

Banque Pour Le Commerce Exterieur Lao Public

Interim Consolidated Financial Statements
in accordance with International Financial Reporting Standards
for the period from 01 January 2012 to 31 March 2012

Banque Pour Le Commerce Extérieur Lao Public

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Banque Pour Le Commerce Exterieur Lao Public

GENERAL INFORMATION

THE BANK

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

Establishment and Operations

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

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

Equitisation of the Bank

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

As at 31 March 2012, the Government's shares account for 70% of the Bank's chartered capital which is equivalent to 95,604,320 shares; local investors' shares (including BCEL employees) account for 15% of the Bank's chartered capital which is equivalent to 20,486,640 shares; strategic partners' shares account for 10% of the Bank's chartered capital which is equivalent to 13,657,760 shares; and the foreign investors' proportion of 5% is equivalent to 6,828,860 shares.

Chartered Capital

The actual chartered capital as at 31 March 2012 is LAKm 682,888. (As at 31 December 2011: LAKm 682,888).

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane, Lao P.D.R. As at 31 March 2012, the Bank has one (01) Head Office, eighteen (18) main branches, thirty six (36) services units, and ten (10) exchange units all over Lao P.D.R.

Banque Pour Le Commerce Extérieur Lao Public

GENERAL INFORMATION (continued)

Subsidiaries

As at 31 March 2012, the Bank has two (02) subsidiaries as follows:

<i>Name</i>	<i>Established in accordance with Business License No.</i>	<i>Business sector</i>	<i>% owned by the Bank</i>
BCEL Leasing Company	011/09 dated 17 November 2009 by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R	Leasing	100%
BCEL - Krung Thai Securities Company Limited	180-10 dated 14 December 2010 by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R	Securities	70%

Joint ventures

As at 31 March 2012, the Bank has three (03) joint ventures as follows:

<i>Name</i>	<i>Business License No.</i>	<i>Business Sector</i>	<i>% owned by the Bank</i>
Lao Viet Joint Venture Bank	01/NHNN dated 31 March 2000 by the Bank of the Lao P.D.R	Banking & Finance	35%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of the Lao P.D.R	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	077/08/FIMC dated 09 June 2008 by the Foreign Investment Management Committee of the Lao P.D.R	Insurance	29%

BOARD OF DIRECTORS

The members of the Board of Directors for the period from 01 January 2012 to 31 March 2012 and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Saysamone Xaysoulane	Chairman	Appointed on 26 March 2012
Mrs. Viengthong Siphandone	Chairman	Appointed on 17 September 2007 Resigned on 26 March 2012
Mr. Kamsouk Sundara	Vice Chairman	Appointed on 26 March 2012
Mr. Khamlien Pholsena	Vice Chairman	Appointed on 17 September 2007 Resigned on 26 March 2012
Mr. Vanhkhram Voravong	Member	Appointed on 17 September 2007 Reappointed on 26 March 2012
Mr. Phoukhong Chanthachack	Member	Appointed on 26 March 2012
Mr. Vilay Siphaphone	Member	Appointed on 26 March 2012
Mr. Khamhou Thongthavy	Member	Appointed on 16 March 2003 Reappointed on 26 March 2012
Mr. Yves Jackquot	Member	Appointed on 26 March 2012
Mr. Sonexay Sitphasay	Member	Appointed on 16 March 2003 Resigned on 26 March 2012
Mr. Onekeo Damlongboun	Member	Appointed on 17 September 2007 Resigned on 26 March 2012

Banque Pour Le Commerce Exterieur Lao Public

GENERAL INFORMATION (continued)

BOARD OF DIRECTORS (continued)

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mrs. Palamy Souannavong	Member	Appointed on 17 September 2007 Resigned on 26 March 2012

BOARD OF MANAGEMENT

The members of the Board of Management for the period from 01 January 2012 to 31 March 2012 and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Vanhkhram Voravong	General Managing Director	Appointed on 13 January 2012
Mr. Onekeo Damlongboun	Deputy Managing Director	Appointed on 02 February 2007
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
Mr. Phoukhong Chanthachack	Deputy Managing Director	Appointed on 08 May 2005
Mr. Vilay Sipaphone	Deputy Managing Director	Appointed on 24 January 2012
Ms. Souphaiphone Manothum	Deputy Managing Director	Appointed on 24 January 2012

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year and at the date of this report is Mr. Vanhkhram Voravong - General Managing Director.

AUDITORS

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

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

We have reviewed the accompanying interim consolidated statement of financial position of Banque Pour Le Commerce Extérieur Lao Public ("the Bank") and its subsidiaries as at 31 March 2012 and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity, interim consolidated statement of cash flow for the three-month period then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 54. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 - Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

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

Qualifications

We draw attention to the matters which were identified during the course of the review as follows:

1. Included in the accompanying interim consolidated financial statements are the financial instruments initially recognized at cost and subsequently measured at cost plus accrued interest income/(expense) using nominal interest rate under straight-line method. We refer to:
 - ▶ Note 16.2 on the bonds issued by the Ministry of Finance with total face value as at 31 March 2012 amounting to LAKm 442,403 (2011: LAKm 394,148);
 - ▶ Note 16.3 on the bonds issued by the Bank of Lao P.D.R with total face value as at 31 March 2012 amounting to LAKm 1,145,800 (2011: LAKm 1,347,550)
 - ▶ Note 23 on borrowings from the BOL as at 31 December 2011, amounting to LAKm 66,451 (2011: LAKm 66,677).

Due to the unavailability of an active capital market, the lack of observable inputs as well as internal valuation models for fair value measurement, the accompanying interim consolidated financial statements for the period from 01 January to 31 March 2012 and of prior periods have not been adjusted to reflect the estimated fair value at inception of the above mentioned financial instruments. Subsequently, these financial instruments have been neither reflected at amortized cost using effective interest rate as required under IAS 39 - Financial Instruments: Recognition and Measurement. Owing to the absence of sufficient documentary evidence, we were not able to satisfy ourselves by other audit procedures as to the fair value and amortized cost and the presentation of these above financial instruments in the accompanying interim consolidated financial statements for the period from 01 January to 31 March 2012 in accordance with IAS 39.

Qualifications (continued)

2. The accompanying notes to the interim consolidated financial statements include information on the activities of the Bank only to the extent the information is available, which does not fulfill certain IFRS disclosure requirements. The accompanying notes do not include disclosures required by International Financial Reporting Standard 7: "*Financial Instruments: Disclosures*" on the followings:
- ▶ maturity analysis of assets and liabilities;
 - ▶ interest rate exposure by each class of financial assets and financial liabilities;
 - ▶ a sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period;
 - ▶ fair value for each class of financial assets and financial liabilities; and
 - ▶ risk management policies

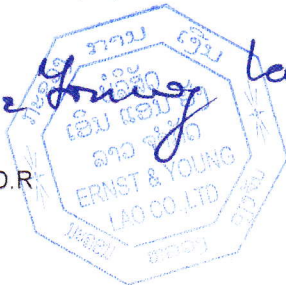
Based on our review, except for the effects of the matters discussed in the qualification paragraphs, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view of, in all material respects, the consolidated financial position of the Bank and its subsidiaries as at 31 March 2012 and of their consolidated financial performance and their consolidated cash flows for the three-month period then ended in accordance with IAS 34 - "Interim Financial Reporting".

We note that the period from 01 January 2012 to 31 March 2012 is the first interim accounting period of the Bank and its subsidiaries. Accordingly, the Bank has used the figures in 2011's IFRS audited financial statements as the opening balances and presented them on the interim consolidated financial statements for reference purposes.



Vientiane, Lao P.D.R.

31 May 2012



Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED INCOME STATEMENT
for the period from 01 January 2012 to 31 March 2012

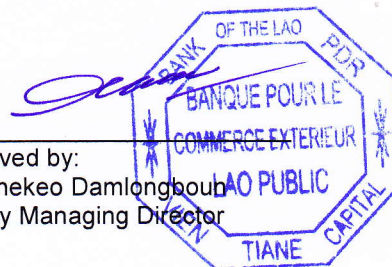
		For the period from 01/01/2012 to 31/03/2012 LAKm	31/12/2011 LAKm
	Notes		
Interest and similar income	3	156,852	449,504
Interest and similar expense	4	(80,503)	(275,168)
Net interest and similar income		76,349	174,336
Fee and commission income		41,396	156,881
Fee and commission expense		(1,730)	(6,418)
Net fee and commission income	5	39,666	150,463
Net trading income	6	28,016	80,169
Other operating income	7	17,663	68,813
Total operating income		161,694	473,781
Credit loss expense	8	(7,762)	(31,056)
NET OPERATING INCOME		153,932	442,725
Personnel expenses	9	(32,397)	(116,807)
Depreciation and amortization	18,19	(9,435)	(29,998)
Other operating expenses	10	(31,553)	(96,583)
TOTAL OPERATING EXPENSES		(73,385)	(243,388)
PROFIT BEFORE TAX		80,547	199,337
Income tax expense	24	(26,429)	(61,059)
PROFIT FOR THE PERIOD		54,118	138,278
NON CONTROLLING INTEREST		(203)	(503)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		54,321	138,781
Earning per share (Unit: Lak)		398	1,016



Prepared by:
Mr. Phonnalath Kongvongsa
Accountant



Approved by:
Mrs. Kongkeo Vongsavanthong
Deputy of Accounting Division



Approved by:
Mr. Onekeo Damlongboub
Deputy Managing Director

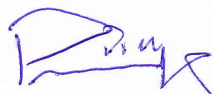
Vientiane, Lao P.D.R

31 May 2012

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period from 01 January 2012 to 31 March 2012

	Notes	For the period from 01/01/2012 to 31/03/2012 LAKm	2011 LAKm
PROFIT FOR THE PERIOD		54,118	138,278
OTHER COMPREHENSIVE INCOME			
Net (loss)/gain on hedge of net investments		-	-
Exchange differences on translation of foreign operations		-	-
Net gain/(loss) on cash flow hedges		-	-
Net (loss)/gain on available-for-sale financial assets		20,930	(41,784)
Income tax related to components of other comprehensive income		(6,279)	12,535
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		14,651	(29,249)
NON CONTROLLING INTEREST		(203)	(503)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		68,972	109,532


Prepared by:
Mr. Phonenalath Kongvongsa
Accountant


Approved by:
Mrs. Kongkeo Vongsavanthong
Deputy of Accounting Division


Approved by:
Mr. Onekeo Damlongboun
Deputy Managing Director

Vientiane, Lao P.D.R

31 May 2012

Banque Pour Le Commerce Exterieur Lao Public

INTERIM COSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2012

	Notes	31 March 2012 LAKm	31 December 2011 LAKm
ASSETS			
Cash and balances with the Bank of Lao P.D.R	11	3,145,610	2,772,451
Due from banks	12	2,632,753	1,969,745
Financial assets - held-for-trading		85	80
Loans and advances to customers	13	5,978,246	5,264,800
Financial investments - Available-for-sale	15	118,605	97,674
Financial investments - Held-to-maturity	16	2,277,532	2,081,682
Investments in joint ventures	17	235,146	203,920
Property and equipment	18	229,524	152,219
Intangible assets	19	45,621	43,410
Deferred tax assets	24.2	1,234	7,513
Other assets	20	104,992	180,382
TOTAL ASSETS		14,769,348	12,773,876
LIABILITIES			
Due to banks	21	2,203,239	1,096,789
Due to customers	22	11,434,995	10,570,006
Borrowings from the BOL	23	66,451	66,677
Current tax liabilities	24.1	27,879	57,005
Other liabilities	25	107,384	82,768
TOTAL LIABILITIES		13,839,948	11,873,245
EQUITY			
Chartered capital	26	682,888	682,888
Statutory reserves	27	96,015	93,697
Available-for-sale reserves	28	11,050	(3,601)
Retained earnings		109,592	97,589
TOTAL EQUITY		899,545	870,573
NON-CONTROLLING INTEREST		29,855	30,058
TOTAL LIABILITIES AND EQUITY		14,769,348	12,773,876



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Approved by:
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Deputy Managing Director

Vientiane, Lao P.D.R

31 May 2012

Banque Pour Le Commerce Exterieur Lao Public

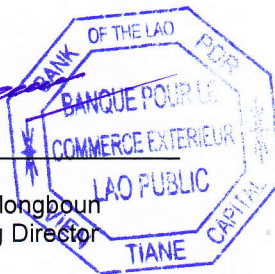
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period from 01 January 2012 to 31 March 2012

	Chartered capital LAKm	Statutory reserves LAKm	Available- for-sale reserves LAKm	Retained earnings LAKm	Total LAKm
Balances as at 31 December 2010	610,433	119,530	25,648	30,908	786,519
Transfer profit for the year 2010 to the MOF	-	-	-	(26,101)	(26,101)
Transfer to charter capital as a result of equitisation	72,455	(71,353)	-	-	1,102
Net profit for the year 2011	-	-	-	138,781	138,781
Appropriation to reserves for the year 2011 based on the profit reported under the Lao Accounting system	-	45,528	-	(45,528)	-
Net change in fair value of available-for-sale financial investments	-	-	(29,249)	-	(29,249)
Foreign exchange difference	-	-	-	(474)	(474)
Others	-	(8)	-	3	(5)
Balances as at 31 December 2011	682,888	93,697	(3,601)	97,589	870,573
Transfer profit for the year 2011 to the MOF	-	-	-	(40,000)	(40,000)
Net profit for the period	-	-	-	54,321	54,321
Appropriation to reserves for the year 2011 based on the profit reported under the Lao Accounting system	-	2,318	-	(2,318)	-
Net change in fair value of available-for-sale financial investments	-	-	14,651	-	14,651
Balances as at 31 March 2012	682,888	96,015	11,050	109,592	899,545


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Deputy of Accounting Division


Approved by:
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Deputy Managing Director



Vientiane, Lao P.D.R

31 May 2012

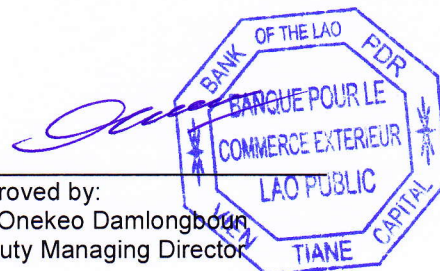
Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS for the period from 01 January 2012 to 31 March 2012

	Notes	For the period from 01/01/2012 to 31/03/2012 LAKm	2011 LAKm
Net profit before tax		80,547	199,337
Adjustments for:			
Depreciation and amortization charges	18,19	9,435	29,998
Provision for doubtful debts	8	7,762	31,056
(Profits)/losses from investing activities	17	13,628	(10,504)
Cash flows from operating profit before changing in operating assets and liabilities		111,372	249,887
(Increase)/Decrease in operating assets			
Balances with other banks		16,855	201,859
Loans and advances to customers		(715,315)	(2,583,658)
Other financial assets		-	-
Accrued interest income		2,959	(36,710)
Other assets		75,390	(123,511)
(Increase)/Decrease in operating liabilities			
Amounts due to other banks		1,106,450	505,889
Customer deposits and other amounts due to customers		866,313	2,706,175
Accrued interest expense		(1,283)	-
Corporate tax paid during the period	24.1	(55,555)	(54,620)
Other liabilities		24,610	(136,316)
Net cash flows from operating activities		1,431,796	728,995
INVESTING ACTIVITIES			
Purchase and construction of fixed assets and other long-term assets		(88,951)	(36,714)
Investment in securities		(44,854)	-
Payments for investments in other entities		(205,902)	(647,336)
Proceeds from sale of investments in other entities		-	(49,000)
Interest and dividends received		-	3,752
Net cash flows used in investing activities		(339,707)	(729,298)
FINANCING ACTIVITIES			
Repayment of borrowings		(266)	(11,902)
Payment of dividend		(40,000)	(24,319)
Net cash flows used in financing activities		(40,266)	(36,221)
Net increase in cash and cash equivalents		1,051,823	(36,524)
Cash and cash equivalents at the beginning of the period		3,863,835	3,900,833
Foreign exchange difference		56	(474)
Cash and cash equivalents at the end of the period	29	4,915,714	3,863,835

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Prepared by:
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Approved by:
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Deputy of Accounting Division

Approved by:
Mr. Onekeo Damlongboun
Deputy Managing Director

Vientiane, Lao P.D.R

31 May 2012

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
as at 31 March 2012 and for the period from 01 January 2012 to 31 March 2012

1. CORPORATE INFORMATION

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

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Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2012 and for the period from 01 January 2012 to 31 March 2012

1. CORPORATE INFORMATION (continued)

Board of Directors

The members of the Board of Directors for the period from 01 January 2012 to 31 March 2012 and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Saysamone Xayasouliane	Chairman	Appointed on 26 March 2012
Mrs. Viengthong Siphandone	Chairman	Appointed on 17 September 2007 Resigned on 26 March 2012
Mr. Kamsouk Sundara	Vice Chairman	Appointed on 26 March 2012
Mr. Khamlien Pholsena	Vice Chairman	Appointed on 17 September 2007 Resigned on 26 March 2012
Mr. Vanhkhram Voravong	Member	Appointed on 17 September 2007 Reappointed on 26 March 2012
Mr. Phoukhong Chanthachack	Member	Appointed on 26 March 2012
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Mr. Onekeo Damlongboun	Member	Appointed on 17 September 2007 Resigned on 26 March 2012
Mrs. Palamy Souannavong	Member	Appointed on 17 September 2007 Resigned on 26 March 2012

Board of Management

The members of the Board of Management for the period from 01 January 2012 to 31 March 2012 and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment/resignation</i>
Mr. Vanhkhram Voravong	General Managing Director	Appointed on 13 January 2012
Mr. Onekeo Damlongboun	Deputy Managing Director	Appointed on 02 February 2007
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
Mr. Phoukhong Chanthachack	Deputy Managing Director	Appointed on 08 May 2005
Mr. Vilay Sipaphone	Deputy Managing Director	Appointed on 24 January 2012
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Subsidiaries

As at 31 March 2012 the Bank has two (02) subsidiaries as follows:

<i>Name</i>	<i>Established in accordance with Business License No.</i>	<i>Business sector</i>	<i>% owned by the Bank</i>
BCEL Leasing Company	011/09 dated 17 November 2009 by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R	Leasing	100%
BCEL - Krung Thai Securities Company Limited	180-10 dated 14 December 2010 by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R	Securities	70%

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2012 and for the period from 01 January 2012 to 31 March 2012

1. CORPORATE INFORMATION (continued)

Joint ventures

As at 31 March 2012, the Bank has three (03) joint ventures as follows:

<i>Name</i>	<i>Business License No.</i>	<i>Business Sector</i>	<i>% owned by the Bank</i>
Lao Viet Joint Venture Bank	01/NHNN dated 31 March 2000 by the Bank of the Lao P.D.R	Banking & Finance	35%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of the Lao P.D.R	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	077/08/FIMC dated 09 June 2008 by the Foreign Investment Management Committee of the Lao P.D.R	Insurance	29%

Employees

Total number of employees of the Bank and its subsidiaries as at 31 March 2012 is 1,160 people (As at 31 December 2011: 1,022 people).

2. ACCOUNTING POLICIES

2.1 *Basis of preparation*

The Bank and its subsidiaries maintain their records in Lao Kip ("LAK") and prepare their interim consolidated financial statements in millions of LAK ("LAKm") in accordance with the "Decree of the President on Commercial Banks" numbered 03/NA dated 26 December 2006 and the Lao Accounting System for Banks ("LAS").

The Bank and its subsidiaries also prepare their interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") by conversion of data from LAS to IFRS. However, the Bank does not apply the following IFRS or IAS while preparing the interim consolidated financial statements:

- ▶ disclosures on risk management under IFRS 7 - Financial Instruments: Disclosures;
- ▶ accounting for the translation of profit and loss items denominated in foreign currencies at the monthly average exchange rates rather than the ruling exchange rates at the transaction dates (International Accounting Standard (IAS) 21: The Effects of Changes in Foreign Exchange Rates);
- ▶ accounting for initial recognition of investment securities at fair value (under IFRIC 9: Re-measurement of Embedded Derivatives, IFRS 9 - Financial Instruments, IFRS 13 - Fair Value Measurement and IAS 39 - Financial Instruments: Recognition and Measurement); and
- ▶ supplementary information on risk management and other disclosures on the operations of the Bank (under IFRS 7 - Financial Instruments: Disclosures).

2.2 *Fiscal year*

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2012 and for the period from 01 January 2012 to 31 March 2012

2. ACCOUNTING POLICIES (continued)

2.3 *Presentation of interim consolidated financial statements*

The Bank and its subsidiaries present their interim consolidated statement of financial position broadly in order of liquidity. Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the interim consolidated 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 *Basis of consolidation*

The interim consolidated financial statements comprise the interim financial statements of the Bank and its subsidiaries for the period from 01 January 2012 to 31 March 2012. The interim financial statements of the Bank's subsidiaries (including special purpose entities that the Bank consolidates) are prepared for the same reporting period as the Bank, using consistent accounting policies.

All intra group balances, transactions, income and expenses are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Non Controlling Interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank.

Non Controlling Interests are presented separately in the interim consolidated income statement and within equity in the interim consolidated statement of financial position, but separate from parent shareholders' equity. Any losses applicable to the Non Controlling Interests are allocated against the interests of the Non Controlling Interests even if this results in a deficit balance. Acquisitions of Non Controlling Interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

2.5 *Significant accounting judgments, estimates and assumptions*

In the process of applying the Bank's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the interim consolidated financial statements. The most significant use of judgements and estimates are as follows:

2.5.1 *Going concern*

The Bank's management has made an 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 interim consolidated financial statements continue to be prepared on the going concern basis.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2012 and for the period from 01 January 2012 to 31 March 2012

2. ACCOUNTING POLICIES (continued)

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

2.5.2 *Impairment losses on loans and advances*

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the interim consolidated income statement. 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 and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances 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. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilization, loan to collateral ratios, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

2.5.3 *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.

2.6 *Changes in accounting policy and disclosures*

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous accounting period, except for the following new and amended IFRS and IFRIC interpretations:

IFRS 7 *Financial Instruments: Disclosures* (amendment)

The IASB issued an amendment to IFRS 7 on 7 October 2010. The amendment provides enhanced disclosures regarding 'Transferred financial assets that are derecognized in their entirety' and 'Transferred assets that are not derecognized in their entirety'. The effective date is for annual periods beginning on or after 1 July 2011, but the Bank has adopted the amendment early.

IAS 24 *Related Party Disclosures* (amendment)

The amendment to IAS 24 is twofold. The amendment clarified the definition of a related party, however, without changing the fundamental approach to related party disclosures. It emphasises a symmetrical view on related party relationships and clarifies how a person or key management personnel impacts related party relationships of an entity (see Note 2). The amendment is effective for financial years beginning on or after 1 January 2011. While the adoption of the amendment did not have any current impact on the financial position or performance or disclosures of the Bank, as all required information is currently being appropriately captured and disclosed, it is relevant to the application of the Bank's accounting policy in identifying future potential related party relationships.

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2. ACCOUNTING POLICIES (continued)

2.6 *Changes in accounting policy and disclosures* (continued)

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Bank:

- ▶ IFRS 3 *Business Combinations* (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- ▶ IFRS 3 *Business Combinations* (Unreplaced and voluntarily replaced share-based payment awards)
- ▶ IAS 27 *Consolidated and Separate Financial Statements*
- ▶ IAS 32 *Financial Instruments: Presentation* (amendment)
- ▶ IAS 34 *Interim Financial Statements*
- ▶ IFRIC 13 *Customer Loyalty Programs* (determining the fair value of award credits)
- ▶ IFRIC 14 *Prepayments of Minimum Funding Requirement* (amendment)
- ▶ IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

2.7 *Summary of significant accounting policies*

2.7.1 *Foreign currency transactions*

The Bank maintains its accounting system and records all transactions in original currencies. Monetary assets and liabilities denominated in foreign currencies at period end are translated into LAK at exchange rates ruling on the reporting date (see list of exchange rates of applicable foreign currencies against LAK on 31 December 2011 and 31 March 2012 as presented in Note 39). Income and expenses arising in foreign currencies during the period are converted into LAK at rates ruling on the transaction dates. Unrealized exchange differences arising from the translation of monetary assets and liabilities on the reporting date are recognized in the interim consolidated income statement.

2.7.2 *Financial instruments - initial recognition and subsequent measurement*

2.7.2.1 *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.

2.7.2.3 *Financial assets or financial liabilities held for trading*

Financial assets or financial liabilities held for trading are recorded in the interim consolidated statement of financial position at fair value. Changes in fair value are recognised in ‘Net trading income’. Interest and dividend income or expense is recorded in ‘Net trading income’ according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities and short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

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2. ACCOUNTING POLICIES (continued)

2.7 *Summary of significant accounting policies* (continued)

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

2.7.2.4 *Financial assets and financial liabilities designated at fair value through profit or loss*

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- ▶ The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- ▶ The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- ▶ The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the interim consolidated statement of financial position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest earned or incurred is accrued in 'Interest income' or 'Interest expense', respectively, using the effective interest rate (EIR), while dividend income is recorded in 'Other operating income' when the right to the payment has been established.

Included in this classification are loans and advances to customers which are economically hedged by credit derivatives and do not qualify for hedge accounting, as well as notes issued which are managed on a fair value basis.

2.7.2.5 *'Day 1' profit or loss*

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

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2. ACCOUNTING POLICIES (continued)

2.7 *Summary of significant accounting policies* (continued)

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

2.7.2.6 *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 recognised directly in equity (Other comprehensive income) in the 'Available-for-sale reserves'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the interim consolidated income statement in 'Other operating income'. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available-for-sale financial investments are recognised in the interim consolidated income statement as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the income statement in 'Impairment losses on financial investments' and removed from the 'Available-for-sale reserves'.

2.7.2.7 *Held-to-maturity financial investments*

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest rate ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest and similar income' in the interim consolidated income statement. The losses arising from impairment of such investments are recognized in the interim consolidated income statement line 'Credit 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.

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2. ACCOUNTING POLICIES (continued)

2.6 *Summary of significant accounting policies* (continued)

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

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

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

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

After initial measurement, amounts 'Due from banks' and 'Loans and advances to customers' are subsequently measured at amortized cost using the EIR, 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 interim consolidated income statement. The losses arising from impairment are recognized in the interim consolidated income statement in '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).

2.7.2.9 *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 amortised cost using the effective interest rate ("EIR"). Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

A compound financial instrument which contains both a liability and an equity component is consolidated 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 consolidatedly 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.

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2. ACCOUNTING POLICIES (continued)

2.7 *Summary of significant accounting policies* (continued)

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

2.7.2.10 *Reclassification of financial assets*

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

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

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.

2.7.3 *Derecognition of financial assets and financial liabilities*

2.7.3.1 *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.

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2. ACCOUNTING POLICIES (continued)

2.7 *Summary of significant accounting policies* (continued)

2.7.3 *Derecognition of financial assets and financial liabilities* (continued)

2.7.3.2 *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.

2.7.4 *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.

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.

2.7.5 *Impairment of financial assets*

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

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

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as at 31 March 2012 and for the period from 01 January 2012 to 31 March 2012

2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

2.7.5 Impairment of financial assets (continued)

Financial assets carried at amortized cost

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 interim consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest and similar income'.

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

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

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

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2. ACCOUNTING POLICIES (continued)

2.7 *Summary of significant accounting policies* (continued)

2.7.5 *Impairment of financial assets* (continued)

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 recognised in the consolidated income statement - is removed from equity and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the interim consolidated income statement; increases in the fair value after impairment are recognised in other comprehensive income.

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.

Collateral repossessed

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

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2. ACCOUNTING POLICIES (continued)

2.7 *Summary of significant accounting policies* (continued)

2.7.6 *Investment in joint ventures*

The Bank has an interest in a joint venture whereby there is a contractual agreement that establishes joint control over the economic activities of the entity. The Bank recognizes its interest in the joint venture using the equity accounting method, where it is recognized to present its aggregate share of the profit or loss of joint ventures in its interim consolidated income statement. Also, the investment needs to be presented as non-current assets in the interim consolidated statement of financial position.

The financial statements of the joint ventures are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

Upon loss of joint control and provided the former joint control entity does not become a subsidiary or associate, the Bank measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investments and proceeds from disposal is recognized in the interim consolidated income statement. Where the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

2.7.7 *Offsetting financial instruments*

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

2.7.8 *Leasing*

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

Bank as a lessee

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

Bank as a lessor

Leases where the Bank does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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2. ACCOUNTING POLICIES (continued)

2.7 *Summary of significant accounting policies* (continued)

2.7.9 *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:

2.7.9.1 *Interest and similar income and expense*

For all financial instruments measured at amortized cost, interest-bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate ("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 credit 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.

2.7.9.2 *Fees and commission income*

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

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

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

2.7.9.3 *Dividend income*

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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2. ACCOUNTING POLICIES (continued)

2.7 *Summary of significant accounting policies* (continued)

2.7.10 *Cash and cash equivalents*

Cash and cash equivalents as referred to in the interim consolidated statement of cash flows comprises cash on hand, 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.

2.7.11 *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 amortisation 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. Land is not depreciated. The estimated depreciation rates are as follows:

Buildings & improvements	05%
Office equipment	10%
Furniture & fixtures	10%
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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' in the interim consolidated income statement in the period the asset is derecognized.

2.7.12 *Intangible assets*

The Bank's other intangible assets include the value of computer software and customer core deposits acquired in business combinations.

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

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

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 March 2012 and for the period from 01 January 2012 to 31 March 2012

2. ACCOUNTING POLICIES (continued)

2.7 Summary of significant accounting policies (continued)

2.7.12 Intangible assets (continued)

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	No amortization
▶ Computer software	5 years

The land use rights of the Bank was not amortised as land use rights have indefinite term and was granted by the Government of Lao P.D.R.

2.7.13 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 interim consolidated income statement.

2.7.14 Financial guarantees

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

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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2. ACCOUNTING POLICIES (continued)

2.7 *Summary of significant accounting policies* (continued)

2.7.15 *Provisions*

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the interim consolidated income statement net of any reimbursement.

2.7.16 *Corporate income tax*

Current tax

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

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- ▶ Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ▶ 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 reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting 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.

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2. ACCOUNTING POLICIES (continued)

2.7 *Summary of significant accounting policies* (continued)

2.7.16 *Corporate income tax* (continued)

Deferred tax (continued)

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 reporting date.

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

2.7.17 *Fiduciary assets*

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

2.7.18 *Employee benefits*

Post employment benefits

Post employment benefits are paid to retired employees of the Bank by the Social Security Fund Department which belongs to the Ministry of Labor and Social Welfare. The Bank is required to contribute to these post employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 5% of employee's basic salary on a monthly basis. The Bank has no further obligation concerning post employment benefits for its employees other than this.

Termination benefits

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

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

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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2. ACCOUNTING POLICIES (continued)

2.7 *Summary of significant accounting policies* (continued)

2.7.19 *Standards issued but not yet effective*

IFRS 9 - Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the Board will address impairment and hedge accounting and expect to complete the project in 2012. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the Bank's financial assets. The Bank is currently assessing the impact of adopting IFRS 9. However, as the impact of adoption depends on the assets held by the Bank at the date of adoption, it is not practical to quantify the effect.

IFRS 10 - Consolidated Financial Statements

The amendment becomes effective for annual periods beginning on or after 1 January 2013. It replaces the requirements of IAS 27 Consolidated and Separate Financial Statements that address the accounting for consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Bank is currently assessing the impact of adopting IFRS 10. However, as the impact of adoption depends on the nature of relationships between the bank and other entities at the date of adoption, it is not practical to quantify the effects.

IFRS 11 - Joint Arrangements

The amendment becomes effective for annual periods beginning on or after 1 January 2013. It replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities - Non - monetary Contributions by Venturers. Because IFRS 11 uses the principle of control in IFRS 10 to define control, the determination of whether joint control exists may change. The Bank is currently assessing the impact of adopting IFRS 11. However, as the impact of adoption depends on the nature of relationships between the Bank and other entities at the date of adoption, it is not practical to quantify the effects.

IFRS 12 - Disclosure of Involvement with Other Entities

The amendment becomes effective for annual periods beginning on or after 1 January 2013. It includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgments made to determine whether it controls another entity. Many of these changes were introduced by the IASB in response to the financial crisis. Now, even if the Bank concludes that it does not control an entity, the information used to make that judgment will be transparent to users of the financial statements to make their own assessment of the financial impact were the Bank to reach a different conclusion regarding consolidation.

The nature of the Bank's investment banking business means it could be involved in various transactions with structured entities that it may or may not have helped to design. The Bank is currently assessing the impact of adopting IFRS 12. However, as the impact of adoption depends on the nature of relationships between the Bank and other entities at the date of adoption, it is not practical to quantify the effect.

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2. ACCOUNTING POLICIES (continued)

2.7 *Summary of significant accounting policies* (continued)

2.7.19 *Standards issued but not yet effective* (continued)

IFRS 13 - Fair Value measurement

The amendment becomes effective for annual periods beginning on or after 1 January 2013. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements.

In the past the Bank has used various methodologies to measure fair value based on the guidance within the requisite standard and/or industry practice for the type of financial or non-financial item. This standard will require the Bank to review its fair value measurement policies across all asset and liability classes. However, it is not practical to quantify the effect of this review on the interim consolidated financial statements.

IAS 1 - Financial Statement Presentation - Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented consolidatedly from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Bank's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 - Income Taxes - Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Further, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012. The Bank does not hold any investment property and therefore does not expect this change to have any impact.

IAS 28 - Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

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3. INTEREST AND SIMILAR INCOME

	<i>For the period from 01/01/2012 to 31/03/2012</i>	<i>2011</i>
	<i>LAKm</i>	<i>LAKm</i>
Interest income from lending	124,193	331,254
Interest income from deposits	4,579	24,027
Interest income from investment securities	28,080	94,223
	156,852	449,504

4. INTEREST AND SIMILAR EXPENSE

	<i>For the period from 01/01/2012 to 31/03/2012</i>	<i>2011</i>
	<i>LAKm</i>	<i>LAKm</i>
Interest expense from due to other banks	1,243	17,247
Interest expense from customer deposits	79,260	242,589
Other interest and similar expenses	-	15,332
	80,503	275,168

5. NET FEES AND COMMISSION INCOME

	<i>For the period from 01/01/2012 to 31/03/2012</i>	<i>2011</i>
	<i>LAKm</i>	<i>LAKm</i>
Fees and commission income from:		
Settlement services	24,345	94,464
Guarantee activities	16,150	55,703
Treasury activities	375	1,261
Agency services	526	5,453
	41,396	156,881
Fees and commission expense for:		
Settlement services	(1,373)	(3,654)
Other direct fees and commission expenses	(357)	(2,764)
	(1,730)	(6,418)
Net fees and commission income	39,666	150,463

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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6. NET TRADING INCOME

	<i>For the period from 01/01/2012 to 31/03/2012 LAKm</i>	<i>2011 LAKm</i>
Gains from foreign currencies trading	23,377	74,235
Loss from foreign currencies trading	(512)	(8,777)
Gain from foreign currencies trading	22,865	65,458
Gain from trading in gold and other precious metals	5,151	14,711
	28,016	80,169

7. OTHER OPERATING INCOME

	<i>For the period from 01/01/2012 to 31/03/2012 LAKm</i>	<i>2011 LAKm</i>
Dividend income	-	3,752
Share of profit from investment in joint ventures	116	-
Commission in operation on securities substitute customers	28	12
Other income from financial services	-	103
Income from sale of tangible fixed assets	5	139
Returned doubtful debt recorded in lost	6,664	6,752
Income from loan disposal to BOL	10,849	44,779
Others	1	13,276
	17,663	68,813

8. PROVISION FOR CREDIT LOSSES

	<i>For the period from 01/01/2012 to 31/03/2012 LAKm</i>	<i>2011 LAKm</i>
Provision for credit losses of loans and advances to customers (see Note 14)	(97,603)	(78,734)
Reversal of provision for credit losses (see Note 14)	89,841	47,678
	(7,762)	(31,056)

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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9. PERSONNEL EXPENSES

	<i>For the period from 01/01/2012 to 31/03/2012</i>	<i>2011</i>
	<i>LAKm</i>	<i>LAKm</i>
Salary expense	19,720	75,364
Insurance expense for employees	25	23,708
Provision expense for employment termination	-	30
Other expenses	12,652	17,705
	32,397	116,807

10. OTHER OPERATING EXPENSES

	<i>For the period from 01/01/2012 to 31/03/2012</i>	<i>2011</i>
	<i>LAKm</i>	<i>LAKm</i>
Share of loss from investment in joint ventures	13,424	-
Fuel and travelling expenses	2,252	14,707
Training and education expenses	64	805
Deposit insurance	2,782	6,500
Telecommunication expenses	448	3,903
Publication, marketing and promotion expenses	4,132	16,651
Repair and maintenance expenses	6,440	4,703
Materials, tools and equipment expenses	1,045	3,646
Electricity and water supply	760	9,314
Office rental	206	12,475
Other general and administration expenses	-	23,879
	31,553	96,583

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

	<i>31 March 2012</i>	<i>31 December 2011</i>
	<i>LAKm</i>	<i>LAKm</i>
Cash on hand in LAK	486,196	719,238
Cash on hand in foreign currencies ("FC")	621,810	170,644
Travelers' cheques and others	210,738	101,672
Balances with the BOL		
- Compulsory deposits	737,864	703,296
- Demand deposits	1,010,013	965,053
- Term deposits	78,834	112,275
- Accrued interest	155	273
	3,145,610	2,772,451

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

Under regulations of the BOL, the Bank is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 5.00% and 10.00%, on a bi-monthly basis, (2011: 5.00% and 10.00%) of customer deposits having original maturities of less than 12 months, in LAK and in foreign currencies, respectively. In the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

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

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as at 31 March 2012 and for the period from 01 January 2012 to 31 March 2012

12. DUE FROM BANKS

	31 March 2012 LAKm	31 December 2011 LAKm
Current accounts		
- In LAK	30,487	159,515
- In foreign currencies	1,818,606	1,044,417
Term deposits		
- In LAK	35,000	27,628
- In foreign currencies	581,592	695,028
Loans		
- In LAK	-	-
- In foreign currencies	162,683	40,034
Accrued interest	4,385	3,123
	2,632,753	1,969,745

12.1 Term deposits at other banks

Term deposits at other banks include deposits of the Bank and BCEL-Krung Thai Securities Company ("BCEL-KT") - a subsidiary of the Bank. Term deposits of the Bank have term ranging from 1 month to 24 months and bear interest at rates ranging from 0.16% to 4.8% for foreign currencies (USD, THB); 6.25% for LAK per annum, amounting to LAKm 517,758. Term deposit of BCEL-KT is amounted to LAKm 20,000 placed with Agricultural Promotion Bank which has term of 12 months and matures on 01 April 2012 and earns interest at rate of 10% per annum.

12.2 Loans to other credit institutions

Loans to other credit institutions represent Long-term loans of USD 2,500,000 to Agricultural Promotion Bank which have term of 3 years and bear interest rate at 5.5% per annum.

13. LOANS AND ADVANCES TO CUSTOMERS

	31 March 2012 LAKm	31 December 2011 LAKm
Gross loans and advances	6,039,445	5,324,130
Accrued interest related to loan to customers	44,694	38,744
Less provision for impairment losses	(105,893)	(98,074)
	5,978,246	5,264,800

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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13. LOANS AND ADVANCES TO CUSTOMERS (continued)

The loan portfolio as at 31 March 2012 and at year end 2011 comprised loans to entities in the following sectors:

	31 March 2012		31 December 2011	
	LAKm	%	LAKm	%
Industrial services companies	1,585,302	26.25%	1,181,613	22.19%
Construction companies	1,138,928	18.86%	1,152,485	21.65%
Technical instruments enterprises	82,434	1.36%	80,367	1.51%
Agricultural & forestry	94,972	1.57%	77,212	1.45%
Trading companies	1,536,552	25.44%	1,217,465	22.87%
Transportation companies	151,373	2.51%	167,071	3.14%
Services companies	1,216,801	20.15%	1,179,909	22.16%
Others	233,083	3.86%	268,008	5.03%
	6,039,445	100%	5,324,130	100%

14. PROVISION FOR IMPAIRMENT LOSSES

Changes in the provision for impairment losses consisted of the following:

	For the period from 01/01/2012 to 31/03/2012		2011
	LAKm		LAKm
Opening balance	98,074		67,492
Provision for impairment losses charged during the year	97,602		78,734
Reversal of provision	(89,840)		(47,678)
Foreign exchange difference	57		(474)
Closing balance	105,893		98,074

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as at 31 March 2012 and for the period from 01 January 2012 to 31 March 2012

14. PROVISION FOR IMPAIRMENT LOSSES (continued)

The grading of the loan portfolio as at 31 March 2012 is as follows:

	<i>Principal LAKm</i>	<i>Specific provision LAKm</i>	<i>Ratio of provision/ outstanding balance %</i>
<i>Risk classification</i>			
Current	3,842,874	-	-
Special Mention	1,733,198	4,965	0.29%
Substandard	313,748	23,117	7.37%
Doubtful	110,364	38,550	34.93%
Loss	39,261	39,261	100.00%
	6,039,445	105,893	1.75%

The grading of the loan portfolio as at 31 December 2011 was as follows:

	<i>Principal LAKm</i>	<i>Specific provision LAKm</i>	<i>Ratio of provision/ outstanding balance %</i>
<i>Risk classification</i>			
Current	2,232,423	-	-
Special Mention	2,056,358	1,510	0.07%
Substandard	996,087	71,058	7.13%
Doubtful	-	-	-
Loss	39,262	25,506	64.96%
	5,324,130	98,074	1.84%

15. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

This was the purchase of EDL Generation Public Company's shares in December 2010.

	<i>31 March 2012 LAKm</i>	<i>31 December 2011 LAKm</i>
Equity securities issued by local business entity	118,605	97,674
	118,605	97,674

Equity securities issued by local business entity are shares of EDL Generation Public Company's that the Bank purchased in December 2010. These shares have total face value of LAKm 100,000.

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16. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

	31 March 2012 LAKm	31 December 2011 LAKm
Treasury bills	635,000	279,000
Bonds issued by the Ministry of Finance	442,403	394,148
Bonds issued by the Bank of the Lao P.D.R	1,145,800	1,347,550
Securities issued by foreign credit institutions	29,831	26,434
	2,253,034	2,047,132
Accrued interest	24,498	34,550
	2,277,532	2,081,682

16.1 Treasury bills

Details of the treasury bills as at 31 March 2012 are as follows:

Term	Issue date	Maturity date	Face value	Interest rate per annum (nominal)
1 year	14-Feb-2012	14-Feb-2013	294,000	8.50%
1 year	14-Feb-2012	24-Feb-2013	191,000	8.50%
5 years	26-Mar-2012	26-Mar-2013	150,000	8.50%
			635,000	

16.2 Bonds issued by the Ministry of Finance

	31 March 2012 LAKm	31 December 2011 LAKm
Triangle bonds	29,780	29,780
Capitalization bonds	227,000	325,000
Bonds for settlement of defaulted LC	30,000	30,000
Infrastructure bonds	9,623	9,368
Other bonds	146,000	-
	442,403	394,148

- Triangle bonds represent the bonds which were issued by the Ministry of Finance ("the MOF") 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 bear no interest.
- Capitalization bonds were issued by the MOF to increase the Bank's chartered capital with the details as following:

Term	Issue date	Maturity date	Face value	Interest rate per annum (nominal)
3 years	01-Feb-2011	01-Feb -2014	129,000	7.80%
5 years	01-Mar-2009	01-Mar-2014	98,000	7.80%
			227,000	

- Bonds for settlement of defaulted LC were issued by the MOF with the details as following:

Term	Issue date	Maturity date	Face value	Interest rate per annum (nominal)
3 years	20-Oct-2011	20-Oct-2014	30,000	7.00%
			30,000	

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

16.2 Bonds issued by the Ministry of Finance (continued)

- Other bonds were issued by the MOF with the details as following:

<i>Term</i>	<i>Issue date</i>	<i>Maturity date</i>	<i>Face value</i>	<i>Interest rate per annum (nominal)</i>
5 years	05-Dec-2011	05-Dec-2016	46,000	8.00%
5 years	23-Feb-2012	23-Feb-2017	100,000	3.50%
			146,000	

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

Bonds issued by the Bank of the Lao P.D.R in LAK have term of 3 months, 6 months and 1 year bear interest at rates ranging from 3.50% to 6.50% per annum. Interest is paid on the maturity date.

Details of the bonds issued by the Bank of the Lao P.D.R as at 31 March 2012 are as follows:

<i>Term</i>	<i>Issue date</i>	<i>Maturity date</i>	<i>Face value (LAKm)</i>	<i>Interest rate per annum (nominal)</i>
3 months	31-Jan-2012	30-Apr-2012	80,000	3.50%
3 months	20-Mar-2012	20-Jun-2012	100,000	3.50%
3 months	27-Mar-2012	27-Jun-2012	50,000	3.50%
6 months	13-Dec-2011	13-Jun-2012	250,000	4.50%
6 months	17-Jan-2012	17-Jul-2012	180,000	4.50%
1 year	22-Nov-2011	22-Nov-2012	107,800	6.50%
1 year	06-Dec-2011	06-Dec-2012	17,000	6.50%
1 year	10-Jan-2012	10-Jan-2013	200,000	6.50%
1 year	24-Jan-2012	24-Jan-2013	50,000	6.50%
1 year	31-May-2011	31-May-2012	111,000	6.50%
			1,145,800	

16.4 Other securities

Investment fund units are purchased through CIMB Thai Bank Public Company Limited. The und units have terms ranging from 1 to 6 months and bear the interest rates ranging from 2.00% to 3.30% per annum. Interest is paid on the maturity date.

Details of these bonds as at 31 March 2012 are as follows:

<i>Term</i>	<i>Issue date</i>	<i>Maturity date</i>	<i>Face value (LAKm)</i>	<i>Interest rate per annum (nominal)</i>
6 months	11-Oct-2011	19-Apr-2012	3,891	3.30%
6 months	22-Dec-2011	28-Jun-2012	12,970	3.00%
6 months	15-Mar-2012	15-Sep-2012	5,188	3.30%
6 months	15-Mar-2012	15-Sep-2012	5,188	3.30%
8 months	05-Mar-2012	05-Nov-2012	2,594	8.00%
			29,831	

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17. INVESTMENTS IN JOINT VENTURES

	31 March 2012 LAKm	31 December 2011 LAKm
Balance as at 1 January	203,920	210,030
Additional investments in the period	44,854	-
Net share of profit/loss in the period using equity method	(13,628)	12
Less: Dividend received during the period	-	(6,122)
Balance as at 31 March	235,146	203,920

Investments in joint ventures

	31 March 2012				31 December 2011			
	Cost in USD	Cost in LAKm Equiv.	Carrying value in LAKm	% Owned by the Bank	Cost in USD	Cost in LAKm Equiv.	Carrying value in LAKm	% Owned by the Bank
Investments in other financial institutions								
Lao Viet Joint Venture Bank	13,125,000	108,478	96,836	35%	7,500,000	63,624	65,669	50%
Banque Franco - Lao Limited (*)	16,322,230	138,023	131,626	46%	16,322,230	138,023	131,656	46%
Investments in local economic entities								
Lao-Viet Insurance Joint Venture Company	870,000	7,380	6,684	29%	870,000	7,380	6,595	29%
		253,881	235,146			209,027	203,920	

(*): This includes USD 1,840,000 and LAKm 122,855.

- Lao Viet Joint Venture Bank ("LVB") is incorporated in the Lao P.D.R with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with the Bank for Investment and Development of Vietnam, a state-owned commercial bank incorporated in the Socialist Republic of Vietnam. The joint venture was granted the banking license on 31 March 2000 by the Bank of the Lao P.D.R for a period of 30 years. The legal capital of LVB is USD 15,000,000 and had been fully contributed by partners as at 31 December 2009. LVB's chartered capital was approved to increase to USD 37,500,000 as per Investment License No. 232/MPI/PL4 dated 8 September 2011 issued by Ministry of Planning and Investment of Lao P.D.R. As at 20 March 2012, BCEL transferred USD 5,625,000 to contribute the additional charter capital. The total amount of USD 13,125,000 was contributed by the Bank as at 31 March 2012.
- Banque Franco - Lao Company Limited ("BFL") is incorporated in the Lao P.D.R with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with Cofibred Company Frances De La Bred which is a state-owned bank incorporated in Paris, France. The joint venture was granted the temporary banking license on 01 October 2009 and a permanent license on 16 July 2010 by the Bank of the Lao P.D.R. The legal capital of BFL was USD 20 million which was later revised to USD 37 million in accordance with the President's decree issued on 24 September 2009 and letter No. 01/BOL dated 28 January 2010 from BOL. The total amount of USD 1,840,000 and LAK 122,854,960,000 was contributed by the Bank as at 31 March 2012.
- Lao-Viet Insurance Joint Venture Company ("LVI") is incorporated as a joint venture company in the Lao P.D.R providing insurance services under the Investment License No. 077/08/FIMC issued by the Foreign Investment Management Committee on 09 June 2008. It is a joint venture with BIDV Insurance Joint Stock Corporation and Lao Viet Joint Venture Bank. LVI's legal capital is USD 3,000,000 and has been fully contributed by partners on 17 July 2008.

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18. PROPERTY AND EQUIPMENT

Movements of property and equipment for the period from 01 January 2012 to 31 March 2012 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 2012	105,459	84,969	20,622	15,272	226,322
Additions	70,618	8,980	5,740	1,210	86,548
Disposal	(1,206)	(487)	-	-	(1,693)
As at 31 March 2012	174,871	93,462	26,362	16,482	311,177
Accumulated depreciation:					
As at 1 January 2012	19,710	41,852	8,998	3,543	74,103
Charge for the period	2,319	4,035	576	776	7,706
Disposal	(106)	(50)	-	-	(156)
As at 31 March 2012	21,923	45,837	9,574	4,319	81,653
Net book value:					
As at 01 January 2012	85,749	43,117	11,624	11,729	152,219
As at 31 March 2012	152,948	47,625	16,788	12,163	229,524

Movements of property and equipment for the year ended 31 December 2011 were 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 2011	87,651	73,816	16,100	13,183	190,750
Additions	19,396	17,245	4,788	3,228	44,657
Disposal	(1,588)	(6,092)	(266)	(1,139)	(9,085)
As at 31 December 2011	105,459	84,969	20,622	15,272	226,322
Accumulated depreciation:					
As at 1 January 2011	15,061	31,954	7,480	1,550	56,045
Charge for the year 2011	5,813	15,515	1,703	2,753	25,784
Disposal	(1,164)	(5,617)	(185)	(760)	(7,726)
As at 31 December 2011	19,710	41,852	8,998	3,543	74,103
Net book value:					
As at 1 January 2011	72,590	41,862	8,620	11,633	134,705
As at 31 December 2011	85,749	43,117	11,624	11,729	152,219

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19. INTANGIBLE ASSETS

Movements in intangible assets during the period from 01 January 2012 to 31 March 2012 are as follows:

	<i>Land use rights LAKm</i>	<i>Computer software LAKm</i>	<i>Total LAKm</i>
Cost:			
As at 1 January 2012	22,059	30,918	52,977
Additions	580	3,360	3,940
Disposal	-	-	-
As at 31 March 2012	22,639	34,278	56,917
Accumulated amortization:			
As at 1 January 2012	-	9,567	9,567
Charge for the period	-	1,729	1,729
Disposal	-	-	-
As at 31 March 2012	-	11,296	11,296
Net book value:			
As at 1 January 2012	22,059	21,351	43,410
As at 31 March 2012	22,639	22,982	45,621

Movements in intangible assets during the year ended 31 December 2011 were as follows:

	<i>Land use rights LAKm</i>	<i>Computer software LAKm</i>	<i>Total LAKm</i>
Cost:			
As at 1 January 2011	13,176	17,119	30,295
Additions	9,336	14,591	23,927
Disposal	(453)	(792)	(1,245)
As at 31 December 2011	22,059	30,918	52,977
Accumulated amortization:			
As at 1 January 2011	-	6,085	6,085
Charge for the year 2011	-	4,214	4,214
Disposal	-	(732)	(732)
As at 31 December 2011	-	9,567	9,567
Net book value:			
As at 1 January 2011	13,176	11,034	24,210
As at 31 December 2011	22,059	21,351	43,410

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20. OTHER ASSETS

	<i>31 March 2012</i>	<i>31 December 2011</i>
	<i>LAKm</i>	<i>LAKm</i>
Assets waiting for sales	5,981	6,041
Stationeries and other tools	6,231	5,413
Checks in collection	14,782	13,343
Fixed assets in transit	39,688	109,935
Prepaid expenses to be allocated	13,460	16,203
Other receivables	24,850	29,447
	104,992	180,382

21. DUE TO BANKS

	<i>31 March 2012</i>	<i>31 December 2011</i>
	<i>LAKm</i>	<i>LAKm</i>
Demand deposits from other banks		
- In LAK	645,233	459,877
- In foreign currencies	1,533,660	609,979
Cheque payables		
- In LAK	122	1,188
- In foreign currencies	24,224	25,745
	2,203,239	1,096,789

Demand deposits from other banks are non-interest bearing items.

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22. DUE TO CUSTOMERS

	31 March 2012 LAKm	31 December 2011 LAKm
Demand deposits		
Demand deposits in LAK	1,075,623	1,123,445
Demand deposits in FC	1,966,372	1,935,557
Demand savings		
Demand saving deposits in LAK	1,359,525	1,099,650
Demand saving deposits in FC	3,421,297	3,068,299
Term deposits		
Term deposits in LAK	2,168,830	1,939,481
Term deposits in FC	1,211,687	1,153,656
Margin deposits		
Margin deposits in LAK	26,029	17,739
Margin deposits in FC	115,745	98,750
Pending remittance	9,568	13,829
Cheque payables	29,787	9,367
Others	1,543	59,920
	11,386,006	10,519,693
Accrued interest	48,989	50,313
	11,434,995	10,570,006

Interest of customer saving accounts in LAK, THB, and USD are ranging from 1.00% - 3.00%, 0.25% - 1.00% and 0.25% - 1.25% per annum respectively.

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

23. BORROWINGS FROM THE BOL

	31 March 2012 LAKm	31 December 2011 LAKm
Long-term borrowings for state directed loans	66,398	66,664
Accrued interest payables	53	13
	66,451	66,677

Borrowings from the BOL include:

- Borrowing from the BOL represents the long-term loan of USD 440,000 as at 31 March 2012 (original loan amount is USD 2,000,000) from the BOL for the purpose of investment in Lao Viet Joint Venture Bank. The loan's principal is paid annually from 2000 to 2014. The loan does not bear interest if the principal repayment is made on time.
- Other borrowings from the BOL represents the long-term loan of USD 7,885,714 as at 31 March 2012 (original loan amount is USD 9,200,000) from the BOL for the purpose of investment in Banque Franco - Lao Company Limited. The loan's principal is paid annually from 2010 to 2023 with the interest rate of 0.25% per annum.

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24. TAXATION

Major components of tax expense for the period from 01 January 2012 to 31 March 2012 and the year 2011 are as follows:

	<i>For the period from 01/01/2012 to 31/03/2012 LAKm</i>	<i>2011 LAKm</i>
Enterprise Income Tax expense in accordance with statutory tax regulations		
- Current tax	26,429	61,059
- Deferred tax	-	-
Total tax expense for the year	26,429	61,059

24.1 Current Enterprise Income Tax

Provision is made for taxation on the current year's profits, based on the Tax Law governing taxation within Lao P.D.R. The Bank is obliged to pay the higher amount of tax between 35% on total profit before tax and 1% on total revenue. In accordance with Decree 007 dated 28 Dec 2010 issued by the President of Laos P.D.R, the tax rate for listed companies is reduced by 5% within 4 years from the listed date. Accordingly, the Bank is subject to the tax rate of 30% for the year 2011.

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

The calculation of tax obligations for the period from 01 January 2012 to 31 March 2012 and the year 2011 are as follows:

	<i>For the period from 01/01/2012 to 31/03/2012 LAKm</i>	<i>2011 LAKm</i>
Profit before tax in accordance with IFRS	80,547	199,337
<i>In which:</i>		
(*) Profit before tax of the Bank under IFRS	91,858	203,823
<i>Add/(Less):</i>		
Non-deductible expenses	(370)	-
Difference in provision for credit loss expense between LAS and IFRS	(18,251)	11,955
Difference in recognition of equity investments in foreign currencies	13,628	(2,374)
Income exempt from EIT (dividend and interest income from the Bank's joint ventures)	-	(9,874)
Taxable profit of the Bank as per BOL	86,865	203,530
EIT expense at rate of 30% (2010: 35%) (i)	26,060	61,059
(**) Profit before tax of subsidiaries in the interim consolidated financial statements	1,996	2,241
EIT expense of subsidiaries (ii)	369	-
Consolidated EIT expense in the period (i) + (ii)	26,429	61,059
Enterprise income tax payable at the beginning of the period	57,005	50,566
Enterprise income tax paid in the period	(55,555)	(54,620)
Enterprise income tax payable at the end of the period	27,879	57,005

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24. TAXATION (continued)

24.2 Deferred tax assets/(liabilities)

	<i>Tax base LAK</i>	<i>Carrying value LAK</i>	<i>Taxable temporary difference LAK</i>	<i>Deferred tax assets (tax rate of 30%) LAK</i>
As at 1 January 2012	-	-	-	7,513
Adjustments to equity:	-	-	-	-
Change in fair value of available- for-sale financial investments	97,675	118,605	20,930	(6,279)
As at 31 March 2012	97,675	118,605	20,930	1,234

25. OTHER LIABILITIES

	<i>31 March 2012 LAKm</i>	<i>31 December 2011 LAKm</i>
Payables to employees	24,119	23,647
Payable to suppliers	56,934	49,591
Termination allowances	4,187	3,774
Advance income	14,696	-
Others	7,448	5,756
	107,384	82,768

26. CHARTERED CAPITAL

Chartered capital of the Bank as of 31 March 2012 and 31 December 2011 are as follows:

	<i>Chartered capital LAKm</i>
Balance as at 1 January 2011	610,433
Increase during the year 2011	72,455
Balance as at 31 December 2011	682,888
Increase during the period	-
Balance as at 31 March 2012	682,888

Proportion of Chartered capital's share owner is following Decision No. 458 issued by Bank of Lao dated 11 May 2011, detail as below:

	<i>% ownership</i>	<i>31 March 2012 LAKm</i>
Direct owner		
Government of Lao	70%	478,022
Local investors	15%	102,433
Partners	10%	68,289
Foreigner investors	5%	34,144
	100%	682,888

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27. STATUTORY RESERVES

	<i>Regulatory reserve fund LAKm</i>	<i>Other reserves LAKm</i>	<i>Total LAKm</i>
As at 1 January 2012	93,685	12	93,697
Appropriations to reserves for the period from the profit reported under LAS	2,255	63	2,318
As at 31 March 2012	95,940	75	96,015

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

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

In accordance with the Regulation on capital adequacy No.1/BOL dated 28 August 2002 by the Governor of the Bank of Lao PDR and other relevant guidance, commercial banks are required to provide statutory reserve at the rate between 5% to 10% of profit after tax depending on the decision of Board of Director. Appropriation to reserves for the period from 01/01/2012 to 31/03/2012 will be included for the year 2012 and will be made in the following periods.

28. AVAILABLE-FOR-SALE RESERVES

	<i>31 March 2012 LAKm</i>	<i>31 December 2011 LAKm</i>
Opening balance	(3,601)	25,648
Net increase/(decrease) in changes in fair value of available-for- sale financial investments	14,651	(29,249)
	11,050	(3,601)

29. CASH AND CASH EQUIVALENTS

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

	<i>31 March 2012 LAKm</i>	<i>31 December 2011 LAKm</i>
Cash and cash equivalents on hand	1,318,745	991,554
Balances with the BOL	1,747,876	1,668,349
Current accounts with other banks	1,849,093	1,203,932
	4,915,714	3,863,835

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30. CONTINGENT LIABILITIES AND COMMITMENTS

	31 March 2012 LAKm	31 December 2011 LAKm
Financial letter of guarantees	156,038	136,988
At sight letters of credit	1,177,205	137,593
Deferred payment letters of credit	318,137	190,302
Credit limit given to customer	1,570,602	760,247
	3,221,982	1,225,130

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 March 2012, the Bank entered into no lease contracts as either lessor or lessee which results in future cash inflows and/or outflows.

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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:

	<i>31 March 2012</i> <i>LAKm</i>	<i>2011</i> <i>LAKm</i>
Salaries	236	2,035
Bonus	-	429
Responsibility allowance	301	822
	537	3,286

Transactions with other related parties

Significant transactions with other related parties during the period from 01 Jan 2012 to 31 March 2012 are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Revenue</i> <i>LAKm</i>	<i>Expense</i> <i>LAKm</i>
The Bank of the Lao P.D.R	Direct controller	Investment income from BOL's bonds	14,940	-
The Bank of the Lao P.D.R	Direct controller	Doubtful interest from NPLs	10,700	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Investment in MOF's bonds	7,828	-

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31. RELATED PARTY DISCLOSURES (continued)

Transactions with other related parties (continued)

Balances with other related parties as at 31 March 2012 are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Receivable LAKm</i>	<i>Payable LAKm</i>
The Bank of the Lao P.D.R	Direct controller	Borrowings from the BOL	-	66,398
The Bank of the Lao P.D.R	Direct controller	Investment in BOL's bonds	1,145,800	-
The Bank of the Lao P.D.R	Direct controller	Accrued interest income from BOL's bonds	327	-
The Bank of the Lao P.D.R	Direct controller	BCEL's demand deposits at BOL	1,010,013	-
The Bank of the Lao P.D.R	Direct controller	BCEL's compulsory deposits at BOL	737,864	-
The Bank of the Lao P.D.R	Direct controller	BCEL's term deposits at BOL	78,834	-
The Bank of the Lao P.D.R	Direct controller	Accrued interest from BCEL's term deposits at BOL	155	-
The Bank of the Lao P.D.R	Direct controller	Accrued interest payables for borrowing from BOL	-	53
The Ministry of Finance of the Lao P.D.R	Direct owner	Capitalization bonds	227,000	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Accrued interest income from capitalization bonds	5,028	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Investment in MOF's bonds	215,403	-
Lao Viet Joint Venture Bank	Joint venture	Investment in LVB	104,672	-
Lao Viet Joint Venture Bank	Joint venture	LVB's demand deposits at BCEL	-	4,623
Lao Viet Joint Venture Bank	Joint venture	LVB's saving deposits at BCEL	-	319
Lao Viet Joint Venture Bank	Joint venture	BCEL's demand deposits at LVB	6,285	-
Lao Viet Joint Venture Bank	Joint venture	BCEL's term deposits at LVB	15,000	-
Lao Viet Joint Venture Bank	Joint venture	Accrued interest income from BCEL's deposits at LVB	13	-
Banque Franco - Lao Company Limited	Joint venture	Investment in BFL	137,529	-
Banque Franco - Lao Company Limited	Joint venture	BFL's demand deposit at BCEL	-	11,031
Banque Franco - Lao Company Limited	Joint venture	BCEL's term deposits at BFL	15,720	-
Banque Franco - Lao Company Limited	Joint venture	Accrued interest income from BCEL's term deposits at BFL	87	-
Lao-Viet Insurance Joint Venture Company	Joint venture	Investment in LVI	6,938	-
BCEL - Krung Thai Securities Company Limited	Joint venture	Settlement Account in BCEL	-	43,920

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32. RISK MANAGEMENT POLICIES

Introduction

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

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

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

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

Risk management structure

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

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

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

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

33. INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. The Bank manages this risk by matching the re-pricing of assets and liabilities through risk management strategies. Due to the nature of the Bank's records, the Bank is unable to prepare the interest rate risk sensitivity analysis.

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34. CURRENCY RISK

Currency risk is the risk exposed to the Bank due to changes in foreign exchange rates which adversely impact the Bank's foreign currency positions. The Bank has set limits on positions by currency, based on its internal risk assessment system and the BOL's regulations. Positions are monitored on a daily basis to ensure positions are maintained within the established limits.

Breakdown of assets and liabilities which has been converted into LAKm as at 31 March 2012 is as follows:

	<i>LAK in LAKm</i>	<i>USD in LAKm</i>	<i>THB in LAKm</i>	<i>Others in LAKm</i>	<i>Total in LAKm</i>
ASSETS					
Cash and balances with the BOL	1,333,965	1,254,327	543,694	13,624	3,145,610
Due from banks	70,346	1,897,276	574,515	90,616	2,632,753
Financial assets-held-for-trading	85	-	-	-	85
Loans and advances to customers, excluding provision for impairment losses	2,160,199	3,148,626	775,314	-	6,084,139
Financial investments-Available-for- sale	118,605	-	-	-	118,605
Financial investments-Held-to- maturity	2,237,575	-	30,028	9,929	2,277,532
Investments in joint ventures	108,862	126,284	-	-	235,146
Property and equipment	229,524	-	-	-	229,524
Intangible assets	45,621	-	-	-	45,621
Deferred tax assets	1,234	-	-	-	1,234
Other assets	76,998	25,321	2,098	575	104,992
TOTAL ASSETS	6,383,014	6,451,834	1,925,649	114,744	14,875,241
LIABILITIES					
Due to banks	645,982	1,512,267	40,047	4,943	2,203,239
Due to customers	4,692,027	4,869,874	1,821,297	51,797	11,434,995
Borrowings from the BOL	-	66,451	-	-	66,451
Current tax liabilities	27,879	-	-	-	27,879
Other liabilities	2,611	98,041	6,732	-	107,384
TOTAL LIABILITIES	5,368,499	6,546,633	1,868,076	56,740	13,839,948
EQUITY	899,545	-	-	-	899,545
NON CONTROLLING INTEREST	29,855	-	-	-	29,855
TOTAL LIABILITIES AND EQUITY	6,297,899	6,546,633	1,868,076	56,740	14,769,348
NET EXPOSURE	85,115	(94,799)	57,573	58,004	105,893

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

36. CAPITAL MANAGEMENT

The Bank maintains minimum regulatory capital in accordance with Regulation No 01/BOL dated 28 August 2001 by the Governor of Lao PDR 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 No 01/BOL, the Bank's regulatory capital is analyzed into two tiers:

- ▶ Tier 1 capital, which includes chartered capital, regulatory reserve fund, business expansion fund and other funds, and retained earnings;
- ▶ Tier 2 capital, which includes qualifying subordinated liabilities, general provisions and the element of fair value reserve relating to unrealized gains/losses on equity instruments classified as available for sale.

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% of tier 1 capital.

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

	31 March 2012	
	IFRS LAKm	LAS LAKm
Tier 1 capital	778,903	920,302
Tier 2 capital	11,050	60,764
Total capital	789,953	981,066
Less: Deductions from capital (Investments in other credit and financial institutions)	(228,462)	(246,501)
Capital for CAR calculation (A)	561,491	734,565
Risk weighted balance sheet items	6,998,998	6,560,706
Risk weighted off balance sheet items	825,690	825,690
Total risk weighted assets (B)	7,824,688	7,386,396
Capital Adequacy Ratio (A/B)	7.18%	9.94%

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37. EARNINGS PER SHARE

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

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

	<i>For the period from 01/01/2012 to 31/03/2012 LAKm</i>	<i>2011 LAKm</i>
Net profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	54,321	138,781
Weighted average number of ordinary shares for basic earnings per share (units)	136,577,600	136,577,600
Face value per share	5,000	5,000
Earnings per share (LAK)	<u>398</u>	<u>1,016</u>

38. EVENTS AFTER THE INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATE

Other than as disclosed elsewhere in these interim consolidated financial statements, at the date of this report, there were no events, which occurred subsequent to 31 March 2012 that significantly impacted the interim consolidated financial position of the Bank as at 31 March 2012.

39. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST LAK AT REPORTING DATE

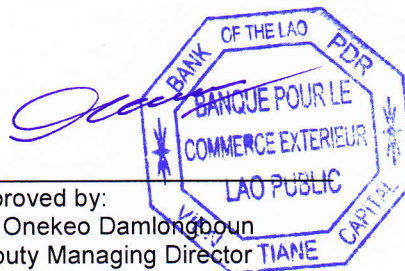
	<i>31 March 2012 LAK</i>	<i>31 December 2011 LAK</i>
USD	7,975.00	8,007.00
THB	259.40	251.75



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Vientiane, Lao P.D.R

31 May 2012