Banque Pour Le Commerce Exterieur Lao Public

Interim Separate Financial Statements (Unaudited)

31 March 2017

Banque Pour Le Commerce Exterieur Lao Public

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Banque Pour Le Commerce Exterieur Lao Public

GENERAL INFORMATION

THE BANK

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

On 15 July 2011, the MOF sold 10% of the total ordinary shares (equivalent 13.657.759 shares) to its strategic partner named Compagnie Financière de la BRED ("COFIBRED") in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and COFIBRED. COFIBRED is a subsidiary of BRED, the biggest regional banking society in the Banque Populare Group - a French group of cooperative banks. The total purchased price of LAK 150.235.349.000 has been paid fully by COFIBRED.

According to notification from Lao Securities and Exchange, the shareholding structure of the Bank as at 31 March 2017 is as follows:

Shareholders	*Number 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 to organizations and individuals based on the nature and capability of the Bank"s sources of capital; foreign exchange transactions, international trade financial services, discounting of commercial papers, bonds and other valuable papers, and providing other banking services allowed by the Bank of Lao P.D.R.

Charter Capital

The charter capital as at 31 March 2017 is LAKm 682.888 (31 December 2016: LAKm 682.888).

Location and Network

The Bank"s Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao P.D.R. As at 31 March 2017, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-two (82) services units, and sixteen (16) exchange units all over Lao P.D.R.

GENERAL INFORMATION (continued)

THE BANK (continued)

Subsidiary

As at 31 March 2017 the Bank has one (01) subsidiary as follows:

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

Joint ventures

As at 31 March 2017, the Bank has four (04) joint ventures as follows:

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

GENERAL INFORMATION (continued)

BOARD OF DIRECTORS

Members of the Board of Directors during the Three Month Period ended 31 March 2017 and at the date of this report are as follows:

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

BOARD OF MANAGEMENT

Members of the Board of Management during the Three Month Period ended 31 March 2017 and at the date of this report are as follows:

Name	*Title*	*Date of appointment*
Mr. Phoukhong Chanthachack	General Managing Director	Appointed on 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008 Appointed on 30 September 2014
Ms. Khanthaly Vongxayarath	Deputy Managing Director	Resigned on 01 March 2017
Mr. Lachay Khanpravong	Deputy Managing Director	Appointed on 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointed on 30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	Appointed on 23 November 2015
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointed on 23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	Appointed on 1 November 2016

LEGAL REPRESENTATIVE

The legal representative of the Bank during the three-month period ended 31 March 2017 and the date of this report is Mr. Phoukhong Chanthachack - General Managing Director.

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE INCOME STATEMENT (Unaudited)
For the three-month period ended 31 March 2017

	Notes	*For the three-month period ended 31 March 2017 LAKm*	*For the three-month period ended 31 March 2016 LAKm*
Interest and similar income	7	411.074	296.945
Interest and similar expense	8	(221.549)	(205.130)
Net interest and similar income		**189.525**	**91.815**
Fee and commission income	9	43.567	49.064
Fee and commission expense	9	(6.052)	(17.469)
Net fee and commission income	**9**	**37.515**	**31.595**
Net trading income	10	11.427	13.980
Other operating income	11	7.935	1.109
Operating income		**246.402**	**138.499**
Credit loss expense of loans to customers	18	(56.623)	(36.108)
Reversal of impairment losses of financial investments	12	4.412	(532)
NET OPERATING INCOME		**194.191**	**101.859**
Personnel expenses	13	(51.217)	(48.220)
Depreciation and amortization	22,23	(17.990)	(17.240)
Other operating expenses	14	(44.727)	(17.972)
TOTAL OPERATING EXPENSES		**(113.934)**	**(83.432)**
PROFIT BEFORE TAX		**80.257**	**18.427**
Current profit tax expense	28.1	(17.424)	412
Deferred profit tax income	28.1	(1.709)	(6.096)
NET PROFIT FOR THE PERIOD		**61.124**	**12.743**
Earnings per share (LAK)	**36**	**448**	**93**

Prepared by:

Mrs. Lammaniseng Sayaphet
Head of Accounting Department

Approved by:

Mrs. Phousengthong Anoulakkham
Acting Head of Internal Audit Department

Approved by:

BANK OF THE LAO PDR
BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC
VIENTIANE CAPITAL

Mr. Lachay Khanpravong
Deputy Managing Director

Vientiane, Lao P.D.R

15 May 2017

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
For the three-month period ended 31 March 2017

	Notes	*For the three-month period ended 31 March 2017* LAKm	*For the three-month period ended 31 March 2016* LAKm
NET PROFIT FOR THE PERIOD		**61.124**	**12.743**
OTHER COMPREHENSIVE INCOME			
Net gain/(loss) on available-for-sale financial assets		15.340	1.458
Profit tax related to components of other comprehensive income		(3.682)	(350)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**11.658**	**1.108**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**72.782**	**13.851**

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Deputy Managing Director

Vientiane, Lao P.D.R

15 May 2017

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION (Unaudited)
For the three-month period ended 31 March 2017

	Notes	31 March 2017 LAKm	31 December 2016 LAKm
ASSETS			
Cash and balances with the Bank of Lao P.D.R	15	5.518.919	5.678.649
Due from banks	16	2.236.308	2.855.631
Loans to customers	17	19.614.113	19.093.205
Financial investments - Available-for-sale	19	207.090	191.750
Financial investments - Held-to-maturity	20	2.557.226	2.553.110
Investments in subsidiary and joint ventures	21	561.623	561.623
Property and equipment	22	435.566	446.733
Intangible assets	23	240.020	243.503
Deferred tax assets	28.4	5.183	10.657
Other assets	24	329.851	292.715
TOTAL ASSETS		**31.705.899**	**31.927.576**
LIABILITIES			
Due to banks and other financial institutions	25	2.365.237	3.165.445
Due to customers	26	25.895.290	25.403.131
Borrowings from other banks	27	2.036.836	2.002.307
Current tax liabilities	28.2	32.838	36.365
Deferred tax liabilities	28.4	9.943	9.834
Other liabilities	29	98.404	90.927
TOTAL LIABILITIES		**30.438.548**	**30.708.009**
EQUITY			
Charter capital	30	682.888	682.888
Statutory reserves and other reserves	31	357.712	357.712
Available-for-sale reserve	32	19.674	8.014
Retained earnings		207.077	170.953
TOTAL EQUITY		**1.267.351**	**1.219.567**
TOTAL LIABILITIES AND EQUITY		**31.705.899**	**31.927.576**

Prepared by:

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Head of Accounting Department

Approved by:

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Acting Head of Internal Audit Department

Approved by:

BANK OF THE LAO FOR BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC VIEN CAPITAL

Mr. Lachay Khanpravong
Deputy Managing Director

Vientiane, Lao P.D.R

15 May 2017

Banque Pour Le·Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY (Unaudited)
For the three-month period ended 31 March 2017

	Charter capital LAKm	*Statutory reserves LAKm*	*Available-for-sale reserve LAKm*	*Retained earnings LAKm*	*Capital supplement reserve LAKm*	*Total LAKm*
Balance as at 31 December 2016	**682.888**	**345.437**	**8.014**	**170.953**	**12.275**	**1.219.567**
Dividend of 2016 paid out to shareholders	-	-	-	(25.000)	-	(25.000)
Net profit for the year	-	-	-	61.124	-	61.124
Net movement in available-for-sale reserve	-	-	11.660	-	-	11.660
Balances as at 31 March 2017	**682.888**	**345.437**	**19.674**	**207.077**	**12.275**	**1.219.567**

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BANK OF THE LAO PDR
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Deputy Managing Director

Vientiane, Lao P.D.R

15 May 2017

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF CASH FLOWS (Unaudited)
For the three-month period ended 31 March 2017

	Notes	*For the three-month period ended 31 March 2017 LAKm*	*For the three-month period ended 31 March 2016 LAKm*
OPERATING ACTIVITIES			
Profit before tax		**80.257**	**18.427**
Adjustments for:			
Depreciation and amortization charges		17.990	4.041
Expense for impairment losses		56.623	36.108
(Reversal)/impairment losses for financial investments		-	532
Allocation of subvention fund		-	1.572
Dividend income		(3.073)	-
Cash flows from operating profit before changing in operating assets and liabilities		**151.797**	**60.680**
Changes in operating assets			
Net change in balances with other banks		59.037	1.981.115
Net change in loans to customers		(579.122)	(1.715.349)
Financial investment - Held-to-maturity		(15.340)	(1.918)
Financial investment - Available-for-sale		(4.112)	(308.091)
Net change in other assets		(31.662)	(13.413)
Changes in operating liabilities			
Net change in due to other banks		(765.679)	32.986
Net change in due to customers		492.159	542.804
Tax paid during the Period	28.2	(20.773)	(13.783)
Net change in other liabilities		15.771	(1.348)
Net cash flows from operating activities		**(697.923)**	**563.684**
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(4.009)	(1.072)
Proceed from disposals assets		669	
Dividend received		3.073	-
Net cash flows used in investing activities		**(267)**	**(1.072)**
FINANCING ACTIVITIES			
Payment of dividends		(25.000)	-
Net cash flows used in financing activities		**(25.000)**	**-**
Net increase in cash and cash equivalents		**(723.191)**	**562.613**
Cash and cash equivalents at the beginning of the Period		**7.119.186**	**10.148.821**
Foreign exchange difference		**1.204**	**541**
Cash and cash equivalents at the end of the Period	**33**	**6.397.199**	**10.711.974**

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VIENTIANE CAPITAL

Mr. Lachay Khanpravong
Deputy Managing Director

Vientiane, Lao P.D.R
15 May 2017

1. CORPORATE INFORMATION

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

Establishment and Operations

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

On 15 July 2011, the MOF sold 10% of the total ordinary shares (equivalent 13.657.759 shares) to its strategic partner named Compagnie Financière de la BRED ("COFIBRED") in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and COFIBRED. COFIBRED is a subsidiary of BRED, the biggest regional banking society in the Banque Populare Group - a French group of cooperative banks. The total purchased price of LAK 150.235.349.000 has been paid fully by COFIBRED.

According to notification from Lao Securities and Exchange Commission, the shareholding structure of the Bank as at 31 March 2017 is as follows:

Shareholders	*Number 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 to organizations and individuals based on the nature and capability of the Bank's sources of capital; foreign exchange transactions, international trade financial services, discounting of commercial papers, bonds and other valuable papers, and providing other banking services allowed by the Bank of Lao P.D.R.

Charter Capital

The charter capital as at 31 March 2017 is LAKm 682.888 (31 December 2016 LAKm 682.888).

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao P.D.R. As at 31 March 2017, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-two (82) services units, and sixteen (16) exchange units all over Lao P.D.R.

1. CORPORATE INFORMATION (continued)

Subsidiary

As at 31 March 2017, the Bank has one (01) subsidiary as follows:

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

Joint ventures

As at 31 March 2017, the Bank has four (04) joint ventures as follows:

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

1. CORPORATE INFORMATION (continued)

Board of Directors

Members of the Board of Directors during the Three Month Period ended 31 March 2017 and at the date of this report are as follows:

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

Board of Management

Members of the Board of Management during the Three Month Period ended 31 March 2017 and at the date of this report are as follows:

Name	*Title*	*Date of appointment*
Mr. Phoukhong Chanthachack	General Managing Director	Appointed on 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
Ms. Khanthaly Vongxayarath	Deputy Managing Director	Appointed on 30 September 2014 Resigned on 1 March 2017
Mr. Lachay Khanpravong	Deputy Managing Director	Appointed on 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointed on 30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	Appointed on 23 November 2015
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointed on 23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	Appointed on 1 November 2016

Employees

Total number of employees of the Bank as at 31 March 2017 is 1.645 persons (as at 31 December 2016: 1.591 persons).

2. BASIS OF PREPARATION

The separate financial statements have been prepared on a historical cost basis, except as disclosed in other notes.

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

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

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

Purpose of preparing the separate financial statements

The Bank has prepared and issued the separate financial statements in accordance with IFRS. In addition, the Bank is also in the process of preparation of the consolidated financial statements for the three-month period ended 31 March 2017.

Users of the accompanying separate financial statements should read them together with the consolidated financial statements of the Bank and its subsidiary for the three-month period ended 31 March 2017 in order to obtain full information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Bank and its subsidiary.

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

3. STATEMENT OF COMPLIANCE

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

4. PRESENTATION OF FINANCIAL STATMENTS

The Bank presents its statement of financial position in order of liquidity. Financial assets and financial liabilities are generally reported gross in the statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognized amounts without being contingent on a future event, the parties also intend to settle on a net basic in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Bank and/or its counterparties

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Foreign currency translation

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK on 31 March 2017 and 31 March 2017 as presented in Note 41). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance date are recognized in the income statement.

5.2 Financial instruments - initial recognition and subsequent measurement

5.2.1 Date of recognition

All financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, 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. Loans and advances to customers are recognised when funds are transferred to the customers‟ account. The Bank recognises due to customer balances when funds reach the Bank.

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

5.2.3 The effective interest rate method

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period, to the net carrying amount of the financial asset or financial liability. The amortised cost of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted amortised cost is calculated based on the original or latest re-estimated EIR and the change in is recorded as „Interest and similar income‟ for financial assets and „Interest and similar expense‟ for financial liabilities. The accounting policies for the EIR method vary by instruments and are further explained in Notes:

- 5.2.7 for „Due from banks and loans and advances to customers‟
- 5.2.8 for „Due to other banks and customers and other borrowed funds‟
- 5.4 for „Impairment of financial assets‟
- 5.8 for „Recognition of income and expenses‟

5.2.4 ‘Day 1’ profit or loss

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5.2.5 Available for sale financial investments

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

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

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

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

5.2.6 Held-to-maturity financial investments

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

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

5.2.7 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5.2.7 Due from banks and loans and advances to customers (continued)

After initial measurement, amounts „Due from banks" and „Loans and advances to customers' are subsequently measured at amortized cost using the EIR methodology, less allowance for impairment. Amortised 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. Therefore, the Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of the loan, hence, recognising the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (prepayments, penalty interest and charges).

If expectations are revised the adjustment is booked a positive or negative adjustment to the carrying amount in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the income statement.

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).

5.2.8 Due to other banks and customers and other borrowed funds

"Due to other banks and customers and other borrowed funds" include arrangements where the substance of the contractual arrangements result in the Bank having an obligation either to deliver cash or another financial asset to the holder.

After initial measurement, "Due to other banks and customers and other borrowed funds" are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

5.2.9 Reclassification of financial assets

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5.2.9 Reclassification of financial assets (continued)

In rare circumstances, 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.

5.3 De-recognition of financial assets and financial liabilities

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 also derecognises the assets if it has both transferred the asset, and the transfer qualifies for derecognition.

The Bank has transferred the asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a „pass–through" arrangement.

Pass-through arrangements are transactions when the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when certain conditions are met. At 31 March 2017, the Bank does not have financial assets which are subject to such arrangements.

A transfer only qualifies for derecognition if 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

In relation to the above, the Bank considers the control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3 De-recognition of financial assets and financial liabilities (continued)

5.3.1 Financial assets (continued)

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.

The Bank also derecognises a financial asset, in particular, a loan to customer when the terms and conditions have been renegotiated to the extent that it substantially became a new loan, with the difference recognised as an impairment in the income statement.

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 de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 Impairment of financial assets (continued)

5.4.1 Financial assets carried at amortized cost

Specific impairment losses

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers), the Bank first assesses whether objective evidence of impairment exists for financial assets that are individually significant or are already under specific work out by management.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset"s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in credit loss expense in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and similar income.

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

The present value of the estimated future cash flows is discounted at the financial asset"s original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 Impairment of financial assets (continued)

5.4.1 Financial assets carried at amortized cost (continued)

Collective impairment model

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of a credit risk evaluation or grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors).

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

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, personal indebtedness, collateral values including property prices for mortgages, 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.

5.4.2 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.

5.4.3 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 annually reporting schedule.

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 separate financial statements, and other independent sources.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 Impairment of financial assets (continued)

5.4.4 Collateral repossessed

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

5.5 Offsetting financial instruments

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

5.6 Investment in subsidiaries

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

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

5.7 Investment in joint ventures

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 EIR. 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.

When the recorded value of a financial asset or a group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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.

Fee income forming an integral part of the corresponding financial instrument

Fees that the Bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR (as defined in Note 5.2.3 above). The exception is, when it is unlikely that a loan will be drawn down, the loan commitment fees are recognised as revenue on expiry. Loan commitments that are within the scope of IAS 39 (i.e., are designated as FVPL, or are at a below market rate of interest, or are settled net) are accounted for as derivatives and measured at fair value through profit or loss.

Dividend income

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

5.9 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, non-restricted current accounts with the BOL and amounts due from banks on demand or with an original maturity of three months or less.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.10 Property and equipment

Property and equipment 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 annual rates used:

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

5.11 Intangible assets

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

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

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

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

- Software 2 - 5 years

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 income statement.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.13 Financial guarantees

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

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

5.14 Employee benefits

Post-employment benefits

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

Termination benefits

In accordance with Article 82 of the Amended Labour Law No. 43/NA approved by the President of the Lao People's Democratic Republic on 28 January 2014, the Bank has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 31 March 2017, there is no employee of the Bank who was dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the separate financial statements.

5.15 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Bank determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.16 Profit tax

Current tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of available-for-sale assets, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI. These exceptions are subsequently reclassified from OCI to the income statement together with the respective deferred loss or gain. The Bank also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Bank only off-sets its deferred tax assets against liabilities when there is both a legal right to offset and it is the Bank"s intention to settle on a net basis.

5.17 Fiduciary assets

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.18 Equity reserves

The reserves recorded in equity on the Bank"s separate statement of financial position include:

- Statutory reserves which are created in accordance with prevailing regulations of Lao P.D.R, as stated in Note 31; and
- Available-for-sale reserve which comprises changes in fair value of available-for-sale investments, as stated in Note 32.

5.19 Standards issued but not yet effective

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

IFRS 9 Financial Instruments

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

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Bank does not anticipate early adopting IFRS 15 and is currently evaluating its impact.

IFRS 16 Leases

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise „short-term" leases and leases of „low-value" assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today"s finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Bank does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to IAS 12 Income Taxes

In January 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment is effective from 1 January 2017. The Bank is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its separate financial statements.

Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities" liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Bank is currently evaluating the impact.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

In the process of applying the Bank"s accounting policies, management has made the following judgements and 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. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank"s control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the separate financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

6.1 Going concern

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

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

6.2 Effective Interest Rate (EIR) method

The Bank"s EIR methodology, as explained in Note 5.2.3, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to other fee income/expense that are integral parts of the instrument.

6.3 Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement.

The Bank"s impairment methodology for assets carried at amortised cost results in the recording of provisions for:

- Specific impairment losses on individually significant or specifically identified exposures;
- Collective impairment.

The detailed approach for each category is further explained in Note 5.4.1. All categories include an element of management"s judgement, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the changing of which can result in different levels of allowances.

7. INTEREST AND SIMILAR INCOME

	For the three-month period ended 31 March 2017 LAKm	*For the three-month period ended 31 March 2016 LAKm*
Interest income from lending to customers	364.230	269.391
Interest income from deposits at other banks	2.039	1.210
Interest income from investment securities	31.371	23.722
Other interest and similar income	13.434	2.622
	411.074	**296.945**

8. INTEREST AND SIMILAR EXPENSE

	For the three-month period ended 31 March 2017 LAKm	*For the three-month period ended 31 March 2016 LAKm*
Interest expense for due to other banks	27.504	12.434
Interest expense for customer deposits	194.045	192.696
	221.549	**205.130**

9. NET FEES AND COMMISSION INCOME

	For the three-month period ended 31 March 2017 LAKm	*For the three-month period ended 31 March 2016 LAKm*
Fees and commission income from:		
Settlement services	32.350	28.471
Guarantee activities	9.697	20.097
Other activities	1.520	496
	43.567	**49.064**
Fees and commission expense for:		
Treasury activities	(4.850)	(12.072)
Other activities	(1.202)	(5.397)
	(6.052)	**(17.469)**
Net fees and commission income	**37.515**	**31.595**

10. NET TRADING INCOME/(EXPENSE)

	For the three-month period ended 31 March 2017 LAKm	*For the three-month period ended 31 March 2016 LAKm*
Gains from foreign currencies trading	825.697	987.188
Loss from foreign currencies trading	(814.270)	(973.208)
Net gain from foreign currencies trading	**11.427**	**13.980**

11. OTHER OPERATING INCOME

	For the three-month period ended 31 March 2017 LAKm	*For the three-month period ended 31 March 2016 LAKm*
Dividend income	3.073	-
Other income from financial services	-	35
Income from sale of tangible fixed assets	2	-
Recovery of bad debts written-off	1.933	783
Others	2.927	291
	7.935	**1.109**

12. (REVERSAL OF)/ADDITIONAL IMPAIRMENT LOSSES FOR FINANCIAL INVESTMENTS

	For the three-month period ended 31 March 2017 LAKm	*For the three-month period ended 31 March 2016 LAKm*
Reversal of impairment losses for held-to-maturity securities (Note 20)	4.412	(532)
	4.412	**(532)**

13. PERSONNEL EXPENSES

	For the three-month period ended 31 March 2017 LAKm	*For the three-month period ended 31 March 2016 LAKm*
Salary expense	30.238	28.124
Insurance expense for employees	19.700	18.923
Other allowances	1.279	1.173
	51.217	**48.220**

14. OTHER OPERATING EXPENSES

	For the three-month period ended 31 March 2017 LAKm	*For the three-month period ended 31 March 2016 LAKm*
External services	5.502	5.198
Repair and maintenance	4.163	3.423
Publication. marketing and promotion	1.236	811
Office rental	2.355	1.983
Telecommunication	403	488
Training. meeting and seminar	2.209	1.964
Insurance fee for depositor protection fund	5.784	-
Tax and other duties	77	413
Others	22.998	3.692
	44.727	**17.972**

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

	31 March 2017 LAKm	*31 December 2016 LAKm*
Cash on hand in LAK	1.434.549	1.016.613
Cash on hand in foreign currencies ("FC")	1.000.318	850.541
Balances with the BOL:		
- Compulsory deposit	1.286.685	1.378.763
- Demand deposit	1.797.367	2.432.732
	5.518.919	**5.678.649**

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

Under regulations of the BOL, the Bank is required to maintain certain reserves with the BOL in the form of compulsory deposits, which are computed at 5.00% for LAK and 10.00% for foreign currencies, on a bi-weekly basis, (2016: 5.00% and 10.00%) of customer deposits having original maturities of less than 12 months. During the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

16. DUE FROM BANKS

	31 March 2017 LAKm	*31 December 2016 LAKm*
Current and saving accounts	**2.042.921**	**2.569.420**
- In LAK	42.562	2.174.414
- In foreign currencies	2.000.359	395.006
Term deposits	**192.965**	**284.330**
- In LAK	61.500	123.171
- In foreign currencies	131.465	161.159
Accrued interest	**422**	**1.881**
	2.236.308	**2.855.631**

17. LOANS TO CUSTOMERS

	31 March 2017 LAKm	*31 December 2016 LAKm*
Gross loans	19.813.930	19.240.075
Accrued interest related to loans to customers	197.976	192.709
Less: Allowance for impairment losses *(see Note 18)*	(397.793)	(339.579)
	19.614.113	**19.093.205**

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

	31 March 2017 Interest rates % per annum	*2016 Interest rates % per annum*
Loans denominated in LAK	6,00% - 16,00%	6,00% - 16,00%
Loans denominated in USD	2,00% - 16,00%	2,00% - 14,00%
Loans denominated in THB	6,00% - 11,00%	6,00% - 12,00%

Analysis of loan portfolio by currency:

	31 March 2017 LAKm	*31 December 2016 LAKm*
Loans denominated in LAK	7.803.695	7.408.014
Loans denominated in USD	9.350.546	9.300.297
Loans denominated in THB	2.659.690	2.531.764
	19.813.930	**19.240.075**

Analysis of loan portfolio by original maturity:

	31 March 2017 LAKm	*31 December 2016 LAKm*
Short-term loans	2.766.147	2.966.973
Medium-term loans	11.841.831	11.301.876
Long-term loans	5.205.953	4.971.226
	19.813.930	**19.240.075**

17. LOANS TO CUSTOMERS (continued)

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

	31 March 2017		*31 December 2016*	
	LAKm	*%*	*LAKm*	*%*
Industrial services companies	10.075.656	50,85%	9.796.735	50,92%
Construction companies	3.434.090	17,33%	3.305.600	17,18%
Technical instruments enterprises	67.214	0,34%	63.867	0,33%
Agricultural & forestry	50.336	0,25%	48.385	0,25%
Trading companies	3.585.045	18,09%	3.498.551	18,18%
Transportation companies	624.392	3,15%	642.664	3,34%
Services companies	1.770.206	8,93%	1.701.361	8,84%
Handicrafts	9.907	0,05%	9.958	0,05%
Others	197.085	0,99%	172.954	0,91%
	19.813.930	**100%**	**19.240.075**	**100%**

18. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in the allowance for impairment losses of loans to customers during the Three Month Period ended 31 March 2017 are as follows:

	Allowance for impairment of loans to customers LAKm
Balance as at 1 January 2017	**339.579**
Net change during the year	1.336.103
Non-performing loans written-off	(1.279.480)
Foreign exchange differences	1.591
Balance as at 31 March 2017	**326.962**

Break down of allowance for impairment losses of loans to customers as at 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017		*31 December 2016*	
	Outstanding balance LAKm	*Impairment LAKm*	*Outstanding balance LAKm*	*Impairment LAKm*
Individually impaired	5.179.719	284.581	2.792.381	290.125
Collectively impaired	14.634.211	113.213	16.447.694	49.454
	19.813.930	**397.793**	**19.240.075**	**339.579**

19. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	31 March 2017 LAKm	*31 December 2016 LAKm*
Listed shares of EDL-Generation Public Company	207.090	191.750
	207.090	**191.750**

20. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

	31 March 2017 LAKm	*31 December 2016 LAKm*
Amortized cost of Treasury bills issued by the Ministry of Finance	2.010.262	1.998.663
Amortized cost of Bonds issued by the Ministry of Finance	555.493	567.389
	2.565.755	**2.566.052**
Impairment losses for investments in Held-to-maturity securities (*)	**(8.529)**	**(12.942)**
- *Impairment losses for Treasury bills issued by the Ministry of Finance*	*(354)*	*(1.926)*
- *Impairment losses for Bonds issued by the Ministry of Finance*	*(8.175)*	*(11.016)*
	2.557.226	**2.553.110**

(*): The net change in Reversal of impairment losses of LAKm 4.412 for the Three Month Period ended 31 March 2017 is recorded in the separate income statement as reversal of impairment loss for held-to-maturity securities *(Note 12)*.

20.1 Treasury bills issued by the Ministry of Finance

Details of the treasury bills as at 31 March 2017 are as follows:

Term	*Issue date*	*Maturity date*	*Face value*	*Amortized cost*	*Interest rate per annum (nominal)*
1 year	20 December 2016	20 December 2017	50.000	50.104	4,00%
1 year	10 October 2016	10 October 2017	2.000	1.987	4,00%
1 year	08 April 2016	08 April 2017	100.000	103.885	4,00%
1 year	12 November 2016	12 November 2017	8.000	7.482	4,00%
1 year	28 April 2016	28 April 2017	20.000	20.734	4,00%
1 year	12 May 2016	12 May 2017	10.000	10.350	4,00%
1 year	26 May 2016	26 May 2017	58.000	59.936	4,00%
1 year	17 June 2016	17 June 2017	500.000	515.660	4,00%
1 year	26 August 2016	26 September 2017	50.000	51.472	5,00%
1 year	02 September 2016	02 September 2017	50.000	51.423	5,00%
1 year	18 November 2016	18 November 2017	300.000	305.381	5,00%
1 year	16 December 2016	16 December 2017	146.000	148.064	5,00%
1 year	17 February 2017	17 February 2018	300.000	301.689	5,00%
1 year	10 March 2017	10 March 2018	73.000	73.205	5,00%
1 year	24 March 2017	24 March 2018	350.000	350.328	5,00%
			2.017.000	**2.051.700**	

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

20.2 Bonds issued by the Ministry of Finance

	31 March 2017 LAKm	*31 December 2016 LAKm*
Triangle bonds		-
Capitalization bonds	65.703	67.391
Other bonds	448.352	499.998
	514.055	**567.389**

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

Purchased date	*Maturity date*	*Face value (LAKm)*	*Amortized cost (LAKm)*	*Term*	*Interest rate (% per annum)*
1 March 2014	1 March 2019	68.600	65.703	5 years	4.00%
		68.600	**65.703**		

► Details of other bonds are as follows:

Purchase date	*Maturity date*	*Face value LAKm*	*Amortized cost LAKm*	*Interest rate (% p.a)*
3 July 2016	3 July 2021	29.780	30.440	3,00%
12 March 2016	12 March 2018	20.000	20.685	4,25%
31 July 2016	31 July 2018	5.000	4.787	4,25%
7 May 2016	7 May 2018	22.000	19.933	4,25%
11 June 2016	11 June 2018	9.000	8.463	4,25%
12 July 2016	12 June 2018	25.000	23.502	4,25%
13 June 2016	13 June 2018	1.000	940	4,25%
16 May 2016	16 May 2018	5.000	4.730	4,25%
18 September 2016	18 September 2018	4.000	3.684	4,25%
31 July 2016	31 July 2018	2.000	1.911	4,25%
30 December 2014	30 December 2017	100.000	101.251	5,10%
2 August 2016	2 August 2018	14.000	13.209	4,25%
11 June 2016	11 June 2018	2.000	1.776	4,25%
23 December 2016	23 December 2018	210.000	213.041	5,50%
		448.780	**448.352**	

21. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

	31 March 2017		*31 December 2016*	
	Cost LAKm	*Ownership %*	*Cost LAKm*	*Ownership %*
Investments in subsidiaries				
BCEL - Krung Thai Securities Company Limited	70.000	70%	70.000	70%
Investments in joint ventures				
Lao Viet Joint Venture Bank	197.839	25%	197.839	25%
Banque Franco - Lao Company Limited	138.000	46%	138.000	46%
Lao China Bank Company Limited	147.000	49%	147.000	49%
Lao-Viet Insurance Joint Venture Company	8.784	35%	8.784	35%
	561.623		**561.623**	

- BCEL - Krung Thai Securities Company Limited is incorporated in the Lao P.D.R under the Business License No. 180-10 granted by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R on 14 December 2010. The company"s principal activities are to provide brokerage services, proprietary trading, finance and securities investment advisory services, custody services, underwriting for share issues and other value added services.

- Lao Viet Joint Venture Bank ("LVB") is incorporated in the Lao P.D.R with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with the Bank for Investment and Development of Vietnam, a state-owned commercial bank incorporated in the Socialist Republic of Vietnam. The joint venture was granted the banking license on 31 March 2000 by the Bank of Lao P.D.R for a year of 30 years. In 2015, LVB increased its contributed capital to LAK 791.357.560.000. The Bank"s ownership rate in LVB after the capital increase is 25% in accordance with Investment License No. 004-15/KH-DDT4 issued by Ministry of Planning and Investment on 24 August 2015, equivalent to LAK 197.839.390.000.

- Banque Franco - Lao Limited ("BFL") is incorporated in the Lao P.D.R with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with Cofibred Company Frances De La Bred which is a state-owned bank incorporated in Paris, France. The joint venture was granted the temporary banking license on 01 October 2009 and a permanent license on 16 July 2010 by the Bank of Lao P.D.R. The legal capital of BFL was USD 20 million which was later revised to USD 37 million in accordance with the President"s decree issued on 24 September 2009 and letter No. 01/BOL dated 28 January 2010 from BOL. As at 31 March 2017, the contributed capital of the Bank included USD 1.840.000 and LAK 122.854.960.000.

- Lao China Bank Company Limited ("LCNB") is incorporated in the Lao P.D.R and engages in the provision of baking services. It is a joint venture with Fudian Bank China, a state-owned commercial bank incorporated in China. The joint venture bank was granted the Banking Business Licence on 20 January 2014 by the Bank of Lao P.D.R. The legal capital of LCNB was LAKm 300.000 and had been fully contributed by partners as at 31 March 2017.

- Lao-Viet Insurance Joint Venture Company ("LVI") is incorporated as a joint venture company in the Lao P.D.R providing insurance services under the Investment License No. 077/08/FIMC issued by the Foreign Investment Management Committee on 09 June 2008. It is a joint venture with BIDV Insurance Joint Stock Corporation and Lao Viet Joint Venture Bank. LVI"s legal capital is USD 3.000.000 and has been fully contributed by partners on 17 July 2008. In 2013, the Bank has contributed additional capital of USD 180.000 on 02 September 2013. As at 31 March 2017, the total contributed capital of the Bank in this company was USD 1.050.000, equivalent to LAKm 8.784.

22. PROPERTY AND EQUIPMENT

Movements of property and equipment for the three-month period ended 31 March 2017 are as follows:

	Buildings & improvements LAKm	*Office equipment LAKm*	*Furniture & fixtures LAKm*	*Motor vehicles LAKm*	*Total LAKm*
Cost:					
As at 1 January 2017	447.479	127.724	35.042	18.852	629.097
Additions	336	2.303	323	689	3.651
In which					
New purchases					
Transferred from CIP and fixed assets in transit	*336*	*2.303*	*323*	*689*	*3.651*
Disposals	(221)	(7.830)	(23)	(23)	(8.097)
As at 31 March 2017	447.594	122.197	35.342	19.518	624.651
Accumulated depreciation:					
As at 1 January 2017	89.823	66.311	17.816	8.414	182.364
Charge for the year	6.253	6.222	1.198	976	14.649
Disposals	(104)	(7.782)	(19)	(23)	(7.928)
As at 31 March 2017	95.972	64.752	18.995	9.367	189.085
Net book value:					
As at 1 January 2017	357.656	61.413	17.226	10.438	446.733
As at 31 March 2017	351.622	57.446	16.347	10.151	435.566

23. INTANGIBLE ASSETS

Movements of intangible assets during the three-month period ended 31 March 2017 are as follows:

	Land use rights LAKm	*Software LAKm*	*Total LAKm*
Cost:			
As at 1 January 2017	220.518	68.255	288.773
Additions	-	358	358
In which			
New purchases			
Transferred from CIP and fixed assets in transit	-	358	358
Disposals	(500)	(2.994)	(3.494)
As at 31 March 2017	220.018	65.619	285.637
Accumulated amortization:			
As at 1 January 2017	-	45.270	45.270
Charge for the year	-	3.341	3.341
Disposals	-	(2.994)	(2.994)
As at 31 March 2017	-	45.617	45.617
Net book value:			
As at 1 January 2017	220.518	22.985	243.503
As at 31 March 2017	220.018	20.002	240.020

24. OTHER ASSETS

	31 March 2017 LAKm	*31 December 2016 LAKm*
Assets waiting for sales	189.985	143.098
Stationeries and other tools	1.675	1.467
Checks in collection	23.650	31.472
Construction in progress and fixed assets in transit (*)	48.660	48.260
Prepaid expenses to be allocated	35.348	30.800
Advance payment for other operations	18.723	24.791
Others	11.810	12.827
	329.851	**292.715**

(*): Movement of construction in progress and fixed assets in transit for the Three Month Period ended 31 March 2017 is as follows:

	Land use rights LAKm	*Buildings & improvements LAKm*	*Other LAKm*	*Total LAKm*
As at 1 January 2017	8.061	26.661	13.538	48.260
Additions				
Transferred to fixed assets	-	2.267	2.142	4.409
Transferred to assets waiting for sales	-	(336)	(3.673)	(4.009)
As at 31 March 2017	8.061	28.592	12.007	48.660

25. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 March 2017 LAKm	*31 December 2016 LAKm*
Demand deposits	**2.216.070**	**2.813.254**
- In LAK	1.235.016	1.242.744
- In foreign currencies	981.054	1.570.510
Saving deposits	**61.927**	**29.046**
- In LAK	24.454	21.381
- In foreign currencies	37.473	7.665
Term deposits	**81.450**	**306.858**
- In LAK	81.450	45.450
- In foreign currencies	-	261.408
Others	**5.288**	**11.257**
- In LAK	2.277	8.590
- In foreign currencies	3.011	2.667
	2.364.735	**3.160.415**
Accrued interest payables	**502**	**5.030**
	2.365.237	**3.165.445**

Saving deposits from other banks and financial institutions denominated in LAK, USD, THB bear interest at rates ranging of 0% - 0,20%, 0% - 0,03% and 0% - 0,03% per annum, respectively.

The term deposits from other banks and financial institutions denominated in LAK, USD bear interest at rates ranging of 1,25% – 2,90% and 0% - 6,00% per annum, respectively.

26. DUE TO CUSTOMERS

	31 March 2017 LAKm	*31 December 2016 LAKm*
Demand deposits	**5.942.274**	**6.082.985**
Demand deposits in LAK	1.859.426	1.656.340
Demand deposits in FC	4.082.848	4.426.645
Demand savings	**9.977.279**	**9.341.554**
Demand saving deposits in LAK	4.122.602	3.704.509
Demand saving deposits in FC	5.854.677	5.637.045
Term deposits	**9.599.097**	**9.495.540**
Term deposits in LAK	5.845.141	5.868.476
Term deposits in FC	3.753.956	3.627.064
Margin deposits	**86.088**	**119.478**
Margin deposits in LAK	7.312	11.716
Margin deposits in FC	78.776	107.762
Others	**113.708**	**271.295**
	25.718.446	**25.310.852**
Accrued interest	**176.844**	**92.279**
	25.895.290	**25.403.131**

Saving deposits from customers denominated in LAK, USD and THB bear interest at rate ranging of 1,25% – 1,91%, 0,90% - 1,15% and 0,45% – 0,90% per annum respectively.

Fixed term deposits in LAK, USD, THB have terms of 3, 6, 12 months and more than 1 year and are subject to interest rates ranging of 2,00% – 14,00%, 1,05% - 8,00 % and 1,40% – 7,50% per annum respectively.

27. BORROWINGS FROM OTHER BANKS

	31 March 2017 LAKm	*31 December 2016 LAKm*
Borrowings from the BOL	1.645.597	1.640.776
Borrowings from foreign banks	360.492	359.436
Accrued interest payables	30.747	2.095
	2.036.836	**2.002.307**

27. BORROWINGS FROM OTHER BANKS (Continued)

Borrowings from the BOL as at 31 March 2017 include:

- USD 4.599.999 long-term borrowing (original borrowing amount was USD 9.200.000) for the purpose of investment in Banque Franco – Lao Limited. The loan"s principal is paid annually from 2010 to 2023 with the interest of 0,25% per annum. The interest is paid semi-annually.
- USD 99.854.000 long-term borrowing (original borrowing amount was USD 100.000.000) for the purpose of providing credit to certain Government-backed Hydropower projects with interest rate of 5,5% per annum.
- USD 96.400.000 long-term borrowing (original borrowing amount was USD 100.000.000) for the purpose of providing credit to certain Government-backed Hydropower projects with interest rate of 5,3% per annum.

Borrowings from foreign banks and other financial institutions include:

- USD 24.000.000 one-year borrowing from ICBC Vientiane Branch. The loan"s principal is paid at maturity date. Interest rate is at 4,58% per annum. The interest shall be paid at the maturity date.
- USD 20.000.000 one-year borrowing from ICBC Vientiane Branch. The loan"s principal is paid at maturity date. Interest rate is at 4,58% per annum. The interest shall be paid at the maturity date.
- LAK 40.000.000.000 three month borrowing from VietinBank Vientiane Branch. The loan"s principal is paid at maturity date. Interest rate is at 2,90% per annum. The interest shall be paid at the maturity date.

28. TAXATION

28.1 Profit tax expense

Major components of tax expense are as follows:

	31 March 2017 LAKm	*31 March 2016 LAKm*
Current profit tax expense	17.424	(412)
Deferred profit tax income	1.709	6.096
Total tax expense for the Period	**19.133**	**5.684**

28.2 Tax payables

	31 March 2017 LAKm	*31 December 2016 LAKm*
Profit Tax Payable	20.773	24.300
Value Added Tax Payable	11.900	12.065
Other Payable For Tax	165	-
	32.838	**36.365**

28. TAXATION (continued)

28.3 Current Profit Tax ("PT")

The Bank is obliged to pay tax at rate of 24% on total profit before tax in accordance with the new Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016.

The calculations of Profit taxes for the years 2017 and 2016 are as follows:

	31 March 2017 LAKm	*31 March 2016 LAKm*
Profit before tax in accordance with IFRS	**80.257**	**18.427**
Adjustments for:		
- Difference between carrying value under LAS and amortized cost under IFRS of Bonds	(4.487)	428
- Difference in expense for /(reversal of) allowance for impairment losses between LAS and IFRS of loans to banks and customers	(16.104)	(14.600)
- Difference in allocation of subvention funds	-	1.572
- Write-off start-up cost as expense during the period	(2)	(11)
- Difference in impairment expense of investment between LAS and IFRS	(4.412)	532
Profit before tax in accordance with LAS	**55.252**	**6.348**
Increase/(Decrease):		
- Income exempted from PT (dividend income)	(3.073)	-
- Non-deductible expenses	52	36
- Other Adjustment	-	(583)
Taxable profit under LAS	**52.232**	**5.801**
PT expense at rate of 24% (2016: 24%)	**12.536**	**1.392**
Total tax expense in the period	**12.536**	**1.392**
PT payable at the beginning of the period	24.300	18.797
Other adjustment	(154)	(1.324)
PT paid in the period	(15.909)	(13.783)
PT payable at the end of the period	**20.773**	**5.082**

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

28. TAXATION (continued)

28.4 Deferred tax assets/(liabilities)

	Deferred tax assets (tax rate of 24%) LAKm	*Deferred tax liabilities (tax rate of 24%) LAKm*	*Net deferred tax assets/ (liabilities) LAKm*
As at 1 January 2017	10.657	(9.834)	823
Increase during the year due to:			
Changes in fair value of available for sale financial instruments	-	(3.682)	(3.682)
Changes in temporary difference between taxable profit under LAS and taxable profit under IFRS	(5.474)	3.573	(1.901)
As at 31 March 2017	**5.183**	**(9.943)**	**(4.760)**

29. OTHER LIABILITIES

	31 March 2017 LAKm	*31 December 2016 LAKm*
Payables to employees	19.772	19.772
Payable to suppliers	17.215	17.271
Termination allowances	18.797	17.906
Others	42.620	35.978
	98.404	**90.927**

30. CHARTER CAPITAL

There has been no change to paid-up capital during the three-month period ended 31 March 2017

31. STATUTORY RESERVES AND OTHER RESERVES

There has been no change to regulatory reserve fund, business expansion fund and others funds during the three-month period ended 31 March 2017.

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.

32. AVAILABLE-FOR-SALE RESERVE

	31 March 2017 LAKm	*31 December 2016 LAKm*
Opening balance	8.014	32.789
Net changes in fair value of available-for- sale financial investments	11.660	(24.775)
	19.674	**8.014**

33. ADDITIONAL CASH FLOW INFORMATION

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

	31 March 2017 LAKm	*31 December 2016 LAKm*
Cash and cash equivalents on hand	2.434.867	1.867.154
Demand deposits with the BOL	1.797.367	2.432.732
Current accounts with other banks	2.042.921	2.569.420
Term deposits due within 90 days	122.044	249.881
	6.397.199	**7.119.187**

34. CONTINGENT LIABILITIES AND COMMITMENTS

	31 March 2017 LAKm	*31 December 2016 LAKm*
Financial letter of guarantees	165.146	248.997
At sight letters of credit	527.750	579.768
Deferred payment letters of credit	102.960	141.234
Credit limit given to customers	4.219.777	4.088.546
Credit limit given to other banks	7.472	22.232
	5.023.105	**5.080.777**

Financial guarantees

Letters of credit, guarantees (including standby letters of credit) and acceptances commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. Guarantees and standby letters of credit carry the same credit risks as loans. Credit guarantees can be in the form of bills of exchange or in the form of irrevocable letters of credit, advance payment guarantees, and endorsement liabilities from bills discounted.

Un-drawn commitments to lend

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Lease commitments

As at 31 March 2017, the Bank did not entered into any lease contracts as either lessor or lessee which results in future cash inflows and/or outflows.

35. 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:

	31 March 2017 LAKm	*31 March 2016 LAKm*
Salaries	394	360
Responsibility allowance	333	303
	726	**664**

35. RELATED PARTY DISCLOSURES (continued)

Significant balances with related parties as at 31 March 2017 are as follows:

Related party	*Relationship*	*Transactions*	*Receivable LAKm*	*Payable LAKm*
The Bank of the Lao P.D.R	Direct controller	Borrowings and accrued interest from the BOL	-	2.868
The Bank of the Lao P.D.R	Direct controller	BCEL"s demand deposits at BOL	1.797.367	-
The Bank of the Lao P.D.R	Direct controller	BCEL"s compulsory deposits at BOL	1.286.685	-
The Bank of the Lao P.D.R	Direct controller	Demand deposit at BCEL	-	2.868
The Ministry of Finance of the Lao P.D.R	Direct owner	Investment in MOF"s bonds	2.557.226	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Accrued interest	31.371	-
BCEL - Krung Thai Securities Company Limited	Subsidiary	Saving accounts	-	429
Lao Viet Joint Venture Bank	Joint venture	Current accounts	-	182.224
Lao Viet Joint Venture Bank	Joint venture	Term deposit	-	129
Banque Franco – Lao Company Limited	Joint venture	Current accounts	-	20.469
Banque Franco – Lao Company Limited	Joint venture	Saving accounts	-	1.505
Lao China Bank Co.Ltd	Joint venture	Current accounts	-	10.531

36. EARNINGS PER SHARE

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

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

	31 March 2017	*31 March 2016*
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	61.124	12.743
Weighted average number of ordinary shares for basic earnings per share (shares)	136.577.600	136.577.600
Face value per share (LAK)	5.000	5.000
Earnings per share (LAK)	448	93

37. RISK MANAGEMENT POLICIES

Introduction

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

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

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

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

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

Risk management structure

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

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

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

38. CAPITAL MANAGEMENT

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

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

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

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

An analysis of the Bank"s capital based on financial information deprived from IFRS separate financial statements is as follows:

	31 March 2017 *LAKm*	*31 December 2016* *LAKm*
Tier 1 capital	1.247.677	1.211.553
Tier 2 capital	8.853	3.607
Total capital	1.256.530	1.215.160
Less: Deductions from capital (Investments in other entities)	(561.623)	(561.623)
Capital for CAR calculation (A)	**694.907**	**653.537**
Risk weighted balance sheet items	11.267.949	10.829.925
Risk weighted off balance sheet items	2.660.887	2.463.599
Total risk weighted assets (B)	**13.928.836**	**13.293.524**
Capital Adequacy Ratio (A/B)	**4,99%**	**4,92%**

39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank"s financial assets and liabilities, fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the Bank"s management, except for bonds issued by the Ministry of Finance, bonds issued by and borrowings from the BOL, the carrying amount of the financial assets and liabilities included in the separate statement of financial position are a reasonable estimation of their fair values. In making this assessment, the Bank"s management assumes that loans are mainly held to maturity with fair values equal to the book value of loans adjusted for allowance for impairment losses.

40. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 31 March 2017 that requires adjustment or disclosure in the separate financial statements of the Bank.

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

	31 March 2017 LAK	*31 December 2016* LAK
USD	8.193,00	8.169,00
EUR	8.738,00	8.620,00
THB	238,55	229,19
GBP	10.063,00	9.892,00
CHF	7.778,00	7.675,00
JPY	72,00	69,15
SGD	5.951,00	5.886,00
CAD	5.819,00	5.799,00
AUD	6.155,00	5.826,00
CNY	1.173,00	1.153,00
VND	0,36	0,36

Prepared by:	Approved by:	Approved by:
Mrs. Lammaniseng Sayaphet Head of Accounting Department	Mrs. Phousengthong Anoulakkham Acting Head of Internal Audit Department	Mr. Lachay Khanpravong Deputy Managing Director

BANK OF THE LAO PDR
BANQUE POUR LE COMMERCE EXTERIEUR
LAO PUBLIC
VIENTIANE CAPITAL

Vientiane, Lao P.D.R

15 May 2017