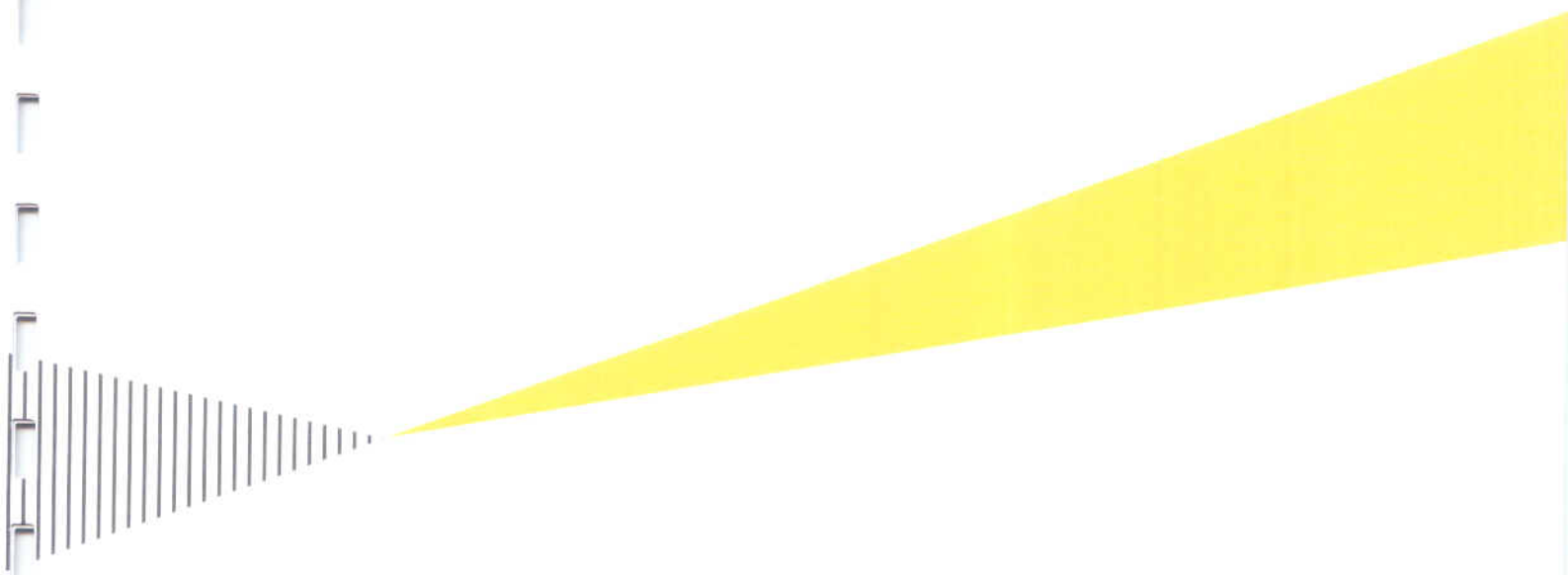


Banque Pour Le Commerce Exterieur Lao Public

Interim Separate Financial Statements in accordance with International
Financial Reporting Standards

30 June 2014



Banque Pour Le Commerce Exterieur 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 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. At that date, the Government, represented by the MOF, was the largest shareholder with 70% shareholding.

On 15 July 2011, the MOF sold 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. 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 2014 is as follows:

Shareholders	No. of shares	%
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 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.

Charter Capital

The charter capital as at 30 June 2014 is LAKm 682,888 (31 December 2013: 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 2014, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, sixty-three (63) services units, and eleven (11) exchange units all over Lao P.D.R.

Significant events during the period

On 6 February 2014, BCEL Leasing Company, a subsidiary of the Bank closed its operations in accordance with Decision No.50/OED.RMD.MoCI dated 6 February issued by Ministry of Commerce and Industry. Accordingly, all of assets, liabilities and equity items of BCEL Leasing Company were transferred to the Bank and included in the interim separate financial statements for the six-month period ended 30 June 2014.

In addition, during the period, the Bank and Fudian Bank China, a state-owned commercial bank incorporated in China, co-established a joint venture bank namely Lao China Bank in Lao P.D.R. This venture bank was granted the Banking Business Licence on 27 January 2014 by the Bank of Lao P.D.R. The initial charter capital of Lao China Bank was LAKm 300,000 of which the ownership of the Bank was 49%. Accordingly, the contributed capital of the Bank in Lao China Bank was included in the interim separate financial statements for the six-month period ended 30 June 2014.

Banque Pour Le Commerce Exterieur Lao Public

GENERAL INFORMATION (continued)

THE BANK (continued)

Subsidiary

As at 30 June 2014, the Bank has one subsidiary as follow:

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

Joint ventures

As at 30 June 2014, the Bank has four (04) joint ventures as follows:

<i>Name</i>	<i>Business License No.</i>	<i>Business Sector</i>	<i>% owned by the Bank</i>
Lao Viet Joint Venture Bank	232/11 dated 8 September 2011 by the Bank of Lao P.D.R	Banking & Finance	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%
Lao China Bank Limited	041/ERM dated 27 January 2014 by the granted by Department of Enterprise Register and Management of Lao P.D.R	Banking & Finance	49%

Banque Pour Le Commerce Exterieur Lao Public

GENERAL INFORMATION (continued)

BOARD OF DIRECTORS

Members of the Board of Directors during the six-month period ended 30 June 2014 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. Kamsouk 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 Sipaphone	Member	Appointed on 26 March 2012
Mr. Khamhou Thongthavy	Member	Reappointed on 26 March 2012
Mr. Vincent Gros	Member	Appointed on 27 February 2014

BOARD OF MANAGEMENT

Members of the Board of Management during the six-month period ended 30 June 2014 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	13 January 2012
Mr. Onekeo Damlongboun	Deputy Managing Director	02 February 2007
Mr. Phoukhong Chanthachack	Deputy Managing Director	08 May 2005
Mr. Phansana Khounnouvong	Deputy Managing Director	06 June 2008
Ms. Souphayphone Manodham	Deputy Managing Director	24 January 2012
Mr. Vilay Sipaphone	Deputy Managing Director	24 January 2012

LEGAL REPRESENTATIVE

The legal representative of the Bank during the six-month period ended 30 June 2014 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.



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
Fax : + 856 21 455 078
ey.com

Reference: 60790273/16949283

REPORT ON REVIEW OF INTERIM SEPARATE FINANCIAL STATEMENTS

To: The shareholders
Banque Pour Le Commerce Exterieur Lao Public

Introduction

We have reviewed the accompanying interim separate financial statements of Banque Pour Le Commerce Exterieur Lao Public ("the Bank") as set out on pages 5 to 53, which comprise the interim separate statement of financial position as at 30 June 2014, and the interim separate income statement, interim separate statement of comprehensive income, interim separate statement of changes in equity, interim separate statement of cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of this interim separate financial information in accordance International Financial Reporting Standards. Our responsibility is to express a conclusion on this interim separate financial information 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 separate financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

- ▶ Due to the limitation of information, the Bank's management was unable to provide disclosures relating to fair value and financial risk management as required by IFRS 7: "Financial Instruments: Disclosures" and IFRS 13: "Fair value measurement".

Qualified 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 separate financial information does not present fairly, in all material respects, the interim separate financial position of the entity as at 30 June 2014, and of its interim separate financial performance and its interim separate cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.

Ernst & Young Lao Ltd

The stamp is an octagonal blue ink seal. It contains the text 'ບໍລິສັດ ເອີນ ແອນ ຍັງ ລາວ ຈຳກັດ' (Borissat Eain Aeng Yang Lao Jangkat) in Lao script at the top, 'ERNST & YOUNG' in English in the center, and 'LAO CO., LTD' in English at the bottom. There are also Lao characters 'ກະຊວງ' (Ministry) on the left and 'ວຽກງານ' (Department) on the right.

Vientiane, Lao P.D.R

15 August 2014

Banque Pour Le Commerce Extérieur Lao Public

INTERIM SEPARATE INCOME STATEMENT for the six-month period ended 30 June 2014

	Notes	For the six-month period ended 30 June 2014 LAKm	For the six-month period ended 30 June 2013 LAKm
Interest and similar income	3	512,489	416,119
Interest and similar expense	4	(314,258)	(233,237)
Net interest and similar income		198,231	182,882
Fee and commission income	5	66,670	94,765
Fee and commission expense	5	(12,569)	(9,192)
Net fee and commission income	5	54,101	85,573
Net trading gain/(loss)	6	46,052	(12,363)
Other operating income	7	21,430	13,627
Total operating income		319,814	269,719
Credit loss (expense)/reversal	8	(62,423)	8,322
Reversal of impairment loss for financial investments	9	28,289	-
Reversal of impairment loss for other assets		5,886	-
NET OPERATING INCOME		291,566	278,041
Personnel expenses	10	(90,771)	(81,751)
Depreciation and amortization		(28,590)	(25,754)
Other operating expenses	11	(46,319)	(32,871)
TOTAL OPERATING EXPENSES		(165,680)	(140,376)
PROFIT BEFORE TAX		125,886	137,665
Current income tax	25.1	(19,698)	(26,378)
Deferred income tax	25.2	(787)	3,921
NET PROFIT FOR THE PERIOD		105,401	115,208
Earnings per share (LAK)	33	772	844

Prepared by:

Mrs. Lammaniseng Sayaphet
Head of Accounting Division

Approved by:

Mrs. Thonglith Saochanthala
Deputy of Internal Audit

Approved by:



Mr. Phansana Khounnouvong
Deputy Managing Director

Vientiane, Lao P.D.R

15 August 2014

Banque Pour Le Commerce Extérieur Lao Public

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME for the six-month period ended 30 June 2014

		<i>For the six-month period ended 30 June 2014</i>	<i>For the six-month period ended 30 June 2013</i>
	<i>Notes</i>	<i>LAKm</i>	<i>LAKm</i>
NET PROFIT FOR THE PERIOD		105,401	115,208
OTHER COMPREHENSIVE INCOME			
Net gain on available-for-sale financial assets		11,079	21,126
Income tax related to components of other comprehensive income	25.2	(2,105)	(3,996)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		8,974	17,130
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		114,375	132,338

Prepared by:

Approved by:

Approved by:


Mrs. Lammaniseng Sayaphet
Head of Accounting Division


Mrs. Thonglith Saochanthala
Deputy of Internal Audit


Mr. Phansana Khounnouvong
Deputy Managing Director



Vientiane, Lao P.D.R

15 August 2014

Banque Pour Le Commerce Extérieur Lao Public

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION as at 30 June 2014

		30 June 2014 LAKm	31 December 2013 Restated LAKm
	Notes		
ASSETS			
Cash and balances with the Bank of Lao P.D.R	12	6,178,937	4,047,762
Due from banks	13	2,235,900	1,408,918
Loans and advances to customers	14	9,145,895	9,256,952
Financial investments - Available-for-sale	16	189,568	212,522
Financial investments - Held-to-maturity	17	737,860	656,710
Investments in subsidiary and joint ventures	18	562,909	424,909
Property and equipment	19	247,972	242,057
Intangible assets	20	276,392	227,129
Deferred tax assets	25.2	3,800	9,943
Other assets	21	246,838	364,314
TOTAL ASSETS		19,826,071	16,851,216
LIABILITIES			
Due to banks	22	1,704,623	1,066,248
Due to customers	23	16,840,815	14,526,555
Borrowings from the other banks	24	130,290	58,816
Current tax liabilities	25.1	21,739	15,017
Deferred tax liabilities	25.2	13,995	17,246
Other liabilities	26	32,275	127,619
TOTAL LIABILITIES		18,743,737	15,811,501
EQUITY			
Charter capital	27	682,888	682,888
Statutory reserves	28	278,208	274,068
Available-for-sale reserve	29	46,687	37,713
Retained earnings		74,551	45,046
TOTAL EQUITY		1,082,334	1,039,715
TOTAL LIABILITIES AND EQUITY		19,826,071	16,851,216

Prepared by:

Mrs. Lammaniseng Sayaphet
Head of Accounting Division

Approved by:

Mrs. Thonglith Saochanthala
Deputy of Internal Audit

Approved by:



Mr. Phansana Khounnouvong
Deputy Managing Director

Vientiane, Lao P.D.R

15 August 2014

Banque Pour Le Commerce Extérieur Lao Public

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY
for the six-month period ended 30 June 2014

	Charter capital LAKm	Statutory reserves LAKm	Available-for-sale reserve LAKm	Retained earnings LAKm	Total LAKm
Balance as at 31 December 2013	682,888	274,068	37,713	45,046	1,039,715
Dividend paid out to shareholders	-	-	-	(76,789)	(76,789)
Net profit for the period	-	-	-	105,401	105,401
Transferred from BCEL Leasing Company	-	4,140	-	1,128	5,268
Net change in fair value of available-for-sale financial investments	-	-	8,974	-	8,974
Foreign exchange difference	-	-	-	(235)	(235)
Balances as at 30 June 2014	682,888	278,208	46,687	74,551	1,082,334

Prepared by:

[Signature]

Mrs. Lammaniseng Sayaphet
Head of Accounting Division

Vientiane, Lao P.D.R

15 August 2014

Approved by:

[Signature]

Mrs. Thonglith Saochanthala
Deputy of Internal Audit

Approved by:



Banque Pour Le Commerce Extérieur Lao Public

INTERIM SEPARATE STATEMENT OF CASH FLOWS for the six-month period ended 30 June 2014

	Notes	For the six-month period ended 30 June 2014 LAKm	For the six-month period ended 30 June 2013 LAKm
OPERATING ACTIVITIES			
Profit before tax		125,886	137,665
<i>Adjustments for:</i>			
Depreciation and amortization charges		28,590	25,754
Provision for credit losses		62,423	(8,322)
Reversal of impairment of bonds		(34,175)	-
Gain from investing activities		-	20,633
Cash flows from operating profit before changing in operating assets and liabilities		182,724	175,730
<i>(Increase)/Decrease in operating assets</i>			
Due from banks		(190,640)	538,662
Loans and advances to customers		403,106	(2,038,118)
Other assets		(28,304)	(34,631)
<i>Increase/(Decrease) in operating liabilities</i>			
Due to other banks		627,473	(104,098)
Due to customers		2,301,936	384,154
Other liabilities		5,238	(81,931)
Corporate income tax paid during the period	25.1	(12,978)	(52,153)
Net cash flows from/(used in) operating activities		3,288,555	(1,212,385)
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(85,028)	(55,593)
Proceeds from disposals of fixed assets		330	836
Receipts from investment in securities		27,998	659,732
Payments for investments in other entities		(147,000)	-
Net cash flows (used in)/from investing activities		(203,700)	604,975
FINANCING ACTIVITIES			
Transfer from BCEL Leasing Company		1,128	-
Payment of dividend		(76,789)	(58,986)
Net cash flows used in financing activities		(75,661)	(58,986)
Net increase/(decrease) in cash and cash equivalents		3,009,194	(666,396)
Cash and cash equivalents at the beginning of the period		4,343,879	4,118,693
Foreign exchange difference		113	408
Cash and cash equivalents at the end of the period	30	7,353,186	3,452,705

Prepared by:



Mrs. Lammaniseng Sayaphet
Head of Accounting Division

Approved by:



Mrs. Thonglith Saochanthala
Deputy of Internal Audit

Approved by:



Mr. Phansana Khounnouvong
Deputy Managing Director

Vientiane, Lao P.D.R

15 August 2014

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS
as at 30 June 2014 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 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. At that date, the Government, represented by the MOF, was the largest shareholder with 70% shareholding.

On 15 July 2011, the MOF sold 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. 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 2014 is as follows:

Shareholders	No. of shares	%
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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 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.

Charter Capital

The charter capital as at 30 June 2014 is LAKm 682,888 (31 December 2013: 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 2014, the Bank has one (1) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, sixty-three (63) services units, and eleven (11) exchange units all over Lao P.D.R.

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2014 and for the six-month period then ended

1. CORPORATE INFORMATION (continued)

Significant events during the period

On 6 February 2014, BCEL Leasing Company, a subsidiary of the Bank closed its operations in accordance with Decision No.50/OED.RMD.MoCI dated 6 February issued by Ministry of Commerce and Industry. Accordingly, all of assets, liabilities and equity items of BCEL Leasing Company were transferred to the Bank and included in the interim separate financial statements for the six-month period ended 30 June 2014.

In addition, during the period, the Bank and Fudian Bank China, a state-owned commercial bank incorporated in China, co-established a joint venture bank namely Lao China Bank in Lao P.D.R. This venture bank was granted the Banking Business Licence on 27 January 2014 by the Bank of Lao P.D.R. The initial charter capital of Lao China Bank was LAKm 300,000 of which the ownership of the Bank was 49%. Accordingly, the contributed capital of the Bank in Lao China Bank was included in the interim separate financial statements for the six-month period ended 30 June 2014.

Subsidiary

As at 30 June 2014, the Bank has one (01) subsidiary as follow:

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

Joint ventures

As at 30 June 2014, the Bank has four (04) joint ventures as follows:

<i>Name</i>	<i>Business License No.</i>	<i>Business Sector</i>	<i>% owned by the Bank</i>
Lao Viet Joint Venture Bank	232/11 dated 8 September 2011 by the Bank of Lao P.D.R	Banking & Finance	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%
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

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2014 and for the six-month period then ended

1. CORPORATE INFORMATION (continued)

Board of Directors

Members of the Board of Directors during the six-month period ended 30 June 2014 and at the date of this report are as follows:

<i>Name</i>	<i>Position</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. Vincent Gros	Member	Appointed on 27 February 2014

Board of Management

Members of the Board of Management during the six-month period ended 30 June 2014 and at the date of this report are as follows:

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

Employees

Total number of employees of the Bank as at 30 June 2014 is 1,442 persons (31 December 2013: 1,427 persons).

2. ACCOUNTING POLICIES

2.1 *Basis of preparation*

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

These interim separate financial statements are presented in Lao Kip ("LAK") which is the Bank's functional currency. Except otherwise stated, financial information presented in LAK has been rounded to the nearest million.

The interim separate financial statements were prepared in order to present the interim separate financial position and interim separate financial performance and interim separate cash flows of the Bank, specifically:

- ▶ The accompanying financial statements cover operations of the Bank including Head office and its branches only;
- ▶ Investments in subsidiary and joint ventures are accounted for under the cost method of accounting.

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2014 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 separate financial statements*

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

2.4 *Significant accounting judgments, estimates and assumptions*

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

2.4.1 *Estimates and assumptions*

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

2.4.1.1 *Going concern*

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

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2014 and for the six-month period then ended

2. ACCOUNTING POLICIES (continued)

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

2.4.1 *Estimates and assumptions* (continued)

2.4.1.2 *Impairment losses on loans and advances*

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

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

2.4.1.3 *Impairment of available for sale investments*

The Bank records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

2.5 *Summary of significant accounting policies*

2.5.1 *Foreign currency translation*

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 reporting date (see list of exchange rates of applicable foreign currencies against LAK as at 30 June 2014 and 31 December 2013 as presented in Note 40). Income and expenses arising in foreign currencies during the period are converted into LAK at rates ruling on the transaction dates. Unrealized exchange differences arising from the translation of monetary assets and liabilities on the reporting date are recognized in the interim separate income statement.

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2014 and for the six-month period then ended

2. ACCOUNTING POLICIES (continued)

2.5 *Summary of significant accounting policies* (continued)

2.5.2 *Financial instruments - initial recognition and subsequent measurement*

2.5.2.1 *Date of recognition*

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes "regular way trades" - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

2.5.2.2 *Initial measurement of financial instruments*

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

2.5.2.3 *'Day 1' profit or loss*

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

2.5.2.4 *Available for sale financial investments*

Available for sale investments include equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Bank has not designated any loans or receivables as available for sale.

After initial measurement, available for sale financial investments are subsequently measured at fair value.

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

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

2.5 *Summary of significant accounting policies* (continued)

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

2.5.2.5 *Held-to-maturity financial investments*

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. Held-to-maturity securities are initially recognized at cost. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest rate. Periodically, 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. The losses arising from impairment of such investments are recognized in the interim separate income statement line 'Credit loss expense'.

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

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

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

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

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

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

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

2.5 *Summary of significant accounting policies* (continued)

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

2.5.2.7 *Debt issued and other borrowed funds*

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

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

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

2.5.2.8 *Reclassification of financial assets*

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

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

The Bank may reclassify a non-derivative trading asset out of the 'Held-for-trading' category and into the 'Loans and receivables' category if it meets the definition of loans and receivables and the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Bank does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2014 and for the six-month period then ended

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

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

2.5.3 Derecognition of financial assets and financial liabilities

2.5.3.1 Financial assets

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

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

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

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

2.5.3.2 Financial liabilities

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

2.5.4 Impairment of financial assets

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

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

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2014 and for the six-month period then ended

2. ACCOUNTING POLICIES (continued)

2.5 *Summary of significant accounting policies* (continued)

2.5.4 *Impairment of financial assets* (continued)

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' 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 separate income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest and similar income'.

Financial assets carried at amortized cost

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

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

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

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

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2014 and for the six-month period then ended

2.5 *Summary of significant accounting policies* (continued)

2.5.4 *Impairment of financial assets* (continued)

Financial assets carried at amortized cost (continued)

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available for sale financial investments

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

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The Bank treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the interim separate income statement – is removed from equity and recognized in the interim separate income statement. Impairment losses on equity investments are not reversed through the interim separate 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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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2014 and for the six-month period then ended

2. ACCOUNTING POLICIES (continued)

2.5 *Summary of significant accounting policies* (continued)

2.5.5 *Investment in subsidiary*

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

The provision for impairment is made for investment in subsidiary when the subsidiary is making loss (except for the loss which is identified in the business plan before establishment). Accordingly, the provision is made for difference between actual investment in the subsidiary and the Bank's proportionate share in the subsidiary's net equity.

2.5.6 *Investment in joint ventures*

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

The provision for impairment is made for investment in joint venture when the joint venture is making loss (except for the loss which is identified in the business plan before establishment). Accordingly, the provision is made for difference between actual investment in the joint venture and the Bank's proportionate share in the joint venture's net equity.

2.5.7 *Offsetting financial instruments*

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

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

2.5 *Summary of significant accounting policies* (continued)

2.5.8 *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:

2.5.8.1 *Interest and similar income and expense*

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

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

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

2.5.8.2 *Fees and commission income*

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

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

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

Fee income from providing transaction services

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

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

2.5 *Summary of significant accounting policies* (continued)

2.5.8.3 *Dividend income*

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

2.5.9 *Cash and cash equivalents*

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

2.5.10 *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 de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' in the interim separate income statement in the period the asset is derecognized.

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

2.5 *Summary of significant accounting policies* (continued)

2.5.11 *Intangible assets*

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

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 separate income statement in the expense category consistent with the function of the intangible asset.

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

- | | |
|--|-----------------|
| ▶ Land use rights with indefinite life | No amortization |
| ▶ Computer software | 2 - 5 years |

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

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2014 and for the six-month period then ended

2. ACCOUNTING POLICIES (continued)

2.5 *Summary of significant accounting policies* (continued)

2.5.12 *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 subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the interim separate income statement.

2.5.13 *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 separate income statement net of any reimbursement.

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

2.5 *Summary of significant accounting policies* (continued)

2.5.14 *Corporate income tax*

Current tax

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

Deferred tax

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

- ▶ Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ▶ In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- ▶ Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ▶ In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each interim separate statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each interim separate statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the 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 interim separate statement of financial position date.

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

2.5 *Summary of significant accounting policies* (continued)

2.5.15 *Fiduciary assets*

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

2.5.16 *Equity reserves*

The reserves recorded in equity (Other comprehensive income) on the Bank's interim separate statement of financial position include:

Statutory reserves which are created in accordance with prevailing regulations of Lao P.D.R, as stated in Note 28.

Available-for-sale reserve which comprises changes in fair value of available-for-sale investments, as stated in Note 29.

2.5.17 *Employee benefits*

Post-employment benefits

Post-employment benefits are paid to retired employees of the Bank by the Social Security Fund Department which belongs to the Ministry of Labor and Social Welfare. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 8% 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 specialized skills or is not in good health and thus cannot continue to work;
- ▶ The employer considers it necessary to reduce the number of workers in order to improve the work within the labour unit.

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work for the worker who has worked for less than five years. For workers who have worked for more than five years, the basis of calculation shall be 15%. As at 30 June 2014, 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 interim separate financial statements.

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3. INTEREST AND SIMILAR INCOME

	<i>For the six-month period ended 30 June 2014 LAKm</i>	<i>For the six-month period ended 30 June 2013 LAKm</i>
Interest income from customers	453,192	358,457
Interest income from interbank activities	8,807	17,696
Interest income from investment securities	22,704	35,422
Other interest income	27,786	4,544
	512,489	416,119

4. INTEREST AND SIMILAR EXPENSE

	<i>For the six-month period ended 30 June 2014 LAKm</i>	<i>For the six-month period ended 30 June 2013 LAKm</i>
Interest expense for interbank activities	9,683	1,637
Interest expense for customers	304,575	231,600
	314,258	233,237

5. NET FEES AND COMMISSION INCOME

	<i>For the six-month period ended 30 June 2014 LAKm</i>	<i>For the six-month period ended 30 June 2013 LAKm</i>
Fees and commission income from:		
Settlement services	44,816	46,412
Guarantee activities	21,569	44,920
Other fees and commission	285	3,433
	66,670	94,765
Fees and commission expense for:		
Treasury activities	(4,961)	(2,707)
Other direct fees and commission expenses	(7,608)	(6,485)
	(12,569)	(9,192)
Net fees and commission income	54,101	85,573

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6. NET TRADING GAIN/(LOSS)

	<i>For the six-month period ended 30 June 2014 LAKm</i>	<i>For the six-month period ended 30 June 2013 LAKm</i>
Gains from foreign currencies trading	2,073,462	2,030,830
Loss from foreign currencies trading	(2,040,580)	(2,017,296)
Gain from foreign currencies trading	32,882	13,534
Loss from gold and currency options	-	(18,822)
Gain/(loss) from trading in gold and other precious metals	13,170	(7,727)
Income from securities trading	-	652
	46,052	(12,363)

7. OTHER OPERATING INCOME

	<i>For the six-month period ended 30 June 2014 LAKm</i>	<i>For the six-month period ended 30 June 2013 LAKm</i>
Dividend income	17,832	7,326
Other income from financial services	128	-
Income from sale of tangible assets	232	77
Recovery of bad debts written off	207	5,459
Subsidies received from Bank for Investment and Development of Vietnam	2,164	-
Others	867	765
	21,430	13,627

8. CREDIT LOSS (EXPENSE)/REVERSAL

	<i>For the six-month period ended 30 June 2014 LAKm</i>	<i>For the six-month period ended 30 June 2013 LAKm</i>
Credit loss expense for loans and advances to customers (see Note 15)	(1,217,826)	(966,853)
Reversal of credit loss expense (see Note 15)	1,155,403	975,175
	(62,423)	8,322

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9. REVERSAL OF IMPAIRMENT LOSS FOR FINANCIAL INVESTMENTS

	<i>For the six-month period ended 30 June 2014</i>	<i>For the six-month period ended 30 June 2013</i>
	<i>LAKm</i>	<i>LAKm</i>
Reversal of impairment loss for investment in held-to-maturity securities	28,289	-
	28,289	-

10. PERSONNEL EXPENSES

	<i>For the six-month period ended 30 June 2014</i>	<i>For the six-month period ended 30 June 2013</i>
	<i>LAKm</i>	<i>LAKm</i>
Salary expense	52,106	46,546
Insurance expense for employees	35,825	30,962
Other personnel expenses	2,840	4,243
	90,771	81,751

11. OTHER OPERATING EXPENSES

	<i>For the six-month period ended 30 June 2014</i>	<i>For the six-month period ended 30 June 2013</i>
	<i>LAKm</i>	<i>LAKm</i>
Fuel and travelling expenses	1,836	2,033
Training and education expenses	1,246	5,189
Deposit insurance fee	1,114	1,031
Telecommunication expenses	698	871
Publication, marketing and promotion expenses	2,407	3,263
Repair and maintenance expenses	9,149	5,905
Materials, tools and equipment expenses	2,837	2,869
Electricity and water supply expenses	2,680	2,422
Office rental expense	3,924	3,497
Returned income for customer	14,515	2,411
Other general and administration expenses	5,913	3,380
	46,319	32,871

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

	30 June 2014	31 December 2013
	LAKm	LAKm
Cash on hand in LAK	1,201,573	629,908
Cash on hand in foreign currencies ("FC")	1,041,097	1,062,615
Cheques	10	62
Balances with the BOL		
- Compulsory deposit	1,030,438	849,949
- Demand deposit	2,905,819	1,505,228
	6,178,937	4,047,762

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

Under regulations of the BOL, the Bank is required to maintain certain reserves with the BOL in the form of compulsory deposits, which are computed at 5.00% and 10.00%, on a bi-weekly basis, (2013: 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 period, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

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13. DUE FROM BANKS

	30 June 2014 LAKm	31 December 2013 LAKm
Current accounts		
- In LAK	153,966	192,077
- In foreign currencies	2,050,721	953,989
Term deposits		
- In foreign currencies	20,796	7,712
Loans		
- In LAK	-	113,076
- In foreign currencies	10,045	139,988
Accrued interest	372	2,076
	2,235,900	1,408,918

13.1 Term deposits at other banks

The interest rates of the term deposits at other banks are as follows:

	Term (months)	Interest rates (% per annum)
Domestic banks	12	4.80
Foreign banks	01	2.00

13.2 Loans to other bank

Loans to other credit institution comprise:

- ▶ Medium-term loan to Lao Development Bank amounting USD 1,250,000 which has term of 3 years and earns interest at rate of 5.50% per annum.

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14. LOANS AND ADVANCES TO CUSTOMERS

	30 June 2014 LAKm	31 December 2013 LAKm
Gross loans and advances	9,214,531	9,264,731
Accrued interest related to loans to customers	93,115	87,285
Less provision for credit loss (see Note 15)	(161,751)	(95,064)
	9,145,895	9,256,952

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

	For the six-month period ended 30 June 2014 Interest rates % per annum	2013 Interest rates % per annum
Loans and advances denominated in LAK	9.00% - 16.00%	8.00% - 16.00%
Loans and advances denominated in USD	5.50% - 14.00%	5.50% - 13.00%
Loans and advances denominated in THB	7.50% - 12.75%	5.50% - 12.75%

Analysis of loan portfolio by currency:

	30 June 2014 LAKm	31 December 2013 LAKm
Loans and advances denominated in LAK	4,093,819	4,054,493
Loans and advances denominated in USD	3,822,169	3,881,684
Loans and advances denominated in THB	1,298,325	1,328,554
Loans and advances denominated in EUR	218	-
	9,214,531	9,264,731

Analysis of loan portfolio by original maturity:

	30 June 2014 LAKm	31 December 2013 LAKm
Short-term loans	2,513,069	1,345,502
Medium-term loans	5,314,540	5,265,336
Long-term loans	1,386,922	2,653,893
	9,214,531	9,264,731

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14. LOANS AND ADVANCES TO CUSTOMERS (continued)

The loan portfolio comprised loans to entities in the following sectors:

	30 June 2014		31 December 2013	
	LAKm	%	LAKm	%
Industrial services companies	1,366,463	14.83%	1,412,096	15.24%
Construction companies	3,356,337	36.42%	3,234,584	34.91%
Technical instrument enterprises	95,109	1.03%	103,297	1.11%
Agriculture & forestry	36,163	0.39%	51,277	0.55%
Trading companies	2,446,989	26.56%	2,629,262	28.38%
Transportation companies	606,122	6.58%	498,387	5.38%
Services companies	1,121,190	12.17%	1,146,073	12.37%
Others	186,158	2.02%	189,755	2.06%
	9,214,531	100%	9,264,731	100%

15. PROVISION FOR CREDIT LOSS

Changes in the provision for credit loss are as follows:

	30 June 2014 LAKm
Opening balance	95,064
Credit loss expense charged in the period	1,217,826
Reversal of credit loss expense in the period	(1,155,403)
Transferred from BCEL Leasing Company	4,852
Non-performing loans written-off	(550)
Foreign exchange differences	(38)
Closing balance	161,751

Details of loan classification are as follows:

	30 June 2014		31 December 2013	
	Principal LAKm	Provision LAKm	Principal LAKm	Provision LAKm
Individually impaired	2,813,539	147,811	2,158,163	68,175
Collectively impaired	6,400,992	13,940	7,106,568	26,889
	9,214,531	161,751	9,264,731	95,064

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16. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	30 June 2014 LAKm	31 December 2013 LAKm
Equity securities issued by local business entity (*)	181,204	169,699
Certificate of funds issued by foreign business entity (**)	8,364	42,974
	189,568	212,673
Impairment of certificate of funds issued by foreign business entity.	-	(151)
	189,568	212,522

(*) These are shares of EDL Generation Public Company which have total face value of LAKm 123,679 (31 December 2013: LAKm 123,679).

(**) These are certificates of funds issued by CIMB Thai Bank Public Company which have total face value of LAKm 8,249 (31 December 2013: LAKm 42,434).

17. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

	30 June 2014 LAKm	31 December 2013 Restated LAKm
Amortized cost of Treasury bills issued by the Ministry of Finance	456,287	425,998
Amortized cost of bonds issued by the Ministry of Finance	284,315	261,592
	740,602	687,590
Impairment of investments in Held-to-maturity securities	(2,742)	(30,880)
- Impairment for Treasury bills issued by the Ministry of Finance	(304)	(17,108)
- Impairment for bonds issued by the Ministry of Finance	(2,438)	(13,772)
	737,860	656,710

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

17.1 Treasury bills issued by the Ministry of Finance

Details of the treasury bills as at 30 June 2014 are as follows:

<i>Term</i>	<i>Issue date</i>	<i>Maturity date</i>	<i>Face value</i>	<i>Amortized cost</i>	<i>Interest rate per annum (nominal)</i>
1 year	14 February 2014	14 February 2015	294,000	298,709	6.00%
1 year	23 April 2014	23 April 2015	5,000	5,055	6.00%
1 year	05 September 2013	05 September 2014	50,000	51,627	4.00%
1 year	08 April 2013	08 April 2014	100,000	100,896	4.00%
Total			449,000	456,287	

In accordance with notification/ agreement No. 5382/MOF dated 08 June 2014 and notification/ agreement No. 1754/MOF dated 27 June 2014, the Bank and the Ministry of Finance agreed to restructure the maturity date of these bonds and to revise interest rates to the range of 4.00% - 6.00% per annum (2013: 8.00% to 8.50%)

17.2 Bonds issued by the Ministry of Finance

	<i>30 June 2014</i>	<i>31 December 2013</i>
	<i>LAKm</i>	<i>Restated LAKm</i>
Triangle bonds	14,894	14,331
Capitalization bonds	69,506	104,470
Bonds for settlement of defaulted LC	-	20,984
Other bonds	199,915	121,807
	284,315	261,592

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.

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

17.2 Bonds issued by the Ministry of Finance (continued)

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	69,506	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 for the next 5 years (2013: 7.80%).

Other bonds issued 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>Face value (LAKm)</i>	<i>Amortized cost (LAKm)</i>	<i>Term</i>	<i>Interest rate (% p.a)</i>
20 October 2011	20,000	20,268	3 years	7.00%
05 December 2011	46,000	48,093	5 years	8.00%
10 October 2012	2,000	1,759	3 years	3.50%
20 December 2013	50,000	50,784	2 years	3.00%
20 December 2011	50,000	51,491	3 years	3.50%
12 March 2014	20,000	20,229	2 years	3.00%
19 October 2012	1,000	1,003	2 years	3.00%
12 November 2012	8,000	6,288	3 years	3.50%
	197,000	199,915		

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18. INVESTMENTS IN SUBSIDIARY AND JOINT VENTURES

	30 June 2014		31 December 2013	
	Book value LAKm	Ownership %	Book value LAKm	Ownership %
Investment in subsidiaries				
BCEL Leasing Company Limited	-		9,000	100%
BCEL - Krung Thai Securities Company Limited	70,000	70%	70,000	70%
Investment in joint ventures				
Lao Viet Joint Venture Bank	199,102	35%	199,102	35%
Banque Franco - Lao Company Limited	138,023	46%	138,023	46%
Lao-Viet Insurance Joint Venture Company	8,784	35%	8,784	35%
Lao China Bank Company Limited	147,000	49%	-	-
	562,909		424,909	

- 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 30 June 2014, total contributed capital of the Bank was USD 24,500,000, equivalent to LAKm 199,102.
- 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 30 June 2014.
- 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 2014, the total amount of USD 1,050,000, equivalent to LAKm 8,784 was contributed by the Bank.
- Lao China Bank Limited ("LCNB") is incorporated in the Lao P.D.R and engages in the provision of banking service. 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 27 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 2014.

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19. PROPERTY AND EQUIPMENT

Movements of property and equipment for the six-month period ended 30 June 2014 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 2014	200,727	103,135	25,132	16,121	345,117
Additions	9,431	15,110	1,279	274	26,094
Transferred from BCEL Leasing Company	21	256	48	603	928
Disposal	(278)	(6,154)	(73)	(514)	(7,019)
As at 30 June 2014	209,901	112,347	26,386	16,484	365,120
Accumulated depreciation:					
As at 1 January 2014	41,617	46,652	7,449	7,340	103,060
Charge for the period	6,468	10,999	1,415	1,665	20,547
Transferred from BCEL Leasing Company	5	160	12	285	462
Disposal	(18)	(6,721)	(37)	(145)	(6,921)
As at 30 June 2014	48,072	51,090	8,839	9,145	117,148
Net book value:					
As at 1 January 2014	159,110	56,481	17,683	8,783	242,057
As at 30 June 2014	161,829	61,257	17,547	7,339	247,972

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20. INTANGIBLE ASSETS

Movements in intangible assets during the six-month period ended 30 June 2014 are as follows:

	<i>Land use rights LAKm</i>	<i>Computer software LAKm</i>	<i>Total LAKm</i>
Cost:			
As at 1 January 2014	172,283	78,563	250,846
Additions	54,426	2,797	57,223
Transferred from BCEL Leasing Company	-	726	726
Disposal	(232)	(3,962)	(4,194)
As at 30 June 2014	226,477	78,124	304,601
Accumulated amortization:			
As at 1 January 2014	-	23,717	23,717
Amortise for the period	-	8,043	8,043
Transferred from BCEL Leasing Company	-	411	411
Disposal	-	(3,962)	(3,962)
As at 30 June 2014	-	28,209	28,209
Net book value:			
As at 1 January 2014	172,283	54,846	227,129
As at 30 June 2014	226,477	49,915	276,392

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21. OTHER ASSETS

	30 June 2014 LAKm	31 December 2013 LAKm
Assets waiting for sales	5,219	5,161
Stationeries and other tools	1,189	933
Checks in collection	5,778	10,174
Fixed assets in transit	135,809	135,852
Prepaid expenses to be allocated	50,836	76,962
Overdue bonds issued by the Ministry of Finance	29,400	105,750
Impairment for overdue bonds issued by the Ministry of Finance	(559)	(6,445)
Other receivables	19,166	35,927
	246,838	364,314

22. DUE TO BANKS

	30 June 2014 LAKm	31 December 2013 LAKm
Demand deposits from other banks	1,342,388	902,458
- In LAK	648,657	546,339
- In foreign currencies	693,731	356,119
Term deposits from other banks	350,517	159,362
- In LAK	69,257	39,257
- In foreign currencies	281,260	120,105
Others	10,291	3,254
- In LAK	825	1,526
- In foreign currencies	9,466	1,728
	1,703,196	1,065,074
Accrued interest payables	1,427	1,174
	1,704,623	1,066,248

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23. DUE TO CUSTOMERS

	30 June 2014	31 December 2013
	LAKm	LAKm
Demand deposits	3,295,720	2,838,254
Demand deposits in LAK	1,255,685	909,895
Demand deposits in FC	2,040,035	1,928,359
Savings	7,173,749	6,126,223
Saving deposits in LAK	2,301,247	1,922,939
Saving deposits in FC	4,872,502	4,203,284
Term deposits	6,053,470	5,092,222
Term deposits in LAK	4,189,012	3,458,109
Term deposits in FC	1,864,458	1,634,113
Margin deposits	123,860	130,604
Margin deposits in LAK	4,183	17,446
Margin deposits in FC	119,677	113,158
Others	101,091	262,053
	16,747,890	14,449,356
Accrued interest	92,925	77,199
	16,840,815	14,526,555

Saving deposits from customers denominated in LAK, USD, THB, EUR bear interest at rates ranging from 1.70 - 4.00%, 0.75 - 1.75%, 0.85 - 1.50%, 1.15% per annum respectively.

Fixed term deposits in LAK, USD, THB have terms of 3, 6 months and more than 1 year and are subject to interest rates ranging from 3.15 - 14.00%, 1.30 - 8.00 %, 1.85 - 10.00% and 1.85% - 7.50% per annum respectively.

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24. BORROWINGS FROM OTHER BANKS

	30 June 2014 LAKm	31 December 2013 LAKm
Borrowings from the BOL	127,754	54,059
Borrowing from the other bank	-	4,601
Accrued interest payables	2,536	156
	130,290	58,816

Borrowings from the BOL include:

- ▶ A medium-term loan of USD 180,000 as at 30 June 2014 (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.
- ▶ A medium-term loan of USD 6,571,428 as at 30 June 2014 (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 of 0.25% per annum. The interest is paid semi-annually.
- ▶ A the long-term loan of LAK 73,500,000,000 as at 30 June 2014 from the BOL for the purpose of investment in Lao China Bank. The loan's principal is paid annually from 2014 to 2020 with the interest rate of 7.0% per annum.

25. TAXATION

Major components of tax expense were as follows:

	For the six-month period ended 30 June 2014 LAKm	For the six-month period ended 30 June 2013 LAKm
Corporate Income Tax expense in accordance with statutory tax regulations		
- Current income tax expense	19,698	26,378
- Deferred income tax expense	787	(3,921)
Total tax expense for the period	20,485	22,457

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2014 and for the six-month period then ended

25. TAXATION (continued)

25.1 Current corporate Income Tax (CIT)

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. 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 six-month period ended 30 June 2014 (2013: 19%).

	For the six-month period ended 30 June 2014 LAKm	For the six-month period ended 30 June 2013 LAKm
Profit before tax in accordance with IFRS	125,886	137,665
Adjustments for:		
- Difference in recognition of carrying value of term deposits	(81)	(20,156)
- Impairment expense of other assets	(5,886)	-
- Difference in provision for credit loss expense between LAS and IFRS	24,169	-
- Difference in recognition of subvention	(2,164)	-
- Difference in impairment expense of investment in securities between LAS and IFRS	(20,556)	20,633
- Income exempt from EIT (dividend and interest income from the Bank's joint ventures)	(17,832)	(7,326)
- Non-deductible expenses	139	8,014
Taxable profit under LAS	103,675	138,830
Corporate income tax expense at rate of 19% (2013: 19%)	19,698	26,378
Total tax expense in the period		
Corporate income tax payable at the beginning of the period	15,019	55,634
Corporate income tax paid in the period	(12,978)	(52,153)
Corporate income tax payable at the end of the period	21,739	29,859

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

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as at 30 June 2014 and for the six-month period then ended

25. TAXATION (continued)

25.2 Deferred tax assets/(liabilities)

	Deferred tax assets (tax rate of 19%) LAKm	Deferred tax liabilities (tax rate of 19%) LAKm	Net deferred tax assets/ (liabilities) LAKm
As at 1 January 2014	9,943	(17,246)	(7,303)
Increase during the period due to:			
Changes in fair value of available for sale financial instruments	-	(2,105)	(2,105)
Changes in temporary difference between taxable profit under LAS and taxable profit under IFRS	(6,143)	5,356	(787)
As at 30 June 2014	3,800	(13,995)	(10,195)

26. OTHER LIABILITIES

	30 June 2014 LAKm	31 December 2013 Restated LAKm
Payables to employees	4,833	26,672
Payable to suppliers	10,898	7,766
Termination allowances	9,656	8,137
Others	6,888	85,044
	32,275	127,619

27. CHARTER CAPITAL

Total charter capital of the Bank as at 30 June 2014 and 31 December 2013 are as follows:

	For the six-month period ended 30 June 2014 LAKm	2013 LAKm
Balance as at 31 December 2013	682,888	682,888
Balance as at 30 June 2014	682,888	682,888

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as at 30 June 2014 and for the six-month period then ended

28. STATUTORY RESERVES

	<i>Regulatory reserve fund</i> LAKm	<i>Business expansion fund</i> LAKm	<i>Total</i> LAKm
As at 1 January 2014	60,501	213,567	274,068
Transferred from BCEL Leasing Company	717	3,423	4,140
As at 30 June 2014	61,218	216,990	278,208

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. The Bank will appropriate to statutory reserves based on the operational results making for the whole year 2014 and does not create statutory reserves for interim financial periods.

29. AVAILABLE-FOR-SALE RESERVE

	<i>30 June 2014</i> LAKm	<i>31 December 2013</i> LAKm
Opening balance	37,713	39,435
Net increase/(decrease) in changes in fair value of available-for- sale financial investments	8,974	(1,722)
Closing balance	46,687	37,713

30. ADDITIONAL CASH FLOW INFORMATION

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

	<i>30 June 2014</i> LAKm	<i>31 December 2013</i> LAKm
Cash and cash equivalents on hand	2,242,680	1,692,585
Balances with the BOL	2,905,819	1,505,228
Current accounts with other banks	2,204,687	1,146,066
	7,353,186	4,343,879

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
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31. CONTINGENT LIABILITIES AND COMMITMENTS

	30 June 2014 LAKm	31 December 2013 LAKm
Financial letter of guarantees	144,835	110,583
At sight letters of credit	2,141,592	1,653,923
Deferred payment letters of credit	256,065	283,219
Credit limit given to customer	2,173,215	2,278,858
	4,715,707	4,326,583

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 2014, the Bank did not enter into any lease contract as either lessor or lessee which results in future cash inflows and/or outflows.

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
as at 30 June 2014 and for the six-month period then ended

32. RELATED PARTY DISCLOSURES

Transactions with key management personnel of the Bank

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

	<i>For the six-month period ended 30 June 2014</i>	<i>For the six-month period ended 30 June 2013</i>
	<i>LAKm</i>	<i>LAKm</i>
Salaries	559	429
Responsibility allowance	833	720
	1,392	1,149

Transactions with other related parties

Significant balances with related parties as at 30 June 2014 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	-	127,754
The Bank of the Lao P.D.R	Direct controller	BCEL's demand deposits at BOL	2,905,819	-
The Bank of the Lao P.D.R	Direct controller	BCEL's compulsory deposits at BOL	1,030,438	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Investment in MOF's bonds	773,780	-
BCEL - Krung Thai Securities Company Limited	Subsidiary	Current accounts	-	5
BCEL - Krung Thai Securities Company Limited	Subsidiary	Saving accounts	-	5,260
BCEL - Krung Thai Securities Company Limited	Subsidiary	Fixed accounts	-	65,000
Lao Viet Joint Venture Bank	Joint venture	Current accounts	-	77,278
Lao Viet Joint Venture Bank	Joint venture	Saving accounts	-	96,395
Lao Viet Joint Venture Bank	Joint venture	Fixed accounts	-	241,080
Banque Franco – Lao Company Limited	Joint venture	Current accounts	-	54,773
Banque Franco – Lao Company Limited	Joint venture	Saving accounts	-	52,296
Lao Viet Insurance Company	Joint venture	Current accounts	-	896
Lao Viet Insurance Company	Joint venture	Saving accounts	-	8
Lao Viet Insurance Company	Joint venture	Fixed accounts	-	2,500

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as at 30 June 2014 and for the six-month period then ended

32. RELATED PARTY DISCLOSURES (continued)

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

<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	-	54,192
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	Joint venture	Saving accounts	-	2,500

33. 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 period.

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

	<i>For the six- month period ended 30 June 2014</i>	<i>For the six- month period ended 30 June 2013</i>
Net profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	105,401	115,208
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)	772	844

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
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34. 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.

35. INTEREST RATE RISK

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

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)
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36. CURRENCY RISK

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

Breakdown of assets and liabilities which has been converted into LAKm as at 30 June 2014 is as follows:

	<i>LAK in LAKm</i>	<i>USD in LAKm</i>	<i>THB in LAKm</i>	<i>Others in LAKm</i>	<i>Total in LAKm</i>
ASSETS					
Cash and balances with the BOL	3,019,636	1,518,568	1,628,630	12,103	6,178,937
Due from banks	154,090	1,801,767	182,495	97,548	2,235,900
Loans and advances to customers	4,069,172	3,794,035	1,282,471	217	9,145,895
Financial investments – Available-for-sale	181,204	-	8,364	-	189,568
Financial investments – Held to maturity	737,860	-	-	-	737,860
Investments in subsidiary and joint ventures	562,909	-	-	-	562,909
Property and equipment	247,972	-	-	-	247,972
Intangible assets	276,392	-	-	-	276,392
Deferred tax assets	3,800	-	-	-	3,800
Other assets	203,997	36,258	6,583	-	246,838
TOTAL ASSETS	9,457,032	7,150,628	3,108,543	109,868	19,826,071
LIABILITIES					
Due to banks	720,651	866,252	117,291	429	1,704,623
Due to customers	7,807,498	6,111,443	2,860,276	61,598	16,840,815
Borrowings from other banks	75,848	54,442	-	-	130,290
Current tax liabilities	21,739	-	-	-	21,739
Deferred tax liabilities	13,995	-	-	-	13,995
Other liabilities	25,907	5,817	551	-	32,275
TOTAL LIABILITIES	8,665,638	7,037,954	2,978,118	62,027	18,743,737
EQUITY	1,082,334	-	-	-	1,082,334
TOTAL LIABILITIES AND EQUITY	9,747,972	7,037,954	2,978,118	62,027	19,826,071
NET ON-BALANCE SHEET CURRENCY POSITION	(290,940)	112,674	130,425	47,841	-

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37. CAPITAL MANAGEMENT

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

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

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

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 separate financial statements is as follows:

	30 June 2014 LAKm	31 December 2013 LAKm
Tier 1 capital	1,082,334	1,039,715
Tier 2 capital	-	-
Total capital	1,082,334	1,039,715
Less: Deductions from capital (Investments in other entities)	(562,909)	(337,125)
Capital for CAR calculation (A)	519,425	702,590
Risk weighted balance sheet items	5,893,325	10,604,491
Risk weighted off balance sheet items	1,271,246	2,068,373
Total risk weighted assets (B)	7,164,571	12,672,864
Capital Adequacy Ratio (A/B)	7.25%	5.54%

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38. RESTATEMENT OF CORRESPONDING FIGURES

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

Extracted from the separate statement of financial position as at 31 December 2013:

	31/12/2013 (Reported) LAKm	Restatement LAKm	31/12/2013 Restated LAKm
Investment in securities			
2. Held-to-maturity securities	658,848	(2,138)	656,710
TOTAL ASSETS	16,853,354	(2,138)	16,851,216
Other liabilities (i)	129,757	(2,138)	127,619
TOTAL LIABILITIES AND CAPITAL	16,853,354	(2,138)	16,851,216

To reclassify discount from Held-to-maturity securities from other liabilities to Held-to-maturity securities

39. EVENTS AFTER THE INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION DATE

Other than as disclosed elsewhere in these interim separate financial statements, at the date of this report, there were no events, which occurred subsequent to 30 June 2014 that significantly impacted the interim separate financial position of the Bank as at 30 June 2014.

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

	30 June 2014 LAK	31 December 2013 LAK
USD	8,036.00	8,007.00
THB	249.92	245.28

Prepared by:



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Deputy of Internal Audit

Approved by:



Mr. Phansana Khounnouvong
Deputy Managing Director

Vientiane, Lao P.D.R

15 August 2014