Banque Pour Le Commerce Exterieur Lao Public

A Summary of Business Performance of the nine-month 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.

The Bank was established from the equitization of Banque Pour Le Commerce Exterieur Lao which had been established in accordance with the Banking Business License No. 129/BOL dated 01 November 1989, and its latest Amended Banking Business License No. 4284/BOL dated on 11 November 2010 issued by the Bank of Lao People's Democratic Republic. On 23 December 2010, the Bank successfully undertook its Initial Public Offering. On 10 January 2011, the Bank was equitized and renamed into Banque Pour Le Commerce Exterieur Lao Public under the Enterprise Registration 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. Ministry of Finance representing the Government holds 80% of the shares.

On 15 July 2011, the Bank continued to sell 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' shares (including employees of the Bank) account for 10% of the Bank's chartered capital; strategic partners' shares account for 10%; and other foreign investors' proportion of 10%.

On 17th of August, 2017, BCEL increased its chartered capital by right offering and public offering in the Lao Securities Exchange. The Bank received 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 it chartered capital amount of 355.728.500.000 LAK (71.145.700 shares) in accordance with the Listing certification No.01/LSX, Dated 15 September 2017 and the bank received the latest amended business license No.0429/ERO, Dated 18 May 2018, issued by Ministry of Industry and Commerce.

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 requests and capability of the Bank's sources of capital; foreign exchange transactions, international trade financial services, discounting of commercial papers, bonds and other valuable papers, and providing other banking services allowed by the Bank of Lao P.D.R. Especially, the insurance services and securities broker services.

Charter Capital

The charter capital as of 30 September 2018 is LAKm 1.038.617 (as of 31 Dec 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, Lao P.D.R. 30 September 2018, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, twenty (20) main branches, ninety two (92) services units, and sixteen (16) exchange units all over Lao P.D.R.

2. Vision

BCEL has adopted a vision and apply to its business development to achieve its goal and objective of "Becoming a strong and modern bank that meets international standard".

3. Mission

In order to become a strong and modern bank that meets international standard, the important mission of BCEL includes: Improve the strength on the area of the Corporate Governance (CG) by focusing on development to be adaptable for the changing circumstances of the new era, emphasizing on the creation of the strength in the culture of Risk Management and to comply with the BASEL II principles, increase business operation capacity, create and develop the Management of Information System (MIS) to be effective, complete, correct and punctual, to meet international standard on the reporting system, apply modern technology and upgrade the knowledge and expertise of the employees as of regional and international levels.

➢ Business Targets for 2018

To continually implement the long term strategies, BCEL has researched and modified some tasks for the purpose of improving and developing the administration for 2018 to be more appropriate. BCEL added more sub-projects in some fields especially for the Basel II project and the working projects such as 6 main projects (remain the same), 32 major projects and 253 working plans (adding 62 working plans). Those additional plans are under the service working plan which is the fundamental of Basel II principle. Those tasks shall be the responsibilities of the committees, division, center, branch and service unit as follows:

- **The project of working plan:**

- To develop the Corporate Governance to the international standard : 3 projects(remain the same as it is not yet implemented, waiting for Basel II)
- To establish the risk management system and implement Basel II principles, which includes 4 project(adding 2 projects)
- To establish database system for the administration: 6 project(adding 1 project)

- To develop and administrate the IT system: 5 projects(decline 2 projects)
- Human resource management and development: 4 project(decline 1 project)
- To develop the finance management, modern service and effective business performance: 10 project

Besides the main projects, there will be the support projects which add as the sub-projects such as: LOS project, sub-project of Basel II, product development project, construction project and others.

4. Organization Structure

4.1 The organization of BCEL consists of the Board of Directors (7 Directors), Executive Management (7 members), 11 Divisions, 3 Centers, 20 Branches, 92 Service Units and 15 Money Changers nationwide.

4.2 Board of Directors of BCEL consist of 7 Member

- Dr. Bounleua Sinxayvoravong as Chairman
- Mr. Khamsouk Sundara, as vice Chairman
- Mr. Phoukhong Chanthachack, as Member
- Mr. Mac Robert, as Member
- Mr. Phoutthakhan Khanty, as Member
- Assoc.Prof. Dr. Phouphet Kyophilavong, as Member
- Mr . Viengsouk Chounthavong, as Member

Structure of Board of Directors of BCEL



Dr.Bounleua Sinxayvoravong
Chairman



Mr. Khamsouk Sundara
Vice Chairman



Mr.Phoukhong Chanthachack
Member



Mr. Marc Robert
Member



Mr. Phouthakhanh Khanhty



Assoc.Prof Dr. Phouphet Keophilavong



Mr. Viengsouk Chounthavong
Member

Executive Management of BCEL consist of 7 members

- Mr. Phoukhong Chanthachack, General Managing Director
- Mr. Phansana Khounnouvong, Deputy Managing Director of BCEL
- Mr. Lachay Khanpravong, Deputy Managing Director of BCEL
- Mr. Nanthalath Keopaseuth, Deputy Managing Director of BCEL
- Mr. Khamsian Mingboupha, Deputy Managing Director of BCEL
- Mr. Souphak Thinxayphone, Deputy Managing Director of BCEL
- Mr. Boauvanh Simmalyvong, Deputy Managing Director of BCEL

Structure of Executive Management of BCEL



Mr. Phoukhong Chanthachack
General Managing Director



Mr. Phansana Khounnouvong,
Deputy Managing Director



Mr. Lachay Khanpravong,
Deputy Managing Director



Mr. Nanthalath Keopaseuth,
Deputy Managing Director



Mr. Khamsian Mingboupha,
Deputy Managing Director



Mr. Souphak Thinxayphone,
Deputy Managing Director



Mr. Boauvanh Simmalyvong
Deputy Managing Director

5. Achievement for nine months period of the year 2018.

For the nine months of the year 2018, BCEL can achieve its target in many areas such as successfully held the Ordinary meeting of BCEL's Board of Director for 3 times, annual review meeting for the year 2017 and approved the plan for 2018, held the 2018 quarterly review meeting for 2 times, held the annual general shareholders' meeting for the year 2017. In addition, BCEL disclosed the business result for the year 2017 and the first quarter of 2018 via the disclosure system of the Lao Securities Exchange. BCEL merged the Branch Supervision Division with the Internal Audit Division, and established the Marketing Division which was separated from Research and Development Division.

BCEL received the awards from Asian Banking & Finance Magazine, which include 3 awards: Financial inclusion initiative of the year, mobile banking initiative of the year and Operational Excellence Award 2017-2018 and won the first prize from LAO ICT award 2018. BCEL also created a "Top Spender Usage Campaign" to provide the lucky draw to customer to attend the football match at Singapore. Beside BCEL has extended its networks in 7 points to facilitate the society with more banking service places such as Xaysetha Branch, sapanthong service unit, Nonghai service Unit, CSC service unit(under Champasak Branch), Nongdaung service unit, vientiane center service unit and saybungfai service unit(under khammaun branch), and completely transfered 3 service units to the supervision of branches in Vientiane such as Vientiane Branch, Dongdok Branch and Xaysettha Branch.

New products have been introduced to the society such as BCOME Phase II, OnePay the product payment via QR code, OneHeart the project for society contribution, fixed-term deposits including various terms such as 9 months, 15 months, 21 months, 30 months, 42 months and 54 months. BCEL also developed the international payment via QR code with Thanachart Bank. Besides, BCEL successfully launched the signing contract ceremony on bill payment service between BCEL and Sayyaisumphan Deposit-taking Micro-finance Institution, signed a contract on the project on electronic collection of passenger and vehicle fees (smart VAT phase II) between BCEL and Tax Department, signed the contract with APB for the road tax settlement. Moreover, BCE has implemented the Loan Origination System (LOS). The bank continues the plan to sell the shares held by the Ministry of Finance for 19% as well as evaluated the gaps of the CG project and the credit rating of BCEL. BCEL completed the audit of financial statement report for the first six month of 2018 in accordance with the Lao Accounting Standard and carry on the audit of financial statements in accordance with the IFRS which is currently waiting for disclosure.

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

- Board of Directors.

In the nine months of the year 2018, the Board of Directors held three meetings to discuss and approve important issues as follow:

- Approved the business results for the year 2017 in accordance with IFRS (separate and consolidate reports) and approved the allocation of the profit after tax for the year 2017 and paid the dividend to shareholder amount 712 LAK/share, endorsed the business plan for the year 2018 and approved new Board of Directors.

- Approved the structure of BCEL risk management, policy on operational risk and reputational risk, and policy on AML/CFT(amended version)
- Approved the restructure of Credit management division which applies the Loan Origination System and Credit Rating in order to comply with the Basel II principle
- Followed up the research on selling out the government shares of 19%.

➢ **Governance Committee**

- Followed up the business result in each month and provide the direction for business operation of BCEL periodically. In quarter 3 of 2018, business result of BCEL can exceed its plan.
- Followed up the liquidity matter and treasury of BCEL periodically.
- Held the meeting to discuss the research of selling out the government shares of 19%, the selling procedures which must comply with the relevant laws, transparency and fair for all parties. BCEL is still expecting for further instruction from the Ministry of Finance.
- Followed up the corporate customers, managed and resolved NPL to be at the appropriate level, extended the loans to achieve the plan. And enact BCEL's regulation on SMEs Financing.
- Monitored the progress of LOS and Credit Rating projects which have accomplished the assessment of current status of BCEL, direction design, documentation, assessment of gaps in loan approval, criteria development, weights for credit rating, and the number of modules for credit rating.
- Followed up the credit development in accordance with Basel 2 and develop the new credit program appropriately.
- Followed up on Human resource and organization such as: establish the course on human resource development, research the KPI implementation for employees, and improve the regulation on praise and welfare, and research to more appropriately improve various committees of BCEL; considered and approved in principle on the upgrade of Legal Section into a Division in 2019, and approved in principle that the Credit Administration Division to be separated into 3 Divisions and submitted to the Board of Directors Meeting for approval.

➢ **Risk Management Committee**

- Held the meeting to follow up the implementation of risk management base on Basel II principle for the quarter 03 of 2018, which includes: material risk and the implementation, and summarized the organization risks.
- Implemented the Basel II principles of BCEL: Completed sending related documents to the program vendors and bidding letter to the IT system vendors, completed the initial gap analysis in policy and regulation for the implementation of ALM and FTP, and completed the assessment of the proposals from the consultant companies which are KPMG and EY.
- Managed the scope of credit risk in each economic sector, liquidity risk against the established regulations, monthly operational risk and closely recorded the main risk factors of BCEL .
- To comply with the risk management structure of BCEL, proper understanding was equipped from executive management ensure the effectiveness of the implementation of risk management.

- **Audit Committee**

- Endorsed the financial review report for the first six months of 2018 in accordance with LAS. As Financial Statements in accordance with International Financial Reporting Standard (IFRS) have not signed yet because there are some issues that need to consult with auditor and regulatory in the approach to use the up-date International Financial Reporting Standard.
- Completed of asset and income declaration of BCEL staff for round 2 of the year 2017.
- Followed the resolves of the internal audit findings for Division/center which mostly can be resolved and there is some pending which shall be continually resolved. For the long term resolution measure is to develop the system as a tool for defining the transaction service process. The short term measure is to focus on the audit on staff performance to increase their attention on the work.
- Followed up the resolves of the finding from the State Audit Organization which can be resolved for the year 2016 and supported all the relevant documents to the State Audit Organization for the audit of the year 2017.
- Completed the selection and approved the external audit company to audit the financial statements of BCEL for the year 2019.

- **Nomination Committee**

- Considered the amendment of Board's committees as per the suggestion of Lao Securities Commission Office (LSC). BCEL has considered and amended each committee to consist of 3 members from the Board of Directors whereas the managing directors and chiefs of divisions are appointed as the observers. The observers can provide the comment in the meeting but they do not have the right to vote or make any decisions.
- Approved the regulation on the position which consists of 19 articles, defining the criteria of each position, the process for appointment and promotion, and the term of office of each position.
- Considered and appointed the management at division and branch level for 4 persons.
- The amendment of Board's committees, regulation on position and the appointment of 4 employees shall be submitted to the Board of Directors for consideration and approval.

- **Remuneration Committee**

- Approved in principle the regulation on the management of the employee's retirement fund, including the sources of fund, the management of the fund and the use of the fund.
- Approved the formula for calculation of the pension for staff when retiring.
- Approved the new regulations on the uniform and dressing for staff of BCEL.
- Approved in principles the allowances for Specialist position and the Senior position and qualifications of the two new positions.

7. BCEL's Business Performance for the nine months of the year 2018

For the nine months of the year 2018, BCEL achieved the business performance as follows:

- Total Assets: 39.092.173 million LAK, equal to 99,91% of the annual plan,
- Total Deposits: 32.503.324 million LAK, equal to 98,49% of the annual plan,
- Total Loans: 23.650.333 million LAK, equal to 96,53% of the annual plan

  Profit before tax: 370.269 million LAK, equal to 92,56% of the annual 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

Phoukhong CHANTHACHACK

Remarked: The business result for nine-months of 2018 is in accordance with the consolidate IFRS (unaudited)

Banque Pour Le Commerce Exterieur Lao Public

Interim consolidated financial statements (Unaudited)

30 September 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 ("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 establi shed 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 the Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified that the Bank successfully increased its charter capital by an amount of 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. 0429/ERO dated 18 May 2018 issued by Ministry of Industry and Commerce.

The shareholding structure of the Bank as at 30 September 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 30 September 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 30 September 2018, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, twenty (20) main branches, ninety-one (91) services units, and sixteen (16) exchange units all over Lao PDR.

GENERAL INFORMATION (continued)

THE BANK (continued)

Subsidiary

As at 30 September 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 30 September 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	0495/ERO dated 07 June 2018 by the Ministry of Industry and Commerce	Banking & Finance	30%
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/ERO dated 27 January 2014 by the Department of Enterprise Register and Management of Lao PDR	Banking & Finance	49%

BOARD OF DIRECTORS

Members of the Board of Directors during the nine-month period ended 30 September 2018 and at the date of this report are as follows:

Name	*Title*	*Date of appointment/resignation*
Mr. Bounleua Sinxayvoravong	Chairman	Appointed on 9 April 2015
Mr. Khamsouk Sundara	Vice Chairman	Appointed on 9 April 2015
Mr. Phoukhong Chanthachack	Member	Appointed on 9 April 2015
Mr. Marc Robert	Member	Appointed on 9 April 2015
Mr. Phoutthakhan Khanty	Member	Appointed on 27 April 2018
Associate Professor, Dr. Phouphet Kyophilavong	Member	Appointed on 27 April 2018
Mr. Viengsouk Chounthavong	Member	Appointed on 27 April 2018
Mr. Viengxay Chanthanvisouk	Member	Appointed on 9 April 2015 Resigned on 27 April 2018
Mr. Phansana Khounnouvong	Member	Appointed on 9 April 2015 Resigned on 27 April 2018
Ms. Khanthaly Vongxayarath	Member	Appointed on 9 April 2015 Resigned on 27 April 2018

GENERAL INFORMATION (continued)

BOARD OF MANAGEMENT

Members of the Board of Management during the nine-month period ended 30 September 2018 and at the date of this report are as follows:

Name	*Title*	*Date of appointment*
Mr. Phoukhong Chanthachack	General Managing Director	15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	06 June 2008
Mr. Lachay Khanpravong	Deputy Managing Director	30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	23 November 2015
Mr. Souphak Thinsayphone	Deputy Managing Director	23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	01 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 nine-month period ended 30 September 2018

	Notes	*For the nine-month period ended 30 September 2018 LAKm*	*For the nine-month period ended 30 September 2017 LAKm*
Interest and similar income	8	1.405.633	1.286.155
Interest and similar expense	9	(731.381)	(665.779)
Net interest and similar income		**674.252**	**620.376**
Fee and commission income	10	193.029	144.109
Fee and commission expense	10	(17.652)	(14.964)
Net fee and commission income	**10**	**175.377**	**129.145**
Net gain from dealing in foreign currencies	11	40.869	32.421
Other operating income	12	13.382	9.665
Total operating income		**903.880**	**791.607**
Credit loss expense of loans to customers	19	(90.284)	(151.548)
(Additional)/Reversal of impairment losses of financial investments	13	(29.158)	7.583
NET OPERATING INCOME		**784.438**	**647.642**
Personnel expenses	14	(259.218)	(158.512)
Depreciation and amortization	23, 24	(54.554)	(55.101)
Other operating expenses	15	(109.090)	(101.001)
Total operating expenses		**(422.862)**	**(314.614)**
Share of profit and loss of joint ventures	22	8.693	23.095
PROFIT BEFORE TAX		**370.269**	**356.123**
Current profit tax expense	29.1	(111.873)	(71.541)
Deferred profit tax income	29.1	6.998	(2.499)
PROFIT FOR THE PERIOD		**265.394**	**282.083**
Attributable to:			
Equity holders of the parent		264.727	281.226
Non-controlling interest		667	857
Earnings per share (LAK)	**40**	**1.274**	**1.354**

Prepared by:

Mrs. Phousengthong Anoulakkham
Head of Accounting Department

Approved by:

Mr. Kongsack Souphonesy
Head of Internal Audit Department

Approved by:

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

Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao PDR

14 November 2018

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
for the nine-month period ended 30 September 2018

	Notes	*For the nine-month period ended 30 September 2018 LAKm*	*For the nine-month period ended 30 September 2017 LAKm*
NET PROFIT FOR THE PERIOD		**265.394**	**282.083**
OTHER COMPREHENSIVE INCOME			
Changes in fair value of available-for-sale financial assets		(3.498)	-
Profit tax related to components of other comprehensive income		(3.689)	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(7.187)**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**258.207**	**282.083**
Attributable to:			
Equity holders of the parent		257.541	281.226
Non-controlling interest		667	857

Prepared by:

Mrs. Phousengthong Anoulakkham
Head of Accounting Department

Approved by:

Mr. Kongsack Souphonesy
Head of Internal Audit Department

Approved by:

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

Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao PDR

14 November 2018

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)
as at 30 September 2018

	Notes	30 September 2018 LAKm	31 December 2017 LAKm
ASSETS			
Cash and balances with the BOL	16	6.048.105	5.815.021
Due from banks	17	4.079.557	3.235.883
Loans to customers	18	23.452.315	22.425.778
Financial assets - Held-for-trading		9	5
Financial investments - Available-for-sale	20	172.289	190.959
Financial investments - Held-to-maturity	21	3.649.276	2.574.671
Investments in joint ventures	22	488.977	541.730
Property and equipment	23	454.288	457.487
Intangible assets	24	244.561	247.600
Deferred tax assets	29.4	21.954	18.215
Other assets	25	480.842	378.764
TOTAL ASSETS		**39.092.173**	**35.886.113**
LIABILITIES			
Due to banks and other financial institutions	26	3.610.206	3.275.546
Due to customers	27	29.283.903	28.403.531
Borrowings from other banks	28	3.858.870	2.145.402
Current tax liabilities	29.2	91.590	20.705
Deferred tax liabilities	29.4	6.027	13.576
Other liabilities	30	277.907	213.665
TOTAL LIABILITIES		**37.128.503**	**34.072.425**
EQUITY			
Charter capital	31	1.038.617	1.038.617
Statutory and other reserves	32	440.674	381.506
Available-for-sale reserve	33	(14.251)	1.661
Treasury shares		(1.233)	(1.316)
Retained earnings		468.714	361.658
Total equity attributable to equity holders of the parent		**1.932.521**	**1.782.126**
Non-controlling interest		31.149	31.562
TOTAL EQUITY		**1.963.670**	**1.813.688**
TOTAL LIABILITIES AND EQUITY		**39.092.173**	**35.886.113**

Prepared by:

Mrs. Phousengthong Anoulakkham
Head of Accounting Department

Approved by:

Mr. Kongsack Souphonesy
Head 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

14 November 2018

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
for the nine-month period ended 30 September 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**
Dividend paid out to shareholders for the year 2017	-	-	-	-	(97.761)	(679)	(98.440)
Net profit for the period	-	-	-	-	264.727	667	265.394
Appropriation to reserve for the year 2017	-	59.168	-	-	(59.168)	-	-
Net movement in available-for-sale reserve	-	-	-	(15.912)	-	(369)	(16.198)
Net increase in treasury share	-	-	83	-	-	-	83
Others	-	-	-	-	(742)	(31)	(773)
Balances as at 30 September 2018	**1.038.617**	**440.674**	**(1.233)**	**(14.251)**	**468.715**	**31.149**	**1.963.670**

Prepared by:

Mrs. Phousengthong Anoulakkham
Head of Accounting Department

Approved by:

Mr. Kongsack Souphonesy
Head of Internal Audit Department

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

Approved by:

Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao PDR

14 November 2018

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
as at and for the nine-month period then ended 30 September 2018

	Notes	*For the nine-month period ended 30 September 2018 LAKm*	*For the nine-month period ended 30 September 2017 LAKm*
OPERATING ACTIVITIES			
Profit before tax		**370.269**	**356.123**
Adjustments for:			
Depreciation and amortization charges	23, 24	54.554	55.101
Expense for impairment losses	19	62.274	151.548
Changes in provision for impairment loss on investment securities		(29.158)	-
Share of associate's profit under equity method	22	(8.693)	(23.095)
Defined post-employment benefit expense	30	39.706	-
Dividend income	12	(7.133)	(6.344)
Cash flows from operating profit before changing in operating assets and liabilities		**481.819**	**533.333**
Changes in operating assets			
Due from banks		474.900	(62.359)
Loans to customers		(1.088.811)	(2.196.619)
Financial investment - Held-for-trading		4	(6)
Financial investment - Available-for-sale		27.322	-
Financial investment - Held-to-maturity		(1.074.605)	(36.231)
Other assets		(108.954)	(46.445)
Changes in operating liabilities			
Due to other banks and the BOL		1.309.256	(772.272)
Due to customers		877.330	1.704.648
Other liabilities		153.282	(4.205)
Profit tax paid during the period	29.3	(22.514)	(26.978)
Net cash flows used in operating activities		**1.029.029**	**(907.134)**
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(49.136)	(80.443)
Proceeds from disposals of fixed assets		819	887
Dividends received	12	7.133	6.344
Proceed from settlement of joint venture's shares		55.000	-
Net cash flows (used in)/from investing activities		**13.816**	**(73.212)**
FINANCING ACTIVITIES			
Increase share capital of received		-	355.764
Payment of dividend		(97.900)	(83.858)
Net cash flows used in financing activities		**(97.900)**	**271.906**
Net decrease in cash and cash equivalents		**944.945**	**(708.440)**
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**	**8.265.461**	**6.417.144**

Prepared by:

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Deputy Managing Director

Vientiane, Lao PDR

14 November 2018

1. CORPORATE INFORMATION

Banque Pour Le Commerce Exterieur Lao Public ("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 the Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified that the Bank successfully increased its charter capital by an amount of 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. 0429/ERO dated 18 May 2018 issued by Ministry of Industry and Commerce

The shareholding structure of the Bank as at 30 September 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 30 September 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 30 September 2018, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, twenty (20) main branches, ninety-one (91) services units, and sixteen (16) exchange units all over Lao PDR.

Subsidiary

As at 30 September 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 30 September 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 Commence	Banking & Finance	25%
Banque Franco - Lao Limited	0495/ERO dated 07 June 2018 by the Ministry of Industry and Commerce	Banking & Finance	30%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commence	Insurance	35%
Lao China Bank Company Limited	041/ERO dated 27 January 2014 by the Department of Enterprise Register and Management of Lao PDR	Banking & Finance	49%

Board of Directors

Members of the Board of Directors during the nine-month period ended 30 September 2018 and at the date of this report are as follows:

Name	*Title*	*Date of appointment/resignation*
Mr. Bounleua Sinxayvoravong	Chairman	Appointed on 9 April 2015
Mr. Khamsouk Sundara	Vice Chairman	Appointed on 9 April 2015
Mr. Phoukhong Chanthachack	Member	Appointed on 9 April 2015
Mr. Marc Robert	Member	Appointed on 9 April 2015
Mr. Phoutthakhan Khanty	Member	Appointed on 27 April 2018
Associate Professor, Dr. Phouphet Kyophilavong	Member	Appointed on 27 April 2018
Mr. Viengsouk Chounthavong	Member	Appointed on 27 April 2018
Mr. Viengxay Chanthanvisouk	Member	Appointed on 9 April 2015 Resigned on 27 April 2018
Mr. Phansana Khounnouvong	Member	Appointed on 9 April 2015 Resigned on 27 April 2018
Ms. Khanthaly Vongxayarath	Member	Appointed on 9 April 2015 Resigned on 27 April 2018

1. CORPORATE INFORMATION (continued)

Board of Management

Members of the Board of Management during the nine-month period ended 30 September 2018 and at the date of this report are as follows:

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

Employees

Total number of employees of the Bank and its subsidiary as at 30 September 2018 is 1.900 persons (as at 31 December 2017: 1.716 persons).

2. BASIS OF PREPARATION

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

The Bank maintains its records in Lao Kip ("LAK") and prepared its interim consolidated financial statements in millions of LAK ("LAKm"). The Bank 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 12 November 2018.

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

3. STATEMENT OF COMPLIANCE

The interim financial statements of the Bank for the nine-month period ended 30 September 2018 have been prepared in accordance with IAS 34 "Interim Financial Reporting", except for disclosures relating to fair value measurements required by IFRS 13: "Fair value measurement"; financial risk management required by IFRS 7: "Financial Instruments: Disclosures"; and classification and measurement, impairment loss for bonds and loans to customers and disclosures as required by IFRS 9 "Financial Instruments".

4. PRESENTATION OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Bank presents its interim consolidated statement of financial position in order of liquidity. Financial assets and financial liabilities are generally reported gross in the interim 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 interim consolidated financial statements comprise the interim financial statements of the Bank and its subsidiary (collectively referred to as the "Group") as at 30 September 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

Profit or loss and each component of other comprehensive income ("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

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

6.1 Foreign currency translation

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK on 30 September 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 interim consolidated income statement.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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 gain/(loss) from dealing in foreign currencies'. 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 interim consolidated income statement when the inputs become observable, or when the instrument is derecognised.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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 interim consolidated income statement line 'Impairment loss expense'.

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 interim 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).

6.2.9 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 interim 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.

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. As at 30 September 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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6.3.1 Financial assets (continued)

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 interim 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.

6.4 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.4 Impairment of financial assets (continued)

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.

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.

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 (continued)

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 interim 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.

6.5 Offsetting financial instruments

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint ventures is included in the carrying amount of the investment and is not tested for impairment separately.

The Bank's share of profit of a joint venture is shown on the face of the interim consolidated income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

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

6.8 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.8 Recognition of income and expenses (continued)

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 gain from dealing in foreign currencies

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 interim consolidated income statement in the period 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 PDR.

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

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.

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 consolidated income statement:

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.14 Employee benefits (continued)

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 30 September 2018, there is no employee of the Bank who was dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the interim 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 interim consolidated income statement net of any reimbursement in other operating expenses.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.18 Equity reserves

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

- Statutory reserves which are created in accordance with prevailing regulations of Lao PDR, 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.

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

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

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

7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

7.2 Effective Interest Rate 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.

7.3 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 interim consolidated 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 nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Interest income from lending to customers	1.227.275	1.141.112
Interest income from deposits at other banks	36.944	18.221
Interest income from investment securities	118.093	98.187
Other interest income and similar income	23.321	28.635
	1.405.633	**1.286.155**

9. INTEREST AND SIMILAR EXPENSE

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Interest expense for due to other banks	122.245	86.702
Interest expense for customer deposits	609.114	579.077
Interest expense from investment securities	22	-
	731.381	**665.779**

10. NET FEES AND COMMISSION INCOME

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Fees and commission income from:		
Settlement services	115.726	95.626
Credit activities	65.947	42.825
Other activities	11.356	5.658
	193.029	**144.109**
Fees and commission expense for:		
Settlement services	(14.445)	(12.818)
Other activities	(3.207)	(2.146)
	(17.652)	**(14.964)**
Net fees and commission income	**175.377**	**129.145**

11. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Gains from dealing in foreign currencies	3.827.591	2.577.244
Losses from dealing in foreign currencies	(3.786.721)	(2.544.826)
Gain from foreign currencies trading	**40.870**	**32.418**
Gain/loss from trading in gold and other precious metals	**(1)**	**3**
	40.869	**32.421**

12. OTHER OPERATING INCOME

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Dividend income from investment securities	7.133	6.344
Recovery of the bad debts written off	4.114	3.065
Others	2.135	256
	13.382	**9.665**

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

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
(Additional)/reversal of impairment losses for held-to-maturity securities *(Note 21)*	(29.158)	7.583
	(29.158)	**7.583**

14. PERSONNEL EXPENSES

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Salary and wages	98.631	93.796
Allowances and other staff benefits	118.833	59.443
Post-employment benefits	36.453	897
Per diem	4.893	4.121
Training expenses	408	255
	259.218	**158.512**

15. OTHER OPERATING EXPENSES

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Repair and maintenance	15.773	11.756
Publication, marketing and promotion	5.432	4.565
Office rental	5.714	4.480
Telecommunication	5.564	4.479
Training, meeting and seminar	11.334	7.324
Insurance fee for depositor protection fund	20.154	18.104
Tax and other duties	127	157
Insurance expense	3.983	2.537
Utility	6.090	5.973
Fuel expense	1.604	1.249
Stationary and office materials	12.021	8.259
Consulting and financial service fees	3.335	3.064
Write off construction in progress	-	18.455
Provision for cash loss	5.555	1.847
Others	12.404	8.752
	109.090	**101.001**

16. CASH AND BALANCES WITH THE BANK OF LAO PDR

	30 September 2018 LAKm	*31 December 2017 LAKm*
Cash on hand in LAK	1.039.737	1.120.706
Cash on hand in foreign currencies (“FC”)	695.311	790.761
Balances with the BOL		
- Compulsory deposit	1.254.622	1.353.384
- Demand deposit	3.058.435	2.550.170
	6.048.105	**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. During the period, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

17. DUE FROM BANKS

	30 September 2018 LAKm	*31 December 2017 LAKm*
Current and saving accounts	**2.642.655**	**2.271.791**
- In LAK	16.460	9.064
- In foreign currencies	2.626.195	2.262.727
Term deposits	**1.436.901**	**964.092**
- In LAK	466.053	648.662
- In foreign currencies	970.849	315.431
	4.079.557	**3.235.883**

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

	For the nine-month period ended 30 September 2018 % per annum	*For the year ended 31 December 2017 % per annum*
Demand deposits	0,00% - 0,80%	0,00% - 0,80%
Saving deposits	0,00% - 1,46%	0,00% - 0,80%
Term deposits	1,00% - 4,00%	0,80% - 4,00%

18. LOANS TO CUSTOMERS

	30 September 2018 LAKm	*31 December 2017 LAKm*
Gross loans to customers	24.003.092	22.906.791
In which:		
Loans funded by borrowings from BOL	*1.698.908*	*1.653.364*
Less: Allowance for impairment losses *(see Note 19)*	(550.777)	(481.013)
	23.452.315	**22.425.778**

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

	For the nine-month period ended 30 September 2018 % per annum	*For the year ended 31/12/2017* % per annum
Loans denominated in LAK	6,00 – 16,00	6,00 – 16,00
Loans denominated in USD	5,80 – 16,00	2,00 – 16,00
Loans denominated in THB	6,00 – 11,50	6,00 – 11,00

Analysis of loan portfolio by currency:

	30 September 2018 LAKm	*31 December 2017 LAKm*
Loans denominated in LAK	10.432.960	9.643.486
Loans denominated in USD	10.633.017	10.250.311
Loans denominated in THB	2.937.116	3.012.994
	24.003.092	**22.906.791**

18. LOANS TO CUSTOMERS (continued)

Analysis of loan portfolio by original maturity:

	30 September 2018 LAKm	*31 December 2017 LAKm*
Short-term loans	1.753.992	3.070.119
Medium-term loans	14.369.825	13.098.525
Long-term loans	7.879.276	6.738.147
	24.003.092	**22.906.791**

The loan portfolio at nine-month ended comprised loans to entities in the following sectors:

	30 September 2018		*31 December 2017*	
	LAKm	*%*	*LAKm*	*%*
Industrial services companies	12.737.713	53,07%	11.580.391	50,55%
Construction companies	3.076.044	12,82%	3.498.825	15,27%
Technical instruments enterprises	91.955	0,38%	92.241	0,40%
Agricultural & forestry	65.812	0,27%	58.225	0,25%
Trading companies	4.174.283	17,39%	4.232.838	18,48%
Transportation companies	678.003	2,82%	661.632	2,89%
Services companies	2.730.066	11,37%	2.417.529	10,55%
Handicrafts	3.385	0,01%	3.073	0,01%
Others	445.831	1,86%	362.037	1,58%
	24.003.092	**100,00%**	**22.906.791**	**100,00%**

19. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in the allowance for impairment losses of loans to customers during the nine-month ended 30 September 2018 as follows:

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Balance as at the beginning of the period	481.013	339.579
Net change during the period	62.274	151.548
Foreign exchange differences	7.490	(1.035)
Balance as at the end of the period	**550.777**	**490.092**

Break down of allowance for impairment losses of loans to customers as at 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018		*31 December 2017*	
	Outstanding balance LAKm	*Impairment LAKm*	*Outstanding balance LAKm*	*Impairment LAKm*
Individually impaired	3.508.362	522.370	2.190.692	351.320
Collectively impaired	20.141.971	28.407	20.395.592	129.693
	23.650.333	**550.777**	**22.586.284**	**481.013**

20. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	30 September 2018 LAKm	*31 December 2017 LAKm*
Listed shares of EDL-Generation Public Company	172.289	190.197
CIMB - Principal Global Total Return Fund	-	762
	172.289	**190.959**

21. FINANCIAL INVESTMENTS - HELD TO MATURITY

	30 September 2018 LAKm	*31 December 2017 LAKm*
Amortized cost of Treasury bills issued by the Ministry of Finance	1.807.508	2.160.594
Amortized cost of bonds issued by the Ministry of Finance	1.874.611	417.762
	3.682.119	**2.578.356**
Impairment losses for investments in Held-to-maturity securities (*)	(32.843)	(3.685)
- *Impairment losses for Treasury bills issued by the Ministry of Finance*	-	*(188)*
- *Impairment losses for bonds issued by the Ministry of Finance*	*(32.843)*	*(3.497)*
	3.649.276	**2.574.671**

(*): The net change in impairment losses of LAKm 29.158 for the nine-month ended 30 September 2018 is recorded in the interim consolidated income statement as reversal of impairment loss for held-to-maturity securities *(Note 13)*.

21.1. Treasury bills issued by the Ministry of Finance

Details of the treasury bills as at 30 September 2018 are as follows:

Term	*Issue date*	*Maturity date*	*Face value LAKm*	*Amortized cost LAKm*	*Interest rate per annum (nominal)*
1 Year	17-Nov-17	17-Nov-18	300.000	312.985	5,00%
1 Year	15-Dec-17	15-Dec-18	246.000	255.689	5,00%
1 Year	16-Feb-18	16-Feb-19	300.000	309.201	5,00%
1 Year	9-Mar-18	9-Mar-19	73.000	75.028	5,00%
1 Year	6-Apr-18	6-Apr-19	350.000	358.380	5,00%
1 Year	13-Apr-18	13-Apr-19	100.000	102.298	5,00%
1 Year	27-Apr-18	27-Apr-19	20.000	20.421	5,00%
1 Year	18-May-18	18-May-19	10.000	10.182	5,00%
1 Year	25-May-18	25-May-19	58.000	59.001	5,00%
1 Year	15-Jun-18	15-Jun-19	300.000	304.322	5,00%
			1.757.000	**1.807.508**	

21. FINANCIAL INVESTMENTS – HELD-TO-MATURITY (continued)

21.2. Bonds issued by the Ministry of Finance

	30 September 2018 LAKm	*31 December 2017 LAKm*
Capitalization bonds	70.189	68.944
Other bonds	1.804.422	348.818
	1.874.611	**417.762**

- Capitalization bonds were issued by the MOF to increase the Bank's chartered capital with details as follows:

Purchased date	*Maturity date*	*Face value (LAKm)*	*Amortized cost (LAKm)*	*Term*	*Interest rate (% per annum)*
1 March 2014	1 March 2019	68.600	70.189	5 years	4,00%
		68.600	**70.189**		

- Details of other bonds by contractual maturity date are as follows:

	Face value LAKm	*Amortized cost LAKm*
Within 1 year	129.537	131.756
1 to 5 years	902.529	916.441
Over 5 years	805.634	826.415
	1.837.700	**1.874.611**

- Details of other bonds interest by contractual maturity date are as follows:

	For the nine-month period ended 30/09/2018 % per annum	*For the year ended 31/12/2017 % per annum*
Within 1 year	3,00 - 5,00%	-
1 to 5 years	3,00 - 5,50%	3,00 - 5,50%
Over 5 years	4,00 - 4,80%	-

Other bonds represent the bonds which were issued by the Ministry of Finance to either (i) settle the balances due from the MOF or (ii) settle the debts owed to the Bank by customers who were in turn owed money by the MOF.

22. INVESTMENTS IN JOINT VENTURES

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Balance at the beginning of the period	**541.730**	**551.449**
Net share of profit in the period under equity method	8.693	23.095
Less:		
Sale of joint venture's share	(54.616)	-
Dividends received during the period	(6.830)	(22.769)
Balance at the end of the period	**488.977**	**551.775**

	30 September 2018			*31 December 2017*		
	Cost in LAKm equiv.	*Carrying value in LAKm*	*% owned by the Bank*	*Cost in LAKm Equiv.*	*Carrying Value in LAKm*	*% owned by the Bank*
Investments in other financial institutions						
Lao Viet Joint Venture Bank	197.839	247.997	25%	197.839	226.510	25%
Banque Franco - Lao Limited	90.000	72.726	30%	138.000	148.484	46%
Lao China Bank	147.000	155.590	49%	147.000	154.419	49%
Investments in local economic entities						
Lao-Viet Insurance Joint Venture Company	9.168	12.664	35%	8.784	12.317	35%
	444.007	**488.978**		**491.623**	**541.730**	

- 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.

- 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 BRED Banque Populaire SA, a bank incorporated and located in France. The joint venture was granted the business license on 7 June 2018 by Ministry of Industry and Commerce. During the period, the Bank has sold 16% of its ownership in BFL at the proceeds of LAKm 55.000 and recognised a gain of LAKm 2.734 under the equity method of accounting. As at 30 September 2018, the contributed capital of the Bank in BFL included LAKm 90.000, which accounts for 30% of BFL's charter capital.

- Lao-Viet Insurance Joint Venture Company ("LVI") is incorporated as a joint venture company in 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 between BIDV Insurance Joint Stock Corporation, an insurance company incorporated in Vietnam, and Lao Viet Joint Venture Bank. As at 30 September 2018, the total contributed capital of the Bank in this company was USD 1.050.000, equivalent to LAKm 9.168.

- 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 30 September 2018.

23. PROPERTY AND EQUIPMENT

Movements of property and equipment for the period 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	2.249	37.599	3.664	2.319	45.832
In which					
New purchases	-	-	-	-	-
Transferred from CIP and fixed assets in transit	*2.249*	*37.599*	*3.664*	*2.319*	*45.832*
Disposals	(2.967)	(17.681)	(2.268)	(2.537)	(25.452)
As at 30 September 2018	476.448	148.076	40.271	19.722	684.518
Accumulated depreciation:					
As at 1 January 2018	112.365	62.442	23.369	8.475	206.651
Charge for the period	19.909	21.099	4.131	3.074	48.213
Disposals	(2.876)	(16.996)	(2.226)	(2.537)	(24.634)
As at 30 September 2018	129.398	66.545	25.274	9.012	230.230
Net book value:					
As at 1 January 2018	364.801	65.716	15.505	11.465	457.487
As at 30 September 2018	347.050	81.531	14.997	10.710	454.288

24. INTANGIBLE ASSETS

Movements in intangible assets during the period are as follows:

	Land use rights LAKm	*Computer software LAKm*	*Total LAKm*
Cost:			
As at 1 January 2018	234.555	65.643	300.198
Transferred from CIP and fixed assets in transit	3.245	58	3.304
Disposals	-	(43.649)	(43.649)
As at 30 September 2018	237.800	22.052	259.852
Accumulated amortization:			
As at 1 January 2018	-	52.598	52.598
Charge for the period	-	6.343	6.343
Disposals	-	(43.649)	(43.649)
As at 30 September 2018	-	15.292	15.292
Net book value:			
As at 1 January 2018	234.555	13.045	247.600
As at 30 September 2018	237.800	6.761	244.561

25. OTHER ASSETS

	30 September 2018 LAKm	*31 December 2017 LAKm*
Assets waiting for sale	253.372	216.228
Stationeries and other tools	3.013	7.520
Checques in collection	28.246	19.179
Construction in progress and fixed assets in transit (*)	53.496	30.666
Prepaid expenses to be allocated	69.668	41.320
Advance payment for other operations	26.435	26.283
Advance payment for suppliers	22.878	10.906
Other receivables	23.734	26.662
	480.842	**378.764**

(*): Movement of construction in progress and fixed assets in transit for the nine-month ended 30 September 2018 is as follows:

	Land use rights LAKm	*Buildings & improvements LAKm*	*Other LAKm*	*Total LAKm*
As at 1 January 2018	3.474	6.762	20.430	30.666
Additions	3.131	38.533	43.396	85.060
Transferred to fixed assets	(3.245)	(1.766)	(42.648)	(47.659)
Transfer to other assets	-	(13.438)	(1.133)	(14.571)
As at 30 September 2018	**3.360**	**30.091**	**20.045**	**53.496**

26. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 September 2018 LAKm	*31 December 2017 LAKm*
Demand deposits	**2.736.080**	**2.567.425**
- In LAK	789.003	1.231.231
- In foreign currencies	1.947.077	1.336.194
Saving deposits	**86.492**	**142.141**
- In LAK	37.132	37.773
- In foreign currencies	49.360	104.368
Term deposits	**736.110**	**551.839**
- In LAK	204.359	52.721
- In foreign currencies	531.750	499.118
Others	**51.524**	**14.141**
- In LAK	13.402	8.483
- In foreign currencies	38.122	5.658
	3.610.206	**3.275.546**

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

	For the nine-month period ended 30/09/2018 % per annum	*For the year ended 31/12/2017 % per annum*
Demand deposits	No interest	No interest
Saving deposits	No interest	No interest
Term deposits	0,56% - 6,47%	0,00% - 6,00%

27. DUE TO CUSTOMERS

	30 September 2018 LAKm	*31 December 2017 LAKm*
Demand deposits	**5.730.088**	**6.237.693**
Demand deposits in LAK	2.216.755	2.286.496
Demand deposits in FC	3.513.333	3.951.197
Demand savings	**12.372.145**	**11.311.284**
Demand saving deposits in LAK	5.641.567	4.935.833
Demand saving deposits in FC	6.730.578	6.375.451
Term deposits	**10.704.255**	**10.572.743**
Term deposits in LAK	6.441.338	6.215.911
Term deposits in FC	4.262.917	4.356.832
Margin deposits	**339.286**	**173.659**
Margin deposits in LAK	194.766	17.454
Margin deposits in FC	144.520	156.205
Other payables to customers	**138.128**	**108.152**
	29.283.903	**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, 9, 12 months and more than 1 year and are subject to interest rates ranging of 3,16% – 14,00%, 1,65% - 8,00% and 1,40% – 7,75% per annum respectively.

28. BORROWINGS FROM OTHER BANKS

	30 September 2018 LAKm	*31 December 2017 LAKm*
Borrowings from the BOL	1.755.908	1.685.999
Borrowings from foreign banks	2.102.962	459.403
	3.858.870	**2.145.402**

Borrowings from the BOL as at 30 September 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 27 August 2015 to 27 August 2025. Interest is paid quarterly.
- 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 quarterly.

28. BORROWINGS FROM OTHER BANKS (continued)

Borrowings from foreign banks and other financial institutions include:

- USD 15.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 4,75% 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.
- USD 148.000.000 four-year borrowing from cathay united bank with interest rate of 6,33725% per annum (interest rate is reviewed every 3 months based on LIBOR market) The loan's principal is paid annually from 05 July 2018 to 05 July 2022. Interest is paid quarterly.

29. TAXATION

29.1 Profit tax expense

Major components of tax expense are as follows:

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Current profit tax expense	111.289	71.541
Deferred profit tax income	(6.998)	2.499
	104.291	**74.040**

29.2 Tax payables

	30 September 2018 LAKm	*31 December 2017 LAKm*
Profit Tax payable	83.800	9.540
Value Added Tax payable	7.600	11.165
Personal Income Tax	26	-
Other payable for tax	164	-
	91.590	**20.705**

29. TAXATION (continued)

29.3 Current Profit tax

The Bank and its subsidiary are obliged to pay profit tax accordance with the 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 nine-month ended 30 September 2018 (2017: 24%). The subsidiary is subject to the tax rate of 24% for the nine-month ended 30 September 2018 (2017: 24%).

The calculations of Profit taxes ("PT") for the nine-month periods ended 30 September 2018 and 30 September 2017 are as follows:

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Consolidated profit before tax under IFRS	**370.269**	**356.123**
Adjustments for:		
- Difference between carrying value under LAS and amortized cost under IFRS of bonds	(2.685)	(17.279)
- Difference in allowance for impairment losses between LAS and IFRS of loans to customers	(28.798)	(26.785)
- Difference in retirement benefits	39.706	-
- Difference in impairment loss expense of investment between LAS and IFRS	36.528	18.300
- Non-taxable profit arising from consolidation adjustments	(1.324)	3.118
Profit before tax in accordance with LAS		
Increase/(Decrease):		
- Income exempted from PT	(7.133)	(32.266)
- Non-deductible expenses	254	191
Taxable profit under LAS	**406.816**	**301.402**
- *Taxable profit of the parent bank*	*404.010*	*297.892*
- *Taxable profit of the subsidiary*	*2.806*	*3.511*
PT expense of the parent bank at rate of 24% (2017: 24%)	96.962	71.494
PT expense of the subsidiary at rate of 24% (2017: 24%)	584	854
Consolidated PT expense in the period	**97.546**	**72.348**
PT payable at the beginning of the period	9.540	24.300
PT paid in the period	(22.514)	(26.978)
Additional tax payable for previous period	-	(1.295)
Other adjustment	(772)	-
PT payable at the end of the period	**83.800**	**68.375**

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

29. TAXATION (continued)

29.4 Deferred tax assets/(liabilities)

	Statement of financial position		*Income statement*		*Statement of comprehensive income*	
	30 September 2018 LAKm	*31 December 2017 LAKm*	*For the 9-month period ended 30 September 2018 LAKm*	*For the 9-month period ended 30 September 2017 LAKm*	*For the 9-month period ended 30 September 2018 LAKm*	*For the 9-month period ended 30 September 2017 LAKm*
Deferred tax assets	21.954	18.215	(603)	(7.357)	(192)	-
Deferred tax liabilities	(6.027)	(13.576)	7.601	4.858	(3.498)	-
Net deferred tax credited to the consolidated income statement			**6.998**	**(2.499)**		
Net deferred tax credited to the consolidated statement of comprehensive income					**(3.690)**	**-**

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

	30 September 2018 LAKm
Deductible temporary differences	91.475
In which:	
Difference between carrying value under LAS and amortized cost under IFRS of bonds	*28.083*
Difference in impairment expense of investments between LAS and IFRS	*29.158*
Changes in fair value of available for sale financial instruments	*218*
Difference in allowance for post-employment benefits between LAS and IFRS	*34.015*
Deferred tax assets (at tax rate 24%)	**21.954**
Taxable temporary differences	25.107
In which:	
Difference in allowance for impairment losses between LAS and IFRS of loans to banks and customers	*24.895*
Changes in fair value of available for sale financial instruments of BCEL	*212*
Deferred tax liabilities (at tax rate 24%)	**6.027**

30. OTHER LIABILITIES

	30 September 2018 LAKm	*31 December 2017 LAKm*
Payables to employees	77.912	66.730
Payable to suppliers	22.379	20.031
Defined post-employment benefit plan (*)	99.164	65.149
Items waiting to settle with customers	72.855	55.283
Others	5.597	6.472
	277.907	**213.665**

(*) Defined post-employment benefit plan

Changes in defined post-employment benefit plan are as follows:

	For the nine-month period ended 30 September 2018 LAKm	*For the year ended 31 December 2017 LAKm*
Opening balance	59.458	-
Past service cost	-	59.458
Current service cost	37.105	4.298
Interest cost	3.445	3.899
Benefits paid	(844)	(2.506)
Ending balance	**99.164**	**65.149**

Net benefit expense (recognised in profit or loss):

	For the period ended 30 September 2018 LAKm	*31 December 2017 LAKm*
Past service cost	-	59.458
Current service cost	37.105	4.298
Interest cost	3.445	3.899
	40.550	**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.

30. OTHER LIABILITIES (continued)

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

	30 September 2018 %	*31 December 2017 %*
Discount rate	5,00 - 7,39	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 30 June is, as shown below:

	30 September 2018 LAKm	*31 December 2017 LAKm*
Discount rate		
increase 50 basis points	(7.421)	(5.953)
decrease 50 basis points	9.805	6.844

31. CHARTER CAPITAL

There has been no change to charter capital during the period.

32. STATUTORY RESERVES AND OTHER RESERVES

	Regulatory reserve fund LAKm	*Business expansion fund LAKm*	*Total LAKm*
As at 1 January 2018	**100.823**	**280.683**	**381.506**
Appropriations to reserves from LAS profit of BCEL Bank	29.584	29.584	59.168
As at 30 September 2018	**130.407**	**310.267**	**440.674**

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 Article 156, Enterprise Law dated 26 December 2013, the Bank is required to appropriate 10% of profit after tax each year into regulatory reserve fund, after deducting its accumulated losses, if any. When this reserve fund reaches 50% of the registered capital, the Bank may suspend such provision, unless otherwise provided by laws.

33. AVAILABLE-FOR-SALE RESERVE

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Opening balance	1.661	7.385
Change in fair value of available-for-sale financial assets	(12.387)	-
Profit tax related to net loss on available-for-sale financial assets	(3.498)	-
Share of Non-controlling interest	(28)	-
Ending balance	**(14.251)**	**7.385**

34. ADDITIONAL CASH FLOW INFORMATION

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

	30 September 2018 LAKm	*31 December 2017 LAKm*
Cash and cash equivalents on hand	1.735.048	1.911.467
Demand deposits with the BOL	3.058.435	2.550.170
Current accounts with other banks	2.642.655	2.271.791
Term deposits due within 3 months	829.323	587.088
	8.265.461	**7.320.516**

35. CONTINGENT LIABILITIES AND COMMITMENTS

	30 September 2018 LAKm	*31 December 2017 LAKm*
Financial letter of guarantees	263.253	312.618
At sight letters of credit	152.227	242.997
Deferred payment letters of credit	118.539	195.651
Credit limit given to customer	3.771.046	3.488.189
Credit limit given to other banks	548	548
	4.305.613	**4.240.003**

Letter of credit and bank guarantees

Letters of credit (including standby letters of credit) and bank guarantees 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.

35. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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

Lease commitments

As at 30 September 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 of the parent Bank is as follows:

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Salaries	1.063	1.122
Bonus	499	297
Responsibility allowance	777	929
Other benefits	1.001	-
	3.340	**2.348**

Significant transactions with other related parties during the period 30 September 2018 are as follows:

Related party	*Note*	*Transactions*	*Income LAKm*	*Expense LAKm*
The Bank of Lao PDR	(i)	Interest expense from borrowing from BOL	-	68.375
The Ministry of Finance of Lao PDR	(ii)	Interest income from investment in MOF's bonds	120.433	-
		Dividend pay-out for the year 2017	-	53.529

36. RELATED PARTY DISCLOSURES (continued)

Significant balances with other related parties as at 30 September 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	-	1.824.283
		BCEL's demand deposits at the BOL	3.058.436	-
		BCEL's compulsory deposits at the BOL	1.254.622	-
The Ministry of Finance of the Lao PDR	(ii)	Investment in MOF's bonds (at amortized cost)	3.594.700	-
		Accrued interest	95.737	-
Lao Viet Joint Venture Bank	(iv)	Current accounts	350.816	284.445
		Term deposit	60.000	-
Banque Franco – Lao Company Limited	(iv)	Current accounts	-	28.902
		Term deposit	10.000	-
Lao China Bank Co.Ltd	(iv)	Current accounts	-	3.475

(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 period.

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

An analysis of the Bank and Group's capital is presented below. As the minimum regulatory capital is mandated for the Bank legal entity, the calculations are based on financial information derived from the IFRS interim separate and consolidated financial statements of the Bank:

	Separated financial statement		*Consolidated financial statements*	
	30 September 2018 LAKm	*31 December 2017 LAKm*	*30 September 2018 LAKm*	*31 December 2017 LAKm*
Tier 1 capital	1.900.374	1.729.826	1.946.772	1.781.781
Tier 2 capital	(5.574)	984	(6.413)	747
Total capital	**1.894.800**	**1.730.810**	**1.940.359**	**1.782.528**
Less: Deductions from capital (Investments in other entities)	(514.007)	(561.623)	(488.977)	(541.730)
Capital for CAR calculation (A)	**1.380.793**	**1.169.187**	**1.451.382**	**1.240.798**
Risk weighted balance sheet items	11.655.028	10.568.547	11.683.839	10.592.015
Risk weighted off balance sheet items	2.155.819	2.172.751	2.155.819	2.172.751
Total risk weighted assets (B)	**13.810.847**	**12.741.298**	**13.839.658**	**12.764.766**
Capital Adequacy Ratio (A/B)	**10,00%**	**9,18%**	**10,49%**	**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, the carrying amount of the financial assets and liabilities included in the interim consolidated statement of financial position are a reasonable estimation of their fair values. In making this assessment, the Bank's management assumes that loans are mainly held to maturity with fair values equal to the book value of loans adjusted for allowance for impairment losses.

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 period.

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

	30 September 2018	*30 September 2017*
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	264.727	281.226
Weighted average number of ordinary shares for basic earnings per share (shares)	207.723.300	207.723.300
Face value per share (LAK)	5.000	5.000
Earnings per share (LAK)	1.274	1.354

41. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 30 September 2018 that requires adjustment or disclosure in the interim consolidated financial statements of the Bank.

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

	30 September 2018 LAK	*31 December 2017 LAK*
USD	8.505,00	8.277,00
EUR	9.886,00	9.870,00
THB	267,25	253,97
GBP	11.037,00	10.947,00
JPY	73,91	72,09
AUD	6.111,00	6.350,00
CNY	1.242,00	1.257,00

Prepared by:

Mrs. Phousengthong Anoulakkham
Head of Accounting Department

Approved by:

Mr. Kongsack Souphonesy
Head of Internal Audit Department

Approved by:

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

Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao PDR

14 November 2018

Banque Pour Le Commerce Exterieur Lao Public

Interim separate financial statements (Unaudited)

30 September 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 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 the Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified that the Bank successfully increased its charter capital by an amount of 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. 0429/ERO dated 18 May 2018 issued by Ministry of Industry and Commerce.

The shareholding structure of the Bank as at 30 September 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 30 September 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 30 September 2018, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, twenty (20) main branches, ninety-one (91) services units, and sixteen (16) exchange units all over Lao PDR.

GENERAL INFORMATION (continued)

THE BANK (continued)

Subsidiary

As at 30 September 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 30 September 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 Commence	Banking & Finance	25%
Banque Franco - Lao Limited	0495/ERO dated 07 June 2018 by the Ministry of Industry and Commerce	Banking & Finance	30%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commence	Insurance	35%
Lao China Bank Company Limited	041/ERM dated 27 January 2014 by the Department of Enterprise Register and Management of Lao PDR	Banking & Finance	49%

BOARD OF DIRECTORS

Members of the Board of Directors during the nine-month period ended 30 September 2018 and at the date of this report are as follows:

Name	*Title*	*Date of appointment/resignation*
Mr. Bounleua Sinxayvoravong	Chairman	Appointed on 9 April 2015
Mr. Khamsouk Sundara	Vice Chairman	Appointed on 9 April 2015
Mr. Phoukhong Chanthachack	Member	Appointed on 9 April 2015
Mr. Marc Robert	Member	Appointed on 9 April 2015
Mr. Phoutthakhan Khanty	Member	Appointed on 27 April 2018
Associate Professor, Dr. Phouphet Kyophilavong	Member	Appointed on 27 April 2018
Mr. Viengsouk Chounthavong	Member	Appointed on 27 April 2018
Mr. Viengxay Chanthanvisouk	Member	Appointed on 9 April 2015 Resigned on 27 April 2018
Mr. Phansana Khounnouvong	Member	Appointed on 9 April 2015 Resigned on 27 April 2018
Ms. Khanthaly Vongxayarath	Member	Appointed on 9 April 2015 Resigned on 27 April 2018

GENERAL INFORMATION (continued)

BOARD OF MANAGEMENT

Members of the Board of Management during the nine-month period ended 30 September 2018 and at the date of this report are as follows:

Name	*Title*	*Date of appointment*
Mr. Phoukhong Chanthachack	General Managing Director	15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	06 June 2008
Mr. Lachay Khanpravong	Deputy Managing Director	30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	23 November 2015
Mr. Souphak Thinsayphone	Deputy Managing Director	23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	01 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 nine-month period ended 30 September 2018

	Notes	*For the nine-month period ended 30 September 2018 LAKm*	*For the nine-month period ended 30 September 2017 LAKm*
Interest and similar income	7	1.400.212	1.280.412
Interest and similar expense	8	(731.381)	(665.778)
Net interest and similar income		**668.831**	**614.634**
Fee and commission income		190.687	143.081
Fee and commission expense		(15.818)	(14.852)
Net fee and commission income	**9**	**174.869**	**128.229**
Net gain from dealing in foreign currencies	10	40.861	32.414
Other operating income	11	26.955	35.082
Operating income		**911.516**	**810.359**
Credit loss expense of loans to customers	18	(90.284)	(151.547)
(Additional)/reversal of impairment losses of financial investments	12	(29.158)	7.583
NET OPERATING INCOME		**792.074**	**666.395**
Personnel expenses	13	(257.267)	(156.259)
Depreciation and amortization	22, 23	(54.277)	(54.835)
Other operating expenses	14	(107.791)	(99.770)
TOTAL OPERATING EXPENSES		**(419.335)**	**(310.864)**
PROFIT BEFORE TAX		**372.739**	**355.531**
Current profit tax expense	28.1	(111.289)	(70.687)
Deferred profit tax income	28.1	6.998	(2.499)
NET PROFIT FOR THE PERIOD		**268.448**	**282.345**
Earnings per share (LAK)	**36**	**1.292**	**1.359**

Prepared by:

Mrs. Phousengthong Anoulakkham
Head of Accounting Department

Approved by:

Mr. Kongsack Souphonesy
Head 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

12 November 2018

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
for the nine-month period ended 30 September 2018

	Notes	*For the nine-month period ended 30 September 2018* *LAKm*	*For the nine-month period ended 30 September 2017* *LAKm*
NET PROFIT FOR THE PERIOD		**268.448**	**282.345**
OTHER COMPREHENSIVE INCOME			
Change in fair value of available-for-sale financial assets		(3.498)	-
Profit tax related to components of other comprehensive income		(3.689)	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(7.187)**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**261.261**	**282.345**

Prepared by:

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Head of Accounting Department

Approved by:

Mr. Kongsack Souphonesy
Head 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

12 November 2018

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION (Unaudited)
as at 30 September 2018

	Notes	*30 September 2018 LAKm*	*31 December 2017 LAKm*
ASSETS			
Cash and balances with the Bank of Lao PDR	15	6.048.099	5.812.734
Due from banks	16	3.985.192	3.142.501
Loans to customers	17	23.452.315	22.425.778
Financial investments - Available-for-sale	19	164.905	184.843
Financial investments - Held-to-maturity	20	3.649.276	2.574.671
Investments in subsidiary and joint ventures	21	514.007	561.623
Property and equipment	22	453.308	456.237
Intangible assets	23	244.551	247.582
Deferred tax assets	28.4	21.954	17.955
Other assets	24	480.359	377.643
TOTAL ASSETS		**39.013.966**	**35.801.567**
LIABILITIES			
Due to banks and other financial institutions	25	3.612.552	3.275.546
Due to customers	26	29.281.287	28.403.957
Borrowings from other banks	27	3.858.870	2.145.402
Current tax liabilities	28.2	91.323	20.656
Deferred tax liabilities	28.4	5.975	13.576
Other liabilities	29	275.972	210.418
TOTAL LIABILITIES		**37.125.979**	**34.069.555**
EQUITY			
Charter capital	30	1.038.617	1.038.617
Statutory reserves and other reserves	31	439.550	380.382
Available-for-sale reserve	32	(12.387)	2.186
Retained earnings		422.207	310.827
TOTAL EQUITY		**1.887.987**	**1.732.012**
TOTAL LIABILITIES AND EQUITY		**39.013.966**	**35.801.567**

Prepared by:

Mrs. Phousengthong Anoulakkham
Head of Accounting Department

Approved by:

Mr. Kongsack Souphonesy
Head 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

12 November 2018

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY (Unaudited)
for the nine-month period ended 30 September 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**
Appropriation for dividend paid out to shareholders for the year 2017	-	-	-	(97.900)	(97.900)
Net profit for the period	-	-	-	268.448	268.448
Appropriation to reserve for the year 2017	-	59.168	-	(59.168)	-
Net movement in available-for-sale reserve	-	-	(14.573)	-	(14.573)
Balances as at 30 September 2018	**1.038.617**	**439.550**	**(12.387)**	**422.207**	**1.887.987**

Prepared by:

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Approved by:

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Head of Internal Audit Department

Approved by:

BANK OF THE LAO PDR
BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC
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Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao PDR

12 November 2018

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF CASH FLOWS (Unaudited)
for the nine-month period ended 30 September 2018

OPERATING ACTIVITIES	Notes	*For the nine-month period ended 30 September 2018 LAKm*	*For the nine-month period ended 30 September 2017 LAKm*
Profit before tax		**372.739**	**355.531**
Adjustments for:			
Depreciation and amortization charges	22, 23	54.277	54.835
Expense for impairment losses	18	62.274	151.548
Changes in provision for impairment loss on investment securities	12	(29.158)	7.583
Defined post-employment benefit expense	28.3	39.706	-
Dividend income	11	(13.733)	(31.978)
Cash flows from operating profit before changing in operating assets and liabilities		**486.105**	**537.519**
Changes in operating assets			
Net change in balances with other banks		474.900	(59.243)
Net change in loans to customers		(1.088.811)	(2.197.586)
Financial investment - Held-to-maturity		(1.074.605)	(36.231)
Financial investment - Available-for-sale		19.938	-
Net change in other assets		(109.316)	(38.718)
Changes in operating liabilities			
Net change in due to other banks		1.309.256	(802.017)
Net change in due to customers		877.330	1.704.170
Net change in other liabilities		150.867	(13.072)
Tax paid during the period	28.3	(22.247)	(26.466)
Net cash flows from/(used in) operating activities		**1.023.417**	**(931.644)**
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(49.136)	(80.059)
Proceeds from disposals of fixed assets		819	887
Dividends received		13.733	31.978
Proceed from settlement of joint venture's shares		55.000	-
Net cash flows form/(used in) investing activities		**20.416**	**(47.194)**
FINANCING ACTIVITIES			
Increase share capital of received		-	355.764
Payment of dividends		(97.900)	(83.858)
Net cash flows used in financing activities		**(97.900)**	**271.906**
Net decrease in cash and cash equivalents		**945.933**	**(706.932)**
Cash and cash equivalents at the beginning of the period		**7.315.158**	**7.119.186**
Cash and cash equivalents at the end of the period	**33**	**8.261.091**	**6.412.254**

Prepared by:

Mrs. Phousengthong Anoulakkham
Head of Accounting Department

Approved by:

Mr. Kongsack Souphonesy
Head of Internal Audit Department

Approved by:

Mr. Bouavanh Simalivong
Deputy Managing Director

Vientiane, Lao PDR

12 November 2018

1. CORPORATE INFORMATION

Banque Pour Le Commerce Exterieur Lao Public ("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 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 by an amount of 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. 0429/ERO dated 18 May 2018 issued by Ministry of Industry and Commerce.

The shareholding structure of the Bank as at 30 September 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 30 September 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 30 September 2018, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, twenty (20) main branches, ninety-one (91) services units, and sixteen (16) exchange units all over Lao PDR.

Subsidiary

As at 30 September 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 30 September 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 Commence	Banking & Finance	25%
Banque Franco - Lao Limited	0495/ERO dated 07 June 2018 by the Ministry of Industry and Commerce	Banking & Finance	30%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commence	Insurance	35%
Lao China Bank Company Limited	041/ERM dated 27 January 2014 by the 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 nine-month period ended 30 September 2018 and at the date of this report are as follows:

Name	*Title*	*Date of appointment/resignation*
Mr. Bounleua Sinxayvoravong	Chairman	Appointed on 9 April 2015
Mr. Khamsouk Sundara	Vice Chairman	Appointed on 9 April 2015
Mr. Phoukhong Chanthachack	Member	Appointed on 9 April 2015
Mr. Marc Robert	Member	Appointed on 9 April 2015
Mr. Phoutthakhan Khanty	Member	Appointed on 27 April 2018
Associate Professor, Dr. Phouphet Kyophilavong	Member	Appointed on 27 April 2018
Mr. Viengsouk Chounthavong	Member	Appointed on 27 April 2018
Mr. Viengxay Chanthanvisouk	Member	Appointed on 9 April 2015 Resigned on 27 April 2018
Mr. Phansana Khounnouvong	Member	Appointed on 9 April 2015 Resigned on 27 April 2018
Ms. Khanthaly Vongxayarath	Member	Appointed on 9 April 2015 Resigned on 27 April 2018

Board of Management

Members of the Board of Management during the nine-month period ended 30 september 2018 and at the date of this report are as follows:

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

Employees

Total number of employees of the Bank as at 30 September 2018 is 1.880 persons (as at 31 December 2017: 1.686 persons).

2. BASIS OF PREPARATION

The interim 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 interim separate financial statements in millions of LAK ("LAKm"). The Bank uses the comma (,) as the decimal separator and the dot (.) to separate thousands.

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

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

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

Purpose of preparing the interim separate financial statements

The Bank has prepared and issued the interim separate financial statements in accordance with IFRS to meet statutory reporting requirements. In addition, the Bank has also prepared its consolidated financial statements for the nine-month period ended 30 September 2018.

Users of the accompanying interim separate financial statements should read them together with the interim consolidated financial statements of the Bank and its subsidiary for the nine-month period ended 30 September 2018 in order to obtain full information on the interim consolidated financial position, interim consolidated results of operations and interim consolidated cash flows of the Bank and its subsidiary.

3. STATEMENT OF COMPLIANCE

The interim financial statements of the Bank for the nine-month period ended 30 September 2018 have been prepared in accordance with IAS 34 "Interim Financial Reporting", except for disclosures relating to fair value measurements required by IFRS 13: "Fair value measurement"; financial risk management required by IFRS 7: "Financial Instruments: Disclosures"; and classification and measurement, impairment loss for bonds and loans to customers and disclosures as required by IFRS 9 "Financial Instruments".

4. PRESENTATION OF THE INTERIM SEPARATED FINANCIAL STATEMENTS

The Bank presents its interim separated statement of financial position in order of liquidity. Financial assets and financial liabilities are generally reported gross in the interim 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

The accounting policies adopted in the preparation of the interim separate financial statements are consistent with those followed in the preparation of the Bank's annual separate financial statements for the year ended 31 December 2017.

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 30 September 2018 and 31 December 2017 as presented in Note 41). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance date are recognized in the interim 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 are transferred to 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 gain from dealing in foreign currencies'. 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.

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

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 interim 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. 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

'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 interim 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 interim separate 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.

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. As at 30 September 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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5.3.1 Financial assets (continued)

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

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 Impairment of financial assets (continued)

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 interim separate financial statements, and other independent sources.

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 interim separate statement of financial positions if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the 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 interim separate income statement. Distributions from sources other than from such profits are considered a recovery of investment and are deducted from the cost of the investment.

The 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 interim separate income statement. Distributions from sources other than from such profits are considered a recovery of investment and are deducted from the cost of the investment.

The 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.

5.8 Recognition of income and expense

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

5.8.1 Interest and similar income and expense

For all financial instruments measured at amortized cost, interest-bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

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

5.8.2 Fees and commission income

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

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

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Fee income forming an integral part of the corresponding financial instrument

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

Dividend income

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.8 Recognition of income and expense (continued)

5.8.2 Fees and commission income (continued)

Net gain from dealing in foreign currencies

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.

5.9 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 interim separate income statement in the year the asset is derecognized.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 interim 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 interim 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 interim 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 interim separate income statement in 'Credit loss expense'. The premium received is recognized in the interim 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% 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 interim 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 30 September 2018, there is no employee of the Bank who was dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the interim 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 interim 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 interim separate financial statements, as they are not the assets of the Bank.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.18 Equity reserves

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

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

5.19 Standards issued but not yet effective

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

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

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

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 interim 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 interim 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.

6.4 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 nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Interest income from lending to customers	1.227.275	1.141.112
Interest income from deposits at other banks	31.523	12.479
Interest income from investment securities	118.093	98.187
Other interest and similar income	23.321	28.634
	1.400.212	**1.280.412**

8. INTEREST AND SIMILAR EXPENSE

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Interest expense for due to other banks	122.245	86.701
Interest expense for customer deposits	609.114	579.077
Interest expense from investment securities	22	-
	731.381	**665.778**

9. NET FEES AND COMMISSION INCOME

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Fees and commission income from:		
Settlement services	115.726	95.626
Treasury activities	65.947	42.825
Other activities	9.014	4.630
	190.687	**143.081**
Fees and commission expense for:		
Settlement services	(14.445)	(12.818)
Treasury activities	(1.373)	(2.034)
	(15.818)	**(14.852)**
Net fees and commission income	**174.869**	**128.229**

10. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Gains from dealing in foreign currencies	3.827.583	2.577.237
Losses from dealing in foreign currencies	(3.786.721)	(2.544.826)
Gain from foreign currencies trading	**40.862**	**32.411**
Gain/loss from trading in gold and other precious metals	**(1)**	**3**
	40.861	**32.414**

11. OTHER OPERATING INCOME

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Dividend income	13.733	31.978
Recovery of bad debts written-off	4.114	3.065
Gain from selling joint venture's share	7.000	-
Others	2.108	39
	26.955	**35.082**

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

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
(Additional)/reversal of impairment losses for held-to-maturity securities *(Note 20)*	(29.158)	7.583
	(29.158)	**7.583**

13. PERSONNEL EXPENSES

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Salary and wages	97.158	92.118
Allowances and other staff benefits	118.418	58.917
Post-employment benefits	36.453	897
Per diem	4.893	4.121
Training expenses	345	206
	257.267	**156.259**

14. OTHER OPERATING EXPENSES

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Repair and maintenance	15.711	11.695
Publication, marketing and promotion	5.410	4.547
Office rental	5.264	4.012
Telecommunication	5.524	4.449
Training, meeting and seminar	11.331	7.311
Insurance fee for depositor protection fund	20.154	18.104
Tax and other duties	127	123
Insurance expense	3.982	2.534
Utility	6.037	5.908
Fuel expense	1.604	1.249
Stationary and office materials	11.634	7.871
Consulting and financial service fees	3.202	3.014
Write off construction in progress	-	18.455
Provision for cash loss	5.555	1.847
Others	12.256	8.649
	107.791	**99.770**

15. CASH AND BALANCES WITH THE BANK OF LAO PDR

	30 September 2018 LAKm	*31 December 2017 LAKm*
Cash on hand in LAK	1.039.732	1.120.701
Cash on hand in foreign currencies ("FC")	695.311	790.761
Balances with the BOL:		
- Compulsory deposit	1.254.622	1.353.384
- Demand deposit	3.058.434	2.547.888
	6.048.099	**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 (2017: 5,00% and 10,00%), on a bi-monthly basis, of customer deposits having original maturities of less than 12 months. During the period, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

16. DUE FROM BANKS

	30 September 2018 LAKm	*31 December 2017 LAKm*
Current and saving accounts	**2.638.291**	**2.268.720**
- In LAK	12.096	5.993
- In foreign currencies	2.626.195	2.262.727
Term deposits	**1.346.901**	**873.781**
- In LAK	376.053	558.351
- In foreign currencies	970.849	315.430
	3.985.192	**3.142.501**

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

	For the nine-month period ended 30 September 2018 % per annum	*For the year ended 31 December 2017 % per annum*
Demand deposits	0,00% - 0,80%	0,00% - 0,80%
Saving deposits	0,00% - 1,46%	0,00% - 0,80%
Term deposits	1,00% - 4,00%	0,80% - 4,00%

17. LOANS TO CUSTOMERS

	30 September 2018 LAKm	*31 December 2017 LAKm*
Gross loans	24.003.092	22.906.791
In which:		
Loans funded by borrowing from BOL	*1.698.908*	*1.653.364*
Less: Allowance for impairment losses *(see Note 18)*	(550.777)	(481.013)
	23.452.315	**22.425.778**

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

	For the nine-month period ended 30/09/2018 % per annum	*For the year ended 31/12/2017 % per annum*
Loans denominated in LAK	6,00 – 16,00	6,00 – 16,00
Loans denominated in USD	5,80 – 16,00	2,00 – 16,00
Loans denominated in THB	6,00 – 11,50	6,00 – 11,00

17. LOANS TO CUSTOMERS (continued)

Analysis of loan portfolio by currency:

	30 September 2018 LAKm	*31 December 2017 LAKm*
Loans denominated in LAK	10.432.960	9.643.486
Loans denominated in USD	10.633.017	10.250.311
Loans denominated in THB	2.937.116	3.012.994
	24.003.092	**22.906.791**

Analysis of loan portfolio by original maturity:

	30 September 2018 LAKm	*31 December 2017 LAKm*
Short-term loans	1.753.992	3.070.119
Medium-term loans	14.369.825	13.098.525
Long-term loans	7.879.276	6.738.147
	24.003.092	**22.906.791**

The loan portfolio at nine-month ended comprised loans to entities in the following sectors:

	30 September 2018		*31 December 2017*	
	LAKm	*%*	*LAKm*	*%*
Industrial services companies	12.737.713	53,07%	11.580.391	50,55%
Construction companies	3.076.044	12,82%	3.498.825	15,27%
Technical instruments enterprises	91.955	0,38%	92.241	0,40%
Agricultural & forestry	65.812	0,27%	58.225	0,25%
Trading companies	4.174.283	17,39%	4.232.838	18,48%
Transportation companies	678.003	2,82%	661.632	2,89%
Services companies	2.730.066	11,37%	2.417.529	10,55%
Handicrafts	3.385	0,01%	3.073	0,01%
Others	445.831	1,86%	362.037	1,58%
	24.003.092	**100,00%**	**22.906.791**	**100,00%**

18. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in the allowance for impairment losses of loans to customers during the nine-month period ended 30 September 2018 are as follows:

	Allowance for impairment of loans to customers LAKm
Balance as at 1 January 2018	**481.013**
Net change during the period	62.274
Foreign exchange differences	7.490
Balance as at 30 September 2018	**550.777**

Break down of allowance for impairment losses of loans to customers as at 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018		*31 December 2017*	
	Outstanding balance LAKm	*Impairment LAKm*	*Outstanding balance LAKm*	*Impairment LAKm*
Individually impaired	3.508.362	522.370	2.190.692	351.320
Collectively impaired	20.141.971	28.407	20.395.592	129.693
	23.650.333	**550.777**	**22.586.284**	**481.013**

19. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	30 September 2018 LAKm	*31 December 2017 LAKm*
Listed shares of EDL-Generation Public Company	164.905	184.081
CIMB - Principal Global Total Return Fund	-	762
	164.905	**184.843**

20. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

	30 September 2018 LAKm	*31 December 2017 LAKm*
Amortized cost of Treasury bills issued by the Ministry of Finance	1.807.508	2.160.594
Amortized cost of Bonds issued by the Ministry of Finance	1.874.611	417.762
	3.682.119	**2.578.356**
Impairment losses for investments in Held-to-maturity securities (*)	(32.843)	(3.685)
- *Impairment losses for Treasury bills issued by the Ministry of Finance*	-	*(188)*
- *Impairment losses for Bonds issued by the Ministry of Finance*	*(32.843)*	*(3.497)*
	3.649.276	**2.574.671**

(*): The net change in impairment losses of LAKm 29.158 for the nine-month ended 30 September 2018 is recorded in the interim separate income statement as reversal of impairment loss for held-to-maturity securities *(Note 12)*.

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

20.1 Treasury bills issued by the Ministry of Finance

Details of the treasury bills as at 30 September 2018 are as follows:

Term	*Issue date*	*Maturity date*	*Face value LAKm*	*Amortized cost LAKm*	*Interest rate per annum (nominal)*
1 Year	17-Nov-17	17-Nov-18	300.000	312.985	5,00%
1 Year	15-Dec-17	15-Dec-18	246.000	255.689	5,00%
1 Year	16-Feb-18	16-Feb-19	300.000	309.201	5,00%
1 Year	9-Mar-18	9-Mar-19	73.000	75.028	5,00%
1 Year	6-Apr-18	6-Apr-19	350.000	358.380	5,00%
1 Year	13-Apr-18	13-Apr-19	100.000	102.298	5,00%
1 Year	27-Apr-18	27-Apr-19	20.000	20.421	5,00%
1 Year	18-May-18	18-May-19	10.000	10.182	5,00%
1 Year	25-May-18	25-May-19	58.000	59.001	5,00%
1 Year	15-Jun-18	15-Jun-19	300.000	304.322	5,00%
			1.757.000	**1.807.508**	

20.2 Bonds issued by the Ministry of Finance

	30 September 2018 LAKm	*31 December 2017 LAKm*
Capitalization bonds	70.189	68.944
Other bonds	1.804.422	348.818
	1.874.611	**417.762**

- Capitalization bonds were issued by the MOF to increase the Bank's chartered capital with details as follows:

Purchased date	*Maturity date*	*Face value (LAKm)*	*Amortized cost (LAKm)*	*Term*	*Interest rate (% per annum)*
1 March 2014	1 March 2019	68.600	70.189	5 years	4,00%
		68.600	**70.189**		

- Details of other bonds by contractual maturity date are as follows:

	Face value LAKm	*Amortized cost LAKm*
Within 1 year	129.537	131.756
1 to 5 years	902.529	916.441
Over 5 years	805.634	826.415
	1.837.700	**1.874.611**

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

20.2 Bonds issued by the Ministry of Finance (continued)

- Details of other bonds interest by contractual maturity date are as follows:

	For the nine-month period ended 30/09/2018 % per annum	*For the year ended 31/12/2017 % per annum*
Within 1 year	3,00 - 5,00%	-
1 to 5 years	3,00 - 5,50%	3,00 - 5,50%
Over 5 years	4,00 - 4,80%	-

Other bonds represent the bonds which were issued by the Ministry of Finance to either (i) settle the balances due from the MOF or (ii) settle the debts owed to the Bank by customers who were in turn owed money by the MOF.

21. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

	30 September 2018		*31 December 2017*	
	Cost LAKm	*Ownership %*	*Cost LAKm*	*Ownership %*
Investments in subsidiaries				
BCEL - Krung Thai Securities Company Limited	70.000	70%	70.000	70%
Investments in joint ventures				
Lao Viet Joint Venture Bank	197.839	25%	197.839	25%
Banque Franco - Lao Company Limited	90.000	30%	138.000	46%
Lao China Bank Company Limited	147.000	49%	147.000	49%
Lao-Viet Insurance Joint Venture Company	9.168	35%	8.784	35%
	514.007		**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.

- 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 BRED Banque Populaire SA, a bank incorporated and located in France. The joint venture was granted the business license on 7 June 2018 by Ministry of Industry and Commerce. During the period, the Bank has sold 16% of its ownership in BFL at the proceeds of LAKm 55.000 and recognised a gain of LAKm 7.000. As at 30 September 2018, the contributed capital of the Bank in BFL included LAKm 90.000, which accounts for 30% of BFL's charter capital.

21. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES (continued)

- Lao-Viet Insurance Joint Venture Company ("LVI") is incorporated as a joint venture company in 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 between BIDV Insurance Joint Stock Corporation, an insurance company incorporated in Vietnam, and Lao Viet Joint Venture Bank. As at 30 September 2018, the total contributed capital of the Bank in this company was USD 1.050.000, equivalent to LAKm 9.168.

- 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 30 September 2018.

22. PROPERTY AND EQUIPMENT

Movements of property and equipment for the nine-month period ended 30 September 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	2.249	37.599	3.664	2.319	45.832
In which:					
New purchases Transferred from CIP and fixed assets in transit	*2.249*	*37.599*	*3.664*	*2.319*	*45.832*
Disposals	(2.967)	(17.681)	(2.268)	(2.537)	(25.452)
As at 30 September 2018	474.918	148.076	38.636	19.708	681.339
Accumulated depreciation:					
As at 1 January 2018	111.302	62.442	22.517	8.461	204.722
Charge for the period	19.795	20.980	4.094	3.074	47.942
Disposals	(2.876)	(16.996)	(2.225)	(2.537)	(24.633)
As at 30 September 2018	128.221	66.426	24.386	8.998	228.031
Net book value:					
As at 1 January 2018	364.334	65.716	14.722	11.465	456.237
As at 30 September 2018	346.697	81.650	14.250	10.710	453.308

23. INTANGIBLE ASSETS

Movements of intangible assets during the nine-month period ended 30 September 2018 are as follows:

	Land use rights LAKm	*Software LAKm*	*Total LAKm*
Cost:			
As at 1 January 2018	234.555	65.307	299.862
Transferred from CIP and fixed assets in transit	3.245	58	3.304
Written off	-	(43.649)	(43.649)
As at 30 September 2018	237.800	21.716	259.516
Accumulated amortization:			
As at 1 January 2018	-	52.280	52.280
Charge for the period	-	6.335	6.335
Written off	-	(43.649)	(43.649)
As at 30 September 2018	-	14.966	14.966
Net book value:			
As at 1 January 2018	234.555	13.027	247.582
As at 30 September 2018	237.800	6.750	244.551

24. OTHER ASSETS

	30 September 2018 LAKm	*31 December 2017 LAKm*
Assets waiting for sale	253.372	216.228
Stationeries and other tools	3.013	7.520
Cheques in collection	28.246	19.179
Construction in progress and fixed assets in transit (*)	53.496	30.666
Prepaid expenses to be allocated	69.506	41.320
Advance payment for other operations	26.435	26.283
Advance payment to suppliers	22.559	10.906
Others	23.732	25.541
	480.359	**377.643**

(*): Movement of construction in progress and fixed assets in transit for the nine-month ended 30 September 2018 is as follows:

	Land use rights LAKm	*Buildings & improvements LAKm*	*Other LAKm*	*Total LAKm*
As at 1 January 2018	3.474	6.762	20.430	30.666
Additions	3.131	38.533	43.396	85.060
Transferred to fixed assets	(3.245)	(1.766)	(42.648)	(47.659)
Transfer to other assets	-	(13.438)	(1.133)	(14.571)
As at 30 September 2018	**3.360**	**30.091**	**20.045**	**53.496**

25. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 September 2018 LAKm	*31 December 2017 LAKm*
Demand deposits	**2.738.426**	**2.567.425**
- In LAK	791.349	1.231.231
- In foreign currencies	1.947.077	1.336.194
Saving deposits	**86.492**	**142.141**
- In LAK	37.132	37.773
- In foreign currencies	49.360	104.368
Term deposits	**736.110**	**551.839**
- In LAK	204.359	52.721
- In foreign currencies	531.750	499.118
Others	**51.524**	**14.141**
- In LAK	13.402	8.483
- In foreign currencies	38.122	5.658
	3.612.552	**3.275.546**

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

	For the nine-month period ended 30/09/2018 % per annum	*For the year ended 31/12/2017 % per annum*
Demand deposits	No interest	No interest
Saving deposits	No interest	No interest
Term deposits	0,56% - 6,47%	0,00% - 6,00%

26. DUE TO CUSTOMERS

	30 September 2018 LAKm	*31 December 2017 LAKm*
Demand deposits	**5.762.757**	**6.237.693**
Demand deposits in LAK	2.249.424	2.286.496
Demand deposits in FC	3.513.333	3.951.197
Demand savings	**12.372.145**	**11.311.284**
Demand saving deposits in LAK	5.641.567	4.935.833
Demand saving deposits in FC	6.730.578	6.375.451
Term deposits	**10.704.255**	**10.572.743**
Term deposits in LAK	6.441.338	6.215.911
Term deposits in FC	4.262.917	4.356.832
Margin deposits	**339.286**	**173.659**
Margin deposits in LAK	194.766	17.454
Margin deposits in FC	144.520	156.205
Others	**102.844**	**108.578**
	29.281.287	**28.403.957**

26. DUE TO CUSTOMERS (continued)

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, 9, 12 months and more than 1 year and are subject to interest rates ranging of 3,16% – 14,00%, 1,65% - 8,00% and 1,40% – 7,75% per annum respectively.

27. BORROWINGS FROM OTHER BANKS

	30 September 2018 LAKm	*31 December 2017 LAKm*
Borrowings from the BOL	1.755.908	1.685.999
Borrowings from foreign banks	2.102.962	459.403
	3.858.870	**2.145.402**

Borrowings from the BOL as at 30 September 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 27 August 2015 to 27 August 2025. Interest is paid quarterly.
- 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 quarterly.

Borrowings from foreign banks and other financial institutions include:

- USD 15.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 4,75% 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.
- USD 148.000.000 four-year borrowing from cathay united bank with interest rate of 6,33725% per annum (interest rate is reviewed every 3 months based on LIBOR market) The loan's principal is paid annually from 05 July 2018 to 05 July 2022. Interest is paid quarterly.

28. TAXATION

28.1 Profit tax expense

Major components of tax expense are as follows:

	For the nine-month period ended 30 September *2018 LAKm*	*For the nine-month period ended 30* September *2017 LAKm*
Current profit tax expense	111.289	70.687
Deferred profit tax income	(6.998)	2.499
Total tax expense for the period	**104.291**	**73.186**

28. TAXATION (continued)

28.2 Tax payables

	30 September 2018 LAKm	*31 December 2017 LAKm*
Profit Tax payable	83.533	9.491
Value Added Tax payable	7.600	11.165
Personal income tax	25	-
Other payable for tax	165	-
	91.323	**20.656**

28.3 Current Profit Tax ("PT")

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

The calculations of Profit taxes for the nine-month period ended 30 September 2018 and 30 September 2017 are as follows:

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Profit before tax in accordance with IFRS	**372.739**	**355.531**
Adjustments for:		
- Difference between carrying value under LAS and amortized cost under IFRS of Bonds	(2.685)	(17.279)
- Difference in allowance for impairment losses between LAS and IFRS of loans to banks and customers	(28.798)	(26.785)
- Difference in retirement benefits	39.706	-
- Difference in impairment expense of investment between LAS and IFRS	36.528	18.300
Profit before tax in accordance with LAS	**417.490**	**329.767**
Increase/(Decrease):		
- Income exempted from PT (dividend income)	(13.733)	(31.978)
- Non-deductible expenses	254	103
Taxable profit under LAS	**404.010**	**297.892**
PT expense at rate of 24%	**96.962**	**71.494**
Payable at the beginning of the period	9.491	24.300
Tax paid in the period	(22.247)	(26.466)
Additional tax payable for previous period	-	(1.295)
Other adjustment	(673)	-
PT payable at the end of the period	**83.533**	**68.033**

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

28. TAXATION (continued)

28.4 Deferred tax assets/(liabilities)

	Deferred tax assets (tax rate of 24%) LAKm	*Deferred tax liabilities (tax rate of 24%) LAKm*	*Net deferred tax assets/ (liabilities) LAKm*
As at 1 January 2018	17.955	(13.576)	4.379
Change during the period due to:			
Changes in fair value of available for sale financial instruments	7.911	-	7.911
Changes in temporary difference between taxable profit under LAS and taxable profit under IFRS	(3.912)	7.601	3.689
As at 30 September 2018	**21.954**	**(5.975)**	**15.979**

29. OTHER LIABILITIES

	30 September 2018 LAKm	*31 December 2017 LAKm*
Payables to employees	77.912	66.730
Payable to suppliers	22.366	20.031
Defined post-employment benefit plan (*)	99.164	65.149
Items waiting to settle with customers	72.855	55.283
Others	3.675	3.225
	275.972	**210.418**

(*) Defined post-employment benefit plan

Changes in defined post-employment benefit plan are as follows:

	For the nine-month period ended 30 September 2018 LAKm	*For the year ended 31 December 2017 LAKm*
Opening balance	59.458	-
Past service cost	-	59.458
Current service cost	37.105	4.298
Interest cost	3.445	3.899
Benefits paid	(844)	(2.506)
Ending balance	**99.164**	**65.149**

Net benefit expense (recognised in profit or loss):

	For the nine-month period ended 30 September 2018 LAKm	*For the year ended 31 December 2017 LAKm*
Past service cost	-	59.458
Current service cost	37.105	4.298
Interest cost	3.445	3.899
	40.550	**67.655**

29. 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:

	30 September 2018 *%*	*31 December 2017* *%*
Discount rate	5,00 - 7,39	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 30 September is, as shown below:

	30 September 2018 *LAKm*	*31 December 2017* *LAKm*
Discount rate		
increase 50 basis points	(7.421)	(5.953)
decrease 50 basis points	9.805	6.844

30. CHARTER CAPITAL

There has been no change to paid-up capital during the nine-month period then ended 30 September 2018.

31. STATUTORY RESERVES AND OTHER RESERVES

	Regulatory reserve fund LAKm	*Business expansion fund LAKm*	*Total LAKm*
As at 1 January 2018	100.090	280.292	380.382
Appropriation to reserves for the year 2017	29.584	29.584	59.168
As at 30 September 2018	**129.674**	**309.876**	**439.550**

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 Article 156, Enterprise Law dated 26 December 2013, the Bank is required to appropriate 10% of profit after tax each year into regulatory reserve fund, after deducting its accumulated losses, if any. When this reserve fund reaches 50% of the registered capital, the Bank may suspend such provision, unless otherwise provided by the by laws.

The Business expansion fund and other funds shall be created upon decision of the Board of Management.

32. AVAILABLE-FOR-SALE RESERVE

	For the nine-month period ended 30 September 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	(14.573)	(5.828)
Ending balance	**(12.387)**	**2.186**

33. ADDITIONAL CASH FLOW INFORMATION

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

	30 September 2018 LAKm	*31 December 2017 LAKm*
Cash and cash equivalents on hand	1.735.043	1.911.462
Demand deposits with the BOL	3.058.434	2.547.888
Current accounts with other banks	2.638.291	2.268.720
Term deposits due within 3 months	829.323	587.088
	8.261.091	**7.315.158**

34. CONTINGENT LIABILITIES AND COMMITMENTS

	30 September 2018 LAKm	*31 December 2017 LAKm*
Bank guarantees	263.253	312.618
At sight letters of credit	152.227	242.997
Deferred payment letters of credit	118.539	195.651
Credit limit given to customers	3.771.046	3.488.189
Credit limit given to other banks	548	548
	4.305.613	**4.240.003**

Letter of credit and bank guarantees

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

Un-drawn commitments to lend

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

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

Lease commitments

As at 30 September 2018, the Bank did not entered into any lease contracts as either lessor or lessee which results in future cash inflows and/or outflows.

35. RELATED PARTY DISCLOSURES

Transactions with key management personnel of the Bank

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

	For the nine-month period ended 30 September 2018 LAKm	*For the nine-month period ended 30 September 2017 LAKm*
Salaries	1.063	1.122
Bonus	499	297
Responsibility allowance	777	929
Other benefits	1.001	-
	3.340	**2.348**

35. RELATED PARTY DISCLOSURES (continued)

Significant transactions with other related parties during the period 30 September 2018 are as follows:

Related party	*Note*	*Transactions*	*Income LAKm*	*Expense LAKm*
The Bank of Lao PDR	(i)	Interest expense from borrowing from BOL	-	68.375
The Ministry of Finance of Lao PDR	(ii)	Interest income from investment in MOF's bonds	120.433	-
		Dividend pay-out for the year 2017	-	53.529

Significant balances with other related parties as at 30 September 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	-	1.755.908
		BCEL's demand deposits at the BOL	3.058.434	-
		BCEL's compulsory deposits at the BOL	1.254.622	-
The Ministry of Finance of the Lao PDR	(ii)	Investment in MOF's bonds (at amortized cost)	3.594.700	-
		Accrued interest	95.737	-
BCEL - Krung Thai Securities Company Limited	(iii)	Current accounts	-	2.347
Lao Viet Joint Venture Bank	(iv)	Current accounts	349.858	284.445
Banque Franco – Lao Company Limited	(iv)	Current accounts	-	28.902
		Term deposit	10.000	-
Lao China Bank Co.Ltd	(iv)	Current accounts	-	3.475

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

36. EARNINGS PER SHARE

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

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

	For the nine-month period ended 30 September 2018	*For the nine-month period ended 30* September *2017*
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	268.448	282.345
Weighted average number of ordinary shares for basic earnings per share (shares)	207.723.300	207.723.300
Face value per share (LAK)	5.000	5.000
Earnings per share (LAK)	1.292	1.359

37. RISK MANAGEMENT POLICIES

Introduction

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

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

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

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

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

Risk management structure

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

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

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

38. CAPITAL MANAGEMENT

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

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

- Tier 1 capital, which includes charter capital, regulatory reserve fund, business expansion fund and other funds, and retained earnings;
- Tier 2 capital, which is equal 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 period.

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

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

	30 September 2018 LAKm	*31 December 2017 LAKm*
Tier 1 capital	1.900.374	1.729.826
Tier 2 capital	(5.574)	984
Total capital	**1.894.800**	**1.730.810**
Less: Deductions from capital (Investments in other entities)	(514.007)	(561.623)
Capital for CAR calculation (A)	**1.380.793**	**1.169.187**
Risk weighted balance sheet items	11.655.028	10.568.547
Risk weighted off balance sheet items	2.155.819	2.172.751
Total risk weighted assets (B)	**13.810.847**	**12.741.298**
Capital Adequacy Ratio (A/B)	**10,00%**	**9,18%**

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

40. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 30 September 2018 that requires adjustment or disclosure in the interim separate financial statements of the Bank.

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

	30 September 2018 *LAK*	*31 December 2017* *LAK*
USD	8.505,00	8.277,00
EUR	9.886,00	9.870,00
THB	267,25	253,97
GBP	11.037,00	10.947,00
JPY	73,91	72,09
AUD	6.111,00	6.350,00
CNY	1.242,00	1.257,00

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Vientiane, Lao PDR

12 November 2018