Banque Pour Le Commerce Exterieur Lao Public

A Summary of Business Performance of the First Quarter 2018

1. Banque pour le Commerce Exterieur Lao Public

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

BCEL was established in accordance with the Business License No. 129/BOL dated 01 November 1989. On the 23rd December 2010, the bank was equitized and renamed into Banque Pour Le Commerce Exterieur Lao Public under the Enterprise Registration License No.0061 dated on 10 January 2011 issued by the Department of Enterprise Registration and Management, Ministry of Industry and Commerce of the Lao P.D.R. The Ministry of Finance representing the Government held 80% of the total shares.

On the 15th July 2011, the Ministry of Finance sold 10% of the total ordinary shares to its strategic partner named COFIBRED in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and COFIBRED.

The current structure of BCEL's shareholders includes: The Government's shares account for 70% of the Bank's chartered capital; Local investors (including employees of the Bank) and other foreign investors shares account for 20% and strategic partners' shares account for 10%.

On 17th August 2017, the Securities Management Committee agreed the recapitalization by public offering at the Lao Securities Exchange and right offering to the existing shareholders. This recapitalization aims to increase the registered capital. The bank received new Banking License No. 21/BOL, dated 13 September 2017, issued by Bank of the Lao PDR. On 15th September 2017, Lao Securities Exchange certified that the bank has increased its registered capital in the amount of 355.728.500.000 LAK (71.145.700 shares) according to the certificate No. 01/LSX, dated 15 September 2017 and the business license No.0889/ERO, dated 15 September 2017, issued by Ministry of Industry and Commerce.

The principal activities of the Bank are to provide banking services including fund mobilization and deposit-taking for short-term, medium-term, and long-term from organizations and individuals. The bank also provides loans for short-term, medium-term, and long-term to business units and individuals based on the loan purposes and the capability of the bank for lending; Other services of the bank include foreign exchange, international trade financial services, letter of credits, guarantees, gold trading via account and other banking services allowed by the Bank of the Lao PDR. Other business of the bank includes insurance and security trading.

Charter Capital

The charter capital as of 31 March 2018 is 1.038.617 million LAK (as of 31 Dec 2017: 1.038.617 million LAK).

Location and Network

The Bank's Head Office is located at No.01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane, Lao PDR. As of 31st March 2018, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-six (86) services units, and sixteen (16) exchange units all over the Lao P.D.R.

2. Vision

BCEL has adopted a vision and applied to its business development to achieve its goal and objective of "Becoming a strong, modern and meet international standard bank".

3. Mission

In order to become a strong, modern and meet international standard bank, the important mission of BCEL includes improving the strength in all areas, especially the Corporate Governance (CG) by focusing on development of banking services to be suitable for the change in each period; embracing the creation of the strength in the culture of risk management and to comply with the Basel II principles; increasing business operation capacity; creating and developing the capacity of the Management of Information System (MIS) to be effective, completed, correct, punctual and meet international standards of the reporting system; applying modern technology and upgrading the knowledge and expertise of the employees as of regional and international levels.

- **Business Targets for 2018.**

In order to continue the implementation of the long-term strategic plan, BCEL has improved many areas in order to pave the way for the development such as the improvement of Corporate Governance in the year 2018 to be more appropriate. The bank also launched special projects which were the fundamentals for the implementation of the main project, Basel II. There has been an increase in the number of work plans including 6 main work plans (to be maintained), 32 main projects and 253 work plans (increased for 62 work plans). An increase of work plan is part of service plan which will be the basis for Basel II project. The main responsibility of the project has been allocated to committees, divisions, centers, branches, sections and service units as follows:

- The projects of each work plan including:
- The development of CG to achieved international standard: 3 projects (to be maintained because the bank is waiting for the fundamental projects of Basel II to be completed first).
- Create the risk management system and to be implemented according to Basel II principles which comprise 4 projects (increased for 2 projects).
- Create the data system for management: 6 Projects (Increased for 1 project)
- The development and management of IT system has 5 projects (decreased for 2 project).
- The management and development of Human Resource has 4 projects (Decreased for 1 project).
- The development of financial administration, modern service and higher capability in business operation has 10 projects.

Apart from the mentioned main projects, there will be more supported projects such as Loan Originating System (LOS), the small project for Basel II project, the project for product development, construction project and etc.

4. Organizational Structure.

4.1 The organization of BCEL consists of the Board of Directors (7 Directors), Executive Management (7 members), 11 Divisions, 3 Centers, 19 Branches, 86 Service Units and 16 Money Changers nationwide.

BCEL's Board of Directors



Dr. Bounleua Sinxayvoravong
Chairman



Mr. Khamsouk Sundara
Voice Chairman



Mr. Phoukhong Chanthachack
Member



Mr. Phansana
Khounnouvong Member



Ms. Khanthaly
Vongxayarath Member



Mr . Viengxay
Chanthanvisouk Member



Mr Marc ROBERT
Member

BCEL's Executive Management



Mr. Phoukhong Chanthachack
General Managing Director



Mr. Lachay Khanppravong
Deputy managing Director



Mr. Phansana Khounnouvong
Deputy managing Director



Mr. Nanthalath Keopaseuth
Deputy managing



Mr. Khamsian Mingboupha
Deputy managing Director



Mr. Bouavanh Symalyvong
Deputy managing Director



Mr. Souphak Thinxayphone
Deputy managing Director

5. The implementation of missions for Q1 2018.

For the Q1 of 2018, BCEL was able to implement many works such as completion of providing data and information to the audited company for auditing BCEL 2017; successfully held the Annual General Shareholders' Meeting for 1 time; successfully held Business Review Meeting for 2017 and approved the plans for 2018.

The bank has introduced new products to the society including OnePay which is the payment via QR code; One Heart product which is the donation channel to support for the community; new fixed deposit account for the term of 9 months, 15 months, 18 months, 21 months, 30 months, 42 months and 54 months; the development of virtual passbook system via BCEL One, the development of Cash Deposit Machine (CDM) which can be deposited in THB and USD, the development of i-Bank version 4 and the development of SMS Banking with ability to perform bill payment; the development of new cheque book printing program, the cooperation with Thanachart Bank from Thailand to support for cross-border payment between Laos and Thailand by connecting BCEL One with Prompt Pay system of Thailand.

The bank completed the merging of Branch Supervision Division and Internal Audit Division and the Marketing Division which is separated from Research and Development Division. The bank also announced the use of the new roles and responsibility of 4 divisions including Internal Audit Division, Research and Development Division, Marketing Division and Corporate and Private Division which will be fully effective from 01 March 2018 onward.

6. The Activities of the Board of Directors, the Executive Management and other Committees.

- **The Board of Directors.**

For Q1 2018, the Board of Directors held the meeting 1 time to discuss and approve important issues as follows:

- Approved the allocation of the profit after tax of 2017 and to propose to the Shareholders' Meeting for consideration based on the regulation.
- Approved the 2018 plans of BCEL and to propose to the Shareholders' Meeting for consideration.
- Approved BCEL's Risk Management Structure, Operational Risk Management Policy, Reputational Risk Management Policy and the amendment version of AML/CFT Policy.
- Approved book closure date to determine rights of the shareholders who are eligible to receive the dividends and to participate in the Shareholders' Meeting.
- Followed up the offering of BCEL's share for 19% held by the government and to propose to the Shareholders' Meeting to approve and research on the reduction of BCEL's shares at Banque Franco-Lao Ltd (BFL).

- **Corporate Governance Committee.**

- Carefully researched the plans of all branches including business plans, product extension plan and the bank also disseminated the plans for 2018. The bank also closely monitored the business performance results of each month, analyzed the operation results of each work and supervised BCEL in each period. As a result, BCEL can achieve the profit over the plan for Q1 2018.
- Closely monitored the liquidity and fund management of BCEL in each period.

- Advised Credit Management Division in monitoring corporate clients, managed and solved NPL to be below the regulated ratio, to extend the credit as targeted plans and research on the SME loan policy.
- Considered the recapitalization for Laos-China Bank after the BOD's Meeting agreed on the recapitalization for LCNB.

➢ **Risk Management Committee.**

- Managed and assessed the credit risks from all economic sectors, liquidity risks according to the regulations and the monthly operational risks.
- Prepared for the implementation of Basel II by BCEL which has many related projects and to follow the implementation roadmap of the Basel II project.
- Moreover, in order follow the risk management of BCEL, the bank has advocated all management from the top level to staff level on the effective implementation of risk management.

➢ **Internal Audit Committee.**

- Followed up on the assets and income audit for 2017 of BCEL's staff or the entire network.
- Monitored the solving of the findings by Internal Audit Division that were related to Credit Management Division such as the collection of approval fees and monitoring the solving of the findings of divisions/centers. It can be seen that the findings can be mainly solved. However, there was also the remaining to be continuously solved.
- Coordinated with Ernst and Young Laos CO., Ltd (E&Y) and completed the annual financial audited report and approved the audited report according to the Lao Accounting Standard (LAS) for the year 2017 and issuance of the financial report according to IFRS both in separate and consolidate version.
- Coordinated with State Audit Organization (SAO) and continuously solved the findings by SAO. It can be seen that many findings have been solved.
- Coordinated with Bank Supervision Department of the Bank of the Lao PDR and continuously solved the findings found by the department.
- Prepared for the selection of the independent auditor for auditing of BCEL for 2019.

7. Business Performance Results of BCEL for Q1 2018.

For Q1 2018, BCEL achieved its business performance results as follows:

- Total Assets: 36.426.752 million LAK, equal to 93 % of the year plan,
- Total Deposits: 31.614.930 million LAK, equal to 96 % of the year plan,
- Total Loans: 22.105.658 million LAK, equal to 90% of the year plan
- Profit before tax: 171.767 million LAK, equal to 43% of the year plan

General Managing Director
Banque pour le Commerce Exterieur Lao Public

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

Notice: The figures of Q1 2018 presented above are based on Consolidated Unaudited Financial Reports.

Phoukhong CHANTHACHACK

Banque Pour Le Commerce Exterieur Lao Public

Interim Consolidated Financial Statements (Unaudited)

31 March 2018

Banque Pour Le Commerce Exterieur Lao Public

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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. 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 PDR. 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 to 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.

On 17 August 2017, Lao Securities Commission Office approved the Bank to recapitalize by both Rights offering (which resulted in 68.047.300 shares) and Public offering (which resulted in 3.098.400 shares) in Lao Securities Exchange in order to increase its charter capital. The Bank received the new Banking Business License No. 21/BOL, dated 13 September 2017 issued by Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified that the Bank successfully increased its charter capital amount LAK 355.728.500.000 (equivalent to 71.145.700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest amended Business License No. 0889/ERO dated 15 September 2017 issued by Ministry of Industry and Commerce.

According to notification from Lao Securities Exchange, the shareholding structure of the Bank as at 31 March 2018 is as follows:

Shareholders	*Number of shares*	*%*
The Government	145.406.321	70%
Strategic partners	20.772.359	10%
Local investors (including employees of the Bank) and other foreign investors	41.544.620	20%
	207.723.300	**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 Bank of the Lao PDR.

Charter Capital

The charter capital as at 31 March 2018 is LAKm 1.038.617 (31 December 2017: LAKm 1.038.617).

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 31 March 2018, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-six (86) services units, and sixteen (16) exchange units all over Lao PDR.

GENERAL INFORMATION (continued)

THE BANK (continued)

Subsidiary

As at 31 March 2018, 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 2018, the Bank has four (04) joint ventures as follows:

Name	*Business License No.*	*Business Sector*	*% owned by the Bank*
Lao Viet Joint Venture Bank	732/ERO dated 29 August 2016 by the Ministry of Industry and Commerce	Banking & Finance	25%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of the Lao PDR	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commence	Insurance	35%
Lao China Bank Limited	041/ERM dated 27 January 2014 by the granted by Department of Enterprise Register and Management of Lao P.D.R	Banking & Finance	49%

BOARD OF DIRECTORS

Members of the Board of Directors during the three-month period ended 31 March 2018 and at the date of this report are as follows:

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

GENERAL INFORMATION (continued)

MANAGEMENT

Members of the Management during the three-month period ended 31 March 2018 and at the date of this report are as follows:

Name	*Title*	*Date of appointment/resignation*
Mr. Phoukhong Chanthachack	General Managing Director	Appointed on 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
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 period and as at the date of this report is Mr. Phoukhong Chanthachack – General Managing Director.

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED INCOME STATEMENT (Unaudited)
for the three-month period ended 31 March 2018

	Notes	*for the three-month period ended 31 March 2018 LAKm*	*for the three-month period ended 31 March 2017 LAKm*
Interest and similar income	8	462.379	412.969
Interest and similar expense	9	(234.168)	(221.549)
Net interest and similar income		**228.211**	**191.420**
Fee and commission income		61.648	43.888
Fee and commission expense		(6.048)	(6.127)
Net fee and commission income	**10**	**55.600**	**37.761**
Net trading income	11	15.751	11.429
Other operating income	12	2.623	5.060
Total operating income		**302.185**	**245.670**
Credit loss expense of loans to customers	19	(7.963)	(56.623)
Reversal/(additional) of impairment losses of financial investments	13	580	4.412
NET OPERATING INCOME		**294.802**	**193.459**
Personnel expenses	14	(58.228)	(52.137)
Depreciation and amortization	23, 24	(19.002)	(18.077)
Other operating expenses	15	(30.008)	(45.693)
Total operating expenses		**(107.238)**	**(115.907)**
Share of profit and loss of joint ventures	22	(15.797)	25.343
PROFIT BEFORE TAX		**171.767**	**102.895**
Current profit tax expense		(52.381)	(17.512)
Deferred profit tax income/(expense)	29.1	(2.724)	(1.709)
PROFIT FOR THE PERIOD		**116.662**	**83.674**
Attributable to:			
Equity holders of the parent		116.508	83.674
Non-controlling interest		154	70
Earnings per shares (LAK)	**40**	**561**	**613**

Prepared by:

Mrs. Lammaniseng Sayaphet
Chief of Accounting Department

Approved by:

Mrs. Phousengthong Anoulakkham
Chief of Internal Audit Department

Approved by:

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

Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao P.D.R

14 May 2018

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
for the three-month period ended 31 March 2018

	Notes	*for the three-month period ended 31 March 2018 LAKm*	*for the three-month period ended 31 March 2017 LAKm*
NET PROFIT FOR THE PERIOD		**116.662**	**83.674**
OTHER COMPREHENSIVE INCOME:			
Net loss on available-for-sale financial assets		(2.099)	15.340
Profit tax related to components of other comprehensive income	29.4	2.034	(3.682)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(65)**	**11.658**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**116.597**	**95.332**
Attributable to:			
Equity holders of the parent		116.056	95.332
Non-controlling interest		541	70

Prepared by:

Ms. Lammaniseng Sayaphet
Chief of Accounting Department

Approved by:

Ms. Phousengthong Anoulakkham
Chief of Internal Audit Department

Approved by:

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

Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao P.D.R

14 May 2018

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)
as at 31 March 2018

	Notes	31 March 2018 LAKm	31 December 2017 LAKm
ASSETS			
Cash and balances with Bank of the Lao PDR	16	5.508.341	5.815.021
Due from banks	17	3.300.055	3.235.883
Loans to customers	18	21.946.881	22.425.778
Financial assets - Held-for-trading		5	5
Financial investments - Available-for-sale	20	178.308	190.959
Financial investments - Held-to-maturity	21	3.769.271	2.574.671
Investments in joint ventures	22	520.530	541.730
Property and equipment	23	452.437	457.487
Intangible assets	24	247.424	247.600
Deferred tax assets	29.4	6.795	18.215
Other assets	25	496.705	378.764
TOTAL ASSETS		**36.426.752**	**35.886.113**
LIABILITIES			
Due to banks and other financial institutions	26	3.441.545	3.275.546
Due to customers	27	28.627.005	28.403.531
Borrowings from other banks	28	2.172.590	2.145.402
Current tax liabilities	29.2	65.703	20.705
Deferred tax liabilities	29.4	2.325	13.576
Other liabilities	30	196.340	213.665
TOTAL LIABILITIES		**34.505.508**	**34.072.425**
EQUITY			
Charter capital		1.038.617	1.038.617
Statutory and other reserves	32	381.506	381.506
Available-for-sale reserve	33	(7.528)	1.661
Treasury shares		(1.233)	(1.316)
Retained earnings		478.166	361.658
Total equity contributable to the parent		**1.889.528**	**1.782.126**
Total equity contributable to non-controlling interest		31.716	31.562
TOTAL EQUITY		**1.921.244**	**1.813.688**
TOTAL LIABILITIES AND EQUITY		**36.426.752**	**35.886.113**

Prepared by:

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Chief of Accounting Department

Approved by:

Ms. Phousengthong Anoulakkham
Chief of Internal Audit Department

Approved by:

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VIENTIANE CAPITAL

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Deputy Managing Director

Vientiane, Lao P.D.R

14 May 2018

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
for the three-month period ended 31 March 2018

	Chartered capital LAKm	*Statutory and other reserves LAKm*	*Treasury share LAKm*	*Available-for-sale reserve LAKm*	*Retained earnings LAKm*	*Non-controlling interest LAKm*	*Total LAKm*
Balances as at 31 December 2017	**1.038.617**	**381.506**	**(1.316)**	**1.661**	**361.658**	**31.562**	**1.813.688**
Net profit for the period	-	-	-	-	116.508	154	116.662
Net movement in available-for-sale reserve	-	-	83	(9.189)	-	-	(9.106)
Other	-	-	-	-	-	-	-
Balances as at 31 March 2018	**1.038.617**	**381.506**	**(1.233)**	**(7.528)**	**478.166**	**31.716**	**1.921.244**

Prepared by:

Ms. Lammaniseng Sayaphet
Chief of Accounting Department

Approved by:

Ms. Phousengthong Anoulakkham
Chief of Internal Audit Department

Approved by:

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

Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao P.D.R

14 May 2018

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
For the three-month period ended 31 March 2018

	Notes	*for the three-month period ended 31 March 2018 LAKm*	*for the three-month period ended 31 March 2017 LAKm*
PERATING ACTIVITIES			
Profit before tax		**171.767**	**102.895**
Adjustments for:			
Depreciation and amortization charges	23, 24	19.002	18.077
Expense for impairment losses	19	7.963	56.623
Share of associate's profit under equity method	22	(15.797)	(25.343)
(Reversal)/impairment losses for financial investments		580	-
Defined post employment benefit expense	30	2.411	-
Cash flows from operating profit before changing in operating assets and liabilities		**185.926**	**152.252**
Changes in operating assets			
Due from banks		(172.350)	149.532
Loans to customers		470.934	(579.122)
Financial investment - Held-for-trading		(5)	(6)
Financial investment - Available-for-sale		18.001	(16.490)
Financial investment - Held-to-maturity		(1.194.600)	(4.116)
Other assets		(100.508)	(35.865)
Changes in operating liabilities			
Due to other banks and the BOL		194.022	(765.491)
Due to customers		223.048	492.854
Other liabilities		36.390	54.337
Profit tax paid during the period		(7.247)	(15.997)
Net cash flows used in operating activities		**(346.389)**	**(569.072)**
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(13.964)	(4.009)
Proceeds from disposals of fixed assets		190	669
Net cash flows (used in)/from investing activities		**(13.773)**	**(3.340)**
FINANCING ACTIVITIES			
Payment of dividend		-	(26.315)
Net cash flows used in financing activities		-	**(26.315)**
Net (decrease)/increase in cash and cash equivalents		**(360.163)**	**(597.767)**
Cash and cash equivalents at the beginning of the period		**7.320.516**	**7.125.584**
Cash and cash equivalents at the end of the period	**34**	**6.960.353**	**6.527.817**

Prepared by:

Ms. Lammaniseng Sayaphet
Chief of Accounting Department

Approved by:

Ms. Phousengthong Anoulakkham
Chief of Internal Audit Department

Approved by:

BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC

Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao P.D.R
14 May 2018

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

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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.

On 17 August 2017, Lao Securities Commission Office approved the Bank to recapitalize by both Rights offering (which resulted in 68.047.300 shares) and Public offering (which resulted in 3.098.400 shares) in Lao Securities Exchange in order to increase its charter capital. The Bank received the new Established Banking Business License No. 21/BOL, dated 13 September 2017 issued by Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified the Bank successfully increased its charter capital amount LAK 355.728.500.000 (71.145.700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest amended Business License No. 0889/ERO dated 15 September 2017 issued by Ministry of Industry and Commerce.

According to notification from Lao Securities Exchange Commission, the shareholding structure of the Bank as at 31 March 2018 is as follows:

Shareholders	*Number of shares*	*%*
The Government	145.406.321	70%
Strategic partners	20.772.359	10%
Local investors (including employees of the Bank) and other foreign investors	41.544.620	20%
	207.723.300	**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 Bank of the Lao PDR.

Charter Capital

The charter capital as at 31 March 2018 is LAKm 1.038.617 (31 December 2017: LAKm 1.038.617).

1. CORPORATE INFORMATION (continued)

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 31 March 2018, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-six (86) services units, and sixteen (16) exchange units all over Lao PDR.

Subsidiary

As at 31 March 2018, 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 PDR	Securities	70%

Joint ventures

As at 31 March 2018, the Bank has four (04) joint ventures as follows:

Name	*Business License No.*	*Business Sector*	*% owned by the Bank*
Lao Viet Joint Venture Bank	732/ERO dated 29 August 2016 by the Ministry of Industry and Commerce	Banking & Finance	25%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of the Lao PDR	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commence	Insurance	35%
Lao China Bank Limited	041/ERM dated 27 January 2014 by the granted by Department of Enterprise Register and Management of Lao PDR	Banking & Finance	49%

1. CORPORATE INFORMATION (continued)

Board of Directors

Members of the Board of Directors during the three-month period ended 31 March 2018 and at the date of this report are as follows:

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

Management

Members of the Management during the three-month period ended 31 March 2018 and at the date of this report are as follows:

Name	*Title*	*Date of appointment/resignation*
Mr. Phoukhong Chanthachack	General Managing Director	Appointed on 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
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 and its subsidiary as at 31 March 2018 is 1.772 persons (as at 31 December 2017: 1.716 persons).

2. BASIS OF PREPARATION

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

The Bank maintains its records in Lao Kip ("LAK") and prepared its consolidated financial statements in millions of LAK ("LAKm"). The Bank uses the comma (,) as the decimal separator and the dot (.) to separate thousands.

The Bank also prepared and issued its interim separate financial statements in accordance with IFRS on 9 May 2018.

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

3. STATEMENT OF COMPLIANCE

The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

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 consolidated 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. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary (collectively referred to as the "Group") as at 31 March 2018. Subsidiary is the investee that the Bank has control over. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. However, under individual circumstances, the Bank may still exercise control with less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Bank considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Bank
- can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Bank is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns

5. BASIS OF CONSOLIDATION (continued)

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest (NCI) and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Foreign currency translation

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK on 31 March 2018 and 31 December 2017 as presented in Note 42). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance date are recognized in the consolidated income statement.

6.2 Financial instruments - initial recognition and subsequent measurement

6.2.1 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.

6.2.2 Initial measurement of financial instruments

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

6.2.3 Financial assets or financial liabilities held for trading

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6.2.4 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:

- 6.2.7 for "Held-to-maturity investment"
- 6.2.8 for 'Due from banks and loans to customers'
- 6.2.9 for 'Due to other banks and customers and other borrowed funds'
- 6.4 for 'Impairment of financial assets'
- 6.8 for 'Recognition of income and expenses'

6.2.5 'Day 1' profit or loss

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

6.2.6 Available for sale financial investments

Available for sale investments include equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

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 consolidated income statement in 'Other operating income'. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. Dividends earned while holding available-for-sale financial investments are recognized in the consolidated income statement as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the consolidated income statement in 'Impairment losses on financial investments' and removed from the 'Available-for-sale reserve'.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6.2.7 Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the 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 consolidated income statement line 'Impairment loss expense'.

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

6.2.8 Due from banks and loans and advances to customers

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

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

After initial measurement, amounts 'Due from banks' and 'Loans and advances to customers' are subsequently measured at amortized cost using the EIR 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 consolidated 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).

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6.2.9 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.

6.2.10 Reclassification of financial assets

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

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

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.

6.3 De-recognition of financial assets and financial liabilities

6.3.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired. The Bank 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.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6.3.1 Financial assets (continued)

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 2018, 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.

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 consolidated income statement.

6.3.2 Financial liabilities

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.4 Impairment of financial assets

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

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

6.4.1 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.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.4 Impairment of financial assets (continued)

6.4.1 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.

6.4.2 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.

6.4.3 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 consolidated financial statements, and other independent sources.

6.4.4 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.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.5 Offsetting financial instruments

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

6.6 Investment in joint ventures

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

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

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

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

6.7 Leasing

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

Bank as a lessee

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.8 Recognition of income and expenses

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.

6.8.1 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.

6.8.2 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 6.2.3 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.

Net trading income

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

6.9 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.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.10 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 consolidated income statement in the year the asset is derecognized.

6.11 Intangible assets

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

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

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

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

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.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.12 Impairment of non-financial assets

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

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

6.13 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 consolidated financial statements (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the 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.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.14 Employee benefits

Post-employment benefits

Post-employment benefits are paid to each retired employees at the time of retirement by the Bank's contribution with an amount amounting equal to the employees's number of months working at the Bank currently multiplied by a 15% (currently) of his/her latest salary. The Bank uses the projected unit credit method to determine the closing obligations at each reporting date, being the present value of its defined benefit obligations and the related current service cost and past service cost. Movement of the obligations is recognised in the consolidated income statement.

Additionally, the Bank withholds a certain monthly amount (currently 8%) from employees' salary to contribute to such reserve. At the time of retirement, the withheld amount is paid back in full to employee and is separate with the above contribution by the Bank.

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 2018, no employee of the Bank was dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the consolidated financial statements.

6.15 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.

6.16 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.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.16 Profit tax (continued)

Deferred tax

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

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.

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

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.

6.17 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 consolidated financial statements, as they are not the assets of the Bank.

6.18 Equity reserves

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

- Statutory reserves which are created in accordance with prevailing regulations of Lao P.D.R, as stated in Note 32; and
- Available-for-sale reserve which comprises changes in fair value of available-for-sale investments, as stated in Note 33.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.19 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 consolidated financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. 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.

Up to the date of this report, the Bank has not yet established IFRS 9 adoption programs that include together matters relating methodology, data, modeling, information technology processing, risk and reporting. Therefore, the possible impacts of IFRS 9 adoption on the separate financial statements is not yet measured and evaluated.

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.

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 consolidatedly 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.

7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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 consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

7.1 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 consolidated financial statements continue to be prepared on the going concern basis.

7.2 Effective Interest Rate (EIR) method

The Bank's EIR methodology, as explained in Note 6.2.4, 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.

7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

7.3 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 6.4.1. 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.

7.4 Impairment of available-for-sale investments

The Bank reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired as explained in Note 6.4.2.

This assessment, including estimated future cash flows and other inputs in to the discounted cash flow model and in the case of equity instruments, the interpretation of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Bank evaluates, among other factors, historical share price movements, and the duration and extent to which the fair value of an investment is less than its cost.

7.5 Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

8. INTEREST AND SIMILAR INCOME

	for the three-month period ended 31 March 2018 LAKm	*for the three-month period ended 31 March 2017 LAKm*
Interest income from lending to customers	417.182	364.230
Interest income from deposits at other banks	11.781	3.934
Interest income from investment securities	27.191	31.371
Other interest income and similar income	6.225	13.434
	462.379	**412.969**

9. INTEREST AND SIMILAR EXPENSE

	for the three-month period ended 31 March 2018 LAKm	*for the three-month period ended 31 March 2017 LAKm*
Interest expense for due to other banks	33.222	27.504
Interest expense for customer deposits	200.946	194.045
	234.168	**221.549**

10. NET FEES AND COMMISSION INCOME

	for the three-month period ended 31 March 2018 LAKm	*for the three-month period ended 31 March 2017 LAKm*
Fees and commission income from:		
Settlement services	39.387	32.350
Credit activities	19.852	9.697
Other activities	2.409	1.841
	61.648	**43.888**
Fees and commission expense for:		
Settlement services	(5.595)	(4.850)
Other activities	(453)	(1.277)
	(6.048)	**(6.127)**
Net fees and commission income	**55.600**	**37.761**

11. NET TRADING INCOME

	for the three-month period ended 31 March 2018 LAKm	*for the three-month period ended 31 March 2017 LAKm*
Net gain from foreign currencies trading	15.751	11.429
	15.751	**11.429**

12. OTHER OPERATING INCOME

	for the three-month period ended 31 March 2018 LAKm	*for the three-month period ended 31 March 2017 LAKm*
Recovery of bad debts written off	1.766	1.933
Others	857	3.127
	2.623	**5.060**

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

	for the three-month period ended 31 March 2018 LAKm	*for the three-month period ended 31 March 2017 LAKm*
Reversal/(additional) of impairment losses for held-to-maturity securities *(Note 21)*	580	4.412
	580	**4.412**

14. PERSONNEL EXPENSES

	for the three-month period ended 31 March 2018 LAKm	*for the three-month period ended 31 March 2017 LAKm*
Salary expense	32.294	30.816
Benefits and welfare	21.395	20.028
Defined employee benefit plans	2.828	-
Other staff costs	1.711	1.293
	58.228	**52.137**

15. OTHER OPERATING EXPENSES

	for the three-month period ended 31 March 2018 LAKm	*for the three-month period ended 31 March 2017 LAKm*
Repair and maintenance	4.136	4.181
Publication, marketing and promotion	1.622	1.245
Office rental	1.764	2.511
Telecommunication	1.680	413
Training, meeting and seminar	2.900	2.210
Insurance fee for depositor protection fund	6.628	5.784
Tax and other duties	80	77
Insurance expense	858	848
Utility	1.708	1.557
Fuel expense	507	399
Stationaries and office materials	4.104	2.301
Consulting and financial service fees	675	442
Construction in progress written off	-	18.640
Others	3.346	5.085
	30.008	**45.693**

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

	31 March 2018 LAKm	*31 December 2017 LAKm*
Cash on hand in LAK	1.298.604	1.120.706
Cash on hand in foreign currencies (“FC”)	821.966	790.761
Balances with the BOL		
- Compulsory deposit (*)	1.344.975	1.353.384
- Demand deposit	2.042.796	2.550.170
	5.508.341	**5.815.021**

Balances with the BOL include settlement and compulsory deposits. 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, (2017: 5,00% and 10,00%) of customer deposits having original maturities of less than 12 months.

17. DUE FROM BANKS

	31 March 2018 LAKm	*31 December 2017 LAKm*
Current and saving accounts	**1.764.077**	**2.271.791**
- In LAK	8.825	9.064
- In foreign currencies	1.755.252	2.262.727
Term deposits	**1.530.171**	**958.998**
- In LAK	758.281	644.200
- In foreign currencies	771.890	314.798
Accrued interest	**5.807**	**5.094**
	3.300.055	**3.235.883**

Interest rates for amounts due from other banks during the period are as follows:

	31 March 2018 % per annum	*31 December 2017 % per annum*
Demand deposits	0,00% - 1,00%	0,00% - 0,80%
Saving deposits	0,00% - 0,80%	0,00% - 0,80%
Term deposits	0,80% - 4,07%	0,80% - 4,00%

18. LOANS TO CUSTOMERS

	31 March 2018 LAKm	*31 December 2017 LAKm*
Gross loans to customers	22.105.658	22.586.284
In which:		
Loans funded by borrowings from BOL (Note 28)	*1.685.999*	*1.685.999*
Accrued interest related to loans to customers	333.303	320.507
Less: Allowance for impairment losses *(see Note 19)*	(492.080)	(481.013)
	21.946.881	**22.425.778**

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

	31 March 2018 Interest rates % per annum	*31 December 2017 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% - 16,00%
Loans denominated in THB	6,00% - 11,00%	6,00% - 11,00%

Analysis of loan portfolio by currency:

	31 March 2018 LAKm	*31 December 2017 LAKm*
Loans denominated in LAK	9.009.577	9.505.226
Loans denominated in USD	10.060.043	10.127.657
Loans denominated in THB	3.036.038	2.953.401
	22.105.658	**22.586.284**

18. LOANS TO CUSTOMERS (continued)

Analysis of loan portfolio by original maturity:

	31 March 2018 LAKm	*31 December 2017 LAKm*
Short-term loans	3.029.666	3.051.761
Medium-term loans	12.297.280	12.900.769
Long-term loans	6.778.711	6.633.754
	22.105.658	**22.586.284**

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

	31 March 2018		*31 December 2017*	
	LAKm	*%*	*LAKm*	*%*
Industrial services companies	11.761.631	53,21%	11.412.133	50,53%
Construction companies	2.598.116	11,75%	3.435.675	15,21%
Technical instruments enterprises	86.717	0,39%	91.064	0,40%
Agricultural & forestry	63.198	0,29%	57.793	0,26%
Trading companies	4.018.799	18,18%	4.177.178	18,49%
Transportation companies	652.996	2,95%	654.372	2,90%
Services companies	2.533.161	11,46%	2.395.102	10,60%
Handicrafts	3.303	0,01%	3.052	0,01%
Others	387.737	1,75%	359.915	1,60%
	22.105.658	**100%**	**22.586.284**	**100%**

19. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in the allowance for impairment losses of loans to customers during the three-month period ended 31 March 2018 are as follows:

	31 March 2018 LAKm	*31 December 2017 LAKm*
Balance as at 1 January	**481.013**	339.579
Net change during the period	7.964	212.409
Non-performing loans written-off	-	(76.987)
Foreign exchange differences	3.104	6.012
Balance as at 31 March	**492.080**	**481.013**

Breakdown of allowance for impairment losses of loans to customers as at 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018		*31 December 2017*	
	Outstanding balance LAKm	*Impairment LAKm*	*Outstanding balance LAKm*	*Impairment LAKm*
Individually impaired	1.886.782	362.823	2.190.692	351.320
Collectively impaired	20.218.876	129.257	20.395.592	129.693
	22.105.658	**492.080**	**22.586.284**	**481.013**

20. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	31 March 2018 LAKm	*31 December 2017 LAKm*
Listed shares of EDL-Generation Public Company	178.308	190.197
CIMB - Principal Global Total Return Fund	-	762
	178.308	**190.959**

21. FINANCIAL INVESTMENTS - HELD TO MATURITY

	31 March 2018 LAKm	*31 December 2017 LAKm*
Amortized cost of Treasury bills issued by the Ministry of Finance	2.261.551	2.160.594
Amortized cost of Capitalization bonds issued by the Ministry of Finance	67.291	68.944
Amortized cost of Others issued by the Ministry of Finance	1.443.535	348.818
	3.772.376	**2.578.356**
Impairment losses for investments in Held-to-maturity securities (*)	**(3.105)**	**(3.685)**
- *Impairment losses for Treasury bills issued by the Ministry of Finance*	*(713)*	*(188)*
- *Impairment for Capitalization bonds issued by the Ministry of Finance*	*(11)*	-
- *Impairment for Others issued by the Ministry of Finance*	*(2.381)*	*(3.497)*
	3.769.271	**2.574.671**

(*): The net change in impairment losses of LAKm 580 for the three-month period ended 31 March 2018 is recorded in the consolidated income statement as (Additional)/reversal of impairment loss for held-to-maturity securities *(Note 13)*.

21.1. Treasury bills issued by the Ministry of Finance

Details of the contractual maturity bonds by maturity date are as follows:

	31 March 2018		*31 December 2017*	
Maturity	*Face value LAKm*	Amortized cost *LAKm*	*Face value LAKm*	Amortized cost *LAKm*
Within 1 year	2.605.974	2.652.156	2.427.000	2.480.857
1 year to 5 years	471.278	473.503	98.380	97.499
Over 5 years	643.851	646.717	-	-
	3.721.103	**3.772.376**	**2.525.380**	**2.578.356**

22. INVESTMENTS IN JOINT VENTURES

	31 March 2018 LAKm	*31 December 2017 LAKm*
Balance as at 1 January 2018	541.730	551.449
Net share of profit in the period under equity method	(15.797)	16.551
Less: Dividends received during the period	(5.404)	(26.270)
Balance as at 31 March 2018	**520.530**	**541.730**

	31 March 2018				*31 December 2017*			
	Cost in USD	*Cost in LAKm equiv.*	*Carrying value in LAKm*	*% owned by the Bank*	*Cost in USD*	*Cost in LAKm Equiv.*	*Carrying value in LAKm*	*% owned by the Bank*
Investments in other financial institutions								
Lao Viet Joint Venture Bank	24.500.000	197.839	236.953	25%	24.500.000	197.839	226.510	25%
Banque Franco - Lao Limited	16.322.230	138.000	120.726	46%	16.322.230	138.000	148.484	46%
Lao China Bank	N/A	147.000	155.590	49%	N/A	147.000	154.419	49%
Investments in local economic entities								
Lao-Viet Insurance Joint Venture Company	1.050.000	8.784	7.261	35%	1.050.000	8.784	12.317	35%
		491.623	**520.530**			**491.623**	**541.730**	

22. INVESTMENTS IN JOINT VENTURES (continued)

Lao Viet Joint Venture Bank ("LVB") is incorporated in the Lao PDR 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 Bank of the Lao PDR 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 PDR 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 Bank of the Lao PDR. 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 the BOL. As at 31 March 2018, 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 PDR 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 Bank of the Lao PDR. The legal capital of LCNB was LAKm 300.000 and had been fully contributed by partners as at 31 March 2018.

Lao-Viet Insurance Joint Venture Company ("LVI") is incorporated as a joint venture company in the Lao PDR 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 2018, the total contributed capital of the Bank in this company was USD 1.050.000, equivalent to LAKm 8.784.

23. PROPERTY AND EQUIPMENT

Movements of property and equipment for the three-month period ended 31 March 2018 are as follows:

	Buildings & improvements LAKm	*Office equipment LAKm*	*Furniture & fixtures LAKm*	*Motor vehicles LAKm*	*Total LAKm*
Cost:					
As at 1 January 2018	477.166	128.158	38.874	19.940	664.138
Additions	255	8.267	867	1.481	10.869
Transferred from CIP and fixed assets in transit	*255*	*8.267*	*867*	*1.481*	*10.869*
Disposals	(153)	(3.190)	(161)	-	(3.503)
As at 31 March 2018	477.268	133.235	39.580	21.421	671.504
Accumulated depreciation:					
As at 1 January 2018	112.365	62.442	23.369	8.475	206.651
Charge for the period	6.630	6.702	1.351	1.046	15.729
Disposals	(101)	(3.082)	(130)	-	(3.313)
As at 31 March 2018	118.894	66.062	24.590	9.521	219.067
Net book value:					
As at 1 January 2018	**364.801**	**65.716**	**15.505**	**11.465**	**457.487**
As at 31 March 2018	**358.374**	**67.173**	**14.990**	**11.900**	**452.437**

24. INTANGIBLE ASSETS

Movements in intangible assets during the three-month period ended 31 March 2018 are as follows:

	Land use rights LAKm	*Software LAKm*	*Total LAKm*
Cost:			
As at 1 January 2018	234.555	65.643	300.198
Additions	3.037	58	3.095
Transferred from CIP and fixed assets in transit	*3.037*	*58*	*3.095*
Disposals	-	-	-
As at 31 March 2018	237.592	65.701	303.293
Accumulated amortization:			
As at 1 January 2018	-	52.598	52.598
Charge for the period	-	3.270	3.270
Disposals	-	-	-
As at 31 March 2018	-	55.868	55.868
Net book value:			
As at 1 January 2018	**234.555**	**13.045**	**247.600**
As at 31 March 2018	**237.592**	**9.833**	**247.424**

25. OTHER ASSETS

	31 March 2018 LAKm	*31 December 2017 LAKm*
Assets available for sales	243.939	216.228
Stationeries and other tools	2.655	7.520
Checks in collection	75.285	19.179
Construction in progress and fixed assets in transit (*)	45.398	30.666
Prepaid expenses to be allocated	45.720	41.320
Advance payment for other operations	34.007	26.283
Other receivables	49.701	37.568
	496.705	**378.764**

(*): Movement of construction in progress and fixed assets in transit for the three-month period ended 31 March 2018 is as follows:

	Land use rights LAKm	*Buildings & improvement sLAKm*	*Other LAKm*	*Total LAKm*
As at 1 January 2018	3.474	6.762	20.430	30.666
Additions	12	17.118	11.633	28.763
Transferred to fixed assets	(3.037)	-	(10.205)	(13.242)
Transferred to assets waiting for sales	-	(370)	(221)	(590)
Transfer to other fixed assets	-	(159)	-	(159)
Write-offs	-	(40)	-	(40)
As at 31 March 2018	449	23.311	21.637	45.398

26. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 March 2018 LAKm	*31 December 2017 LAKm*
Demand deposits	**2.706.315**	**2.567.425**
- In LAK	1.190.409	1.231.231
- In foreign currencies	1.515.906	1.336.194
Saving deposits	**144.452**	**142.005**
- In LAK	28.616	37.762
- In foreign currencies	115.836	104.243
Term deposits	**561.159**	**549.112**
- In LAK	60.607	52.335
- In foreign currencies	500.552	496.777
Others	**25.056**	**14.141**
- In LAK	8.182	8.483
- In foreign currencies	16.874	5.658
	3.436.982	**3.272.683**
Accrued interest payable	4.563	2.863
	3.441.545	**3.275.546**

26. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)

Interest rates for deposits from other banks and financial institutions during the period are as follows:

	31 March 2018 *% per annum*	*31 December 2017 % per annum*
Demand deposits	No interest	No interest
Saving deposits	No interest	No interest
Term deposits	0,00% - 6,00%	0,00% - 6,00%

27. DUE TO CUSTOMERS

	31 March 2018 LAKm	*31 December 2017 LAKm*
Demand deposits	**5.317.004**	**6.237.693**
Demand deposits in LAK	2.314.461	2.286.496
Demand deposits in FC	3.002.543	3.951.197
Demand savings	**12.014.845**	**11.310.417**
Demand saving deposits in LAK	5.395.180	4.935.329
Demand saving deposits in FC	6.619.665	6.375.088
Term deposits	**10.770.116**	**10.415.844**
Term deposits in LAK	6.197.029	6.101.844
Term deposits in FC	4.573.087	4.314.000
Margin deposits	**101.039**	**173.659**
Margin deposits in LAK	20.576	17.454
Margin deposits in FC	80.463	156.205
Other payables to customers	**197.466**	**108.152**
	28.400.470	**28.245.765**
Accrued interest payable	226.535	157.766
	28.627.005	**28.403.531**

Saving deposits from customers denominated in LAK, USD and THB bear interest at rate ranging of 1,25% – 1,89%, 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% – 7,75% per annum respectively.

28. BORROWINGS FROM OTHER BANKS

	31 March 2018 LAKm	*31 December 2017 LAKm*
Borrowings from the BOL	1.685.999	1.685.999
Borrowings from other banks	455.235	455.235
Accrued interest payables	31.356	4.168
	2.172.590	**2.145.402**

Borrowings from the BOL as at 31 March 2018 include:

- USD 3.942.856 long-term borrowing (original borrowing amount was USD 9.200.000 with interest rate of 0,25% per annum) for the purpose of investment in Banque Franco – Lao Limited. The loan's principal is paid annually from 2010 to 2023. Interest is paid semi-annually.
- USD 99.854.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,50% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 1 January 2016 to 27 August 2025. Interest is paid semi-annually.
- USD 99.900.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,30% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 3 May 2016 to 3 May 2026. Interest is paid semi-annually.

Borrowings from other banks as at 31 March 2018 include:

- USD 15.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 4,68% per annum. The loan's principal and interest are paid at maturity date.
- USD 40.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 5,35% per annum. The loan's principal and interest are paid at maturity date.

29. TAXATION

29.1 Profit tax expense

Major components of tax expense for the three-month period ended 31 March 2018 and 31 March 2017 are as follows:

	for the three-month period ended 31 March 2018 LAKm	*for the three-month period ended 31 March 2017 LAKm*
Current profit tax expense	52.219	17.512
Deferred profit tax expense (income)	2.724	1.709
	54.943	**19.221**

29.2 Current tax payables

	31 March 2018 LAKm	*31 December 2017 LAKm*
Profit Tax payable	54.462	9.540
Value Added Tax payable	11.000	11.165
Other payable for tax	241	-
	65.703	**20.705**

29. TAXATION (continued)

29.3 Current Profit tax

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.

Accordingly, the Bank is subject to the tax rate of 24% for the three-month period ended 31 March 2018 (2017: 24%). The subsidiary is subject to the tax rate of 24% for the three-month period ended 31 March 2018 (2017: 24%).

The calculations of Profit taxes ("PT") for the three-month period ended 31 March 2018 and 31 March 2017 are as follows:

	For the period ended 31 March 2018 LAKm	*For the period ended 31 March 2017 LAKm*
Consolidated profit before tax under IFRS	**171.767**	**102.895**
Adjustments for:		
- Difference between carrying value under LAS and amortized cost under IFRS of bonds	(20.147)	(4.487)
- Difference in allowance for impairment losses between LAS and IFRS of loans to customers	43.779	(16.104)
- Defined post-employment benefit plans	2.411	-
- Write-off start-up cost as expense during the period	-	(2)
- Difference in impairment loss expense of investment between LAS and IFRS	4.379	(4.412)
- Income exempted from PT	(15.797)	(3.073)
- Non-deductible expenses	39	55
Taxable profit under LAS	**186.432**	**74.873**
in which:		
- *Taxable profit of the parent bank*	*192.294*	*52.232*
- *Taxable profit of the subsidiary*	*674*	324
PT expense of the parent bank at rate of 24% (2017: 24%)	52.219	12.536
PT expense of the subsidiary at rate of 24% (2017: 24%)	162	(88)
Consolidated PT expense in the period	**52.381**	**12.448**
PT payable at the beginning of the period	9.540	24.431
PT paid in the period	(7.247)	(15.997)
Other adjustment	(212)	(21)
PT payable at the end of the period	**54.462**	**20.861**

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

29. TAXATION (Continued)

29.4 Deferred tax assets/(liabilities)

	Statement of financial position		*Income statement*		*Statement of comprehensive income*	
	31 March 2018 LAKm	*31 December 2017 LAKm*	*31 March 2018 LAKm*	*31 March 2017 LAKm*	*31 March 2018 LAKm*	*31 March 2017 LAKm*
Deferred tax assets	6.795	18.215	(13.921)	(1.600)	3.128	4.142
Deferred tax liabilities	2.325	13.576	11.197	(109)	(1.094)	(7.824)
Net deferred tax credit to the income statement			**(2.724)**	**(1.709)**		
Net deferred tax credit to the statement of comprehensive income					**2.034**	**(3.682)**

Details of the deferred tax assets and deferred tax liabilities are as follows:

	31 March 2018 LAKm
Deductible temporary differences	28.311
In which:	
Difference between carrying value under LAS and amortized cost under IFRS of bonds	*20.147*
Difference in impairment expense of investments between LAS and IFRS	*5.378*
Changes in fair value of available for sale financial instruments of BCEL KT	*374*
Difference in allowance for post-employment benefits between LAS and IFRS	*2.411*
Deferred tax assets (at tax rate 24%)	**6.795**
Taxable temporary differences	9.684
In which:	
Difference in allowance for impairment losses between LAS and IFRS of loans to banks and customers	*9.914*
Changes in fair value of available for sale financial instruments of BCEL	*(230)*
Deferred tax liabilities (at tax rate 24%)	**2.325**

30. OTHER LIABILITIES

	31 March 2018 LAKm	*31 December 2017 LAKm*
Payables to employees	45.017	66.730
Payable to suppliers	20.015	20.440
Defined post-employment benefit plans (*)	67.560	65.149
Others	63.748	61.346
	196.340	**213.665**

30. OTHER LIABILITIES (continued)

(*) Defined post-employment benefit plan
Changes in defined post-employment benefit plan are as follows

	Past service cost LAKm	*Current service cost LAKm*	*Interest cost LAKm*	*Benefit paid LAKm*	*Total LAKm*
As at 1 January 2018	59.458	4.298	3.899	(2.506)	65.149
Appropriation to create for the period	-	2.358	53	-	2.411
As at 31 March 2018	**59.458**	**6.656**	**3.952**	**(2.506)**	**67.560**

Net benefit expense (recognised in profit or loss):

	For the three-month period ended 31 March 2018 LAKm	*31 December 2017 LAKm*
Past service cost	-	59.458
Current service cost	2.358	4.298
Interest cost	53	3.899
	2.411	**67.655**

The cost of the defined post-employment benefit plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined post-employment benefit plan is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The principal assumptions used in determining post-employment benefit obligations for the Bank's plans are shown below:

A quantitative sensitivity analysis for significant assumptions as at 31 December is, as shown below:

	31 March 2018 %	*31 December 2017 %*
Discount rate	5,00 - 8,77	5,00 - 8,77
Future salary increases	0,91	0,91
Employee turnover rate	0,00	0,00

A quantitative sensitivity analysis for significant assumptions as at 31 March is, as shown below:

	31 March 2018 LAKm	*31 December 2017 LAKm*
Discount rate		
increase 50 basis points	(2.532)	(5.935)
decrease 50 basis points	2.290	6.844

31. CHARTER CAPITAL

There has been no change to paid-up capital during the three-month period ended 31 March 2018.

32. STATUTORY RESERVES

There has been no change to regulatory reserve fund, business expansion fund and others funds during the three-month period ended 31 March 2018.

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 2001 by the Governor of the Bank of Lao P.D.R and other relevant guidance, commercial banks are required to appropriate at least 5% of profit after tax each year, after deducting retained losses, to regulatory reserve fund, until such fund reaches 10% of Tier-1 capital. Based on this requirement, management will decide the exact percentage of each year. The Business expansion fund and other funds shall be created upon decision of the Board of Director.

33. AVAILABLE-FOR-SALE RESERVE

	for the three-month period ended 31 March 2018 LAKm	*For the year ended 31 December 2017 LAKm*
Opening balance	1.661	7.385
Net loss on available-for-sale financial assets	(6.558)	(5.547)
Profit tax related to net loss on available-for-sale financial assets	(2.034)	(417)
Share of Non-controlling interest	(597)	240
	(7.528)	**1.661**

34. ADDITIONAL CASH FLOW INFORMATION

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

	31 March 2018 LAKm	*31 December 2017 LAKm*
Cash and cash equivalents on hand	2.120.570	1.911.467
Balances with the BOL	2.042.796	2.550.170
Current accounts with other banks	1.764.077	2.271.791
Term deposits due within 3 months	1.032.910	587.088
	6.960.353	**7.320.516**

35. CONTINGENT LIABILITIES AND COMMITMENTS

	31 March 2018 LAKm	*31 December 2017 LAKm*
Financial letter of guarantees	342.308	312.618
At sight letters of credit	117.952	242.997
Deferred payment letters of credit	150.266	195.651
Credit limit given to customers	3.954.059	3.488.189
Credit limit given to other banks	548	548
	4.565.133	**4.240.003**

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 2018, the Bank did not enter into any lease contracts as either lessor or lessee which results in future cash inflows and/or outflows.

36. RELATED PARTY DISCLOSURES

Transactions with key management personnel of the Bank

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

	for the three-month period ended 31 March 2018 LAKm	*for the three-month period ended 31 March 2017 LAKm*
Salaries	365	394
Bonus	264	-
Responsibility allowance	290	333
	919	**726**

Significant transactions with other related parties during the period for the three-month period ended 31 March 2018 are as follows:

Related party	*Note*	*Transactions*	*Income LAKm*	*Expense LAKm*
Bank of the Lao PDR	(i)	Interest expense from borrowing from the BOL	-	22.488
The Ministry of Finance of the Lao PDR	(ii)	Interest income from investment in MOF's bonds	35.382	-

Significant balances with related parties as at 31 March 2018 are as follows:

Related party	*Note*	*Transactions*	*Receivable LAKm*	*Payable LAKm*
Bank of the Lao PDR	(i)	Borrowings and accrued interest from the BOL	-	1.708.487
		BCEL's demand deposits at the BOL	2.042.797	-
		BCEL's compulsory deposits at the BOL	1.344.975	-
The Ministry of Finance of the Lao PDR	(ii)	Investment in MOF's bonds (at cost)	3.721.103	-
		Accrued interest	65.442	-
Lao Viet Joint Venture Bank	(iii)	Current accounts	441.940	499.554
		Term deposit from BCEL	180.000	-
Banque Franco – Lao Company Limited	(iii)	Current accounts	-	41.673
Lao China Bank Co.Ltd	(iii)	Current accounts	-	7.379

(i) Direct controller
(ii) Direct owner
(iii) Joint venture

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

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

Risk management structure

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

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

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

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

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 to 45% of revaluation reserves; and lower 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 consolidated financial statements is as follows:

	31 March 2018 LAKm	*31 December 2017 LAKm*
Tier 1 capital	1.898.289	1.781.781
Tier 2 capital	(3.388)	747
Total capital	1.894.902	1.782.528
Less: Deductions from capital (Investments in other entities)	(520.530)	(541.730)
Capital for CAR calculation (A)	**1.374.372**	**1.240.798**
Risk weighted balance sheet items	10.523.884	10.592.015
Risk weighted off balance sheet items	2.301.724	2.172.751
Total risk weighted assets (B)	**12.825.608**	**12.764.766**
Capital Adequacy Ratio (A/B)	**10,72%**	**9,72%**

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

40. EARNINGS PER SHARE

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

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

	31 March 2018	*31 March 2017*
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	116.508	83.674
Weighted average number of ordinary shares for basic earnings per share (shares)	207.723.300	136.577.600
Face value per share (LAK)	5.000	5.000
Earnings per share (LAK)	561	613

41. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 31 March 2018 that requires adjustment or disclosure in the consolidated financial statements of the Bank.

42. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST LAK AT PERIOD

	31/03/2018 LAK	*31/12/2017 LAK*
USD	8.277,00	8.277,00
EUR	10.108,00	9.870,00
THB	265,77	253,97
GBP	11.361,00	10.947,00
JPY	76,25	72,09
AUD	6.215,00	6.350,00
CNY	1.301,00	1.257,00

Prepared by:	Approved by:	Approved by:
Mrs. Lammaniseng Sayaphet Chief of Accounting Department	Mrs. Phousengthong Anoulakkham Chief of Internal Audit Department	Mr. Bouavanh Simalivong Deputy Managing Director

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

Vientiane, Lao P.D.R

14 May 2018

Banque Pour Le Commerce Exterieur Lao Public

Interim Separate Financial Statements (Unaudited)

31 March 2018

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 PDR").

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. 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 PDR. 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 to 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.

On 17 August 2017, Lao Securities Commission Office approved the Bank to recapitalize by both Rights offering (which resulted in 68.047.300 shares) and Public offering (which resulted in 3.098.400 shares) in Lao Securities Exchange in order to increase its charter capital. The Bank received the new Banking Business License No. 21/BOL, dated 13 September 2017 issued by Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified that the Bank successfully increased its charter capital amount LAK 355.728.500.000 (equivalent to 71.145.700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest amended Business License No. 0889/ERO dated 15 September 2017 issued by Ministry of Industry and Commerce.

According to notification from Lao Securities Exchange, the shareholding structure of the Bank as at 31 March 2018 is as follows:

Shareholders	*Number of shares*	*%*
The Government	145.406.321	70%
Strategic partners	20.772.359	10%
Local investors (including employees of the Bank) and other foreign investors	41.544.620	20%
	207.723.300	**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 Bank of the Lao PDR.

Charter Capital

The charter capital as at 31 March 2018 is LAKm 1.038.617 (31 December 2017: LAKm 1.038.617).

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 31 March 2018, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-six (86) services units, and sixteen (16) exchange units all over Lao PDR.

GENERAL INFORMATION (continued)

THE BANK (continued)

Subsidiary

As at 31 March 2018 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 PDR	Securities	70%

Joint ventures

As at 31 March 2018, the Bank has four (04) joint ventures as follows:

Name	*Business License No.*	*Business sector*	*% owned by the Bank*
Lao Viet Joint Venture Bank	732/ERO dated 29 August 2016 by the Ministry of Industry and Commerce	Banking & Finance	25%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of the Lao PDR	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commence	Insurance	35%
Lao China Bank Limited	041/ERM dated 27 January 2014 by the granted by Department of Enterprise Register and Management of Lao PDR	Banking & Finance	49%

GENERAL INFORMATION (continued)

BOARD OF DIRECTORS

Members of the Board of Directors during the three-month period ended 31 March 2018 and at the date of this report are as follows:

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

MANAGEMENT

Members of the Management during the three-month period ended 31 March 2018 and at the date of this report are as follows:

Name	*Title*	*Date of appointment/resignation*
Mr. Phoukhong Chanthachack	General Managing Director	Appointed on 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
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 period and as at 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 2018

	Notes	*For the three-month period ended 31 March 2018 LAKm*	*For the three-month period ended 31 March 2017 LAKm*
Interest and similar income	7	460.610	411.074
Interest and similar expense	8	(234.168)	(221.549)
Net interest and similar income		**226.442**	**189.525**
Fee and commission income	9	61.508	43.567
Fee and commission expense	9	(6.034)	(6.052)
Net fee and commission income	**9**	**55.474**	**37.515**
Net gain from dealing in foreign currencies	10	15.754	11.427
Other operating income	11	8.027	7.935
Operating income		**305.697**	**246.402**
Credit loss expense of loans to customers	17	(7.964)	(56.623)
Reversal of/(additional) impairment losses of financial investments	19	580	4.412
NET OPERATING INCOME		**298.313**	**194.191**
Personnel expenses	12	(57.492)	(51.217)
Depreciation and amortization	21, 22	(18.912)	(17.990)
Other operating expenses	13	(29.614)	(44.727)
TOTAL OPERATING EXPENSES		**(106.018)**	**(113.934)**
PROFIT BEFORE TAX		**192.295**	**80.257**
Current profit tax expense	27.1	(52.219)	(17.424)
Deferred profit tax income/(expense)	27.1	(2.724)	(1.709)
NET PROFIT FOR THE PERIOD		**137.352**	**61.124**
Earnings per share (LAK)	**35**	**661**	**448**

Prepared by:

Ms. Lammaniseng Sayaphet
Chief of Accounting Department

Approved by:

Ms. Phousengthong Anoulakkham
Chief of Internal Audit Department

Approved by:

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

Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao PDR

9 May 2018

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
For the three-month period ended 31 March 2018

	Notes	*For the three-month period ended 31 March 2018* LAKm	*For the three-month period ended 31 March 2017* LAKm
NET PROFIT FOR THE PERIOD		**137.352**	**61.124**
OTHER COMPREHENSIVE INCOME			
Change on fair value of available-for-sale financial assets		(2.099)	15.340
Profit tax related to components of other comprehensive income		2.034	(3.682)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(65)**	**11.658**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**137.287**	**72.782**

Prepared by:

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Approved by:

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Chief of Internal Audit Department

Approved by:

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

Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao PDR

9 May 2018

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION (Unaudited)
as at 31 March 2018

	Notes	31 March 2018 LAKm	31 December 2017 LAKm
ASSETS			
Cash and balances with Bank of the Lao PDR	14	5.508.335	5.812.734
Due from banks	15	3.203.747	3.142.501
Loans to customers	16	21.946.881	22.425.778
Financial investments - Available-for-sale	18	172.575	184.843
Financial investments - Held-to-maturity	19	3.769.271	2.574.671
Investments in subsidiary and joint ventures	20	561.623	561.623
Property and equipment	21	451.276	456.237
Intangible assets	22	247.409	247.582
Deferred tax assets	27.4	6.795	17.955
Other assets	23	495.522	377.643
TOTAL ASSETS		**36.363.434**	**35.801.567**
LIABILITIES			
Due to banks and other financial institutions	24	3.441.962	3.275.546
Due to customers	25	28.624.270	28.403.957
Borrowings from other banks	26	2.172.590	2.145.402
Current tax liabilities	27.2	65.702	20.656
Deferred tax liabilities	27.4	2.379	13.576
Other liabilities	28	195.912	210.418
TOTAL LIABILITIES		**34.502.815**	**34.069.555**
EQUITY			
Charter capital	29	1.038.617	1.038.617
Statutory reserves and other reserves	30	380.382	380.382
Available-for-sale reserve	31	(6.558)	2.186
Retained earnings		448.178	310.827
TOTAL EQUITY		**1.860.619**	**1.732.012**
TOTAL LIABILITIES AND EQUITY		**36.363.434**	**35.801.567**

Prepared by:

Ms. Lammaniseng Sayaphet
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Approved by:

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Chief of Internal Audit Department

Approved by:

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

Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao PDR

9 May 2018

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY (Unaudited)
For the three-month period ended 31 March 2018

	Charter capital LAKm	*Statutory reserves LAKm*	*Available-for-sale reserve LAKm*	*Retained earnings LAKm*	*Total LAKm*
Balance as at 31 December 2017	**1.038.617**	**380.382**	**2.186**	**310.827**	**1.732.012**
Net profit for the period	-	-	-	137.352	137.352
Net movement in available-for-sale reserve	-	-	(8.744)	-	(8.744)
Balances as at 31 March 2018	**1.038.617**	**380.382**	**(6.558)**	**448.179**	**1.860.619**

Prepared by:

Ms. Lammaniseng Sayaphet
Chief of Accounting Department

Approved by:

Ms. Phousengthong Anoulakkham
Chief of Internal Audit Department

Approved by:

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

Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao PDR

9 May 2018

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF CASH FLOWS (Unaudited)
For the three-month period ended 31 March 2018

	Notes	*For the three-month period ended 31 March 2018 LAKm*	*For the three-month period ended 31 March 2017 LAKm*
OPERATING ACTIVITIES			
Profit before tax		**192.295**	**80.257**
Adjustments for:			
Depreciation and amortization charges	21, 22	18.912	17.990
Credit loss expense	17	7.964	56.623
Impairment losses for financial investments		580	-
Defined post employment benefit expense	28	2.411	-
Dividend income		(5.404)	(3.073)
Cash flows from operating profit before changing in operating assets and liabilities		**216.757**	**151.797**
Changes in operating assets			
Net change in balances with other banks		(178.339)	59.037
Net change in loans to customers		470.934	(579.122)
Financial investment - Held-to-maturity		(1.194.600)	(15.340)
Financial investment - Available-for-sale		12.268	(4.112)
Net change in other assets		(107.424)	(31.662)
Changes in operating liabilities			
Net change in due to other banks		193.604	(765.679)
Net change in due to customers		220.313	492.159
Net change in other liabilities		26.590	15.771
Tax paid during the period		(7.247)	(20.773)
Net cash flows (used in)/from operating activities		**(347.144)**	**(697.923)**
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(13.964)	(4.009)
Proceeds from disposals of fixed assets		185	669
Dividends received		5.404	3.073
Net cash flows used in investing activities		**(8.374)**	**(267)**
FINANCING ACTIVITIES			
Payment of dividends		-	(25.000)
Net cash flows from/(used in) financing activities		**-**	**(25.000)**
Net decrease in cash and cash equivalents		**(355.519)**	**(723.191)**
Cash and cash equivalents at the beginning of the period		**7.315.158**	**7.119.186**
Foreign exchange difference			**1.204**
Cash and cash equivalents at the end of the period	**32**	**6.959.639**	**6.397.199**

Prepared by:

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Chief of Accounting Department

Approved by:

Ms. Phousengthong Anoulakkham
Chief of Internal Audit Department

Approved by:

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

Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao PDR
9 May 2018

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. 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 PDR. 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.

On 17 August 2017, Lao Securities Commission Office approved the Bank to recapitalize by both Rights offering (which resulted in 68.047.300 shares) and Public offering (which resulted in 3.098.400 shares) in Lao Securities Exchange in order to increase its charter capital. The Bank received the new Established Banking Business License No. 21/BOL, dated 13 September 2017 issued by Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified the Bank successfully increased its charter capital amount LAK 355.728.500.000 (71.145.700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest amended Business License No. 0889/ERO dated 15 September 2017 issued by Ministry of Industry and Commerce.

According to notification from Lao Securities Exchange Commission, the shareholding structure of the Bank as at 31 March 2018 is as follows:

Shareholders	*Number of shares*	*%*
The Government	145.406.321	70%
Strategic partners	20.772.359	10%
Local investors (including employees of the Bank) and other foreign investors	41.544.620	20%
	207.723.300	**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 Bank of the Lao PDR.

Charter Capital

The charter capital as at 31 March 2018 is LAKm 1.038.617 (31 December 2017: LAKm 1.038.617).

1. CORPORATE INFORMATION (continued)

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 31 March 2018, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-six (86) services units, and sixteen (16) exchange units all over Lao PDR.

Subsidiary

As at 31 March 2018, 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 PDR	Securities	70%

Joint ventures

As at 31 March 2018, the Bank has four (04) joint ventures as follows:

Name	*Business License No.*	*Business Sector*	*% owned by the Bank*
Lao Viet Joint Venture Bank	732/ERO dated 29 August 2016 by the Ministry of Industry and Commerce	Banking & Finance	25%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of the Lao PDR	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commence	Insurance	35%
Lao China Bank Limited	041/ERM dated 27 January 2014 by the granted by Department of Enterprise Register and Management of Lao PDR	Banking & Finance	49%

1. CORPORATE INFORMATION (continued)

Board of Directors

Members of the Board of Directors during the three month period ended 31 March 2018 and at the date of this report are as follows:

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

Management

Members of the Management during the three month period ended 31 March 2018 and at the date of this report are as follows:

Name	*Title*	*Date of appointment/resignation*
Mr. Phoukhong Chanthachack	General Managing Director	Appointed on 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
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 2018 is 1.750 persons (as at 31 December 2017: 1.686 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 Bank uses the comma (,) as the decimal separator and the dot (.) to separate thousands.

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 2018.

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 2018 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 separate 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 2018 and 31 December 2017 as presented in Note 40). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance date are recognized in the separate 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:

- 5.2.6 for ‘Held-to-maturity financial investments’
- 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 investments. 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.

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 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 separate 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 separate 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 2018, 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 separate 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 separate income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and similar income.

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.

Net trading income

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

5.10 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 separate 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 PDR.

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 separate income statement.

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 separate 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 separate income statement in 'Credit loss expense'. The premium received is recognized in the separate 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

The Bank operates a defined benefit pension plan which post-employment benefits are paid to retired employees of the Bank at the time of retirement from:

- the retirement reserve contributed by the employees, for which the Bank withholds a certain monthly amount from employees' salary (currently 8%);
- the Bank's contribution, which is equal to employees' number of months working at the Bank multiplied by 15,00% of their latest salary.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.14 Employee benefits (continued)

Post-employment benefits (continued)

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, excluding amounts included in net interest on the net defined benefit liability, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Bank recognises the following changes in the net defined benefit obligation under 'Personnel expenses' in the separate statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- Net interest expense or income

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 2018, no employee of the Bank 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 separate 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.

5.18 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 PDR, as stated in Note 30; and
- Available-for-sale reserve which comprises changes in fair value of available-for-sale investments, as stated in Note 31.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Up to the date of this report, the Bank has not yet established IFRS 9 adoption programs that include together matters relating methodology, data, modelling, information technology processing, risk and reporting. Therefore, the possible impacts of IFRS 9 adoption on the separate financial statements is not yet measured and evaluated.

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.

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.

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.

6.2 Effective Interest Rate 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 separate 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.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

6.4 Impairment of available-for-sale investments

The Bank reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired as explained in Note 5.4.2.

This assessment, including estimated future cash flows and other inputs in to the discounted cash flow model and in the case of equity instruments, the interpretation of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Bank evaluates, among other factors, historical share price movements, and the duration and extent to which the fair value of an investment is less than its cost.

6.5 Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

7. INTEREST AND SIMILAR INCOME

	For the three-month period ended 31 March 2018 LAKm	*For the three-month period ended 31 March 2017 LAKm*
Interest income from lending to customers	417.182	364.230
Interest income from deposits at other banks	10.011	2.039
Interest income from investment securities	27.191	31.371
Other interest and similar income	6.226	13.434
	460.610	**411.074**

8. INTEREST AND SIMILAR EXPENSE

	For the three-month period ended 31 March 2018 LAKm	*For the three-month period ended 31 March 2017 LAKm*
Interest expense for due to other banks	33.222	27.504
Interest expense for customer deposits	200.946	194.045
	234.168	**221.549**

9. NET FEES AND COMMISSION INCOME

	For the three-month period ended 31 March 2018 LAKm	*For the three-month period ended 31 March 2017 LAKm*
Fees and commission income from:		
Settlement services	39.387	32.350
Treasury activities	19.852	9.697
Other activities	2.269	1.520
	61.508	**43.567**
Fees and commission expense for:		
Settlement services	(5.595)	(4.850)
Treasury activities	(439)	(1.202)
	(6.034)	**(6.052)**
Net fees and commission income	**55.474**	**37.515**

10. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	For the three-month period ended 31 March 2018 LAKm	*For the three-month period ended 31 March 2017 LAKm*
Gain from foreign currencies trading and revaluation of monetary items	1.230.504	825.697
Loss from foreign currencies trading and revaluation of monetary items	(1.214.750)	(814.270)
	15.754	**11.427**

11. OTHER OPERATING INCOME

	For the three-month period ended 31 March 2018 LAKm	*For the three-month period ended 31 March 2017 LAKm*
Dividend income	5.404	3.073
Recovery of bad debts written-off	1.766	1.933
Others	857	2.929
	8.027	**7.935**

12. PERSONNEL EXPENSES

	For the three-month period ended 31 March 2018 LAKm	*For the three-month period ended 31 March 2017 LAKm*
Salary expense	31.776	30.238
Insurance expense for employees	21.191	19.700
Post-employment benefit	2.828	-
Other expenses	1.697	1.279
	57.492	**51.217**

13. OTHER OPERATING EXPENSES

	For the three-month period ended 31 March 2018 LAKm	*For the three-month period ended 31 March 2017 LAKm*
Repair and maintenance	4.110	4.163
Publication, marketing and promotion	1.616	1.236
Office rental	1.616	2.355
Telecommunication	1.668	403
Training, meeting and seminar	2.898	2.209
Insurance fee for depositor protection fund	6.628	5.784
Tax and other duties	80	77
Insurance expense	858	848
Utility	1.690	1.557
Fuel expense	507	399
Stationaries and office materials	3.980	2.301
Consulting and financial service fees	645	442
Construction in progress written off	-	18.640
Others	3.318	4.313
	29.614	**44.727**

14. CASH AND BALANCES WITH BANK OF THE LAO PDR ("THE BOL")

	31 March 2018 LAKm	*31 December 2017 LAKm*
Cash on hand in LAK	1.298.599	1.120.701
Cash on hand in foreign currencies ("FC")	821.966	790.761
Balances with the BOL:		
- Compulsory deposit (*)	1.344.975	1.353.384
- Demand deposit	2.042.795	2.547.888
	5.508.335	**5.812.734**

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, (2017: 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.

15. DUE FROM BANKS

	31 March 2018 LAKm	*31 December 2017 LAKm*
Current and saving accounts	**1.763.369**	**2.268.720**
- In LAK	8.117	5.993
- In foreign currencies	1.755.252	2.262.727
Term deposits	**1.434.890**	**868.998**
- In LAK	663.000	554.200
- In foreign currencies	771.890	314.798
Accrued interest	**5.488**	**4.783**
	3.203.747	**3.142.501**

Interest rates for amounts due from other banks during the period are as follows:

	31 March 2018 % per annum	*31 December 2017 % per annum*
Demand deposits	0,00% - 1,00%	0,00% - 0,80%
Saving deposits	0,00% - 0,80%	0,00% - 0,80%
Term deposits	0,80% - 4,07%	0,80% - 4,00%

16. LOANS TO CUSTOMERS

	31 March 2018 LAKm	*31 December 2017 LAKm*
Gross loans	22.105.658	22.586.284
In which:		
Loans funded by borrowing from the BOL (Note 26)	*1.685.999*	*1.685.999*
Accrued interest related to loans to customers	333.303	320.507
Less: Allowance for impairment losses *(Note 17)*	(492.080)	(481.013)
	21.946.881	**22.425.778**

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

	31 March 2018 Interest rates % per annum	*31 December 2017 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% - 16,00%
Loans denominated in THB	6,00% - 11,00%	6,00% - 11,00%

Analysis of loan portfolio by currency:

	31 March 2018 LAKm	*31 December 2017 LAKm*
Loans denominated in LAK	9.009.577	9.505.226
Loans denominated in USD	10.060.043	10.127.657
Loans denominated in THB	3.036.038	2.953.401
	22.105.658	**22.586.284**

16. LOANS TO CUSTOMERS (continued)

Analysis of loan portfolio by original maturity:

	31 March 2018 LAKm	*31 December 2017 LAKm*
Short-term loans	3.029.666	3.051.761
Medium-term loans	12.297.280	12.900.769
Long-term loans	6.778.711	6.633.754
	22.105.658	**22.586.284**

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

	31 March 2018		*31 December 2017*	
	LAKm	*%*	*LAKm*	*%*
Industrial services companies	11.761.631	53,21%	11.412.133	50,53%
Construction companies	2.598.116	11,75%	3.435.675	15,21%
Technical instruments enterprises	86.717	0,39%	91.064	0,40%
Agricultural & forestry	63.198	0,29%	57.793	0,26%
Trading companies	4.018.799	18,18%	4.177.178	18,49%
Transportation companies	652.996	2,95%	654.372	2,90%
Services companies	2.533.161	11,46%	2.395.102	10,60%
Handicrafts	3.303	0,01%	3.052	0,01%
Others	387.737	1,75%	359.915	1,60%
	22.105.658	**100%**	**22.586.284**	**100%**

17. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in allowance for impairment losses of loans to customers during the Three Month Period ended 31 March 2018 are as follows:

	For the three-month period ended 31 March 2018 LAKm	*31 December 2017 LAKm*
Balance as at 1 January	**481.013**	**339.579**
Net change during the period	7.964	212.409
Non-performing loans written-off	-	(76.987)
Foreign exchange differences	3.104	6.012
Balance as at 31 March	**492.080**	**481.013**

Breakdown of allowance for impairment losses of loans to customers as at 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018		*31 December 2017*	
	Outstanding balance LAKm	*Impairment LAKm*	*Outstanding balance LAKm*	*Impairment LAKm*
Individually impaired	1.886.782	362.823	2.190.692	351.320
Collectively impaired	20.218.876	129.257	20.395.592	129.693
	22.105.658	**492.080**	**22.586.284**	**481.013**

18. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	31 March 2018 LAKm	*31 December 2017 LAKm*
Listed shares of EDL-Generation Public Company	172.575	184.081
CIMB - Principal Global Total Return Fund	-	762
	172.575	**184.843**

19. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

	31 March 2018 LAKm	*31 December 2017 LAKm*
Amortized cost of Treasury bills issued by the Ministry of Finance	2.261.551	2.160.594
Amortized cost of Capitalization bonds issued by the Ministry of Finance	67.291	68.944
Amortized cost of Others issued by the Ministry of Finance	1.443.535	348.818
	3.772.376	**2.578.356**
Impairment losses for investments in Held-to-maturity securities (*)	**(3.105)**	**(3.685)**
- *Impairment losses for Treasury bills issued by the Ministry of Finance*	*(713)*	*(188)*
- *Impairment for Capitalization bonds issued by the Ministry of Finance*	*(11)*	-
- *Impairment for Others issued by the Ministry of Finance*	*(2.381)*	*(3.497)*
	3.769.271	**2.574.671**

(*): The net change in impairment losses of LAKm 580 for the three-month period ended 31 March 2018 is recorded in the separate income statement as reversal of impairment loss for held-to-maturity securities.

19.1 Treasury bills issued by the Ministry of Finance

Details of the contractual maturity bonds by maturity date are as follows:

	31 March 2018		*31 December 2017*	
Maturity	*Face value LAKm*	Amortized cost *LAKm*	*Face value LAKm*	Amortized cost *LAKm*
Within 1 year	2.605.974	2.652.156	2.427.000	2.480.857
1 year to 5 years	471.278	473.503	98.380	97.499
Over 5 years	643.851	646.717	-	-
	3.721.103	**3.772.376**	**2.525.380**	**2.578.356**

20. INVESTMENTS IN SUBSIDIARY AND JOINT VENTURES

	31 March 2018		*31 December 2017*	
	Cost LAKm	*Ownership %*	*Cost LAKm*	*Ownership %*
Investments in subsidiary				
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 PDR under the Business License No. 180-10 granted by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao PDR 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 PDR 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 Bank of the Lao PDR 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 PDR 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 Bank of the Lao PDR. 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 the BOL. As at 31 March 2018, 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 PDR 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 Bank of the Lao PDR. The legal capital of LCNB was LAKm 300.000 and had been fully contributed by partners as at 31 March 2018.

- Lao-Viet Insurance Joint Venture Company ("LVI") is incorporated as a joint venture company in the Lao PDR 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 2018, the total contributed capital of the Bank in this company was USD 1.050.000, equivalent to LAKm 8.784.

21. PROPERTY AND EQUIPMENT

Movements of property and equipment for the three-month period ended 31 March 2018 are as follows:

	Buildings & improvements LAKm	*Office equipment LAKm*	*Furniture & fixtures LAKm*	*Motor vehicles LAKm*	*Total LAKm*
Cost:					
As at 1 January 2018	475.636	128.158	37.239	19.926	660.959
Additions	255	8.267	867	1.481	10.869
Transferred from CIP and fixed assets in transit	255	8.267	867	1.481	10.869
Disposals	(153)	(3.190)	(161)	-	(3.503)
As at 31 March 2018	475.738	133.235	37.945	21.407	668.325
Accumulated depreciation:					
As at 1 January 2018	111.302	62.442	22.517	8.461	204.722
Charge for the period	6.592	6.666	1.341	1.046	15.644
Disposals	(101)	(3.087)	(130)	-	(3.318)
As at 31 March 2018	117.794	66.021	23.728	9.507	217.049
Net book value:					
As at 1 January 2018	364.334	65.716	14.722	11.465	456.237
As at 31 March 2018	**357.944**	**67.214**	**14.218**	**11.900**	**451.276**

22. INTANGIBLE ASSETS

Movements of intangible assets for the three-month period ended 31 March 2018 are as follows:

	Land use rights LAKm	*Software LAKm*	*Total LAKm*
Cost:			
As at 1 January 2018	234.555	65.307	299.862
Additions	3.037	58	3.095
Transferred from CIP and fixed assets in transit	3.037	58	3.095
Disposals	-	-	-
As at 31 March 2018	237.592	65.365	302.957
Accumulated amortization:			
As at 1 January 2018	-	52.280	52.280
Charge for the period		3.267	3.267
Disposals	-	-	-
As at 31 March 2018		55.547	55.547
Net book value:			
As at 1 January 2018	234.555	13.027	247.582
As at 31 March 2018	**237.592**	**9.818**	**247.409**

23. OTHER ASSETS

	31 March 2018 LAKm	*31 December 2017 LAKm*
Assets available for sale	243.939	216.228
Stationeries and other tools	2.655	7.520
Checks in collection	75.285	19.179
Construction in progress and fixed assets in transit (*)	45.398	30.666
Prepaid expenses to be allocated	45.269	41.320
Advance payment for other operations	34.007	26.283
Others	48.969	36.447
	495.522	**377.643**

(*): Movement of construction in progress and fixed assets in transit for the three-month period ended 31 March 2018 is as follows:

	Land use rights LAKm	*Buildings & improvements LAKm*	*Others LAKm*	*Total LAKm*
As at 1 January 2018	3.474	6.762	20.430	30.666
Additions	12	17.118	11.633	28.763
Transferred to fixed assets	(3.037)	-	(10.205)	(13.242)
Transferred to assets waiting for sale	-	(370)	(221)	(590)
Transfer to other fixed assets	-	(159)	-	(159)
Write-offs	-	(40)	-	(40)
As at 31 March 2018	**449**	**23.311**	**21.637**	**45.398**

24. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 March 2018 LAKm	*31 December 2017 LAKm*
Demand deposits	**2.706.732**	**2.567.425**
- In LAK	1.190.826	1.231.231
- In foreign currencies	1.515.906	1.336.194
Saving deposits	**144.452**	**142.005**
- In LAK	28.616	37.762
- In foreign currencies	115.836	104.243
Term deposits	**561.159**	**549.112**
- In LAK	60.607	52.335
- In foreign currencies	500.552	496.777
Others	**25.056**	**14.141**
- In LAK	8.182	8.483
- In foreign currencies	16.874	5.658
	3.437.399	**3.272.683**
Accrued interest payables	**4.563**	**2.863**
	3.441.962	**3.275.546**

24. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)

Interest rates for deposits from other banks and financial institutions during the period are as follows:

	31 March 2018 *% per annum*	31 December 2017 *% per annum*
Demand deposits	No interest	No interest
Saving deposits	No interest	No interest
Term deposits	0,00% - 6,00%	0,00% - 6,00%

25. DUE TO CUSTOMERS

	31 March 2018 LAKm	*31 December 2017 LAKm*
Demand deposits	**5.346.387**	**6.237.693**
Demand deposits in LAK	2.343.844	2.286.496
Demand deposits in FC	3.002.543	3.951.197
Demand savings	**12.014.845**	**11.310.417**
Demand saving deposits in LAK	5.395.180	4.935.329
Demand saving deposits in FC	6.619.665	6.375.088
Term deposits	**10.770.116**	**10.415.844**
Term deposits in LAK	6.197.029	6.101.844
Term deposits in FC	4.573.087	4.314.000
Margin deposits	**101.039**	**173.659**
Margin deposits in LAK	20.576	17.454
Margin deposits in FC	80.463	156.205
Others	165.348	**108.578**
	28.397.735	**28.246.191**
Accrued interest	**226.535**	**157.766**
	28.624.270	**28.403.957**

Saving deposits from customers denominated in LAK, USD and THB bear interest at rate ranging of 1,25% – 1,89%, 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% – 7,75% per annum respectively.

26. BORROWINGS FROM OTHER BANKS

	31 March 2018 LAKm	*31 December 2017 LAKm*
Borrowings from the BOL	1.685.999	1.685.999
Borrowings from other banks	455.235	455.235
Accrued interest payables	31.356	4.168
	2.172.590	**2.145.402**

26. BORROWINGS FROM OTHER BANKS (Continued)

Borrowings from the BOL as at 31 March 2018 include:

- USD 3.942.856 long-term borrowing (original borrowing amount was USD 9.200.000 with interest rate of 0,25% per annum) for the purpose of investment in Banque Franco – Lao Limited. The loan's principal is paid annually from 2010 to 2023. Interest is paid semi-annually.
- USD 99.854.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,50% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 1 January 2016 to 27 August 2025. Interest is paid semi-annually.
- USD 99.900.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,30% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 3 May 2016 to 3 May 2026. Interest is paid semi-annually.

Borrowings from other banks as at 31 March 2018 include:

- USD 15.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 4,68% per annum. The loan's principal and interest are paid at maturity date.
- USD 40.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 5,35% per annum. The loan's principal and interest are paid at maturity date.

27. TAXATION

27.1 Profit tax expense

Major components of tax expense are as follows:

	For the three-month period ended 31 March 2018 LAKm	*For the three-month period ended 31 March 2017 LAKm*
Current profit tax expense	52.219	17.424
Deferred profit tax expense	2.724	1.709
Total tax expense for the period	**54.943**	**19.133**

27.2 Tax payables

	31 March 2018 LAKm	*31 December 2017 LAKm*
Profit Tax payable	54.462	9.491
Value Added Tax payable	11.000	11.165
Other payable for tax	240	-
	65.702	**20.656**

27. TAXATION (continued)

27.3 Current Profit Tax ("PT")

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

The calculations of Profit tax for the three-month period ended 31 March 2018 and 31 March 2017 are as follows:

	For the period ended 31 March 2018 LAKm	*For the period ended 31 March 2017 LAKm*
Profit before tax in accordance with IFRS	**192.295**	**80.257**
Adjustments for:		
- Difference between carrying value under LAS and amortized cost under IFRS of bonds	(20.147)	(4.487)
- Difference in allowance for impairment losses between LAS and IFRS of loans to banks and customers	43.779	(16.104)
- Difference in allowance for post-employment benefits between LAS and IFRS	2.411	-
- Write-off start-up cost as expense during the period	-	(2)
- Difference in impairment expense of investments between LAS and IFRS	4.379	(4.412)
Profit before tax in accordance with LAS	**222.717**	**55.252**
Increase/(Decrease):		
- Income exempted from PT (dividend income)	(5.404)	(3.073)
- Non-deductible expenses	39	52
Taxable profit under LAS	**217.353**	**52.232**
PT expense at rate of 24%	**52.165**	**12.536**
Total tax expense in the period	**52.165**	**12.536**
Payable at the beginning of the period	9.491	24.300
Other adjustment	53	(154)
Paid in the period	(7.247)	(15.909)
PT payable at the end of the period	**54.462**	**20.773**

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.

27. TAXATION (continued)

27.4 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 2018	17.955	(13.576)	4.379
Increase during the period due to:			
Changes in fair value of available for sale financial instruments	2.071	-	2.071
Changes in temporary difference between taxable profit under LAS and taxable profit under IFRS	(13.231)	11.197	(2.034)
As at 31 March 2018	**6.795**	**(2.379)**	**4.416**

28. OTHER LIABILITIES

	31 March 2018 LAKm	*31 December 2017 LAKm*
Payables to employees	45.017	66.730
Payable to suppliers	19.587	20.031
Defined post-employment benefit plan (*)	67.560	65.149
Others	63.748	58.508
	195.912	**210.418**

(*) Defined post-employment benefit plan

Changes in defined post-employment benefit plan are as follows

	Past service cost LAKm	*Current service cost LAKm*	*Interest cost LAKm*	*Benefit paid LAKm*	*Total LAKm*
As at 1 January 2018	59.458	4.298	3.899	(2.506)	65.149
Appropriation to create for the period	-	2.358	53	-	2.411
As at 31 March 2018	**59.458**	**6.656**	**3.952**	**(2.506)**	**67.560**

Net benefit expense (recognised in profit or loss):

	For the three-month period ended 31 March 2018 LAKm	*31 December 2017 LAKm*
Past service cost	-	59.458
Current service cost	2.358	4.298
Interest cost	53	3.899
	2.411	**67.655**

28. OTHER LIABILITIES (continued)

The cost of the defined post-employment benefit plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined post-employment benefit plan is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The principal assumptions used in determining post-employment benefit obligations for the Bank's plans are shown below:

	31 March 2018 *%*	*31 December 2017* *%*
Discount rate	5,00 - 8,77	5,00 - 8,77
Future salary increases	0,91	0,91
Employee turnover rate	0,00	0,00

A quantitative sensitivity analysis for significant assumptions as at 31 March is, as shown below:

	31 March 2018 *LAKm*	*31 December 2017* *LAKm*
Discount rate		
increase 50 basis points	(2.532)	(5.935)
decrease 50 basis points	2.290	6.844

29. CHARTER CAPITAL

There has been no change to paid-up capital during the three-month period ended 31 March 2018.

30. 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 2018.

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 2001 by the Governor of the Bank of Lao P.D.R and other relevant guidance, commercial banks are required to appropriate at least 5% of profit after tax each year, after deducting retained losses, to regulatory reserve fund, until such fund reaches 10% of Tier-1 capital. Based on this requirement, management will decide the exact percentage of each year. The Business expansion fund and other funds shall be created upon decision of the Board of Director.

31. AVAILABLE-FOR-SALE RESERVE

	For the three-month period ended 31 March 2018 LAKm	*For the year ended 31 December 2017 LAKm*
Opening balance	2.186	8.014
Net changes in fair value of available-for- sale financial investments	(8.744)	(5.828)
	(6.558)	**2.186**

32. 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 2018 LAKm	*31 December 2017 LAKm*
Cash and cash equivalents on hand	2.120.565	1.911.462
Demand deposits with the BOL	2.042.795	2.547.888
Current accounts with other banks	1.763.369	2.268.720
Term deposits due within 90 days	1.032.910	587.088
	6.959.639	**7.315.158**

33. CONTINGENT LIABILITIES AND COMMITMENTS

	31 March 2018 LAKm	*31 December 2017 LAKm*
Financial letter of guarantees	342.308	312.618
At sight letters of credit	117.952	242.997
Deferred payment letters of credit	150.266	195.651
Credit limit given to customers	3.954.059	3.488.189
Credit limit given to other banks	548	548
	4.565.133	**4.240.003**

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 2018, the Bank did not entered into any lease contracts as either lessor or lessee which results in future cash inflows and/or outflows.

34. RELATED PARTY DISCLOSURES

Transactions with key management personnel of the Bank

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

	For the three-month period ended 31 March 2018 LAKm	*For the three-month period ended 31 March 2017 LAKm*
Salaries	365	394
Bonus	264	-
Responsibility allowance	290	333
	919	**726**

Significant transactions with other related parties during the three-month period ended 31 March 2018 is as follows:

Related party	*Note*	*Transactions*	*Income LAKm*	*Expense LAKm*
Bank of the Lao PDR	*(i)*	Interest expense from borrowing from the BOL	-	22.488
The Ministry of Finance of the Lao PDR	*(ii)*	Interest income from investment in MOF's bonds	35.382	-

Significant balances with related parties as at 31 March 2018 are as follows:

Related party	*Note*	*Transactions*	*Receivable LAKm*	*Payable LAKm*
Bank of the Lao PDR	*(i)*	Borrowings and accrued interest from the BOL	-	1.708.487
		BCEL's demand deposits at the BOL	2.042.795	-
		BCEL's compulsory deposits at the BOL	1.344.975	-
The Ministry of Finance of the Lao PDR	*(ii)*	Investment in MOF's bonds (at cost)	3.721.103	-
		Accrued interest	65.442	-
BCEL - Krung Thai Securities Company Limited	*(iii)*	Current accounts	-	375
Lao Viet Joint Venture Bank	*(iv)*	Current accounts	441.745	499.554
	(iv)	Term deposit	120.000	-
Banque Franco – Lao Company Limited	*(iv)*	Current accounts	-	41.673
Lao China Bank Co.Ltd	*(iv)*	Current accounts	-	7.379

(i) Direct controller
(ii) Direct owner
(iii) Subsidiary
(iv) Joint venture

35. 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.

	For the three-month period ended 31 March 2018	*For the three-month period ended 31 March 2017*
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	137.352	61.124
Weighted average number of ordinary shares for basic earnings per share (shares)	207.723.300	136.577.600
Face value per share (LAK)	5.000	5.000
Earnings per share (LAK)	661	448

36. 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.

37. CAPITAL MANAGEMENT

The Bank maintains minimum regulatory capital in accordance with Regulation No 536/BFSD/BOL dated 14 October 2009 by the Governor of Commercial Bank Supervision Department of the 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 to 45% of revaluation reserves; and lower 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 2018 *LAKm*	*31 December 2017* *LAKm*
Tier 1 capital	1.867.177	1.729.826
Tier 2 capital	(2.951)	984
Total capital	**1.864.226**	**1.730.810**
Less: Deductions from capital (Investments in other entities)	(561.623)	(561.623)
Capital for CAR calculation (A)	**1.302.603**	**1.169.187**
Risk weighted balance sheet items	10.496.526	10.568.547
Risk weighted off balance sheet items	2.301.724	2.172.751
Total risk weighted assets (B)	**12.798.250**	**12.741.298**
Capital Adequacy Ratio (A/B)	**10,18%**	**9,18%**

38. 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.

39. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 31 March 2018 that requires adjustment or disclosure in the separate financial statements of the Bank.

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

	31/03/2018 *LAK*	*31/12/2017* *LAK*
USD	8.277,00	8.277,00
EUR	10.108,00	9.870,00
THB	265,77	253,97
GBP	11.361,00	10.947,00
JPY	76,25	72,09
AUD	6.215,00	6.350,00
CNY	1.301,00	1.257,00

Prepared by:	Approved by:	Approved by:
Ms. Lammaniseng Sayaphet Chief of Accounting Department	Ms. Phousengthong Anoulakkham Chief of Internal Audit Department	Mr. Bouavanh Simalivong Deputy Managing Director

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

Vientiane, Lao PDR

9 May 2018