

Banque Pour Le Commerce Extérieur Lao Public

Interim Consolidated Financial Statements

as at and for the six-month period ended 30 June 2016

Banque Pour Le Commerce Extérieur Lao Public

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Banque Pour Le Commerce Extérieur Lao Public

GENERAL INFORMATION

THE BANK

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

Establishment and Operations

The Bank was established from the equitization of Banque Pour Le Commerce Extérieur Lao which had been established in accordance with the Banking Business License No. 129/BOL dated 01 November 1989, and its latest Amended Business License No. 4284/BOL dated 11 November 2010 issued by the Bank of Lao P.D.R. On 23 December 2010, the Bank successfully undertook its Initial Public Offering. On 10 January 2011, the Bank was equitized and renamed into Banque Pour Le Commerce Extérieur Lao Public under the Operating License No. 0061/LRO dated 10 January 2011 issued by the Business License Registration Office of the Lao P.D.R. At that date, the Government, represented by the MOF, was the largest shareholder with 80% shareholding.

On 15 July 2011, the MOF sold 10% of the total ordinary shares (equivalent 13,657,759 shares) to its strategic partner named Compagnie Financière de la BRED ("COFIBRED") in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and COFIBRED. COFIBRED is a subsidiary of BRED, the biggest regional banking society in the Banque Populaire Group - a French group of cooperative banks. The total purchased price of LAK 150,235,349,000 has been paid fully by COFIBRED.

According to notification from Lao Securities and Exchange Commission, the shareholding structure of the Bank as at 30 June 2016 is as follows:

<i>Shareholders</i>	<i>Number of shares</i>	<i>%</i>
The Government	95,604,321	70%
Local investors (including employees of the Bank)	13,657,760	10%
Strategic partners	13,657,759	10%
Other foreign investors	13,657,760	10%
	136,577,600	100%

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

Charter Capital

The charter capital as at 30 June 2016 is LAKm 682,888 (31 December 2015: LAKm 682,888).

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao P.D.R. As at 30 June 2016, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, seventy-eight (78) services units, and fifteen (15) exchange units all over Lao P.D.R.

Banque Pour Le Commerce Extérieur Lao Public

GENERAL INFORMATION (continued)

THE BANK (continued)

Subsidiary

As at 30 June 2016, the Bank has one (01) subsidiary as follows:

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

Joint ventures

As at 30 June 2016, the Bank has four (04) joint ventures as follows:

<i><u>Name</u></i>	<i><u>Business License No.</u></i>	<i><u>Business Sector</u></i>	<i><u>% owned by the Bank</u></i>
Lao Viet Joint Venture Bank	232/11 dated 8 September 2011 by the Bank of Lao P.D.R	Banking & Finance	25%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of the Lao P.D.R	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	077/08/FIMC dated 09 June 2008 by the Foreign Investment Management Committee of the Lao P.D.R	Insurance	35%
Lao China Bank Limited	041/ERM dated 27 January 2014 by the granted by Department of Enterprise Register and Management of Lao P.D.R	Banking & Finance	49%

Banque Pour Le Commerce Exterieur Lao Public

GENERAL INFORMATION (continued)

THE BANK (continued)

BOARD OF DIRECTORS

Members of the Board of Directors during the six-month period ended 30 June 2016 and at the date of this report are as follows:

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

BOARD OF MANAGEMENT

Members of the Board of Management during the six-month period ended 30 June 2016 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Phoukhong Chanthachack	General Managing Director	Appointed on 15 January 2016 (*)
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
Ms. Khanthaly Vongxayarath	Deputy Managing Director	Appointed on 30 September 2014
Mr. Lachay Khanpravong	Deputy Managing Director	Appointed on 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointed on 30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	Appointed on 23 November 2015
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointed on 23 November 2015

(*) Mr. Phoukhong Chanthachack was appointed as Acting General Managing Director on 17 February 2015 and was then officially appointed as General Managing Director on 15 January 2016.

LEGAL REPRESENTATIVE

The legal representative of the Bank from 1 January 2016 to 14 January 2016 is Mr. Phoukhong Chanthachack - Acting General Managing Director.

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

AUDITORS

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



Building a better
working world

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

Tel: +856 21 455 077
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ey.com

Reference: 60790273/18712878-HY-IFRS-CS

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim consolidated financial statements of Banque Pour Le Commerce Extérieur Lao Public ("the Bank") as set out on pages 5 to 49, which comprise the interim consolidated statement of financial position as at 30 June 2016, and the interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity, and interim consolidated statement of cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of review

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

Basis for Qualified Conclusion

The Bank's management did not provide disclosures relating to fair value and financial risk management as required by IFRS 7: "Financial Instruments: Disclosures" and IFRS 13: "Fair value measurement".

Qualified Conclusion

Based on our review, with the exception of the matter as described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the interim consolidated financial position of the Bank as at 30 June 2016, and its interim consolidated financial performance and its interim consolidated cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.

Ernst & Young



ບໍລິສັດ
ອິນ ແອັດ ໂຢງ
ລາວ ຈຳກັດ
ERNST & YOUNG
LAO CO., LTD

Vientiane, Lao P.D.R

29 August 2016

Banque Pour Le Commerce Extérieur Lao Public

INTERIM CONSOLIDATED INCOME STATEMENT
for the six-month period ended 30 June 2016

	Notes	For the six-month period ended 30 June 2016 LAKm	For the six-month period ended 30 June 2015 LAKm
Interest and similar income	3	595,444	519,288
Interest and similar expense	4	(415,469)	(406,353)
Net interest and similar income		179,975	112,935
Fee and commission income	5	91,703	77,670
Fee and commission expense	5	(7,521)	(6,483)
Net fee and commission income	5	84,182	71,187
Net trading gain/(loss)	6	26,732	(264,682)
Other operating income	7	7,542	367,872
Total operating income		298,431	287,312
Credit loss expense	14	(35,443)	(83,538)
(Expense for)/reversal of impairment loss for financial investments	8	(13,914)	363
NET OPERATING INCOME		249,074	204,137
Personnel expenses	9	(100,313)	(94,782)
Depreciation and amortization		(34,741)	(30,484)
Other operating expenses	10	(45,786)	(41,805)
TOTAL OPERATING EXPENSES		(180,840)	(167,071)
Share of profit of joint ventures		11,644	38,522
PROFIT BEFORE TAX		79,878	75,588
Current profit tax expense	24.1	(17,280)	(3,447)
Deferred profit tax income/(expense)	24.1	2,534	(3,291)
NET PROFIT FOR THE PERIOD		65,132	68,850
Attributable to:			
Non-controlling interest		387	303
Equity holder of the parent		64,745	68,547
Earnings per shares (LAK)	35	474	502

Prepared by:

Mrs. Lammaniseng Sayaphet
Head of Accounting Department

Approved by:

Mr. Khammone Vansana
Deputy Head of Internal Audit
Department

Approved by:



Mr. Phoukhong Chanthachack
General Managing Director

Vientiane, Lao P.D.R

29 August 2016

Banque Pour Le Commerce Extérieur Lao

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six-month period ended 30 June 2016

	Notes	For the six-month period ended 30 June 2016 LAKm	For the six-month period ended 30 June 2015 LAKm
NET PROFIT FOR THE PERIOD		65,132	68,850
OTHER COMPREHENSIVE INCOME			
Net (loss)/gain on available-for-sale financial assets		(9,588)	1,306
Profit tax refund/(expense) related to components of other comprehensive income	24.4	2,301	(4,256)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(7,287)	(2,950)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		57,845	65,900
Attributable to:			
Equity holders of the parent		57,458	65,597
Non-controlling interest		387	303

Prepared by:

Approved by:

Approved by:





Mrs. Lammaniseng Sayaphet
Head of Accounting Department

Mr. Khammone Vansana
Deputy Head of Internal Audit
Department

Mr. Phoukhong Chanthachack
General Managing Director

Vientiane, Lao P.D.R

29 August 2016

Banque Pour Le Commerce Extérieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	Notes	30 June 2016 LAKm	31 December 2015 LAKm
ASSETS			
Cash and balances with the BOL	11	6,262,707	9,466,790
Due from banks	12	1,558,517	1,986,635
Loans to customers	13	14,966,180	10,854,955
Financial assets - Held-for-trading		36	6,046
Financial investments - Available-for-sale	15	221,895	224,348
Financial investments - Held-to-maturity	16	2,570,303	1,776,408
Investments in joint ventures	17	567,062	555,418
Property and equipment	18	385,328	391,146
Intangible assets	19	246,763	297,744
Deferred tax assets	24.4	19,880	6,259
Other assets	20	276,054	211,111
TOTAL ASSETS		27,074,725	25,776,860
LIABILITIES			
Due to banks	21	2,134,562	2,446,347
Due to customers	22	22,293,239	21,310,561
Borrowings from the BOL	23	1,318,323	720,497
Current tax liabilities	24.2	31,653	30,934
Deferred tax liabilities	24.4	19,863	11,077
Other liabilities	25	54,683	60,373
TOTAL LIABILITIES		25,852,323	24,579,789
EQUITY			
Chartered capital	26	682,888	682,888
Statutory reserves	27	358,777	314,898
Available-for-sale reserve	28	25,380	32,789
Treasury shares		(1,010)	(1,010)
Retained earnings		122,737	134,263
		1,188,772	1,163,828
Non-controlling interest		33,630	33,243
TOTAL EQUITY		1,222,402	1,197,071
TOTAL LIABILITIES AND EQUITY		27,074,725	25,776,860

Prepared by:

Mrs. Lammaniseng Sayaphet
Head of Accounting Department

Approved by:

Mr. Khammone Vansana
Deputy Head of Internal Audit
Department

Approved by:



Mr. Phoukhong Chanthachack
General Managing Director

Vientiane, Lao P.D.R

29 August 2016

Banque Pour Le Commerce Extérieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the six-month period ended 30 June 2016

	Charter capital LAKm	Statutory reserves and other reserves LAKm	Treasury share LAKm	Available -for-sale reserve LAKm	Retained earnings LAKm	Non- controlling interest LAKm	Total LAKm
Balances as at 01 January 2016	682,888	314,898	(1,010)	32,789	134,263	33,243	1,197,071
Dividend paid out to shareholders	-	-	-	-	(29,881)	-	(29,881)
Net profit for the period	-	-	-	-	64,745	387	65,132
Appropriation to reserves for the year 2015	-	43,879	-	-	(43,879)	-	-
Net movement in available-for-sale reserve	-	-	-	(7,409)	-	-	(7,409)
Additional tax payable for previous year	-	-	-	-	(2,511)	-	(2,511)
Balances as at 30 June 2016	682,888	358,777	(1,010)	25,380	122,737	33,630	1,222,402

Prepared by:

Mrs. Lammaniseng Sayaphet
Head of Accounting Department

Approved by:

Mr. Khammone Vansana
Deputy Head of Internal Audit
Department

Approved by:



MO Phoukhong Chanthachack
General Managing Director

Vientiane, Lao P.D.R

29 August 2016

Banque Pour Le Commerce Extérieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS for the six-month period ended 30 June 2016

		For the six-month period ended 30 June 2016	For the six-month period ended 30 June 2015
	Notes		
OPERATING ACTIVITIES			
Profit before tax		79,878	75,588
Adjustments for:			
Depreciation and amortization charges	18, 19	34,741	30,484
Credit loss and impairment loss of investment securities expense		49,357	83,175
Share of associate's profit under equity method		(11,644)	(38,522)
Gain on disposal of fixed assets		2,682	(358,194)
Dividend income		(5,908)	(7,739)
Cash flows from operating profit before changing in operating assets and liabilities		149,106	(215,208)
<i>Changes in operating assets</i>			
Due from banks		53,910	(209,157)
Loans to customers and other banks		(4,146,581)	128,356
Financial investment - Held-for-trading		6,010	(1,598)
Financial investment - Available-for-sale		2,453	(912)
Financial investment - Held-to-maturity		(807,810)	(245,717)
Other assets		(78,524)	(15,087)
<i>Changes in operating liabilities</i>			
Due to other banks and the BOL		286,041	(488,798)
Due to customers		982,677	844,988
Other liabilities		(1,784)	(153,447)
Profit tax paid during the period		(19,074)	(6,127)
Net cash flows used in operating activities		(3,573,576)	(362,707)
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(25,857)	(36,514)
Proceeds from disposals of fixed assets		45,233	369,719
Dividends received		5,908	33,518
Net cash flows from investing activities		25,284	366,723
FINANCING ACTIVITIES			
Payment of dividend		(29,910)	(31,811)
Net cash flows used in financing activities		(29,910)	(31,811)
Net decrease in cash and cash equivalents		(3,578,202)	(27,795)
Cash and cash equivalents at the beginning of the period		10,154,343	10,081,167
Foreign exchange difference		(87)	(576)
Cash and cash equivalents at the end of the period	29	6,576,054	10,052,796

Prepared by:

Mrs. Lammaniseng Sayaphet
Head of Accounting Department

Approved by:

Mr. Khammone Vansana
Deputy Head of Internal Audit
Department

Approved by:



Mr. Phoukhong Chanthachack
General Managing Director

Vientiane, Lao P.D.R

29 August 2016

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
as at 30 June 2016 and for the six-month period then ended

1. CORPORATE INFORMATION

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

Establishment and Operations

The Bank was established from the equitization of Banque Pour Le Commerce Extérieur Lao which had been established in accordance with the Banking Business License No. 129/BOL dated 01 November 1989, and its latest Amended Business License No. 4284/BOL dated 11 November 2010 issued by the Bank of Lao P.D.R. On 23 December 2010, the Bank successfully undertook its Initial Public Offering. On 10 January 2011, the Bank was equitized and renamed into Banque Pour Le Commerce Extérieur Lao Public under the Operating License No. 0061/LRO dated 10 January 2011 issued by the Business License Registration Office of the Lao P.D.R. At that date, the Government, represented by the MOF, was the largest shareholder with 80% shareholding.

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Charter Capital

The charter capital as at 30 June 2016 is LAKm 682,888 (31 December 2015: LAKm 682,888).

Location and Network

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Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

1. CORPORATE INFORMATION (continued)

Subsidiary

As at 30 June 2016, the Bank has one subsidiary as follows:

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

Joint ventures

As at 30 June 2016, the Bank has four (04) joint ventures as follows:

<i>Name</i>	<i>Business License No.</i>	<i>Business Sector</i>	<i>% owned by the Bank</i>
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Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of Lao P.D.R	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	077/08/FIMC dated 09 June 2008 by the Foreign Investment Management Committee of Lao P.D.R	Insurance	35%
Lao China Bank Limited	041/ERM dated 27 January 2014 by the granted by Department of Enterprise Register and Management of Lao P.D.R	Banking & Finance	49%

Board of Directors

Members of the Board of Directors during the six-month period ended 30 June 2016 and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment/reappointment</i>
Mr. Bounleua Sinxayvoravong	Chairman	Appointed on 9 April 2015
Mr. Khamsouk Sundara	Vice Chairman	Reappointed on 9 April 2015
Mr. Phoukhong Chanthachack	Member	Reappointed on 9 April 2015
Mr. Phansana Khounnouvong	Member	Appointed on 9 April 2015
Ms. Khanthaly Vongxayarath	Member	Appointed on 9 April 2015
Mr. Marc Robert	Member	Reappointed on 9 April 2015
Mr. Viengxay Chanthanvisouk	Member	Appointed on 9 April 2015

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

1. CORPORATE INFORMATION (continued)

Board of Management

Members of the Board of Management during the six-month period ended 30 June 2016 and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Phoukhong Chanthachack	General Managing Director	Appointed on 15 January 2016 (*)
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
Ms. Khanthaly Vongxayarath	Deputy Managing Director	Appointed on 30 September 2014
Mr. Lachay Khanpravong	Deputy Managing Director	Appointed on 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointed on 30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	Appointed on 23 November 2015
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointed on 23 November 2015

(*) Mr. Phoukhong Chanthachack was appointed as Acting General Managing Director on 17 February 2015 and was then officially appointed as General Managing Director on 15 January 2016.

Employees

Total number of employees of the Bank as at 30 June 2016 is 1,566 persons (as at 31 December 2015: 1,519 persons).

2. ACCOUNTING POLICIES

2.1 *Basis of preparation*

The Bank prepares its interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The interim consolidated financial statements have been prepared on a historical cost basis, except as disclosed in other notes.

The Bank maintains its records in Lao Kip ("LAK") and prepared its interim consolidated financial statements in millions of LAK ("LAKm").

The Bank also prepared and issued its separate financial statements in accordance with IFRS on 29 August 2016.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

2. ACCOUNTING POLICIES (continued)

2.2 *Fiscal year*

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

2.3 *Presentation of interim consolidated financial statements*

The Bank and its subsidiary present their interim consolidated statement of financial position 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the 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 subsidiary for the period from 01 January 2016 to 30 June 2016. The interim financial statements of the Bank's subsidiary 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.

Subsidiary 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 subsidiary not owned, directly or indirectly, by 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 interest 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 recognized as equity.

2.5 *Significant accounting estimates and assumptions*

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Bank based its assumptions and estimates on parameters available when the interim consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

2. ACCOUNTING POLICIES (continued)

2.5 *Significant accounting estimates and assumptions* (continued)

(i) Going concern

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

(ii) Impairment losses on loans

The Bank reviews its individually significant loans at each interim consolidated statement of financial position 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 that have been assessed individually and found not to be impaired and all individually insignificant loans are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

(iii) 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 *Summary of significant accounting policies*

2.6.1 *Foreign currency translation*

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK on 30 June 2016 and 31 December 2015 as presented in Note 37). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the reporting date are recognized in the interim consolidated income statement.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

2. ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

2.6.2 Financial instruments - initial recognition and subsequent measurement

2.6.2.1 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.

2.6.2.2 Initial measurement of financial instruments

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

2.6.2.3 Financial assets or financial liabilities held for trading

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

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

2.6.2.4 'Day 1' profit or loss

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

2.6.2.5 Available-for-sale financial investments

Available-for-sale investments of the bank include equity 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.

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2. ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

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

2.6.2.5 Available-for-sale financial investments (continued)

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

2.6.2.6 Held-to-maturity financial investments

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

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

2.6.2.7 Due from banks and loans to customers

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

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

After initial measurement, amounts 'Due from banks' and 'Loans to customers' are subsequently measured at amortized cost using the EIR, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest and similar income' in the interim consolidated income statement. The losses arising from impairment are recognized in the interim consolidated income statement line 'Credit loss expense'.

The Bank may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss. Where the loan, on drawdown, is expected to be retained by the Bank, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss (For example, due to a counterparty credit event).

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

2. ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

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

2.6.2.8 Debt issued and other borrowed funds

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

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

A compound financial instrument which contains both a liability and an equity component is 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 separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

2.6.2.9 Reclassification of financial assets

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

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

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

2.6 Summary of significant accounting policies (continued)

2.6.3 De-recognition of financial assets and financial liabilities

2.6.3.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- ▶ the rights to receive cash flows from the asset have expired;
- ▶ the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - the Bank has transferred substantially all the risks and rewards of the asset, or
 - the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

2.6.3.2 Financial liabilities

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

2.6.4 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.

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2. ACCOUNTING POLICIES (continued)

2.6 *Summary of significant accounting policies* (continued)

2.6.4 *Determination of fair value* (continued)

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

2.6.5 *Impairment of financial assets*

The Bank and its subsidiary 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.

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.

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as at 30 June 2016 and for the six-month period then ended

2. ACCOUNTING POLICIES (continued)

2.6 *Summary of significant accounting policies* (continued)

2.6.5 *Impairment of financial assets* (continued)

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 'Other operating income'.

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

For the purpose of 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)

2.6 Summary of significant accounting policies (continued)

2.6.5 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 recognized in the interim consolidated income statement – is removed from equity and recognized in the interim 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 recognized 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.

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as at 30 June 2016 and for the six-month period then ended

2. ACCOUNTING POLICIES (continued)

2.6 *Summary of significant accounting policies* (continued)

2.6.6 *Investment in joint ventures*

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

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

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

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

2.6.7 *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.

2.6.8 *Recognition of income and expense*

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

(i) Interest and similar income and expense

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future impairment losses.

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2. ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

2.6.8 Recognition of income and expense (continued)

(i) Interest and similar income and expense (continued)

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Other operating income'. However, for a reclassified financial asset for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.

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

(ii) Fees and commission income

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

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

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight line basis.

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

(iii) Dividend income

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

(iv) Net trading income

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

2.6.9 Cash and cash equivalents

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

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2. ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

2.6.10 Property and equipment

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

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

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

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on 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 year the asset is derecognized.

2.6.11 Intangible assets

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

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

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

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

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

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

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

2. ACCOUNTING POLICIES (continued)

2.6 *Summary of significant accounting policies* (continued)

2.6.12 *Impairment of non-financial assets*

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

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

2.6.13 *Provisions for contingent liabilities*

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

2.6.14 *Profit tax*

Current tax

Current tax assets and liabilities for the current and prior periods 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 interim consolidated statement of financial position date.

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2. ACCOUNTING POLICIES (continued)

2.6 Summary of significant accounting policies (continued)

2.6.14 Corporate income tax (continued)

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 subsidiary, 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 subsidiary, 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 interim consolidated statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period 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.

2.6.15 Fiduciary assets

The Bank and its subsidiary 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 subsidiary.

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

2.6 Summary of significant accounting policies (continued)

2.6.16 Equity reserves

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

- Available-for-sale reserve, which comprises changes in fair value of available-for-sale investments.
- Statutory reserves and other reserves, which are created in accordance with prevailing regulations of Lao P.D.R, as stated in Note 27.

2.6.17 Employee benefits

Post employment benefits

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

Termination benefits

In accordance with Article 29 of the Amended Labour Law issued by the President of the Lao People's Democratic Republic on 16 January 2007, the Bank has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work for the worker who has worked for less than three years. For workers who have worked for more than three years, the basis of calculation shall be 15%. As at 30 June 2016, there are no employees of the Bank who were dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the interim consolidated financial statements.

2.6.18 Standards issued but not yet effective

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities.

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3. INTEREST AND SIMILAR INCOME

	<i>For the six-month period ended 30 June 2016 LAKm</i>	<i>For the six-month period ended 30 June 2015 LAKm</i>
Interest income from:		
Loans to customers	540,661	453,090
Interbank transactions	5,975	3,867
Investment securities	35,980	40,976
Others	12,828	21,355
	595,444	519,288

4. INTEREST AND SIMILAR EXPENSE

	<i>For the six-month period ended 30 June 2016 LAKm</i>	<i>For the six-month period ended 30 June 2015 LAKm</i>
Interest expense for interbank activities	29,891	13,603
Interest expense for customer deposits	385,578	392,750
	415,469	406,353

5. NET FEES AND COMMISSION INCOME

	<i>For the six-month period ended 30 June 2016 LAKm</i>	<i>For the six-month period ended 30 June 2015 LAKm</i>
Fees and commission income from:		
Settlement services	57,393	50,241
Credit activities	32,309	26,105
Other activities	2,001	1,324
	91,703	77,670
Fees and commission expense for:		
Settlement services	(7,051)	(5,529)
Other activities	(470)	(954)
	(7,521)	(6,483)
Net fees and commission income	84,182	71,187

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6. NET TRADING GAIN/(LOSS)

	<i>For the six-month period ended 30 June 2016 LAKm</i>	<i>For the six-month period ended 30 June 2015 LAKm</i>
Net gain from dealing in foreign currencies	26,732	22,424
Loss from currency margin trading	-	(287,150)
Changes in fair value of financial assets held-for-trading	-	14
Dividend income from financial assets held-for-trading	-	30
	26,732	(264,682)

7. OTHER OPERATING INCOME

	<i>For the six-month period ended 30 June 2016 LAKm</i>	<i>For the six-month period ended 30 June 2015 LAKm</i>
Dividend income from investment securities	5,909	7,709
Gain on sale of non-current assets	-	358,194
Recovery of the bad debts written off	1,142	1,695
Others	491	274
	7,542	367,872

8. EXPENSE FOR/(REVERSAL OF) IMPAIRMENT LOSSES FOR FINANCIAL INVESTMENTS

	<i>For the six-month period ended 30 June 2016 LAKm</i>	<i>For the six-month period ended 30 June 2015 LAKm</i>
Expense for/(reversal of) impairment losses for investment in held-to-maturity securities	13,914	(363)
	13,914	(363)

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as at 30 June 2016 and for the six-month period then ended

9. PERSONNEL EXPENSES

	<i>For the six-month period ended 30 June 2016 LAKm</i>	<i>For the six-month period ended 30 June 2015 LAKm</i>
Salary expense	58,026	55,248
Allowance and other staff benefits	39,644	36,697
Other costs	2,643	2,837
	100,313	94,782

10. OTHER OPERATING EXPENSES

	<i>For the six-month period ended 30 June 2016 LAKm</i>	<i>For the six-month period ended 30 June 2015 LAKm</i>
Fuel and travelling	1,583	1,716
Training and education	893	934
Telecommunication	1,002	987
Publication, marketing and promotion	5,090	4,861
Repair and maintenance	6,961	6,759
Materials, tools and equipment	2,661	2,555
Electricity and water supply	3,644	3,041
Office rental	4,233	4,060
Deposit insurance fee	10,336	8,935
Others	9,383	7,957
	45,786	41,805

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

	<i>30 June 2016 LAKm</i>	<i>31 December 2015 LAKm</i>
Cash on hand in LAK	1,244,325	1,246,264
Cash on hand in foreign currencies ("FC")	899,782	990,378
Balances with the BOL:		
- Compulsory deposit	1,154,089	1,134,906
- Demand deposit	2,964,511	6,095,242
	6,262,707	9,466,790

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

Under regulations of the BOL, the Bank is required to maintain certain reserves with the BOL in the form of compulsory deposits, which are computed at 5.00% for LAK and 10.00% for foreign currencies, on a bi-monthly basis, (2015: 5.00% and 10.00%) of customer deposits having original maturities of less than 12 months. During the period, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

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12. DUE FROM BANKS

	30 June 2016 LAKm	31 December 2015 LAKm
Current and saving accounts	1,211,111	1,659,680
- In LAK	1,095,264	1,390,194
- In foreign currencies	115,847	269,486
Term deposits	346,648	325,797
- In LAK	113,033	142,806
- In foreign currencies	233,615	182,991
Accrued interest	758	1,158
	1,558,517	1,986,635

13. LOANS TO CUSTOMERS

	30 June 2016 LAKm	31 December 2015 LAKm
Gross loans to customers	15,146,345	11,026,334
In which:		
Loans funded by borrowing from BOL (Note 23)	1,317,938	720,497
Accrued interest	122,651	97,369
Less: Allowance for impairment losses (see Note 14)	(302,816)	(268,748)
	14,966,180	10,854,955

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

	For the six-month period ended 30 June 2016 Interest rates % per annum	For the year ended 31 December 2015 Interest rates % per annum
Loans denominated in LAK	6.00% - 16.00%	7.00% - 16.00%
Loans denominated in USD	5.80% - 14.00%	6.50% - 14.00%
Loans denominated in THB	6.00% - 12.00%	7.75% - 12.00%

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13. LOANS TO CUSTOMERS (continued)

Analysis of loan portfolio by currency:

	30 June 2016 LAKm	31 December 2015 LAKm
Loans denominated in LAK	5,655,089	4,513,088
Loans denominated in USD	7,348,724	5,177,960
Loans denominated in THB	2,142,532	1,335,286
	15,146,345	11,026,334

Analysis of loan portfolio by original maturity:

	30 June 2016 LAKm	31 December 2015 LAKm
Short-term loans	2,177,667	2,350,521
Medium-term loans	8,793,104	5,674,920
Long-term loans	4,175,574	3,000,893
	15,146,345	11,026,334

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

	30 June 2016		31 December 2015	
	LAKm	%	LAKm	%
Industrial services companies	6,451,758	42.60%	2,395,765	21.73%
Construction companies	3,226,229	21.30%	3,526,539	31.98%
Technical instruments enterprises	67,190	0.44%	93,269	0.85%
Agricultural & forestry	33,433	0.22%	31,414	0.28%
Trading companies	3,190,421	21.06%	3,031,544	27.49%
Transportation companies	649,919	4.29%	573,180	5.20%
Services companies	1,374,285	9.08%	1,228,065	11.14%
Handicrafts	10,167	0.07%	10,468	0.09%
Others	142,943	0.94%	136,090	1.23%
	15,146,345	100%	11,026,334	100%

14. ALLOWANCE FOR IMPAIRMENT LOSSES OF LOANS TO CUSTOMERS

Changes in the allowance for impairment losses of loans to customers during the six-month period ended 30 June 2016 are as follows:

	For the six-month period ended 30 June 2016 LAKm
Opening balance	268,748
Net credit loss expense	35,443
Non-performing loans written-off	(1,288)
Foreign exchange difference	(87)
Closing balance	302,816

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14. ALLOWANCE FOR IMPAIRMENT LOSSES OF LOANS TO CUSTOMERS (continued)

Details of loans impairment are as follows:

	30 June 2016		31 December 2015	
	Principal LAKm	Provision LAKm	Principal LAKm	Provision LAKm
Individually impaired	1,686,567	204,950	1,694,825	210,793
Collectively impaired	13,459,778	97,866	9,331,509	57,955
	15,146,345	302,816	11,026,334	268,748

15. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	30 June 2016 LAKm	31 December 2015 LAKm
Listed shares of EDL-Generation Public Company	221,895	224,348
	221,895	224,348

These shares have total face value of LAKm 181,204 as at 30 June 2016 (31 December 2015: LAKm 181,204).

16. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

	30 June 2016 LAKm	31 December 2015 LAKm
Amortized cost of Treasury bills issued by the Ministry of Finance	1,276,474	982,563
Amortized cost of bonds issued by the Ministry of Finance	1,309,700	795,802
	2,586,174	1,778,365
Impairment losses for investments in Held-to-maturity securities:		
- Impairment losses for Treasury bills issued by the Ministry of Finance	(15,871)	(1,957)
- Impairment losses for bonds issued by the Ministry of Finance	-	(2)
	(15,871)	(1,955)
	2,570,303	1,776,408

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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16. FINANCIAL INVESTMENTS - HELD-TO-MATURITY (continued)

16.1 Treasury bills issued by the Ministry of Finance

Details of the treasury bills as at 30 June 2016 are as follows:

<i>Term</i>	<i>Purchase date</i>	<i>Maturity date</i>	<i>Face value</i>	<i>Amortized cost</i>	<i>Interest rate per annum (nominal)</i>
1 year	27 November 2015	27 November 2016	300,000	307,025	4.00%
1 year	18 December 2015	18 December 2016	100,000	102,112	4.00%
1 year	25 December 2015	25 December 2016	60,000	61,221	4.00%
1 year	15 January 2016	15 January 2017	300,000	305,417	4.00%
1 year	17 June 2016	17 June 2017	500,000	500,699	4.00%
			1,260,000	1,276,474	

16.2 Bonds issued by the Ministry of Finance

	<i>30 June 2016 LAKm</i>	<i>31 December 2015 LAKm</i>
Triangle bonds (*)	16,714	16,714
Capitalization bonds (**)	65,255	65,923
Other bonds (***)	1,227,731	713,165
	1,309,700	795,802

(*) Triangle bonds represent the bonds which were issued by the Ministry of Finance to either settle the balances due from the MOF or settle the debts owed to the Bank by customers who were in turn owed money by the MOF. The bonds are not transferrable and could be required to be extended on maturity by the MOF. The bonds carry a term of 17 years and earn no interest.

(**) Capitalization bonds were issued by the MOF to increase the Bank's chartered capital with the details as following.

<i>Issued date</i>	<i>Maturity date</i>	<i>Face value (LAKm)</i>	<i>Amortized cost</i>	<i>Term</i>	<i>Interest rate (% p.a)</i>
01 March 2014	01 March 2019	68,600	65,255	5 years	4.00%

In accordance with notification 1569/MOF dated 09 June 2014, the Bank agreed with the Ministry of Finance to settle 30% of capitalization bonds amounting to LAKm 29,400 in July 2014 and restructure the remaining 70% amounting to LAKm 68,600 with new interest rate of 4.00% per annum (2015: 4.00%).

(***) Details of other bonds are as follows:

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

16.2 Bonds issued by the Ministry of Finance (continued)

<i>Purchase date</i>	<i>Maturity date</i>	<i>Face value (LAKm)</i>	<i>Amortized cost (LAKm)</i>	<i>Interest rate (% p.a)</i>
5 December 2011	5 December 2016	46,000	46,245	8.00%
25 December 2013	10 October 2016	2,000	2,022	4.00%
2 March 2013	20 December 2016	50,000	50,695	4.00%
16 August 2012	12 March 2018	20,000	19,493	4.25%
7 May 2014	12 November 2016	8,000	7,671	4.00%
30 July 2014	31 July 2018	5,000	5,111	4.25%
29 September 2014	7 May 2018	22,000	18,954	4.25%
29 September 2014	11 June 2018	9,000	7,711	4.25%
29 September 2014	12 June 2018	25,000	21,365	4.25%
29 September 2014	13 June 2018	1,000	854	4.25%
29 September 2014	16 May 2018	5,000	4,291	4.25%
29 September 2014	18 September 2016	4,000	3,977	3.50%
27 November 2014	31 July 2018	2,000	2,039	4.25%
18 December 2014	2 August 2018	14,000	14,252	4.25%
27 February 2016	11 June 2018	2,000	1,560	4.25%
30 December 2014	30 December 2016	150,000	153,526	4.75%
30 December 2014	30 December 2017	100,000	102,523	5.10%
27 March 2015	27 March 2017	300,000	297,497	4.00%
8 April 2013	8 April 2017	100,000	100,009	4.00%
26 August 2014	26 August 2016	100,000	103,785	4.50%
16 September 2014	16 September 2016	50,000	51,761	4.50%
10 March 2015	10 March 2017	73,000	73,761	4.00%
31 March 2015	31 March 2017	50,000	50,401	4.00%
28 April 2015	28 April 2017	20,000	20,096	4.50%
12 May 2015	12 May 2017	10,000	10,032	4.00%
26 May 2015	26 May 2017	58,000	58,100	4.00%
		1,226,000	1,227,731	

17. INVESTMENTS IN JOINT VENTURES

	<i>For the six-month period ended 30 June 2016 LAKm</i>	<i>For the year ended 31 December 2015 LAKm</i>
Opening balance	555,418	534,430
Change in investment cost	-	(1,286)
Share of joint venture's profit in the period under equity method	11,644	48,325
Share of joint venture's other comprehensive income in the period under equity method	-	(272)
Less: Dividend received during the period	-	(25,779)
Closing balance	567,062	555,418

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17. INVESTMENTS IN JOINT VENTURES (continued)

Investments in joint ventures

	30 June 2016				31 December 2015			
	Cost in USD	Cost in LAKm equiv.	Carrying value in LAKm	% owned by the Bank	Cost in USD	Cost in LAKm Equiv.	Carrying value in LAKm	% owned by the Bank
Investments in other financial institutions								
Lao Viet Joint Venture Bank	24,500,000	197,839	253,672	25%	24,500,000	197,839	248,855	25%
Banque Franco - Lao Limited	16,322,230	138,000	141,208	46%	16,322,230	138,000	140,297	46%
Lao China Bank	N/A	147,000	150,908	49%	N/A	147,000	148,360	49%
Investments in local economic entities								
Lao-Viet Insurance Joint Venture Company	1,050,000	8,784	21,274	35%	1,050,000	8,784	17,906	35%
		<u>491,623</u>	<u>567,062</u>			<u>491,623</u>	<u>555,418</u>	

- ▶ Lao Viet Joint Venture Bank ("LVB") is incorporated in the Lao P.D.R with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with the Bank for Investment and Development of Vietnam, a state-owned commercial bank incorporated in the Socialist Republic of Vietnam. The joint venture was granted the banking license on 31 March 2000 by the Bank of Lao P.D.R for a year of 30 years. In 2015, LVB increased its contributed capital to LAK 791,357,560,000. The Bank's ownership rate in LVB after the capital increase is 25% in accordance with Investment License No. 004-15/KH-DDT4 issued by Ministry of Planning and Investment on 24 August 2015, equivalent to LAK 197,839,390,000.
- ▶ Banque Franco - Lao Limited ("BFL") is incorporated in the Lao P.D.R with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with Cofibred Company Frances De La Bred which is a state-owned bank incorporated in Paris, France. The joint venture was granted the temporary banking license on 01 October 2009 and a permanent license on 16 July 2010 by the Bank of Lao P.D.R. The legal capital of BFL was USD 20 million which was later revised to USD 37 million in accordance with the President's decree issued on 24 September 2009 and letter No. 01/BOL dated 28 January 2010 from BOL. As at 30 June 2016, the contributed capital of the Bank included USD 1,840,000 and LAK 122,854,960,000.
- ▶ Lao-Viet Insurance Joint Venture Company ("LVI") is incorporated as a joint venture company in the Lao P.D.R providing insurance services under the Investment License No. 077/08/FIMC issued by the Foreign Investment Management Committee on 09 June 2008. It is a joint venture with BIDV Insurance Joint Stock Corporation and Lao Viet Joint Venture Bank. LVI's legal capital is USD 3,000,000 and has been fully contributed by partners on 17 July 2008. In 2013, the Bank has contributed additional capital of USD 180,000 on 02 September 2013. As at 30 June 2016, the total contributed capital of the Bank in this company was USD 1,050,000, equivalent to LAKm 8,784.
- ▶ Lao China Bank Company Limited ("LCNB") is incorporated in the Lao P.D.R and engages in the provision of banking services. It is a joint venture with Fudian Bank China, a state-owned commercial bank incorporated in China. The joint venture bank was granted the Banking Business Licence on 20 January 2014 by the Bank of Lao P.D.R. The legal capital of LCNB was LAKm 300,000 and had been fully contributed by partners as at 30 June 2016.

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18. PROPERTY AND EQUIPMENT

Movements of property and equipment for the six-month period ended 30 June 2016 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 2016	374,923	116,564	33,738	16,335	541,560
Additions	3,926	17,850	479	1,289	23,544
<i>In which</i>					
<i>New purchases</i>	-	-	4	-	4
<i>Transferred from CIP and fixed assets in transit</i>	3,926	17,850	475	1,289	23,540
Disposals	(1,221)	(11,337)	-	(2,123)	(14,681)
As at 30 June 2016	377,628	123,077	34,217	15,501	550,423
Accumulated depreciation:					
As at 1 January 2016	71,506	56,121	14,465	8,322	150,414
Charge for the period	10,826	12,061	2,164	1,627	26,678
Disposals	(1,222)	(8,652)	-	(2,123)	(11,997)
As at 30 June 2016	81,110	59,530	16,629	7,826	165,095
Net book value:					
As at 1 January 2016	303,417	60,443	19,273	8,013	391,146
As at 30 June 2016	296,518	63,547	17,588	7,675	385,328

19. INTANGIBLE ASSETS

Movements in intangible assets during the six-month period ended 30 June 2016 are as follows:

	<i>Land use rights LAKm</i>	<i>Software LAKm</i>	<i>Total LAKm</i>
Cost:			
As at 1 January 2016	261,594	80,756	342,350
Additions	203	2,110	2,313
<i>In which</i>			
<i>Transferred from CIP and fixed assets in transit</i>	203	2,110	2,313
Disposals	(45,223)	(2,570)	(47,793)
As at 30 June 2016	216,574	80,296	296,870
Accumulated amortization:			
As at 1 January 2016	-	44,606	44,606
Charge for the period	-	8,063	8,063
Disposals	-	(2,562)	(2,562)
As at 30 June 2016	-	50,107	50,107
Net book value:			
As at 1 January 2016	261,594	36,150	297,744
As at 30 June 2016	216,574	30,189	246,763

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20. OTHER ASSETS

	30 June 2016 LAKm	31 December 2015 LAKm
Assets waiting for sales	106,233	8,483
Stationeries and other tools	1,365	1,193
Checks in collection	28,748	13,234
Construction in progress and fixed assets in transit (*)	85,988	123,371
Prepaid expenses to be allocated	35,930	34,122
Other receivables	17,790	30,708
	276,054	211,111

(*) Movement of construction in progress and fixed assets in transit for the six-month period ended 30 June 2016 is as follows:

	Land use rights LAKm	Buildings & improvements LAKm	Other LAKm	Total LAKm
As at 1 January 2016	41,714	67,507	14,150	123,371
Additions	3,595	6,247	16,781	26,623
Transferred to fixed assets	(203)	(3,926)	(21,724)	(25,853)
Transferred to assets waiting for sale	(38,153)	-	-	(38,153)
As at 30 June 2016	6,953	69,828	9,207	85,988

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

21. DUE TO BANKS

	30 June 2016 LAKm	31 December 2015 LAKm
Demand deposits from other banks	1,778,964	2,104,890
- In LAK	666,153	825,086
- In foreign currencies	1,112,811	1,279,804
Saving deposits from other banks	43,189	232,019
- In LAK	18,663	52,445
- In foreign currencies	24,526	179,574
Term deposits from other banks	79,395	95,185
- In LAK	72,487	43,130
- In foreign currencies	6,908	52,055
Borrowings from other banks (*)	193,920	-
- In foreign currencies	193,920	-
Others	36,860	13,720
- In LAK	27,453	4,222
- In foreign currencies	9,407	9,498
	2,132,328	2,445,814
Accrued interest payables	2,234	533
	2,134,562	2,446,347

Saving deposits from other banks and financial institutions denominated in LAK, USD, THB bear interest at rates ranging of 0 - 1.25%, 0 - 0.75% and 0 - 0.20% per annum, respectively.

Term deposits from other banks and financial institutions denominated in LAK, USD, THB bear interest at rates ranging of 1.25 - 7.00%, 0 - 3.00% and 0 - 3.00% per annum, respectively.

(*) Borrowings from foreign banks and other financial institutions include USD 24,000,000 six-month borrowing from ICBC Vientiane Branch. The loan's principal is paid at maturity date. Interest is at 3.30% per annum.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

22. DUE TO CUSTOMERS

	30 June 2016 LAKm	31 December 2015 LAKm
Demand deposits	4,154,356	4,515,881
Demand deposits in LAK	1,754,393	2,178,278
Demand deposits in foreign currencies	2,399,963	2,337,603
Demand Savings	9,364,594	8,591,522
Demand saving deposits in LAK	3,419,309	3,060,115
Demand saving deposits in foreign currencies	5,945,285	5,531,407
Term deposits	8,361,990	7,882,509
Term deposits in LAK	5,767,967	5,502,892
Term deposits in foreign currencies	2,594,023	2,379,617
Margin deposits	71,088	61,525
Margin deposits in LAK	6,021	16,162
Margin deposits in foreign currencies	65,067	45,363
Others	279,699	202,651
	22,231,727	21,254,088
Accrued interest	61,512	56,473
	22,293,239	21,310,561

Saving deposits from customers denominated in LAK, USD and THB bear interest at rate ranging of 1.50 – 3.00%, 1.00 - 1.25% and 0.60 – 1.00% per annum respectively.

Fixed term deposits in LAK, USD, THB have terms of 3, 6, 12 months and more than 1 year and are subject to interest rates ranging of 2.25% – 12.50%, 1.00% - 6.75 % and 0.50 – 6.50% per annum respectively.

23. BORROWINGS FROM THE BOL

	30 June 2016 LAKm	31 December 2015 LAKm
Borrowings from the BOL	1,317,938	720,497
Accrued interest payables	385	-
	1,318,323	720,497

Borrowings from the BOL include:

- ▶ USD 5,257,142 long-term borrowing (original borrowing amount was USD 9,200,000) for the purpose of investment in Banque Franco – Lao Limited. The loan's principal is paid annually from 2010 to 2023 with the interest of 0.25% per annum. The interest is paid semi-annually.
- ▶ USD 99,854,000 long-term borrowing (original borrowing amount was USD 100,000,000) for the purpose of providing credit to certain Government-backed Hydropower projects with interest rate of 5.5% per annum.
- ▶ USD 58,000,000 long-term borrowing (original borrowing amount was USD 100,000,000) for the purpose of providing credit to certain Government-backed Hydropower projects with interest rate of 5.3% per annum.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

24. TAXATION

24.1 Profit tax expense

Major components of tax expense were as follows:

	<i>For the six-month period ended 30 June 2016 LAKm</i>	<i>For the six-month period ended 30 June 2015 LAKm</i>
Current profit tax expense	17,280	3,447
Deferred profit tax (income)/expense	(2,534)	3,291
	14,746	6,738

24.2 Tax payables

	<i>30 June 2016 LAKm</i>	<i>31 December 2015 LAKm</i>
Profit Tax payable	19,317	18,763
Value Added Tax payable	12,171	12,171
Other payable to tax authorities	165	-
	31,653	30,934

24.3 Current Profit tax ("PT")

Provision is made for PT on the current period's profits, based on the Tax Law governing taxation within Lao P.D.R. The Bank is obliged to pay tax at rate of 24% of total profit before tax in accordance with the new Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

24 TAXATION (continued)

24.3 Current Profit tax (continued)

Detailed profit tax ("PT") for the six-month period ended 30 June 2016 and 30 June 30 June 2015 are as follows:

	<i>For the period ended 30 June 2016 LAKm</i>	<i>For the period ended 30 June 2015 LAKm</i>
Consolidated profit before tax under IFRS	79,878	75,588
<i>Adjustments for:</i>		
- Difference between carrying value under LAS and amortized cost under IFRS of bonds	12,052	(1,249)
- Difference in (reversal of)/expense for credit loss between LAS and IFRS	(17,937)	(13,724)
- Difference in allocation of subvention funds	1,572	236
- Write-off start-up cost as expense during the year	(21)	(24)
- Difference in impairment loss expense of investment between LAS and IFRS	13,914	(594)
- Non-taxable profit arising from consolidation adjustments	(11,627)	(12,687)
- Income exempted from PT	(5,936)	(33,664)
- Non-deductible expenses	103	479
Taxable profit under LAS	71,998	14,361
in which:		
- Taxable profit of the parent bank	70,501	12,996
- Taxable profit of the subsidiary	1,497	1,365
PT expense of the parent bank at rate of 24% (2015: 24%)	16,921	3,119
PT expense of the subsidiary at rate of 24% (2015: 24%)	359	328
Consolidated PT expense in the period	17,280	3,447
PT payable at the beginning of the period	18,765	8,582
PT paid in the period	(19,074)	(6,127)
Additional tax liability for previous years	2,511	165
Other adjustment	(165)	-
PT payable at the end of the year	19,317	6,067

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

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

24. TAXATION (continued)

24.4 Deferred tax assets/(liabilities)

	Deferred tax assets (tax rate of 24%) LAKm	Deferred tax liabilities (tax rate of 24%) LAKm	Net deferred tax assets/ (liabilities) LAKm
As at 1 January 2016	6,259	(11,077)	(4,818)
Increase during the period due to:			
Changes in fair value of available for sale financial instruments		2,301	2,301
Changes in temporary difference between taxable profit under LAS and taxable profit under IFRS	13,621	(11,087)	2,534
As at 30 June 2016	19,880	(19,863)	17

25. OTHER LIABILITIES

	30 June 2016 LAKm	31 December 2015 LAKm
Payables to employees	126	13,661
Payable to suppliers	15,052	17,472
Termination allowances	16,205	14,537
Others	23,300	14,703
	54,683	60,373

26. CHARTERED CAPITAL

	For the six-month period ended 30 June 2016 LAKm
Opening balance	682,888
Closing balance	682,888

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

27. STATUTORY RESERVES AND OTHER RESERVES

	<i>Regulatory reserve fund LAKm</i>	<i>Business expansion fund LAKm</i>	<i>Capital supplement reserve LAKm</i>	<i>Total LAKm</i>
As at 1 January 2016	73,983	228,640	12,275	314,898
Appropriation to reserves for the year 2015	9,742	34,137	-	43,879
As at 30 June 2016	83,725	262,777	12,275	358,777

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 the Board of Directors. The Business expansion fund and others shall be created upon decision of the Board of Directors.

28. AVAILABLE-FOR-SALE RESERVE

	<i>For the six-month period ended 30 June 2016 LAKm</i>
Opening balance	32,789
Net changes in fair value of available-for- sale financial investments	(7,287)
Share of associate's net increase in changes in fair value of available-for- sale financial investments	(122)
Closing balance	25,380

29. ADDITIONAL CASH FLOW INFORMATION

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

	<i>30 June 2016 LAKm</i>	<i>31 December 2015 LAKm</i>
Cash and cash equivalents on hand	2,144,107	2,236,642
Demand deposits with the BOL	2,964,511	6,095,242
Current accounts with other banks	1,211,111	1,659,680
Term deposits due within 3 months	256,325	162,779
	6,576,054	10,154,343

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

30. CONTINGENT LIABILITIES AND COMMITMENTS

	30 June 2016 LAKm	31 December 2015 LAKm
Financial letter of guarantees	261,769	252,765
At sight letters of credit	695,090	850,007
Deferred payment letters of credit	123,243	148,541
Credit limit given to customer	6,480,086	6,226,584
Credit limit given to banks	38,815	55,080
	7,599,003	7,532,977

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 30 June 2016, Bank entered into no lease contracts as either lessor or lessee which results in future cash inflows and/or outflows.

31. RELATED PARTY DISCLOSURES

Transactions with key management personnel of the Bank

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

	For the six-month period ended 30 June 2016 LAKm	For the six-month period ended 30 June 2015 LAKm
Salaries	721	563
Bonus	184	306
Responsibility allowance	601	480
	1,506	1,349

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

31. RELATED PARTY DISCLOSURES (continued)

Transactions with other related parties

Significant balances with other related parties at 30 June 2016 were as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Receivable LAKm</i>	<i>Payable LAKm</i>
The Bank of the Lao P.D.R	Direct controller	Borrowings from the BOL	-	1,317,938
The Bank of the Lao P.D.R	Direct controller	BCEL's demand deposits at BOL	2,962,229	-
The Bank of the Lao P.D.R	Direct controller	BCEL's compulsory deposits at BOL	1,154,089	-
The Bank of the Lao P.D.R	Direct controller	BOL's current account at BCEL		18,443
The Ministry of Finance of the Lao P.D.R	Direct owner	Investment in MOF's bonds	2,570,303	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Accrued interest	37,692	-
Lao Viet Joint Venture Bank	Joint venture	Current accounts	-	174,155
Banque Franco – Lao Company Limited	Joint venture	Term deposit	8,270	-
Banque Franco – Lao Company Limited	Joint venture	Current accounts	-	46,693
Lao China Bank Co., Ltd	Joint venture	Current accounts	-	72,731
KT-Zmico Securities Co., Ltd	Common shareholder in BCEL KT	Management fee payable	-	16

Significant balances with related parties as at 31 December 2015 are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Receivable LAKm</i>	<i>Payable LAKm</i>
The Bank of the Lao P.D.R	Direct controller	Borrowings and accrued interest from the BOL	-	720,497
The Bank of the Lao P.D.R	Direct controller	BCEL's demand deposits at BOL	6,095,242	-
The Bank of the Lao P.D.R	Direct controller	BCEL's compulsory deposits at BOL	1,134,906	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Investment in MOF's bonds	1,776,408	-
Lao Viet Joint Venture Bank	Joint venture	Current accounts	-	31,962
Banque Franco – Lao Company Limited	Joint venture	Current accounts	-	54,191
Lao China Bank Co., Ltd	Joint venture	Current accounts	-	129,465
KT-Zmico Securities Co., Ltd	Common shareholder in BCEL KT	Management fee payable	-	974

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

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.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

33. CAPITAL MANAGEMENT

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

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

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

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

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

	30 June 2016 LAKm	31 December 2015 LAKm
Tier 1 capital	1,164,406	1,132,051
Tier 2 capital	11,422	14,877
Total capital	1,175,828	1,146,928
Less: Deductions from capital (Investments in other entities)	(567,062)	(555,418)
Capital for CAR calculation (A)	608,766	591,510
Risk weighted balance sheet items	8,750,464	6,810,241
Risk weighted off balance sheet items	3,050,478	3,738,949
Total risk weighted assets (B)	11,800,942	10,549,190
Capital Adequacy Ratio (A/B)	5.16%	5.60%

34. 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 are mainly held to maturity with fair values equal to the book value of loans adjusted for allowance for impairment losses.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2016 and for the six-month period then ended

35. EARNINGS PER SHARE

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

The following reflects the data used in the basic (loss)/earnings per share computation.

	30 June 2016	30 June 2015
Net profit attributable to ordinary equity holders (LAKm)	64,745	68,547
Weighted average number of ordinary shares (units)	136,577,600	136,577,600
Face value per share (LAK)	5,000	5,000
Earnings per share (LAK)	474	502

36. EVENTS AFTER THE REPORTING 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 30 June 2016 that significantly impacted the interim consolidated financial position of the Bank as at 30 June 2016.

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

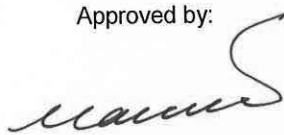
	30 June 2016 LAK	31 December 2015 LAK
USD	8,080.00	8131.00
EUR	8,961.00	8,871.00
THB	230.28	226.06
GBP	10,664.00	11,864.00
CHF	7,883.00	7,829.00
JPY	77.37	66.33
SGD	6,060.00	5,845.00
CAD	5,961.00	5,610.00
AUD	5,916.00	5,830.00
CNY	1,143.00	1,180.00
VND	0.36	0.36

Prepared by:



Mrs. Lammaniseng Sayaphet
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Approved by:



Mr. Khammone Vansana
Deputy Head of Internal Audit
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Approved by:



MA Phoukhong Chanthachack
General Managing Director

Vientiane, Lao P.D.R

29 August 2016