book value:			
As at 1 January 2015	227,076	44,343	271,419
As at 31 December 2015	261,595	36,064	297,659

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

20. OTHER ASSETS

	31 December 2015 LAKm	31 December 2014 LAKm
Assets waiting for sales	8,483	5,094
Stationeries and other tools	1,192	1,076
Checks in collection	13,234	9,381
Construction in progress and fixed assets in transit (*)	123,372	196,907
Prepaid expenses to be allocated	34,000	34,068
Advance payment for other operations	15,781	10,737
Others	14,524	7,772
	210,586	265,035

(*): Movement of construction in progress and fixed assets in transit for the year ended 31 December 2015 is as follows:

	Land use rights LAKm	Buildings & improvements LAKm	Other LAKm	Total LAKm
As at 1 January 2015	19,202	165,808	11,897	196,907
Additions	67,737	46,959	3,905	118,601
Transferred to fixed assets	(45,225)	(145,260)	(1,652)	(192,137)
As at 31 December 2015	41,714	67,507	14,150	123,371

21. DUE TO BANKS

	31 December 2015 LAKm	31 December 2014 LAKm
Demand deposits from other banks	2,104,890	1,610,072
- In LAK	825,086	893,584
- In foreign currencies	1,279,804	716,488
Saving deposits from other banks	233,827	796,168
- In LAK	53,873	95,945
- In foreign currencies	179,954	700,223
Term deposits from other banks	95,185	512,254
- In LAK	43,130	96,933
- In foreign currencies	52,055	415,321
Others	13,720	4,802
- In LAK	4,222	1,554
- In foreign currencies	9,498	3,248
	2,447,622	2,923,296
Accrued interest payables	533	6,444
	2,448,155	2,929,740

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

22. DUE TO CUSTOMERS

	31 December 2015 LAKm	31 December 2014 LAKm
Demand deposits	4,515,881	4,308,911
Demand deposits in LAK	2,178,278	1,319,640
Demand deposits in FC	2,337,603	2,989,271
Demand savings	8,591,522	7,544,224
Demand saving deposits in LAK	3,060,115	2,631,148
Demand saving deposits in FC	5,531,407	4,913,076
Term deposits	7,882,509	6,913,028
Term deposits in LAK	5,502,892	4,847,213
Term deposits in FC	2,379,617	2,065,815
Margin deposits	61,525	72,056
Margin deposits in LAK	16,162	5,580
Margin deposits in FC	45,363	66,476
Others	203,234	242,289
	21,254,671	19,080,508
Accrued interest	56,473	21,346
	21,311,144	19,101,854

Saving deposits from customers denominated in LAK, USD and THB bear interest at rates ranging of 1.50% - 3.00%, 1.00% - 1.25% and 0.60% - 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%, 1.15% - 6.75% and 0.75 - 6.50% per annum, respectively.

23. BORROWINGS FROM OTHER BANKS

	31 December 2015 LAKm	31 December 2014 LAKm
Borrowings from the BOL	720,497	121,287
Accrued interest payables	-	-
	720,497	121,287

Borrowings from the BOL as at 31 December 2015 include:

- ▶ USD 5,257,142 long-term borrowing (original borrowing amount was USD 9,200,000) for the purpose of investment in Banque Franco – Lao Limited. The loan's principal is paid annually from 2010 to 2023 with the interest of 0.25% per annum. The interest is paid semi-annually.
- ▶ USD 83,354,000 long-term borrowing (original borrowing amount was USD 100,000,000) for the purpose of providing credit to certain Government-backed Hydropower projects with interest rate of 5.5% per annum.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

24. TAXATION

24.1 Profit tax expense

Major components of tax expense are as follows:

	2015 LAKm	2014 LAKm
Current profit tax expense	23,627	25,827
Deferred profit tax income	(1,950)	(2,044)
Total tax expense for the year	21,677	23,783

24.2 Tax payables

	31 December 2015 LAKm	31 December 2014 LAKm
Profit Tax payable	18,797	8,369
Value Added Tax payable	12,169	10,400
Other payable to tax authorities	-	1,046
	30,966	19,815

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

24. TAXATION (continued)

24.3 Current Profit Tax ("PT")

Provision is made for profit tax on the current year's profits, based on the Tax Law governing taxation within Lao P.D.R. The Bank is obliged to pay tax at rate of 24% on total profit before tax in accordance with the new Tax Law No.05/NA dated 20 December 2011 which is effective on or after 1 January 2013. Additionally, in accordance with Decree 001 dated 28 December 2010 issued by the President of Laos P.D.R, the tax rate for listed companies is reduced by 5% within 4 years from the date of listing. Accordingly, the Bank is subject to the tax rate of 24% for the year ended 31 December 2015 (2014: 19%).

	2015 LAKm	2014 LAKm
Profit before tax in accordance with IFRS	122,535	132,060
<i>Adjustments for:</i>		
- Difference between carrying value under LAS and amortized cost under IFRS of Bonds	(1,133)	11,434
- Reversal of allowance for impairment losses of other assets	-	(6,445)
- Difference in expense for /(reversal of) allowance for impairment losses between LAS and IFRS of loans to banks and customers	9,143	33,805
- Difference in allocation of subvention funds	356	(1,928)
- Write-off start-up cost as expense during the year	(47)	69
- Difference in impairment expense of investment between LAS and IFRS	(1,837)	(27,237)
- Others	(165)	-
Profit before tax in accordance with LAS	128,852	141,758
<i>Increase/(Decrease):</i>		
- Income exempted from PT (dividend income)	(37,706)	(26,588)
- Non-deductible expenses	7,303	20,763
Taxable profit under LAS	98,449	135,933
PT expense at rate of 24% (2014: 19%)	23,627	25,827
Total tax expense in the year	23,627	25,827
PT payable at the beginning of the year	8,369	12,819
Transferred from BCEL Leasing Company	-	(362)
Additional tax payable for previous year	165	-
Other adjustment	(5,290)	-
PT paid in the year	(8,074)	(29,915)
PT payable at the end of the year	18,797	8,369

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

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

24. TAXATION (continued)

24.4 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 2015	5,999	(17,394)	(11,395)
Increase during the year due to:			
Changes in fair value of available for sale financial instruments	(53)	4,680	4,627
Changes in temporary difference between taxable profit under LAS and taxable profit under IFRS	313	1,637	1,950
As at 31 December 2015	6,259	(11,077)	(4,818)

25. OTHER LIABILITIES

	31 December 2015 LAKm	31 December 2014 LAKm
Payables to employees	13,661	19,320
Payable to suppliers	13,602	17,738
Termination allowances	14,537	11,202
Others	14,224	164,160
	56,024	212,420

26. CHARTER CAPITAL

Total charter capital of the Bank as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015 LAKm	31 December 2014 LAKm
Opening balance	682,888	682,888
Closing balance	682,888	682,888

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

27. 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 2015	61,217	216,991	-	278,208
Appropriation to reserves for the year 2014	11,675	11,675	12,275	35,625
As at 31 December 2015	72,892	228,666	12,275	313,833

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.

28. AVAILABLE-FOR-SALE RESERVE

	<i>31 December 2015 LAKm</i>	<i>31 December 2014 LAKm</i>
Opening balance	63,870	37,713
Net changes in fair value of available-for- sale financial investments	(31,081)	26,157
	32,789	63,870

29. ADDITIONAL CASH FLOW INFORMATION

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

	<i>31 December 2015 LAKm</i>	<i>31 December 2014 LAKm</i>
Cash and cash equivalents on hand	2,236,632	1,998,770
Demand deposits with the BOL	6,092,961	4,320,190
Current accounts with other banks	1,656,449	2,260,164
Term deposits due within 90 days	162,779	1,491,752
	10,148,821	10,070,876

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

30. CONTINGENT LIABILITIES AND COMMITMENTS

	31 December 2015 LAKm	31 December 2014 LAKm
Financial letter of guarantees	252,765	136,113
At sight letters of credit	850,007	1,408,294
Deferred payment letters of credit	148,541	183,998
Credit limit given to customers	6,226,584	1,552,822
Credit limit given to other banks	55,080	-
	7,532,977	3,281,227

Financial guarantees

Letters of credit, guarantees (including standby letters of credit) and acceptances 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 31 December 2015, the Bank did not entered into any lease contracts as either lessor or lessee which results in future cash inflows and/or outflows.

31. 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:

	2015 LAKm	2014 LAKm
Salaries	1,648	1,398
Bonus	363	442
Responsibility allowance	1,176	1,054
	3,187	2,894

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

31. RELATED PARTY DISCLOSURES (continued)

Transactions with other related parties

During the year, the Bank sold the land use rights of 36 pieces of lands to the Bank of Lao P.D.R at a total price of LAKm 374,970. This price was solely determined by mutual agreement between the Bank and the Bank of Lao P.D.R. This transaction results in a gain of LAKm 355,022 recognized in the separate income statement's for the year ended 31 December 2015.

Significant balances with related parties as at 31 December 2015 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 and accrued interest from the BOL	-	720,497
The Bank of the Lao P.D.R	Direct controller	BCEL's demand deposits at BOL	6,092,961	-
The Bank of the Lao P.D.R	Direct controller	BCEL's compulsory deposits at BOL	1,134,906	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Investment in MOF's bonds	1,776,408	-
BCEL - Krung Thai Securities Company Limited	Subsidiary	Saving accounts	-	1,811
BCEL - Krung Thai Securities Company Limited	Subsidiary	Current accounts	-	44,634
Lao Viet Joint Venture Bank	Joint venture	Current accounts	-	31,962
Banque Franco – Lao Company Limited	Joint venture	Current accounts	-	54,191
Lao China Bank Co.Ltd	Joint venture	Current accounts	-	129,465

32. 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 year.

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

	<i>2015</i>	<i>2014</i>
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	100,858	108,277
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)	739	793

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

33. 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.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

34. 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 year.

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 separate financial statements is as follows:

	31 December 2015 LAKm	31 December 2014 LAKm
Tier 1 capital	1,101,170	1,078,331
Tier 2 capital	14,755	-
Total capital	1,115,925	1,078,331
Less: Deductions from capital (Investments in other entities)	(561,623)	(562,909)
Capital for CAR calculation (A)	554,302	515,422
Risk weighted balance sheet items	6,783,355	6,445,145
Risk weighted off balance sheet items	3,738,949	864,203
Total risk weighted assets (B)	10,522,304	7,309,348
Capital Adequacy Ratio (A/B)	5.27%	7.05%

35. 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 separate statement of financial position are a reasonable estimation of their fair values. In making this assessment, the Bank's management assumes that loans are mainly held to maturity with fair values equal to the book value of loans adjusted for allowance for impairment losses.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year ended

36. EVENTS AFTER THE REPORTING 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 2015 that significantly impacted the separate financial position of the Bank as at 31 December 2015.

37. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST LAK AT YEAR END

	31/12/2015 LAK	31/12/2014 LAK
USD	8131.00	8,080.00
EUR	8,871.00	9,790.00
THB	226.06	246.55
GBP	11,864.00	12,323.00
CHF	7,829.00	7,940.00
JPY	66.33	65.91
SGD	5,845.00	6,182.00
CAD	5,610.00	6,753.00
AUD	5,830.00	6,454.00
CNY	1,180.00	1288.00
VND	0.36	0.38

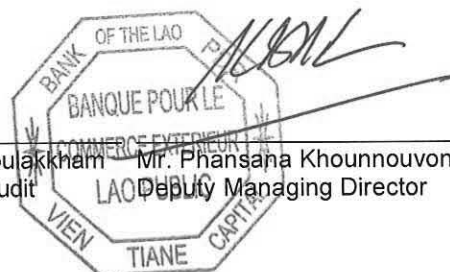
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Deputy Managing Director

Vientiane, Lao P.D.R

31 March 2016