

Banque Pour Le Commerce Exterieur Lao Public

Report of Management and

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

as at and for the year ended 31 December 2013

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.

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 People’s Democratic Republic. On 23 December 2010, the Bank successfully undertook its Initial Public Offering. On 10 January 2011, the Bank was equitized and renamed into Banque Pour Le Commerce Extérieur Lao Public under the Operating License No. 0061/LRO dated 10 January 2011 issued by the Business License Registration Office of the Lao P.D.R.

On 15 July 2011, the Bank continued to sell 10% of the total ordinary shares (equivalent 13,657,759 shares) to its strategic partner named Cofibred in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and Cofibred. Accordingly, Cofibred paid fully to the Ministry of Finance the total purchased price of LAK 150,235,349,000 from 25 July to 29 July 2011.

According to notification from Lao Securities and Exchange Commission, the Government’s shares account for 70% of the Bank’s chartered capital which is equivalent to 95,604,320 shares; local investors’ shares (including employees of the Bank) account for 10% of the Bank’s chartered capital which is equivalent to 13,657,759 shares; strategic partners’ shares account for 10% of the Bank’s chartered capital which is equivalent to 13,657,759 shares; and other foreign investors’ proportion of 10% is equivalent to 13,657,759 shares.

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 and advances 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.

Chartered Capital

The chartered capital as at 31 December 2013 is LAKm 682,888. (As at 31 December 2012: LAKm 682,888).

Location and Network

The Bank’s Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane, Lao P.D.R. As at 31 December 2013, the Bank has one (01) Head Office, two (2) subsidiaries, three (3) joint ventures, eighteen (18) main branches, fifty-two (52) services units, and eleven (11) exchange units all over Lao P.D.R.

Subsidiaries

As at 31 December 2013, the Bank has two (02) subsidiaries as follows:

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

Banque Pour Le Commerce Exterieur Lao Public

GENERAL INFORMATION (continued)

THE BANK (continued)

Joint ventures

As at 31 December 2013, the Bank has three (03) joint ventures as follows:

<i>Name</i>	<i>Business License No.</i>	<i>Business Sector</i>	<i>% owned by the Bank</i>
Lao Viet Joint Venture Bank	232/11 dated 8 September 2011 by the Bank of Lao P.D.R	Banking & Finance	35%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of 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%

BOARD OF DIRECTORS

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

<i>Name</i>	<i>Title</i>	<i>Date of appointment/reappointment</i>
Mr. Saysamone Xaysouliane	Chairman	Appointed on 26 March 2012
Mr. Khamsouk Sundara	Vice Chairman	Appointed on 26 March 2012
Mr. Vanhkhram Voravong	Member	Reappointed on 26 March 2012
Mr. Phoukhong Chanthachack	Member	Appointed on 26 March 2012
Mr. Vilay Siphaphone	Member	Appointed on 26 March 2012
Mr. Khamhou Thongthavy	Member	Reappointed on 26 March 2012
Mr. Yves Jackquot	Member	Appointed on 26 March 2012

BOARD OF MANAGEMENT

Members of the Board of Management during the year and at the date of this report are as follows:

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

LEGAL REPRESENTATIVE

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

AUDITORS

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

Banque Pour Le Commerce Extérieur Lao Public

REPORT OF MANAGEMENT

The Board of Management of Banque Pour Le Commerce Extérieur Lao Public ("the Bank") is pleased to present its report and the Bank's separate financial statements as at and for the year ended 31 December 2013.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE SEPARATE FINANCIAL STATEMENTS

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

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent; and
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the separate financial statements.

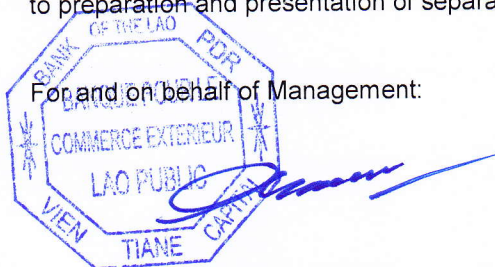
The Bank's Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Bank and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding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

The Bank's Management has confirmed that the Bank has complied with the above requirements in preparing the separate financial statements as at and for the year ended 31 December 2013.

STATEMENT OF THE MANAGEMENT

Management does hereby state that, in its opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Bank as at 31 December 2013 and of the results of its operations and its cash flows for the year ended in accordance with the Enterprise Accounting Law of Lao P.D.R and with the regulations stipulated by the Bank of Lao P.D.R relevant to preparation and presentation of separate financial statements.

For and on behalf of Management:



Mr. Onekeo Damlongboun
Deputy Managing Director

Vientiane, Lao P.D.R

5 March 2014

Reference: 60790273/16283018

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying separate financial statements of Banque Pour Le Commerce Exterieur Lao Public ("the Bank"), which comprise the separate balance sheet as at 31 December 2013, the separate income statement, separate statement of changes in equity and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 5 to 37.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the Enterprise Accounting Law of Lao P.D.R and with the regulations stipulated by the Bank of Lao P.D.R relevant to preparation and presentation of separate financial statements, and for such internal controls as management determines is necessary to enable the preparation of these separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects the financial position of the Bank as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the Enterprise Accounting Law of Lao P.D.R and with the regulations stipulated by the Bank of Lao P.D.R relevant to preparation and presentation of separate financial statements.


Vientiane, Lao P.D.R.
5 March 2014



Banque Pour Le Commerce Extérieur Lao Public

SEPARATE INCOME STATEMENT for the year ended 31 December 2013

Currency: LAKm

Code	ITEMS	Notes	2013	2012
A.	OPERATING INCOME AND EXPENSES			
1.	Interest and similar income	3	908,725	707,032
1.1	Interest and similar income from interbank		30,725	31,616
1.2	Interest and similar income from customers		796,980	540,427
1.3	Other interest and similar income		81,020	134,989
2.	Interest and similar expense	3	(494,754)	(375,722)
2.1	Interest and similar expense for interbank		(7,076)	(5,832)
2.2	Interest and similar expense for customers		(487,678)	(369,890)
I.	NET INTEREST AND SIMILAR INCOME	3	413,971	331,310
3	Net (loss)/gain from gold trading	7	(6,337)	7,206
4	Net gain from equity investments	4	15,710	13,078
5	Fee and commission income	5	166,119	171,812
6	Fee and commission expense	6	(20,597)	(18,247)
7	Net gain from securities investment		-	-
8	Net gain from dealing in foreign currencies	7	41,363	82,986
II.	NET OPERATING INCOME		610,229	588,145
B	OTHER INCOME AND EXPENSES			
9	Other operating income	8	1,229,171	132,153
10	Administration expenses		(277,228)	(245,391)
10.1	Payroll and other staff costs	9	(206,678)	(186,052)
10.2	Other administrative expenses	10	(65,620)	(55,246)
10.3	Other expenses		(4,930)	(4,093)
11	Depreciation and amortization charges	18,19	(50,818)	(40,301)
12	Other operating expenses	11	(1,244,318)	(129,953)
13	Net specific provision for loans and advances to customers	15.5	(16,409)	(35,004)
13.1	Specific provision expense for loans and advances to customers	15.5	(613,927)	(125,681)
13.2	Reversal of specific provision for loans and advances to customers	15.5	597,518	90,677
III.	TOTAL PROFIT BEFORE TAX		250,627	269,649
14	Current enterprise income tax	25.1	(50,014)	(59,056)
IV.	PROFIT AFTER TAX		200,613	210,593
	Earnings per share (LAK)	29	1,469	1,542

Prepared by:

Approved by:

Mr. Phonenalath Kongvongsa
Deputy of Accounting Section

Mrs. Lammaniseng Sayaphet
Head of Accounting Division

Mr. Onekeo Damlongboun
Deputy Managing Director

Vientiane, Lao P.D.R

5 March 2014

Banque Pour Le Commerce Extérieur Lao Public

SEPARATE BALANCE SHEET
as at 31 December 2013

Currency: LAKm

<i>Code</i>	<i>ASSETS</i>	<i>Notes</i>	<i>31 December 2013</i>	<i>31 December 2012 restated</i>
I	Cash and accounts with the BOL	12	4,047,762	2,715,301
	1. Cash on hand		1,692,585	1,132,745
	2. Compulsory and demand deposits		2,355,177	1,555,943
	3. Term deposits			26,613
II	Amounts due from other banks	13	1,406,842	2,547,279
	1. Demand deposits		1,146,066	1,430,005
	2. Term deposits		7,712	759,228
	3. Loans to other banks, net of specific provision		253,064	358,046
III	Investment in securities	14	930,893	1,670,902
	1. Available-for-sale securities	14.1	166,113	125,000
	2. Held-to-maturity securities	14.2	764,780	1,545,902
IV	Loans and advances to customers, net of specific provision	15	9,228,059	6,902,630
V	Investment in subsidiaries and joint- ventures	17	424,815	423,400
VI	Fixed assets		605,038	503,580
	1. Construction in progress and fixed assets in transit		135,852	76,317
	2. Intangible fixed assets	18	227,129	186,856
	3. Tangible fixed assets	19	242,057	240,407
VII	Other assets		263,014	180,384
	1. Accrued interest receivables	20	133,857	98,442
	2. Other assets	21	129,157	81,942
	TOTAL ASSETS		16,906,423	14,943,476

Banque Pour Le Commerce Extérieur Lao Public

SEPARATE BALANCE SHEET (continued)
as at 31 December 2013

Currency: LAKm

<i>Code</i>	<i>LIABILITIES AND CAPITAL</i>	<i>Notes</i>	<i>31 December 2013</i>	<i>31 December 2012 restated</i>
I	Amounts due to other banks	22	1,123,734	924,700
	1. Demand and saving deposits		902,458	848,109
	2. Term deposits		159,362	14,801
	3. Borrowings from other banks		58,660	60,067
	4. Other payables to other banks		3,254	1,723
II	Amounts due to customers	23	14,522,636	12,768,162
	1. Demand, saving and margin deposits		9,168,361	8,430,635
	2. Term deposits		5,092,222	4,172,639
	3. Other payables to customers		262,053	164,888
III	Other liabilities		150,122	241,826
	1. Accrued interest payables	24	78,528	63,888
	2. Tax payables to the State	25.2	15,019	54,819
	3. Other liabilities	26	56,575	123,119
	TOTAL LIABILITIES		15,796,492	13,934,688
IV	Capital and reserves		1,109,931	1,008,788
	1. Chartered capital		682,888	682,888
	2. Regulatory reserve fund		60,501	40,440
	3. Business expansion fund		213,567	143,352
	4. General provision for credit activities	16	101,538	85,187
	5. Retained earnings		51,437	56,921
	TOTAL CAPITAL		1,109,931	1,008,788
	TOTAL LIABILITIES AND CAPITAL		16,906,423	14,943,476

Banque Pour Le Commerce Extérieur Lao Public

SEPARATE BALANCE SHEET (continued)
as at 31 December 2013

Currency: LAKm

Code	OFF BALANCE SHEET ITEMS	Notes	31 December 2013	31 December 2012
I	Commitments given			
A	Commitments for financing given		2,278,859	1,667,757
1	- Commitments for financing given to other banks		198,207	-
2	- Commitments for financing given to customers		2,080,652	1,667,757
B	Commitments for guarantees given		2,047,725	172,027
1	- Commitments for guarantees given to other banks		-	-
2	- Commitments for guarantees given to customers		2,047,725	172,027
	TOTAL COMMITMENTS GIVEN		4,326,584	1,839,784

Code	OFF BALANCE SHEET ITEMS	Notes	31 December 2013	31 December 2012
II	Collaterals and Mortgages			
A	Collaterals and Mortgages for loans		53,594,487	18,263,812
1	- Collaterals and Mortgages for loans to other banks		-	-
2	- Collaterals and Mortgages for loans to customers		53,594,487	18,263,812
B	Collaterals and Mortgages for guarantees given		1,087	229,370
1	- Collaterals and Mortgages for guarantees given to other banks		-	-
2	- Collaterals and Mortgages for guarantees given to customers		1,087	229,370
	TOTAL COLLATERALS AND MORTGAGES		53,595,574	18,493,182

Prepared by:

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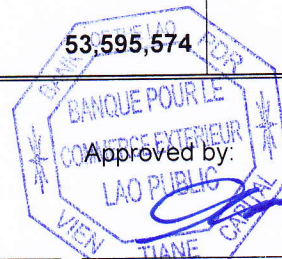
Mr. Phonenalath Kongvongsa
Deputy of Accounting Section

Approved by:

[Signature]

Mrs. Lammaniseng Sayaphet
Head of Accounting Division

Approved by:



Mr. Onekeo Damlongboun
Deputy Managing Director

Vientiane, Lao P.D.R

5 March 2014

Banque Pour Le Commerce Extérieur Lao Public

SEPARATE STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2013

Currency: LAKm

	<i>Chartered capital</i>	<i>Regulatory reserve fund</i>	<i>Business expansion fund</i>	<i>General provision for credit activities (Note 16)</i>	<i>Retained earnings</i>	<i>Total</i>
Balances as at 1 January 2013, restated	682,888	40,440	143,352	85,187	56,921	1,008,788
Appropriation for dividend paid out to shareholders	-	-	-	-	(115,821)	(115,821)
Net profit for the year 2013	-	-	-	-	200,613	200,613
Appropriation to reserves for the year 2013	-	20,061	70,215	-	(90,276)	-
Net general provision expense for credit activities for the year 2013	-	-	-	16,896	-	16,896
Foreign exchange difference	-	-	-	(545)	-	(545)
Balances as at 31 December 2013	682,888	60,501	213,567	101,538	51,437	1,109,931

Prepared by:

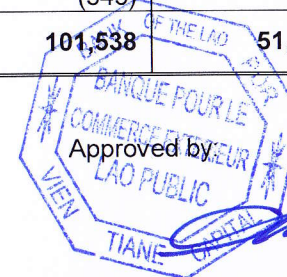


Mr. Phonenalath Kongvongsa
Deputy of Accounting Section

Approved by:



Mrs. Lammaniseng Sayaphet
Head of Accounting Division



Mr. Onekeo Damlongboun
Deputy Managing Director

Vientiane, Lao P.D.R

5 March 2014

Banque Pour Le Commerce Extérieur Lao Public

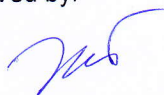
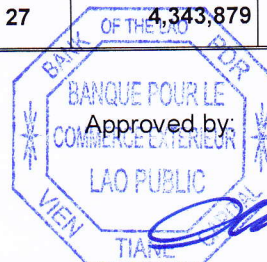
SEPARATE CASH FLOW STATEMENT for the year ended 31 December 2013

Currency: LAKm

	Notes	2013	2012
Net profit after tax		200,613	210,593
<i>Adjustments for:</i>			
Enterprise tax expenses	25.1	50,014	59,056
Depreciation and amortization expenses	19,20	50,818	40,301
Provision for credit losses	16,17	33,305	65,719
(Profits) from investing activities		(15,710)	(13,078)
Cash flows from operating profit before changes in operating assets and liabilities		319,040	362,591
(Increase)/Decrease in operating assets			
Balances with other banks		756,559	(694,308)
Loans and advances to customers		(2,302,147)	(1,958,856)
Accrued interest income		(35,415)	(23,454)
Other assets		(106,750)	(13,185)
Increase/(Decrease) in operating liabilities			
Amounts due to other banks		199,034	(237,856)
Customer deposits and other amounts due to customers		1,754,474	2,240,833
Enterprise tax paid during the period	25.2	(89,814)	(61,242)
Utilization of provision reserve for bad debt written off		(39,675)	-
Other liabilities		(51,903)	56,209
Net cash flows from operating activities		403,403	(329,268)
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(136,281)	(243,803)
Proceed from disposals assets		43,540	1,448
Investment in securities		740,009	473,904
Payments for investments in other entities		(1,415)	(139,068)
Interest and dividends received		15,709	13,078
Net cash flows from investing activities		661,562	105,559
FINANCING ACTIVITIES			
Payment of dividend		(115,821)	(165,613)
Net cash flows used in financing activities		(115,821)	(165,613)
Net increase in cash and cash equivalents		949,144	(389,322)
Cash and cash equivalents at the beginning of the year		3,395,296	3,784,210
Effect of foreign exchange difference		(561)	408
Cash and cash equivalents at the end of year	27	4,343,879	3,395,296

Prepared by:

Approved by:

Mr. Phonenalath Kongvongsa
Deputy of Accounting Section

Mrs. Lammaniseng Sayaphet
Head of Accounting Division

Mr. Onekeo Damlongboun
Deputy Managing Director

Vientiane, Lao P.D.R

5 March 2014

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2013

1. CORPORATE INFORMATION

Banque Pour Le Commerce Extérieur Lao Public (herein referred to as “the Bank”) is a joint-stock bank incorporated and registered in the Lao People’s Democratic Republic.

Establishment and Operations

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On 15 July 2011, the Bank continued to sell 10% of the total ordinary shares (equivalent 13,657,759 shares) to its strategic partner named Cofibred in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and Cofibred. Accordingly, Cofibred paid fully to the Ministry of Finance the total purchased price of LAK 150,235,349,000 from 25 July to 29 July 2011.

According to notification from Lao Securities and Exchange Commission, the Government’s shares account for 70% of the Bank’s chartered capital which is equivalent to 95,604,320 shares; local investors’ shares (including employees of the Bank) account for 10% of the Bank’s chartered capital which is equivalent to 13,657,759 shares; strategic partners’ shares account for 10% of the Bank’s chartered capital which is equivalent to 13,657,759 shares; and other foreign investors’ proportion of 10% is equivalent to 13,657,759 shares.

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 and advances 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.

Chartered Capital

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Location and Network

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Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 December 2013

1. CORPORATE INFORMATION (continued)

Board of Directors

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

<i>Name</i>	<i>Title</i>	<i>Date of appointment/reappointment</i>
Mr. Saysamone Xaysoulane	Chairman	Appointed on 26 March 2012
Mr. Kamsouk Sundara	Vice Chairman	Appointed on 26 March 2012
Mr. Vanhkhom Voravong	Member	Reappointed on 26 March 2012
Mr. Phoukhong Chanthachack	Member	Appointed on 26 March 2012
Mr. Vilay Siphaphone	Member	Appointed on 26 March 2012
Mr. Khamhou Thongthavy	Member	Reappointed on 26 March 2012
Mr. Yves Jackquot	Member	Appointed on 26 March 2012

Board of Management

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

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

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2013

1. CORPORATE INFORMATION (continued)

Subsidiaries

As at 31 December 2013, the Bank has two (02) subsidiaries as follows:

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

Joint ventures

As at 31 December 2013, the Bank has three (03) joint ventures as follows:

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

Employees

Total number of employees of the Bank as at 31 December 2013 is 1,427 persons (as at 31 December 2012: 1,234 persons).

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2013

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

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

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

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

2.2 *Basis of preparation*

The Bank maintains its records in Lao Kip ("LAK") and prepared its separate financial statements in million of LAK ("LAKm") in accordance with the Decree No. 02/PR by the Prime Minister of Lao P.D.R dated 22 March 2000 and the Enterprise Accounting Law of Lao P.D.R and other relevant accounting regulations as stipulated by Bank of Lao P.D.R ("LAS").

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

2.3 *Fiscal year*

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

2.4 *Recognition of interest income and expense*

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

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

2.5 *Recognition of fee and commission income*

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

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

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2013

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.6 *Recognition of dividend income*

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

2.7 *Cash and cash equivalents*

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

2.8 *Loans and advances to customers*

Loans and advances to customers are recognized at cost and presented at outstanding balance less specific provision for loans and advances to customers as at 31 December 2013.

2.9 *Specific provision for loans and advances to customers*

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

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

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

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

Details on the loan classification and specific provision and the provision amount that are actually booked by the Bank as at 31 December 2013 are presented in Note 15.5.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2013

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.10 *General provision for credit activities*

In accordance with BOL324, the Bank is required to create a general provision for loan losses at the rate 3.00% of the total balance of Watch or Special Mention loans as at the reporting date and general provision made for Normal or Pass loans shall be upon the BOL's notification for each year. For the year ended 31 December 2013, the general provision rate for Normal or Pass loans is ranging from 0.50 to 1% in accordance with the Official Letter No. 242/BOL issued by the Bank of Lao PRD on 2 April 2011. Accordingly, the Bank provided general provision at rate of 0.70% out of total balance of Normal or Pass loans.

The Bank complied with the BOL's regulations on general provision provided for Normal or Pass and Watch or Special loans for the year ended 31 December 2013.

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

Details of change in general provision for credit activities are presented in Note 16.

2.11 *Investment securities*

2.11.1 *Held-to-maturity securities*

Held-to-maturity investment securities are debt securities with fixed or determinable payments and maturities, which the Bank has intention and ability to hold to maturity to earn interest. These securities have determined values and maturities. When they are sold before maturity date, these securities will be reclassified as trading securities or available-for-sale securities.

Held-to-maturity securities are initially recognized at cost and subsequently presented at cost.

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

2.11.2 *Available-for-sale securities*

Available-for-sale investments include equity instruments and other debt instruments that the Bank has intention to hold for investment and that are ready for trading. These securities are not frequently traded but can be sold at any time if such sale yields profit.

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

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

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2013

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.12 *Investments in subsidiaries*

Investments in subsidiaries over which the Bank has control are accounted for under the cost method of accounting. Distributions from accumulated net profits of the subsidiaries arising subsequent to the date of acquisition are recognised in the separate income statement. Distributions from sources other than from such profits are considered as a recovery of investment and are deducted from the cost of the investment.

Details of investments in subsidiaries are presented in Note 17.

2.13 *Investment in joint ventures*

The Bank's investment in joint ventures is recognized at cost and subsequently reflected at cost on the separate balance sheet. Dividend and income transferred from the joint ventures are recognized in the separate income statement as "Net gain from equity investments".

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

Details of the Bank's investment in joint ventures are presented in Note 17.

2.14 *Fixed assets*

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

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

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

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

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

2.15 *Depreciation and amortization*

Depreciation and amortization of fixed assets are provided on the straight line basis at prescribed rates over their estimated useful life in accordance with the new Tax Law No.05 dated 20 December 2011 which is effective on or after 1 January 2013 stipulated by the President of the National Assembly. The following are the annual rates used:

Buildings & improvements	5%
Office equipment	20%
Furniture & fixtures	20%
Motor vehicles	20%
Land use rights (*)	No amortization
Software	20%

(*): Cost of land use rights is not amortized as they have indefinite life.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2013

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.16 Statutory reserves

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

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

In accordance with the Regulation on capital adequacy No.1/BOL dated 28 August 2002 by the Governor of the Bank of Lao P.D.R and other relevant guidance, commercial banks are required to provide regulatory reserve fund at the rate between 5% to 10% of profit after tax depending on decision of the Board of Directors. The Business expansion fund and other shall be created upon decision of the Board of Directors. Accordingly, the Bank has provided the following reserves for the year 2013:

<i>Reserve</i>	<i>% of profit after tax</i>
Regulatory reserve fund	10%
Business expansion fund	35%

2.17 Taxation

Provision is made for taxation on the current year's profits, based on the Tax Law governing taxation within Lao P.D.R. The Bank is obliged to pay tax at rate of 24% of total profit before tax in accordance with the new Tax Law No.05 dated 20 December 2011 which is effective on or after 1 January 2013 (2012: the Bank is obliged to pay the higher amount of 28% of total profit before tax and 1% of total revenue if and only if the Bank declared loss or the profit range does not reach the CIT rate in accordance with Notification No.3383/MOF of Ministry of Finance). Additionally, in accordance with Decree 001 dated 28 December 2010 issued by the President of Laos P.D.R, the tax rate for listed companies is reduced by 5% within 4 years from the date of listing. Accordingly, the Bank is subject to the tax rate of 19% for the year ended 31 December 2013 (2012: 23%). The Bank's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations in many types of transactions is susceptible to varying interpretations, amounts reported in the separate financial statements could be changed at a later date upon final determination by the tax authorities.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2013

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.18 Foreign currency transactions

The Bank maintains its accounting system and records all transactions in original currencies. Monetary assets and liabilities denominated in foreign currencies at year end are translated into LAK at exchange rates ruling on the separate balance sheet date (see the list of exchange rates of applicable foreign currencies against LAK on 31 December 2013 as presented below). Income and expenses arising in foreign currencies during the year are converted into LAK at rates ruling on the transaction dates. Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance sheet date are recognized in the separate income statement.

	31/12/2013 LAK	31/12/2012 LAK
USD	8,007.00	7,968.00
EUR	11,002.00	10,541.00
THB	245.28	260.39
GBP	12,993.00	12,636.00
CHF	8,846.00	8,596.00
JPY	74.77	90.66
SGD	6,392.00	6,604.00
CAD	7,360.00	7,885.00
AUD	6,977.00	8,136.00

2.19 Employee benefits

Post employment benefits

Post employment benefits are paid to retired employees of the Bank by the Social Security Fund Department which belongs to the Ministry of Labour and Social Welfare. The Bank is required to contribute to these post employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 8.00% of employee's basic salary on a monthly basis. The Bank has no further obligation concerning post employment benefits for its employees other than this.

Termination benefits

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 at 10% of the basic monthly salary 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 31 December 2013, there is no employees of the Bank who were dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the separate financial statements.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2013

3. NET INTEREST AND SIMILAR INCOME

	2013 LAKm	2012 LAKm
Interest and similar income:	908,725	707,032
Interest income from interbank	30,725	31,616
Interest income from customers	796,980	540,427
Other interest and similar income	81,020	134,989
- <i>Interest income from held-to-maturity securities</i>	68,466	131,109
- <i>Other income from credit activities</i>	12,554	3,880
Interest and similar expense:	(494,754)	(375,722)
Interest expense for interbank	(7,076)	(5,832)
Interest expense for customers	(487,678)	(369,890)
Net interest and similar income	413,971	331,310

4. NET GAIN FROM EQUITY INVESTMENTS

	2013 LAKm	2012 LAKm
Dividends received in the year		
- from equity investment securities	12,560	9,283
- from investments in joint ventures	3,150	3,795
	15,710	13,078

5. FEE AND COMMISSION INCOME

	2013 LAKm	2012 LAKm
Fees and commission income from:		
Settlement services	97,389	65,104
Treasury activities	65,165	105,383
Other fees and commissions	3,565	1,325
	166,119	171,812

6. FEE AND COMMISSION EXPENSE

	2013 LAKm	2012 LAKm
Fees and commission expenses from:		
Settlement services	7,484	2,028
Treasury activities	1,091	4,566
Other fees and commissions	12,022	11,653
	20,597	18,247

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2013

7. NET GAIN FROM DEALING IN FOREIGN CURRENCIES AND GOLD

	2013 LAKm	2012 LAKm
Net gain from dealing in foreign currencies	41,363	82,986
Gain from foreign exchange spot rate differences	4,377,536	273,175
Loss from foreign exchange spot rate differences	(4,336,173)	(190,189)
Net gain/(loss) from gold trading	(6,337)	7,206
	35,026	90,192

8. OTHER OPERATING INCOME

	2013 LAKm	2012 LAKm
Reversal of general provision for credit activities (see Note 16)	1,218,627	95,438
Recovery of bad debts written off	6,462	34,865
Others	4,082	1,850
	1,229,171	132,153

9. PAYROLL AND OTHER STAFF COSTS

	2013 LAKm	2012 LAKm
Salary, wages and allowances	106,950	91,303
Social insurance	92,820	55,328
Per diem	5,215	39,107
Training expenses	1,693	314
	206,678	186,052

10. OTHER ADMINISTRATIVE EXPENSES

	2013 LAKm	2012 LAKm
External services expenses	9,868	19,169
Repair and maintenance expenses	18,670	10,980
Publication, marketing and promotion expenses	7,206	5,207
Office rental expenses	7,685	6,207
Telecommunication expenses	1,910	1,736
Training, meeting and seminar expenses	3,290	8,711
Tax and other duties expense	77	52
Other expenses	16,914	3,184
	65,620	55,246

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2013

11. OTHER OPERATING EXPENSES

	2013 LAKm	2012 LAKm
General provision for loans to other banks and loans and advances to customers (see Note 16)	1,235,523	126,153
Other expenses	8,795	3,800
	1,244,318	129,953

12. CASH AND ACCOUNTS WITH THE BOL

	31/12/2013 LAKm	31/12/2012 LAKm
Cash on hand	1,692,585	1,132,745
Cash on hand in LAK	629,908	484,223
Cash on hand in foreign currencies	1,037,952	647,790
Gold and precious metal	24,663	-
Cheques collection	62	732
Deposits with BOL	2,355,177	1,555,943
Compulsory deposit	849,949	723,397
Demand deposits	1,505,228	832,546
Term deposits with BOL	-	26,613
	4,047,762	2,715,301

Balances with the BOL include settlement and compulsory and term deposits. These balances bear 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% and 10.00%, on a bi-monthly basis, (2012: 5.00% and 10.00%) of customer deposits having original maturities of less than 12 months, in LAK and in foreign currencies, respectively. During the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

13. AMOUNTS DUE FROM OTHER BANKS

	31/12/2013 LAKm	31/12/2012 LAKm
Demand deposits at other banks	1,146,066	1,430,005
Domestic banks	307,796	98,418
- Demand deposits	307,796	98,418
Foreign banks	838,270	1,331,587
- Demand deposits	675,885	1,189,028
- Saving deposits	162,385	142,559
Term deposits at other banks	7,712	759,228
Domestic banks	7,712	116,020
Foreign banks	-	643,208
Loans to other credit institutions (*)	253,064	358,046
Domestic banks	253,064	358,046
	1,406,842	2,547,279

(*): General provision for loans to other banks is recorded in capital and reserves (see Note 16).

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2013

13. AMOUNTS DUE FROM OTHER BANKS (continued)

Loans to other credit institutions

Loans to other credit institutions comprise:

- ▶ Short-term loans to BCEL Leasing amounting to LAK 13,076,261,425 have the term of 1 year and bear interest rate at 9.0% per annum; USD 7,230,500 and THB 36,092,782 have the term of 1 year and bear interest rate at 6.5% per annum.
- ▶ Medium-term loans to Lao Development Bank amounting to LAK 100,000,000,000 and USD 5,000,000 have term of 2 years and 3 years and bear interest rate at 10.5% and 5.5% per annum respectively.
- ▶ Medium-term loans to Agriculture Promotion Bank amounting to USD 2,600,000 have term of 3 years and bear interest rate at 5.5% per annum and THB 50,500,000 with term of 3 years and bear interest rate at 5.5% per annum.

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

<i>Classification</i>	<i>Loan balance LAKm</i>	<i>Specific provision LAKm</i>	<i>General provision(*) LAKm</i>
Performing loans			
- <i>Normal or Pass</i>	253,064	-	1,771
- <i>Watch or Special mention</i>	-	-	-
Non-performing loans (NPL)			
- <i>Substandard</i>	-	-	-
- <i>Doubtful</i>	-	-	-
- <i>Loss</i>	-	-	-
Total	253,064	-	1,771

(*): General provision for loans to other banks is recorded in capital and reserves (see Note 16).

14. INVESTMENT IN SECURITIES

	<i>31/12/2013 LAKm</i>	<i>31/12/2012 LAKm</i>
Available-for-sale securities	166,113	125,000
Equity securities issued by local business entities	166,113	125,000
Held-to-maturity securities	764,780	1,545,902
Debt securities issued by the Ministry of Finance	764,780	1,098,780
Debt securities issued by the Bank of the Lao P.D.R	-	400,000
Debt securities issued by other entities	-	47,122
	930,893	1,670,902

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2013

14. INVESTMENT IN SECURITIES (continued)

14.1 Available-for-sale securities

Details of the Bank's equity securities - available-for-sale as at 31 December 2013 are as follows:

	31/12/2013 LAKm	31/12/2012 LAKm
Listed shares (EDL-Generation Public Company's shares)	123,679	125,000
Bond issued by CIMB Thai Bank Public Company	42,434	-
	166,113	125,000

14.2 Held-to-maturity securities

Details of the Bank's securities - held-to-maturity as at 31 December 2013 are as follows:

	31/12/2013 LAKm	31/12/2012 LAKm
Treasury bills issued by the Ministry of Finance	449,000	785,000
Bonds issued by the Ministry of Finance	315,780	313,780
Bonds issued by the Bank of Lao P.D.R	-	400,000
Other securities	-	47,122
	764,780	1,545,902

14.2.1 Treasury bills issued by the Ministry of Finance

Details of the treasury bills as at 31 December 2013 are as follows:

Term	Issue date	Maturity date	Face value	Interest rate per annum
1 year	14-Feb-13	14-Feb-14	294,000	8.50%
1 year	8-Apr-13	8-Apr-14	100,000	8.00%
1 year	5-Sept-12	5-Sept-13	50,000	8.50%
1 year	23-Apr-13	23-Apr-14	5,000	8.00%
			449,000	

14.2.2 Bonds issued by the Ministry of Finance

	31/12/2013 LAKm	31/12/2012 LAKm
Triangle bonds	29,780	29,780
Capitalization bonds	98,000	98,000
Bonds for settlement of defaulted LC	20,000	20,000
Other bonds	168,000	166,000
	315,780	313,780

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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14. INVESTMENT IN SECURITIES (continued)

14.2 Held-to-maturity securities (continued)

14.2.2 Bonds issued by the Ministry of Finance (continued)

- ▶ 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 bear 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>Face value (LAKm)</i>	<i>Term</i>	<i>Interest rate (% p.a)</i>
01 March 2009	98,000	5 years	7.80%

- ▶ Bonds for settlement of defaulted LC are bonds issued by the MOF on 03 March 2011 under Agreement No. 535 in order to settle overdue letters of credit of customers which had been categorized as "Non-performing" since the year 1999. These bonds have maturities of 3 years with interest rate at 7% per annum
- ▶ Other bonds issues by the Ministry of Finance are infrastructure bonds for the implementation of Wung Anh Port/Habour project (with total amount LAKm 46,000) and DM construction project (with total amount of LAKm 20,000). Details of these bonds are as follows:

<i>Issued date</i>	<i>LAKm equivalent</i>	<i>Term</i>	<i>Interest rate (% p.a)</i>
20 December 2011	50,000	2 years	3.00%
20 December 2011	50,000	3 years	3.50%
5 December 2011	46,000	5 years	8.00%
12 March 2012	20,000	2 years	3.00%
10 October 2012	2,000	3 years	3.50%
	168,000		

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2013

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

	31/12/2013 LAKm	31/12/2012 LAKm
Commercial loans	9,264,731	6,962,584
Less specific provision for credit losses	(36,672)	(59,954)
	9,228,059	6,902,630

Commercial loans denominated in LAK earn interest at rates varying from 8.00% to 16.00% per annum depending on the terms of the loans. Commercial loans denominated in USD and THB earn interest at rates ranging from 5.50% to 13.00% and 5.50% to 12.75% per annum, respectively.

15.1 Analysis of loan portfolio by currency

	31/12/2013 LAKm	31/12/2012 LAKm
Loans and advances denominated in LAK	4,054,493	2,687,559
Loans and advances denominated in USD	3,881,684	3,052,193
Loans and advances denominated in THB	1,328,554	1,222,832
	9,264,731	6,962,584

15.2 Analysis of loan portfolio by quality

	31/12/2013 LAKm	31/12/2012 LAKm
Normal or Pass	7,665,396	6,269,413
Watch or Special mention	1,536,972	630,593
Substandard	5,340	2,614
Doubtful	42,838	1,067
Loss	14,185	58,897
	9,264,731	6,962,584

15.3 Analysis of loan portfolio by original term

	31/12/2013 LAKm	31/12/2012 LAKm
Short-term loans	1,345,502	2,384,208
Medium-term loans	5,265,336	3,321,483
Long-term loans	2,653,893	1,256,893
	9,264,731	6,962,584

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2013

15. LOANS AND ADVANCES TO CUSTOMERS, NET OF SPECIFIC PROVISION (continued)

15.4 Analysis of loan portfolio by type of industrial sectors

	31/12/2013 LAKm	31/12/2012 LAKm
Industrial services companies	1,412,096	786,756
Construction companies	3,234,584	1,824,878
Technical instruments enterprises	103,297	119,016
Agricultural and forestry	51,277	357,240
Trading companies	2,629,262	2,063,694
Transportation companies	498,387	161,387
Services companies	1,146,073	1,595,458
Other loans	189,755	54,155
	9,264,731	6,962,584

15.5 Changes in provision for credit losses

	Specific provision LAKm	General provision (*) LAKm
Balance as at 1 January 2013	59,954	81,607
Provision charged to expense in the year	613,927	1,198,531
Reversal of provision in the year	(597,518)	(1,179,877)
Non-performing loans written-off	(39,675)	-
Foreign exchange difference	(16)	(494)
Balance as at 31 December 2013	36,672	99,767

(*): General provision for loans and advances to customers is recorded in general provision for credit activities (see Note 16).

The breakdown of loan classification and provision as required by the BOL as at 31 December 2013 are as follows:

Classification	Loan balance LAKm	Specific provision LAKm	General provision LAKm
Performing loans	9,202,368	-	99,767
- Normal or Pass	7,665,396	-	53,658
- Watch or Special mention	1,536,972	-	46,109
Non-performing loans (NPLs)	62,363	36,672	-
- Substandard	5,340	1,068	-
- Doubtful	42,838	21,419	-
- Loss	14,185	14,185	-
Total	9,264,731	36,672	99,767

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15. LOANS AND ADVANCES TO CUSTOMERS, NET OF SPECIFIC PROVISION (continued)

15.5 Changes in provision for credit losses (continued)

The breakdown of loan classification and provision as required by the BOL as at 31 December 2012 were as follows:

<i>Classification</i>	<i>Loan balance LAKm</i>	<i>Specific provision LAKm</i>	<i>General provision LAKm</i>
Performing loans	6,900,006	-	81,607
- <i>Normal or Pass</i>	6,269,413	-	62,689
- <i>Watch or Special mention</i>	630,593	-	18,918
Non-performing loans (NPLs)	62,578	59,954	-
- <i>Substandard</i>	2,614	523	-
- <i>Doubtful</i>	1,067	534	-
- <i>Loss</i>	58,897	58,897	-
Total	6,962,584	59,954	81,607

16. GENERAL PROVISION FOR CREDIT ACTIVITIES

	<i>General provision for loans to other banks LAKm</i>	<i>General provision for loans and advances to customers LAKm</i>	<i>Total LAKm</i>
Balances as at 1 January 2013	3,580	81,607	85,187
Provision charged to expense in the year (see Note 11)	36,992	1,198,531	1,235,523
Reversal of provision in the year (see Note 8)	(38,750)	(1,179,877)	(1,218,627)
Foreign exchange difference	(51)	(494)	(545)
Balances as at 31 December 2013	1,771	99,767	101,538

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17. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

	31/12/2013		31/12/2012, restated	
	Book value LAKm	Ownership %	Book value LAKm	Ownership %
Investment in subsidiaries				
BCEL Leasing Company Limited	9,000	100%	9,000	100%
BCEL - Krung Thai Securities Company Limited	70,000	70%	70,000	70%
Investment in joint ventures				
Lao Viet Joint Venture Bank	199,031	35%	199,031	35%
Banque Franco - Lao Company Limited	138,000	46%	138,000	46%
Lao-Viet Insurance Joint Venture Company	8,784	35%	7,369	29%
	424,815		423,400	

- BCEL Leasing Company Limited is incorporated in the Lao P.D.R under the Business License No. 011/09 granted by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R on 17 November 2009. Its head office is located in Vientiane Capital and it engages in providing leasing services.
- BCEL - Krung Thai Securities Company Limited is incorporated in the Lao P.D.R under the Business License No. 180-10 granted by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R on 14 December 2010. The company's principal activities are to provide brokerage services, proprietary trading, finance and securities investment advisory services, custody services, underwriting for share issues and other value added services.
- Lao Viet Joint Venture Bank ("LVB") is incorporated in the Lao P.D.R with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with the Bank for Investment and Development of Vietnam, a state-owned commercial bank incorporated in the Socialist Republic of Vietnam. The joint venture was granted the banking license on 31 March 2000 by the Bank of Lao P.D.R for a period of 30 years. The legal capital of LVB is USD 15,000,000 and had been fully contributed by partners as at 31 December 2009. In 2012, the Bank has contributed additional capital of USD 5,625,000 on 20 March 2012 and USD 11,375,000 on 28 December 2012. As at 31 December 2013, total contributed capital of the Bank was USD 24,500,000, equivalent to LAKm 199,031.
- Banque Franco - Lao Company Limited ("BFL") is incorporated in the Lao P.D.R with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with Cofibred Company Frances De La Bred which is a state-owned bank incorporated in Paris, France. The joint venture was granted the temporary banking license on 01 October 2009 and a permanent license on 16 July 2010 by the Bank of Lao P.D.R. The legal capital of BFL was USD 20 million which was later revised to USD 37 million in accordance with the President's decree issued on 24 September 2009 and letter No. 01/BOL dated 28 January 2010 from BOL. The total amount of USD 1,840,000 and LAK 122,854,960,000 was contributed by the Bank as at 31 December 2013.
- Lao-Viet Insurance Joint Venture Company ("LVI") is incorporated as a joint venture company in the Lao P.D.R providing insurance services under the Investment License No. 077/08/FIMC issued by the Foreign Investment Management Committee on 09 June 2008. It is a joint venture with BIDV Insurance Joint Stock Corporation and Lao Viet Joint Venture Bank. LVI's legal capital is USD 3,000,000 and has been fully contributed by partners on 17 July 2008. In 2013, the Bank has contributed additional capital of USD 180,000 on 02 September 2013. As at 31 December 2013, the total amount of USD 1,050,000, equivalent to LAKm 8,784 was contributed by the Bank.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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18. INTANGIBLE FIXED ASSETS

Movement of intangible fixed assets for the year ended 31 December 2013 is as follows:

	<i>Land use rights LAKm</i>	<i>Software LAKm</i>	<i>Total LAKm</i>
Cost:			
As at 1 January 2013	167,283	32,624	199,907
Additions	5,012	88,957	93,969
Disposal	(12)	(43,018)	(43,030)
As at 31 December 2013	172,283	78,563	250,846
Accumulated amortization:			
As at 1 January 2013	-	13,051	13,051
Charge for the year	-	12,248	12,248
Disposal	-	(1,582)	(1,582)
As at 31 December 2013	-	23,717	23,717
Net book value:			
As at 1 January 2013	167,283	19,573	186,856
As at 31 December 2013	172,283	54,846	227,129

19. TANGIBLE FIXED ASSETS

Movement of tangible fixed assets for the year ended 31 December 2013 is as follows:

	<i>Buildings & improvements LAKm</i>	<i>Office equipments LAKm</i>	<i>Furniture & fixtures LAKm</i>	<i>Motor vehicles LAKm</i>	<i>Total LAKm</i>
Cost:					
As at 1 January 2013	190,520	97,701	22,845	16,318	327,384
Additions	11,353	25,987	2,395	2,577	42,312
Disposal	(1,146)	(20,553)	(108)	(2,774)	(24,581)
As at 31 December 2013	200,727	103,135	25,132	16,121	345,115
Accumulated depreciation:					
As at 1 January 2013	29,720	45,588	4,965	6,704	86,977
Charge for the year	12,284	20,385	2,491	3,410	38,570
Disposal	(387)	(19,321)	(7)	(2,774)	(22,489)
As at 31 December 2013	41,617	46,652	7,449	7,340	103,058
Net book value:					
As at 1 January 2013	160,800	52,113	17,880	9,614	240,407
As at 31 December 2013	159,110	56,483	17,683	8,781	242,057

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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20. ACCRUED INTEREST RECEIVABLES

	31/12/2013 LAKm	31/12/2012 LAKm
Accrued interest receivables - balance with the BOL	-	100
Accrued interest receivables - due from banks	2,077	6,478
Accrued interest receivables - loans and advances to customers	125,403	54,234
Accrued interest receivables - securities investments	6,377	37,630
	133,857	98,442

21. OTHER ASSETS

	31/12/2013 LAKm	31/12/2012 LAKm
Stationeries and other tools	933	826
Checks in collection	10,174	6,975
Assets waiting for sales	5,161	3,981
Prepaid expenses to be allocated	29,112	19,801
Prepayments	76,962	37,911
Others	6,815	12,448
	129,157	81,942

22. AMOUNTS DUE TO OTHER BANKS

	31/12/2013 LAKm	31/12/2012 LAKm
Demand deposits	721,036	830,878
Domestic banks	183,903	324,504
Foreign banks	23,841	2,769
National treasury	513,292	503,564
Other government institutions	-	41
Saving deposits	181,422	17,231
Domestic banks	164,905	14,850
Foreign banks	16,517	2,381
Term deposits	159,362	14,801
Foreign banks	-	5,000
Domestic banks	159,362	9,801
Borrowings from other banks	58,660	60,067
Bank of Lao P.D.R	54,059	60,067
Foreign banks	4,601	-
Other payables to other banks	3,254	1,723
	1,123,734	924,700

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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22. AMOUNTS DUE TO OTHER BANKS (continued)

Saving deposits from other banks denominated in LAK, USD, THB bear interest at rates from 1.15 – 1.70%, 0.50 – 1.15%, 0.50 – 0.85% per annum, respectively.

Borrowings from the BOL include:

- ▶ Borrowing from the BOL represents the medium-term loan of USD 180,000 as at 31 December 2013 (original loan amount is USD 2,000,000) from the BOL for the purpose of investment in Lao Viet Joint Venture Bank. The loan's principal is paid annually from 2000 to 2014. The loan does not bear interest if the principal repayment is made on time.
- ▶ Other borrowings from the BOL represents the long-term loan of USD 6,571,428 as at 31 December 2013 (original loan amount is USD 9,200,000) from the BOL for the purpose of investment in Banque Franco - Lao Company Limited. The loan's principal is paid annually from 2010 to 2023 with the interest rate of 0.25% per annum.

23. AMOUNTS DUE TO CUSTOMERS

	31/12/2013 LAKm	31/12/2012 LAKm
Demand deposits	2,911,534	2,893,119
Demand deposits in LAK	983,175	1,013,307
Demand deposits in FC	1,928,359	1,879,812
Saving deposits	6,126,223	5,391,968
Saving deposits in LAK	1,922,939	1,685,350
Saving deposits in FC	4,203,284	3,706,618
Margin deposits	130,604	145,548
Margin deposits in LAK	17,446	19,271
Margin deposits in FC	113,158	126,277
Fixed term deposits	5,092,222	4,172,639
Fixed term deposits in LAK	3,458,109	1,039,488
Fixed term deposits in FC	1,634,113	3,133,151
Other amount payables to customers	262,053	164,888
	14,522,636	12,768,162

Saving deposits from customers denominated in LAK, USD and THB bear interest at rate of 3.00%, 1.40% and 1.15% 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 from 0.85 - 6.00%, 1.30 - 8.00 %, 1.85 - 10.00% and 3.15% - 13.25% per annum respectively.

24. ACCRUED INTEREST PAYABLES

	31/12/2013 LAKm	31/12/2012 LAKm
Accrued interest expense – balance with the BOL	-	5
Accrued interest expense – balance with other banks	1,197	286
Accrued interest expense – customer deposits	77,331	63,597
	78,528	63,888

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25. TAXATION

25.1 Enterprise income tax expense

Major components of tax expense were as follows:

	2013 LAKm	2012 LAKm
Enterprise income tax expense in accordance with statutory tax regulations		
- Current	50,014	59,056
Total tax expense for the period	50,014	59,056

25.2 Current Enterprise income tax

Provision is made for taxation 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% on total profit before tax in accordance with the new Tax Law No.05 dated 20 December 2011 which is effective on or after 1 January 2013 (2012: the Bank is obliged to pay the higher amount of 28% of total profit before tax. Additionally, in accordance with Decree 001 dated 28 December 2010 issued by the President of Laos P.D.R, the tax rate for listed companies is reduced by 5% within 4 years from the date of listing. Accordingly, the Bank is subject to the tax rate of 19% for the year ended 31 December 2013 (2012: 23%).

	2013 LAKm	2012 LAKm
Profit before tax	250,627	269,649
Less:		
Income exempt from EIT (dividend income)	(15,710)	(13,078)
Add:		
Non-deductible expenses	28,311	194
Taxable profit	263,228	256,765
Current enterprise income tax at 19% of taxable profit (2012: 23%)	50,014	59,056
Payable at the beginning of the year	54,819	57,005
Tax paid during the year	(89,814)	(61,242)
Payable at the end of the year	15,019	54,819

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

26. OTHER LIABILITIES

	31/12/2013 LAKm	31/12/2012 LAKm
Payables to employees	26,672	31,987
Payable to suppliers	7,766	13,684
Termination allowances	8,137	5,691
Other payables	14,000	71,757
	56,575	123,119

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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27. CASH AND CASH EQUIVALENTS

	31/12/2013 LAKm	31/12/2012 LAKm
Cash on hand	1,692,585	1,132,745
Demand deposits with the BOL	1,505,228	832,546
Current accounts with other banks	1,146,066	1,430,005
	4,343,879	3,395,296

28. TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

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

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

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

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

Significant balances with related parties as at 31 December 2013 are as follows:

Related party	Relationship	Transactions	Receivable LAKm	Payable LAKm
The Bank of Lao P.D.R	Direct controller	Borrowings from the BOL	-	54,059
The Bank of Lao P.D.R	Direct controller	BCEL's demand deposits at BOL	1,505,228	-
The Bank of Lao P.D.R	Direct controller	BCEL's compulsory deposits at BOL	849,949	-
The Ministry of Finance of Lao P.D.R	Direct owner	Investment in MOF's bonds	764,780	-
BCEL Leasing Company	Subsidiary	Current accounts	-	2,258
BCEL Leasing Company	Subsidiary	Loans and accrued interest	-	79,824
BCEL - Krung Thai Securities Company Limited	Subsidiary	Current accounts	-	73,280
BCEL - Krung Thai Securities Company Limited	Subsidiary	Saving accounts	-	6,777
BCEL - Krung Thai Securities Company Limited	Subsidiary	Fixed accounts	-	35,000
Lao Viet Joint Venture Bank	Joint venture	Current accounts	120,052	108,080
Lao Viet Joint Venture Bank	Joint venture	Saving accounts	-	89
Banque Franco – Lao Company Limited	Joint venture	Current accounts	177,712	13,236
Banque Franco – Lao Company Limited	Joint venture	Saving accounts	-	223
Banque Franco – Lao Company Limited	Joint venture	Fixed accounts	-	120,105
Lao Viet Insurance Company	Fixed accounts	Saving accounts	-	2,500

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28. TRANSACTIONS WITH RELATED PARTIES (continued)

Significant balances with related parties as at 31 December 2012 were as follow:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Receivable LAKm</i>	<i>Payable LAKm</i>
The Bank of Lao P.D.R	Direct controller	Borrowings from the BOL	-	60,067
The Bank of Lao P.D.R	Direct controller	BCEL's demand deposits at BOL	832,546	-
The Bank of Lao P.D.R	Direct controller	BCEL's compulsory deposits at BOL	723,397	-
The Bank of Lao P.D.R	Direct controller	BCEL's term deposits and accrued interest at BOL	26,713	-
The Bank of Lao P.D.R	Direct controller	Investment in BOL's bonds	400,000	-
The Ministry of Finance of Lao P.D.R	Direct owner	Investment in MOF's bonds	1,098,780	-
BCEL Leasing Company	Subsidiary	Current accounts	-	1,852
BCEL Leasing Company	Subsidiary	Loans and accrued interest	-	6,809
BCEL - Krung Thai Securities Company Limited	Subsidiary	Saving accounts	-	65,229
Lao Viet Joint Venture Bank	Joint venture	Current accounts	-	21,640
Banque Franco – Lao Company Limited	Joint venture	Current accounts	-	3,545
Lao Viet Insurance Company	Joint venture	Saving accounts	-	1,241

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

	<i>2013 LAKm</i>	<i>2012 LAKm</i>
Salaries	1,320	2,035
Bonus	515	429
Responsibility allowance	700	822
	2,535	3,286

29. EARNINGS PER SHARE

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

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

	<i>2013</i>	<i>2012</i>
Net profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	200,613	210,593
Weighted average number of ordinary shares for basic earnings per share (units)	136,577,600	136,577,600
Face value per share (LAK)	5,000	5,000
Earnings per share (LAK)	1,469	1,542

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

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

An analysis of the Bank's capital based on financial information derived from the separate financial statements is as follows:

	31/12/2013	31/12/2012 <i>restated</i>
	<i>LAKm</i>	<i>LAKm</i>
Tier 1 capital	1,008,393	923,601
Tier 2 capital	70,779	85,187
Total capital	1,079,172	1,008,788
Less: Deductions from capital (Investments in other entities)	(424,815)	(423,400)
Capital for CAR calculation (A)	654,357	585,388
Risk weighted balance sheet items	5,662,308	5,181,591
Risk weighted off balance sheet items	1,788,341	2,478,987
Deduction: Variance of general provision and other asset	(30,759)	-
Total risk weighted assets (B)	7,419,890	7,660,578
Capital Adequacy Ratio (A/B)	8.82%	7.64%

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31. RESTATEMENT OF CORRESPONDING FIGURES

Certain corresponding figures on the separate balance sheet have been restated as follows:

Extracted from the separate balance sheet as at 31 December 2012:

	31/12/2012 (Reported) LAKm	Restatement LAKm	31/12/2012 Restated LAKm
BALANCE SHEET			
Investment in subsidiaries and joint-ventures (i)	426,967	(3,567)	423,400
TOTAL ASSETS	14,947,043	(3,567)	14,943,476
Retained earnings (i)	60,488	(3,567)	56,921
TOTAL LIABILITIES AND CAPITAL	14,947,043	(3,567)	14,943,476

- (i) To retranslate the investments in joint ventures using the rate stipulated by the BOL. Accordingly, the investment contributed before 2010 was translated at rate ruling on 31 January 2010. Further capital contribution after 31 January 2010 is translated at rate ruling on the capital contributed date.

32. EVENTS AFTER THE SEPARATE BALANCE SHEET DATE

Other than as disclosed elsewhere in these separate financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2013 that significantly impacted the separate financial position of the Bank as at 31 December 2013.

Prepared by:



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Approved by:



Mrs. Lammaniseng Sayaphet
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Deputy Managing Director

Vientiane, Lao P.D.R

5 March 2014