Banque Pour Le Commerce Exterieur Lao Public

A Summary of Business Performance for the 1st quarter of the year 2019

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 31 March 2019 is LAKm 1.038.617 (as of 31 Dec 2018: 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. 31 March 2019, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, twenty (20) main branches, ninety three (93) services units, and fifteen (15) 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 2019**

To continually implement the long term strategies of BCEL and to ensure the improvement the Corporate Governance System, in 2019, the bank will continue the operation of 6 main projects (remained the same), 32 major projects and 273 working plans. This year, BCEL added more sub-plans for 143 projects.

- **The project of working plan are as follows:**

- To develop the Corporate Governance to achieve the international standard, there are 3 projects and 4 working plans.
- To establish the Risk Management System and to implement Basel II principles, there are 4 projects and 22 working plans.
- To establish database system for the operation, there are 6 projects and 40 working plans
- To develop and manage IT system, there are 5 projects and 47 working plans.
- Human Resource Management and Development, there are 4 projects and 57 working plans.
- To develop the financial administration, modern service and effective business operation, there are 10 projects and 103 working plans.

Besides the main projects, there will be the supported projects which are added as the sub-projects including report on CG working task to propose for the development of the management according to CG principles. Continually research for the plan to launch the representative office in other countries, the selling of BCEL's share for 19% which held by MOF, continue the LOS project, sub-project of Basel II, the project which related to accounting to prepare for applying IFRS 9, product development project, construction project and others. An increase or a decrease of the number of projects was compared from the implementation of the previous year.

4. Organization Structure

4.1 The organization of BCEL consists of the Board of Directors (7 Directors), Executive Management (8 members), 11 Divisions, 3 Centers, 20 Branches, 93 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
Member



Assoc.Prof Dr. Phouphet Keophilavong
Member



Mr. Viengsouk Chounthavong
Member

Management of BCEL consist of 8 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
- Mr. Viengsouk Chounthavong , Deputy Managing Director of BCEL

Structure of Executive Management of BCEL



Mr. Phoukhong Chanthachack
General Managing Director



Mr. Khamsian Mingboupha,
Deputy Managing Director



Mr. Lachay Khanpravong,
Deputy Managing Director



Mr. Nanthalath Keopaseuth,
Deputy Managing Director



Mr. Phansana Khounnouvong,
Deputy Managing Director



Mr. Viengsouk Chounthavong
Deputy Managing Director



Mr. Souphak
Thinxayphone, Deputy
Managing Director



Mr. Boauvanh Simmalyvong
Deputy Managing Director

5. Achievement of the 1st quarter of the year 2019.

In the 1st quarter of the year 2019, BCEL has the outstanding performance such as the completion of Smart VAT Project phase II at Lao-Thai Friendship Bridge 1, holding the Ordinary meetings of BCEL's Board of Directors for 2 times and disclosed the meeting resolution on LSX website. Successfully held the 2018 Business Review Meeting and approved for the 2019 year plan of all branches. BCEL has become the official direct member of AMEX card, successfully signed the agreement on selling BCEL's share 19% which held by Ministry of Finance, between BCEL and Lao-China Securities Company on 13 March 2019. Moreover, BCEL has started to provide a full service on weekend for two service units including Lao Itec and Morning market Service Units, this full service at the weekend has started from 23 March 2019.

6. The Meetings of the Committees to the BODs.

In the 1st quarter of the year 2019, each Committee to the BODs held their meetings periodically which the details are as follows:

- approved the year plan for 2019 to propose for the consideration from Annual General Meeting of Shareholders
- Approved the audited financial reports of BCEL financial statements for the year 2018 in accordance with LAS and IFRS.
- Approved the establishment of the Lao National Payment Network Company.
- Approved the dividend payment of the year 2018 for 991 LAK per share
- Approved the retirement of a Deputy Managing Director of BCEL due to the health condition.

6.1.1 Risk Management Committee (RMC)

RMC has focused on advising the research and the establishment of the regulation and policies on risk management. The committee also considered and approved the policies and regulations that are related to the risk management as follows:

- To monitor on the credit and liquidity risk management of BCEL in each period.
- To research on policies and the authorisation limit of credit approval of BCEL ion each period.
- To follow up on Basel II projects which has 7 projects, some projects has been kicked-off.
- To research and analyse the country risk that might affect the business operation of BCEL.

6.1.2 Remuneration Committee (RC)

RC has focused on research, considered and approved the regulations of BCEL for the benefits of BCEL and the shareholders. The committee has considered the regulations and to be approved by the Shareholders' Meeting according to the regulation as follows:

- To consider and approve the Regulation on Staff Recruitment, new version 2019.
- To consider and approve the Regulation on the policies for staff new version 2019.
- To consider and approve the establishment of the staff retirement fund.

6.1.3 Corporate Governance Committee.

- Closely followed up, supported and advised the business operation of BCEL and approved the audited financial reports of BCEL for the year 2018 according LAS and IFRS and to be approved in the next step according to the regulation.

-Monitored the liquidity management and capital adequacy ratio of BCEL.

-Monitored on the management and administration of loan's quality and actively solving on the NPLs.

-Considered and approved the plan for the year 2019 and other important issues to propose the BODs' Meeting and the Shareholders' Meeting.

-Approved the policies on loans to SMEs.

-Followed up on the project to sell 19% of BCEL shares held by the MOF.

7. BCEL's Business Performance for 1st quarter of the year 2019

For the 1st quarter of the year 2019, BCEL achieved the business performance according the unaudited consolidated report version in IFRS as follows:

- Total Assets: 42.505.818 million LAK, equal to 99% of the annual plan
- Total Deposits: 35.675.060 million LAK, equal to 100% of the annual plan
- Total Loans: 25.441.734 million LAK, equal to 98% of the annual plan

Profit before tax: 143.043 million LAK, equal to 25% of the annual plan

General Managing Director

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

Phoukhong CHANTHACHACK

Remarked: The business result for the 1st quarter of the year 2019 is in accordance with the unaudited consolidate IFRS

Banque Pour Le Commerce Exterieur Lao Public

Interim Consolidated Financial Statements (Unaudited)

31 March 2019

Banque Pour Le Commerce Exterieur Lao Public

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GENERAL INFORMATION

THE BANK

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

Establishment and Operations

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

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

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

According to notification from Lao Securities Exchange, the shareholding structure of the Bank as at 31 Mach 2019 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 Bank's charter capital as at 31 March 2019 is LAKm 1.038.617 (31 December 2018: LAKm 1.038.617).

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 31 March 2019, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, twenty (20) main branches, ninety-three (93) services units, and fifteen (15) exchange units all over Lao PDR.

GENERAL INFORMATION (continued)

THE BANK (continued)

Subsidiary

As at 31 March 2019, the Bank has one (01) subsidiary as follows:

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

Joint ventures

As at 31 March 2019, the Bank has four (04) joint ventures as follows:

Name	*Established in accordance with 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 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 three-month period ended 31 March 2019 and at the date of this report are as follows:

Name	*Title*	*Date of appointment /resignation*
Dr. Bounleua Sinxayvoravong	Chairman	Reappointed on 27 April 2018
Mr. Khamsouk Sundara	Vice Chairman	Reappointed on 27 April 2018
Mr. Phoukhong Chanthachack	Member	Reappointed on 27 April 2018
Mr. Marc Robert	Member	Reappointed on 27 April 2018
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

GENERAL INFORMATION (continued)

MANAGEMENT

Members of the Management during the three-month period ended 31 March 2019 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	1 November 2016
Mr. Viengsouk Chounthavong	Deputy Managing Director	18 February 2019

LEGAL REPRESENTATIVE

The legal representative of the Bank during the period and as at the date of this report is Mr. Phoukhong Chanthachack – General Managing Director.

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED INCOME STATEMENT (Unaudited)
for the three-month period ended 31 March 2019

	Notes	*for the three-month period ended 31 March 2019 LAKm*	*for the three-month period ended 31 March 2018 LAKm*
Interest revenue calculated using the effective interest method	8	507.847	462.379
Interest expense calculated using the effective interest method	9	(284.993)	(234.168)
Net interest and similar income		**222.854**	**228.211**
Fee and commission income		59.311	61.648
Fee and commission expense		(9.520)	(6.048)
Net fee and commission income	**10**	**49.791**	**55.600**
Net trading income	11	8.631	15.751
Gain/Loss on Trading Derivatives	11	(1.204)	-
Other operating income	12	9.786	2.623
Operating income		**289.858**	**302.185**
Credit loss expense of loans to customers	19	(24.166)	(7.963)
Impairment losses of financial investments	13	1.203	580
NET OPERATING INCOME		**266.895**	**294.802**
Personnel expenses	14	(77.418)	(58.228)
Depreciation and amortization	23, 24	(17.758)	(19.002)
Other operating expenses	15	(38.799)	(30.008)
TOTAL OPERATING EXPENSES		**(133.975)**	**(107.238)**
Share of (loss)/profit of joint ventures	22	10.123	(15.797)
PROFIT BEFORE TAX		**143.043**	**171.767**
Current profit tax expense	29.3	(24.424)	(52.381)
Deferred profit tax income		(420)	(2.724)
NET PROFIT FOR THE PERIOD		**118.199**	**116.662**
Attributable to:			
Equity holders of the parent		118.061	116.508
Non-controlling interest		138	154
Earnings per share (LAK)	**39**	**568**	**561**

Prepared by:

Mrs. Phousengthong Anoulakkham
Chief of Accounting Department

Approved by:

Mr. Khammone Vansana
Deputy Chief of Internal Audit Department

Approved by:

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

Mr. Lachay Khanpravong
Deputy Managing Director

Vientiane, Lao PDR
15 May 2019

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
for the three-month period ended 31 March 2019

	Notes	*for the three-month period ended 31 March 2019 LAKm*	*for the three-month period ended 31 March 2018 LAKm*
NET PROFIT FOR THE PERIOD		**118.199**	**116.662**
OTHER COMPREHENSIVE INCOME			
Change on fair value of available-for-sale financial assets		-	(2.099)
Profit tax related to components of other comprehensive income		-	2.034
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**-**	**(65)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**118.199**	**116.597**
Attributable to:			
Equity holders of the parent		118.061	116.056
Non-controlling interest		138	541

Prepared by:

Approved by:

Approved by:

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

Mrs. Phousengthong Anoulakkham Chief of Accounting Department	Mr. Khammone Vansana Deputy Chief of Internal Audit Department	Mr. Lachay Khanpravong Deputy Managing Director

Vientiane, Lao PDR

15 May 2019

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)
as at 31 March 2019

	Notes	*31 March 2019 LAKm*	*31 December 2018 LAKm*
ASSETS			
Cash and balances with Bank of the Lao PDR	16	6.440.406	5.334.246
Due from banks	17	5.136.600	3.828.669
Loans to customers	18	25.394.429	24.366.860
Financial assets - Held-for-trading		10	14
Financial investments - Available-for-sale	20	155.748	156.516
Financial investments - Held-to-maturity	21	3.616.251	3.652.772
Investments in joint ventures	22	472.419	462.296
Property and equipment	23	451.297	450.132
Intangible assets	24	246.315	246.601
Deferred tax assets	29.4	3.658	29.099
Other assets	25	588.685	466.088
TOTAL ASSETS		**42.505.818**	**38.993.293**
LIABILITIES			
Due to banks and other financial institutions	26	4.793.444	3.413.129
Due to customers	27	31.314.144	29.915.142
Borrowings from other banks	28	4.061.716	3.349.266
Current tax liabilities	29.2	33.717	35.951
Deferred tax liabilities	29.4	5.570	5.272
Other liabilities	30	220.472	242.918
TOTAL LIABILITIES		**40.429.063**	**36.961.678**
EQUITY			
Chartered capital		1.038.617	1.038.617
Statutory reserves and other reserves	32	440.874	440.874
Treasury shares		(4.372)	(3.313)
Retained earnings		570.111	524.050
Total equity contributable to the parent		**2.045.230**	**2.000.228**
Total equity contributable to non-controlling interest		31.525	31.387
TOTAL EQUITY		**2.076.755**	**2.031.615**
TOTAL LIABILITIES AND EQUITY		**42.505.818**	**38.993.293**

Prepared by:

Mrs. Phousengthong Anoulakkham
Chief of Accounting Department

Approved by:

Mr. Khammone Vansana
Deputy Chief of Internal Audit Department

Approved by:

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

Mr. Lachay Khanpravong
Deputy Managing Director

Vientiane, Lao PDR

15 May 2019

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
for the three-month period ended 31 March 2019

	Charter capital LAKm	*Statutory reserves and other reserves LAKm*	*Treasury shares LAKm*	*Retained earnings LAKm*	*Non-controlling interest LAKm*	*Total LAKm*
Balances as at 31 December 2018	**1.038.617**	**440.874**	**(3.313)**	**524.050**	**31.387**	**2.031.615**
Advance dividend payment to MOF for 2018	-	-	-	(72.000)	-	(72.000)
Net profit for the period	-	-	-	118.061	138	118.199
Net increase of treasury share	-	-	(1.059)	-	-	(1.059)
Balances as at 31 March 2019	**1.038.617**	**440.874**	**(4.372)**	**570.111**	**31.525**	**2.076.755**

Prepared by:

Mrs. Phousengthong Anoulakkham
Chief of Accounting Department

Approved by:

Mr. Khammone Vansana
Deputy Chief of Internal Audit Department

Approved by:

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

Mr. Lachay Khanpravong
Deputy Managing Director

Vientiane, Lao PDR

15 May 2019

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
for the three-month period ended 31 March 2019

	Notes	*for the three-month period ended 31 March 2019 LAKm*	*for the three-month period ended 31 March 2018 LAKm*
OPERATING ACTIVITIES			
Profit before tax		**143.043**	**171.767**
Adjustments for:			
Depreciation and amortization charges	23, 24	17.758	19.002
Expense for impairment losses	19	24.167	7.963
Share of associate's profit under equity method	22	(10.123)	(15.797)
Expense for impairment losses for financial investments	21	1.203	580
Defined post-employment benefit expense	30	3.609	2.411
Interest income	8	(507.847)	(462.379)
Interest expense	9	284.993	234.168
Dividend income	12	(6.136)	-
Cash flows from operating profit before changing in operating assets and liabilities		**(49.333)**	**(42.285)**
Net changes in operating assets:			
Due from banks		(12.278)	(168.854)
Loans to customers		(1.051.735)	693.418
Financial investment - Held-for-trading		10	(5)
Financial investment - Available-for-sale		767	18.001
Financial investment - Held-to-maturity		36.521	(1.194.600)
Other assets		(95.883)	(100.508)
Net changes in operating liabilities:			
Due to other banks and the BOL		2.093.182	174.760
Due to customers		1.398.967	166.814
Other liabilities		(24.152)	36.390
Interest received		539.436	215.640
Interest paid		(255.149)	(137.912)
Profit tax paid during the period	29.3	(27.140)	(7.247)
Net cash flows from operating activities		**2.553.213**	**(346.389)**
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(18.183)	(13.964)
Proceeds from disposals of fixed assets		87	190
Dividends received		6.136	-
Net cash flows used in investing activities		**(11.960)**	**(13.773)**
FINANCING ACTIVITIES			
Payment of dividends		(72.000)	-
Net cash (used in)/from financing activities		**(72.000)**	**-**
Net change in cash and cash equivalents		**2.469.253**	**(360.162)**
Cash and cash equivalents at the beginning of the period		**7.204.432**	**7.320.516**
Cash and cash equivalents at the end of the period	**33**	**9.673.685**	**6.960.354**

Prepared by:

Mrs. Phousengthong Anoulakkham
Chief of Accounting Department

Approved by:

Mr. Khammone Vansana
Deputy Chief of Internal Audit Department

Approved by:

Mr. Lachay Khanpravong
Deputy Managing Director

Vientiane, Lao PDR
15 May 2019

1. CORPORATE INFORMATION

Banque Pour Le Commerce Exterieur Lao Public (herein referred to as "the Bank") is a joint-stock bank incorporated and registered in the Lao People's Democratic Republic ("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 13.657.759 shares) to its strategic partner named Compagnie Financière de la BRED ("COFIBRED") in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and COFIBRED. COFIBRED is a subsidiary of BRED, the biggest regional banking society in the Banque Populare Group - a French group of cooperative banks. The total purchased price of LAK 150.235.349.000 has been paid fully by COFIBRED.

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

According to notification from Lao Securities Exchange Commission, the shareholding structure of the Bank as at 31 March 2019 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 Bank's chartered capital as at 31 March 2019 is LAKm 1.038.617 (31 December 2018: LAKm 1.038.617).

1. CORPORATE INFORMATION (continued)

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 31 March 2019, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, twenty (20) main branches, ninety-three (93) services units, and fifteen (15) exchange units all over Lao PDR.

Subsidiary

As at 31 March 2019, the Bank has one (01) subsidiary as follows:

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

Joint ventures

As at 31 March 2019, the Bank has four (04) joint ventures as follows:

Name	*Established in accordance with 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 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 three-month period ended 31 March 2019 and at the date of this report are as follows:

Name	*Title*	*Date of appointment*
Dr. Bounleua Sinxayvoravong	Chairman	Reappointed on 27 April 2018
Mr. Khamsouk Sundara	Vice Chairman	Reappointed on 27 April 2018
Mr. Phoukhong Chanthachack	Member	Reappointed on 27 April 2018
Mr. Marc Robert	Member	Reappointed on 27 April 2018
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

Management

Members of the Management during the three-month period ended 31 March 2019 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	6 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	1 November 2016
Mr. Viengsouk Chounthavong	Deputy Managing Director	18 February 2019

Employees

Total number of employees of the Bank and its subsidiary as at 31 March 2019 is 1.969 persons (as at 31 December 2018: 1.920 persons).

2. BASIS OF PREPARATION

The consolidated financial statements (alternatively referred to as "the special purpose consolidated financial statements") are prepared solely for the use of the Bank to meet the requirements of Bank of the Lao PDR and the Laos Securities Commission Office. These consolidated financial statements are prepared in accordance with the accounting policies as described in Note 6. These accounting policies are primarily based on the International Financial Reporting Standards ("IFRS") as issued by International Accounting Standard Board. However, this is not a complete set of general purpose financial statements prepared in accordance with IFRS as the Bank follows the guidance stipulated in Official Letter No. 1659/BOL dated 14 December 2018 by Bank of the Lao PDR and Official Letter No. 19/LSCO dated 23 November 2018 by the Laos Securities Commission Office following which the accounting policies for recognition and measurement of financial instruments are based on IAS 39: "Financial instruments: Recognition and Measurement" instead of IFRS 9: "Financial instruments".

Accordingly, the accompanying consolidated financial statements are not intended to be prepared in accordance with IFRS.

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

The Bank and its subsidiary maintains its records in Lao Kip ("LAK") and prepared its special purpose 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 special purpose separate financial statements in accordance with the accounting policies as described in Note 5 to the Interim separate financial statements on 15 May 2019.

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

3. PRESENTATION OF FINANCIAL STATMENTS

The Bank and it subsidiary presents its consolidated statement of financial position in order of liquidity. Financial assets and financial liabilities are generally reported gross in the consolidate 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

4. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaryas at 31 March 2019. 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 OCI are attributed to the equity holders of the Bank 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 subsidiary to bring their accounting policies in line with the Bank's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between the Bank and its subsidiary 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.

5. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

5.1 New and amended standards and interpretations

In these financial statements, the Bank has applied, for the first time, the new accounting standards and interpretation as described below. The Bank has not adopted early any other standard, interpretations or amendments that has been issued but is not yet effective.

5.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. The Bank's revenue streams that are within the scope of IFRS 15 relate to fee and commission income. The Bank has not restated the comparative figures as the impact of retrospective adoption is immaterial.

5. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

5.3 Presentation of net interest income

With effect from 1 January 2018, paragraph 82(a) of IAS 1 requires interest income/expense calculated using the effective interest rate (EIR) method to be presented separately from interest income/expense calculated using other methods. The Bank does not have other interest income/expense other than those calculated using the EIR method. Therefore, the Bank does not include an additional line of "Other interest income/expense" on the face of the interest income. The change in presentation does not impact on the 2018 comparatives.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Foreign currency translation

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK on 31 March 2019 and 31 December 2018 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 consolidated income statement.

6.2 Financial instruments - initial recognition and subsequent measurement

6.2.1 Date of recognition

All financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes "regular way trades" - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' account. The Bank recognises due to customer balances when funds reach the Bank.

6.2.2 Initial measurement of financial instruments

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

6.2.3 Financial assets or financial liabilities held for trading

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6.2.4 The effective interest rate method

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

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

6.2.5 'Day 1' profit or loss

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

6.2.6 Available for sale financial investments

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

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

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6.2.7 Held-to-maturity financial investments

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

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

6.2.8 Due from banks and loans and advances to customers

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

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

After initial measurement, amounts 'Due from banks' and 'Loans and advances to customers' are subsequently measured at amortized cost using the EIR methodology, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Therefore, the Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of the loan, hence, recognising the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (prepayments, penalty interest and charges).

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

The Bank may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held–for–trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Bank, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss (for example, due to a counterparty credit event).

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6.2.9 Due to other banks and customers and other borrowed funds

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

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

6.2.10 Reclassification of financial assets

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

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

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

Reclassification is at the election of management, and is determined on an instrument by instrument basis.

6.3 De-recognition of financial assets and financial liabilities

6.3.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired. The Bank also derecognises the assets if it has both transferred the asset, and the transfer qualifies for derecognition.

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6.3.1 Financial assets (continued)

Pass-through arrangements are transactions when the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when certain conditions are met. At 31 March 2019, the Bank does not have financial assets which are subject to such arrangements.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

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

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

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

6.3.2 Financial liabilities

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.4 Impairment of financial assets

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

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

6.4.1 Financial assets carried at amortized cost

Specific impairment losses

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

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

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

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.4 Impairment of financial assets (continued)

6.4.1 Financial assets carried at amortized cost (continued)

Collective impairment model

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

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

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

6.4.2 Impairment of available for sale investments

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

6.4.3 Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank’s annually reporting schedule.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties (if available) such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

6.4.4 Collateral repossessed

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.5 Offsetting financial instruments

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

6.6 Investment in joint ventures

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

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

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

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

6.7 Leasing

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

Bank as a lessee

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.8 Recognition of income and expenses

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

6.8.1 Interest and similar income and expense

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

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

6.8.2 Fees and commission income

The Bank and its subsidiary earn fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank and its subsidiary expect to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not typically include multiple performance obligations, as explained further in 6.8.2.1 and 6.8.2.2 below. When the Bank and its subsidiary provide a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time (unless otherwise specified in 6.8.2.1 and 6.8.2.2 below). The Bank and its subsidiary have generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

6.8.2.1 Fee and commission income from services where performance obligations are satisfied over time

Performance obligations satisfied over time include services where the customer simultaneously receives and consumes the benefits provided by the performance of the Bank and its subsidiary as they perform.

6.8.2.2 Fee and commission income from providing services where performance obligations are satisfied at a point in time

Services provided where the performance obligations of the Bank and its subsidiary are satisfied at a point in time are recognized once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, or the purchase or sale of businesses, brokerage and underwriting fees.

The Bank and its subsidiary typically have a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.8 Recognition of income and expenses (continued)

6.8.3 Dividend income

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

6.8.4 Net trading income

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

6.9 Cash and cash equivalents

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

6.10 Property and equipment

Property and equipment is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The following are annual rates used:

Buildings & improvements	5%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' in the consolidated income statement in the year the asset is derecognized.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

6.12 Impairment of non-financial assets

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

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.13 Financial guarantees

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

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

6.14 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 31 March 2019, no employee of the Bank was dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the consolidated financial statements.

6.15 Provisions

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

6.16 Profit tax

Current tax

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.16 Profit tax (continued)

Deferred tax

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

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

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

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

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

6.17 Fiduciary assets

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

6.18 Equity reserves

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

- Statutory reserves which are created in accordance with prevailing regulations of Lao PDR, as stated in Note 32.

7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

7.1 Going concern

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

7.2 Effective Interest Rate (EIR) method

The Bank's EIR methodology, as explained in Note 6.2.4, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to other fee income/expense that are integral parts of the instrument.

7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

7.3 Impairment losses on loans and advances

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

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

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

The detailed approach for each category is further explained in Note 6.4.1. All categories include an element of management's judgement, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the changing of which can result in different levels of allowances.

7.4 Impairment of available-for-sale investments

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

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

7.5 Deferred tax assets

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

8. INTEREST AND SIMILAR INCOME

	for the three-month period ended 31 March 2019 LAKm	*for the three-month period ended 31 March 2018 LAKm*
Interest income calculated using the effective interest method from:		
Lending to customers	466.813	417.182
Deposits at other banks	17.167	11.781
Investment securities	22.132	27.191
Other activities	1.735	6.225
	507.847	**462.379**

9. INTEREST AND SIMILAR EXPENSE

	for the three-month period ended 31 March 2019 LAKm	*for the three-month period ended 31 March 2018 LAKm*
Interest expense calculated using the effective interest method for:		
Due to other banks	71.955	33.222
Customer deposits	213.038	200.946
	284.993	**234.168**

10. NET FEES AND COMMISSION INCOME

	for the three-month period ended 31 March 2019 LAKm	*for the three-month period ended 31 March 2018 LAKm*
Fees and commission income from:		
Settlement services	44.154	39.387
Treasury activities	10.633	19.852
Other activities	4.524	2.409
	59.311	**61.648**
Fees and commission expense for:		
Settlement services	(6.449)	(5.595)
Treasury activities	(3.071)	(453)
	(9.520)	**(6.048)**
Net fees and commission income	**49.791**	**55.600**

11. NET TRADING INCOME

	for the three-month period ended 31 March 2019 LAKm	*for the three-month period ended 31 March 2018 LAKm*
Gain from foreign currencies trading	8.631	15.751
Gain/Loss on Trading Derivatives	(1.204)	-
	7.427	**22.553**

12. OTHER OPERATING INCOME

	for the three-month period ended 31 March 2019 LAKm	*for the three-month period ended 31 March 2018 LAKm*
Dividend income	6.136	-
Recovery of bad debts written off	3.104	1.766
Others	546	857
	9.786	**2.623**

13. IMPAIRMENT LOSSES OF FINANCIAL INVESTMENTS

	for the three-month period ended 31 March 2019 LAKm	*for the three-month period ended 31 March 2018 LAKm*
Reversal of impairment loss for Held-to-maturity investments (*Note 21*)	1.203	580
	1.203	**580**

14. PERSONNEL EXPENSES

	for the three-month period ended 31 March 2019 LAKm	*for the three-month period ended 31 March 2018 LAKm*
Salary expense	35.428	32.294
Benefits and welfare	36.282	21.395
Defined employee benefit plans	3.609	2.828
Other staff costs	2.099	1.711
	77.418	**58.228**

15. OTHER OPERATING EXPENSES

	for the three-month period ended 31 March 2019 LAKm	*for the three-month period ended 31 March 2018 LAKm*
Repair and maintenance	5.332	4.136
Publication, marketing and promotion	2.964	1.622
Office rental	2.276	1.764
Telecommunication	1.977	1.680
Training, meeting and seminar	3.658	2.900
Insurance fee for depositor protection fund	7.136	6.628
Tax and other duties	101	80
Insurance expense	2.253	858
Utility	1.992	1.708
Fuel expense	524	507
Stationaries and office materials	3.189	4.104
Consulting and financial service fees	3.026	675
Others	4.371	3.346
	38.799	**30.008**

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

	31 March 2019 LAKm	*31 December 2018 LAKm*
Cash on hand in LAK	1.211.477	961.728
Cash on hand in foreign currencies ("FC")	924.627	681.517
Balances with the BOL		
- Compulsory deposit (*)	1.292.929	1.294.828
- Demand deposit	3.011.373	2.396.173
	6.440.406	**5.334.246**

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, (2018: 5,00% and 10,00%) of customer deposits having original maturities of less than 12 months. During the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

17. DUE FROM BANKS

	31 March 2019 LAKm	*31 December 2018 LAKm*
Current and saving accounts	**3.946.183**	**2.700.974**
- In LAK	9.001	3.681
- In foreign currencies	3.937.182	2.697.293
Term deposits	**1.190.418**	**1.127.695**
- In LAK	246.379	381.380
- In foreign currencies	944.039	746.315
	5.136.600	**3.828.669**

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

	31 March 2019 % per annum	*31 December 2018 % per annum*
Demand deposits	0,00% - 0,80%	0,00% - 0,80%
Saving deposits	0,00% - 0,80%	0,00% - 0,80%
Term deposits	0,85% - 4,95%	0,85% - 4,00%

18. LOANS TO CUSTOMERS

	31 March 2019 LAKm	*31 December 2018 LAKm*
Gross loans	25.899.407	24.845.276
In which:		
Loans funded by borrowing from BOL (Note 28)	2.074.470	*2.063.243*
Less: Allowance for impairment losses *(Note 19)*	(504.978)	(478.416)
	25.394.429	**24.366.860**

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

	31 March 2019 Interest rates % per annum	*31 December 2018 Interest rates % per annum*
Loans denominated in LAK	6,00% - 16,00%	6,00% - 16,00%
Loans denominated in USD	4,00% - 16,00%	4,00% - 16,00%
Loans denominated in THB	6,00% - 10,00%	6,00% - 11,50%

Analysis of loan portfolio by currency:

	31 March 2019 LAKm	*31 December 2018 LAKm*
Loans denominated in LAK	11.413.985	10.988.474
Loans denominated in USD	11.343.689	10.842.780
Loans denominated in THB	3.141.733	3.014.022
	25.899.407	**24.845.276**

Analysis of loan portfolio by original maturity:

	31 March 2019 LAKm	*31 December 2018 LAKm*
Short-term loans	1.834.691	1.825.034
Medium-term loans	14.798.942	14.431.801
Long-term loans	9.265.774	8.588.441
	25.899.407	**24.845.276**

Analysis of loan portfolio by industrial sectors of customers:

	31 March 2019		*31 December 2018*	
	LAKm	*%*	*LAKm*	*%*
Industrial services companies	13.271.641	51,24%	12.931.637	52,05%
Construction companies	3.692.234	14,26%	3.374.610	13,58%
Technical instruments enterprises	88.588	0,34%	85.352	0,34%
Agricultural & forestry	74.248	0,29%	74.248	0,30%
Trading companies	4.261.742	16,45%	4.336.508	17,45%
Transportation companies	688.434	2,66%	688.078	2,77%
Services companies	3.358.644	12,97%	2.875.026	11,57%
Handicrafts	3.446	0,01%	3.456	0,01%
Others	460.430	1,78%	476.361	1,92%
	25.899.407	**100%**	**24.845.276**	**100%**

19. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in allowance for impairment losses of loans to customers during the three-month period ended 31 March 2019 are as follows:

	31 March 2019 LAKm	*31 December 2018 LAKm*
Balance as at 1 January	**478.416**	**481.013**
Net change during the period	24.167	221.957
Bad debts written-off	-	(232.259)
Foreign exchange differences	2.395	7.705
Balance as at 31 March	**504.978**	**478.416**

Breakdown of allowance for impairment losses of loans to customers as at 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019		*31 December 2018*	
	Outstanding balance LAKm	*Impairment LAKm*	*Outstanding balance LAKm*	*Impairment LAKm*
Individually impaired	2.115.847	215.087	1.859.522	291.960
Collectively impaired	23.298.341	289.891	22.478.847	186.456
	25.414.188	**504.978**	**24.338.369**	**478.416**

20. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	31 March 2019 LAKm	*31 December 2018 LAKm*
Listed shares of EDL-Generation Public Company (*)	155.748	156.516
	155.748	**156.516**

(*) As at 31 March 2019, the shares have been impaired by an amount of LAKm 32.655 below its cost of LAKm 188.403.

21. FINANCIAL INVESTMENTS – HELD-TO-MATURITY

	31 March 2019 LAKm	*31 December 2018 LAKm*
Amortized cost of Treasury bills issued by the Ministry of Finance	1.989.572	1.916.549
Amortized cost of bonds issued by the Ministry of Finance	1.626.679	1.737.433
	3.616.251	**3.653.982**
Impairment losses for investments in Held-to-maturity securities (*)	**-**	**(1.210)**
- *Impairment losses for bonds issued by the Ministry of Finance*	*-*	*(1.210)*
	3.616.251	**3.652.772**

Changes in allowance for impairment losses of held-to-maturity financial investments during the three-month period ended 31 March 2019 are as follows:

	31 March 2019 LAKm	*31 December 2018 LAKm*
Balance as at 1 January	**(1.210)**	**(3.685)**
Net impairment losses reversed in the period	1.210	2.475
Balance as at 31 March	**-**	**(1.210)**

21.1. Treasury bills issued by the Ministry of Finance

Cur: LAKm

Term	*Issue date*	*Maturity date*	*Face value*	*Amortized cost*	*Interest rate per annum (nominal)*
1 year	06-Apr-18	06-Apr-19	350.000	367.205	5,00%
1 year	13-Apr-18	13-Apr-19	100.000	104.818	5,00%
1 year	27-Apr-18	27-Apr-19	20.000	20.924	5,00%
1 year	18-May-18	18-May-19	10.000	10.433	5,00%
1 year	25-May-18	25-May-19	58.000	60.454	5,00%
1 year	15-Jun-18	15-Jun-19	300.000	311.816	5,00%
1 year	16-Nov-18	16-Nov-19	300.000	305.463	5,00%
1 year	21-Dec-18	21-Dec-19	210.000	212.826	5,00%
1 year	22-Feb-19	22-Feb-20	300.000	301.487	5,00%
1 year	07-Mar-19	07-Mar-20	73.000	73.234	5,00%
1 year	22-Mar-19	22-Mar-20	68.600	68.682	5,00%
1 year	17-Dec-18	16-Dec-19	150.000	152.230	5,30%
			1.939.600	**1.989.572**	

21. FINANCIAL INVESTMENTS - HELD TO MATURITY (continued)

21.2. Bonds issued by the Ministry of Finance

	31 March 2019 LAKm	*31 December 2018 LAKm*
Capitalization bonds	-	70.600
Other bonds	1.626.679	1.666.833
	1.626.679	**1.737.433**

21.2.1 Other bonds

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

	Face value LAKm	*Amortized cost LAKm*
Within 1 year	129.537	214.803
1 to 5 years	735.929	649.892
Over 5 years	755.634	761.984
	1.621.100	**1.626.679**

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

	31 March 2019 % per annum	*31 December 2018 % per annum*
Within 1 year	3,00 - 5,30%	3,00 - 5,30%
1 to 5 years	3,00 - 6,95%	3,00 - 6,95%
Over 5 years	4,00 - 4,80%	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 (continued)

	31 March 2019 LAKm	*31 December 2018 LAKm*
Opening Balance	462.296	541.730
Net share of (loss)/profit in the period under equity method	10.123	(7.643)
Less:		
Sale of joint venture's share	-	(52.266)
Dividends received during the period	-	(19.525)
Closing Balance	**472.419**	**462.296**

	31 March 2019				*31 December 2018*			
	Cost in USD	*Cost in LAKm equiv.*	*Carrying value in LAKm*	*% owned by the Bank*	*Cost in USD*	*Cost in LAKm Equiv.*	*Carrying value in LAKm*	*% owned by the Bank*
Investments in other financial institutions								
Lao Viet Joint Venture Bank	24.500.000	197.839	238.977	25%	24.500.000	197.839	228.359	25%
Banque Franco - Lao Limited	N/A	90.000	60.925	30%	N/A	90.000	64.053	30%
Lao China Bank	N/A	147.000	160.553	49%	N/A	147.000	158.179	49%
Investments in local economic entities								
Lao-Viet Insurance Joint Venture Company	1.050.000	9.168	11.965	35%	1.050.000	9.168	11.705	35%
		444.007	**472.419**			**444.007**	**462.296**	

22. INVESTMENTS IN JOINT VENTURES (continued)

Lao Viet Joint Venture Bank ("LVB") is incorporated in Lao PDR with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with the Bank for Investment and Development of Vietnam, a state-owned commercial bank incorporated in the Socialist Republic of Vietnam. The joint venture was granted the banking license on 31 March 2000 by Bank of the Lao PDR for a year of 30 years. In 2015, LVB increased its contributed capital to LAK 791.357.560.000. The Bank's ownership rate in LVB after the capital increase is 25% in accordance with Investment License No. 004-15/KH-DDT4 issued by Ministry of Planning and Investment on 24 August 2015, equivalent to LAKm 197.839.

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 with BIDV Insurance Joint Stock Corporation and Lao Viet Joint Venture Bank. As at 31 March 2019, 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 Lao PDR and engages in the provision of baking services. It is a joint venture with Fudian Bank China, a state-owned commercial bank incorporated in China. The joint venture bank was granted the Banking Business Licence on 20 January 2014 by Bank of the Lao PDR. The legal capital of LCNB was LAKm 300.000 and had been fully contributed by partners as at 31 March 2019.

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

23. PROPERTY AND EQUIPMENT

	Buildings & improvements LAKm	*Office equipment LAKm*	*Furniture & fixtures LAKm*	*Motor vehicles LAKm*	*Total LAKm*
Cost:					
As at 1 January 2019	476.463	151.886	41.210	19.770	689.329
Additions	10.142	7.269	772	-	18.183
Disposals	(2.442)	(7.278)	(1.565)	(39)	(11.323)
As at 31 March 2019	484.163	151.877	40.416	19.732	696.189
Accumulated depreciation:					
As at 1 January 2019	135.271	67.649	26.278	9.999	239.197
Charge for the period	6.671	7.816	1.456	987	16.930
Disposals	(2.442)	(7.275)	(1.482)	(38)	(11.236)
As at 31 March 2019	139.500	68.190	26.252	10.949	244.891
Net book value:					
As at 1 January 2019	341.192	84.237	14.932	9.771	450.132
As at 31 March 2019	344.663	83.687	14.164	8.783	451.297

24. INTANGIBLE ASSETS

	Land use rights LAKm	*Software LAKm*	*Total LAKm*
Cost:			
As at 1 January 2019	240.619	16.841	257.460
Additions	541	-	541
Disposals	-	(41)	(41)
As at 31 March 2019	241.160	16.800	257.960
Accumulated amortization:			
As at 1 January 2019	-	10.859	10.859
Charge for the period	-	827	827
Disposals	-	(41)	(41)
As at 31 March 2019	-	11.645	11.645
Net book value:			
As at 1 January 2019	240.619	5.982	246.601
As at 31 March 2019	241.160	5.155	246.315

25. OTHER ASSETS

	31 March 2019 LAKm	*31 December 2018 LAKm*
Assets available for sale	263.703	255.438
Stationeries and other tools	2.685	8.558
Checks in collection	78.185	6.671
Construction in progress and fixed assets in transit (*)	56.021	65.079
Prepaid expenses to be allocated	81.012	62.065
Advance payment for other operations	32.164	27.553
Advance payment to suppliers	14.216	34.589
Others	60.699	6.135
	588.685	**466.088**

(*): Movement of construction in progress and fixed assets in transit for the three-month period ended 31 March 2019 is as follows:

	Land use rights LAKm	*Buildings & improvements LAKm*	*Other LAKm*	*Total LAKm*
As at 1 January 2019	541	38.630	25.908	65.079
Additions	-	-	1.631	1.631
Transferred to fixed assets	(541)	(4.334)	-	(4.875)
Transferred to other assets	-	(4.395)	-	(4.395)
Write off	-	-	(1.419)	(1.419)
As at 31 March 2019	**-**	**29.901**	**26.120**	**56.021**

26. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 March 2019 LAKm	*31 December 2018 LAKm*
Demand deposits	**4.053.646**	**2.517.029**
- In LAK	1.455.538	800.136
- In foreign currencies	2.598.108	1.716.893
Saving deposits	**188.198**	**119.495**
- In LAK	23.134	21.954
- In foreign currencies	165.064	97.541
Term deposits	**531.902**	**754.543**
- In LAK	198.370	195.581
- In foreign currencies	333.532	558.962
Others	**19.698**	**22.062**
- In LAK	13.385	9.009
- In foreign currencies	6.313	13.053
	4.793.444	**3.413.129**

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

Interest rates for deposits from other banks and financial institutions during the three-month period ended 31 March 2019 are as follows:

	31 March 2019 *% per annum*	31 December 2018 *% per annum*
Demand deposits	No interest	No interest
Saving deposits	No interest	No interest
Term deposits	0,00% - 5,52%	0,00% - 5,52%

27. DUE TO CUSTOMERS

	31 March 2019 *LAKm*	*31 December 2018* *LAKm*
Demand deposits	**5.121.235**	**5.447.954**
Demand deposits in LAK	1.985.680	2.141.221
Demand deposits in FC	3.135.555	3.306.733
Demand savings	**14.227.568**	**13.092.788**
Demand saving deposits in LAK	6.456.636	5.788.652
Demand saving deposits in FC	7.770.932	7.304.136
Term deposits	**11.752.901**	**11.159.134**
Term deposits in LAK	6.884.301	6.671.234
Term deposits in FC	4.868.600	4.487.900
Margin deposits	**86.286**	**103.279**
Margin deposits in LAK	20.870	33.629
Margin deposits in FC	65.416	69.650
Other payables to customers	**126.154**	**111.987**
	31.314.144	**29.915.142**

The interest rates during the three-month period ended 31 March 2019 for these deposits are as follows:

	31 March 2019 *% per annum*	*31 December 2018* *% per annum*
Demand deposits	No interest	No interest
Saving deposits in LAK	1,25% - 1,89%	1,25% - 1,89%
Saving deposits in USD	0,90% - 1,15%	0,90% - 1,15%
Saving deposits in THB	0,45% - 0,90%	0,45% - 0,90%
Term deposits in LAK	3,16% - 6,90%	3,16% - 6,90%
Term deposits in USD	1,65% - 6,65%	1,65% - 6,65%
Term deposits in THB	1,40% - 6,40%	1,40% - 6,40%

28. BORROWINGS FROM OTHER BANKS

	31 March 2019 LAKm	*31 December 2018 LAKm*
Borrowings from the BOL	2.074.470	2.063.243
Borrowings from foreign banks	1.987.246	1.286.023
	4.061.716	**3.349.266**

Borrowings from the BOL as at 31 March 2019 include:

- USD 3.285.713 long-term borrowing (original borrowing amount was USD 9.200.000 with interest rate of 0,25% per annum) for the purpose of investment in Banque Franco – Lao Limited. The loan's principal is paid annually from 2010 to 2023. Interest is paid semi-annually.
- USD 99.854.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,50% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 1 January 2016 to 27 August 2025. Interest is paid semi-annually.
- USD 99.900.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,30% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 3 May 2016 to 3 May 2026. Interest is paid semi-annually.
- LAKm 300.000 one-year borrowing with interest rate of 10% per annum for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal and interest are paid at maturity date on 21 December 2019.

Borrowing from foreign banks and other financial institutions as at 31 March 2019 includes:

- USD 148.300.000 4-years borrowing with interest rate of 4% + 3M LIBOR for the purpose of providing credit to certain domestic projects. The loan's principal is paid annually and interest is paid quarterly.
- USD 20.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 5,50% per annum. The loan's principal and interest are paid at maturity date.
- USD 20.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 5,50% per annum. The loan's principal and interest are paid at maturity date.
- USD 20.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 5,50% per annum. The loan's principal and interest are paid at maturity date.
- USD 20.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 5,50% per annum. The loan's principal and interest are paid at maturity date.

29. TAXATION

29.1 Profit tax expense

Major components of tax expense are as follows:

	for the three-month period ended 31 March 2019 LAKm	*for the three-month period ended 31 March 2018 LAKm*
Current profit tax expense	24.278	52.219
Deferred profit tax expense	420	2.723
	24.698	**54.942**

29.2 Tax payables

	for the three-month period ended 31 March 2019 LAKm	*31 December 2018 LAKm*
Profit Tax payable	28.694	31.422
Value Added Tax payable	5.023	35.951
	33.717	**31.422**

29. TAXATION (continued)

29.3 Current Profit tax

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

The calculations of Profit taxes ("PT") for the three-month period ended 31 March 2019 and 2018 are as follows:

	for the three-month period ended 31 March 2019 LAKm	*for the three-month period ended 31 March 2018 LAKm*
Consolidated profit before tax in accordance with special purpose framework	**143.043**	**171.767**
Adjustments for:		
- Difference between carrying value of bonds under LAS and their amortized cost under special purpose framework	15.235	(20.147)
- Difference between allowance for impairment losses of loans to banks and customers under LAS and under special purpose framework	(46.991)	43.779
- Difference between allowance for post-employment benefits under LAS and under special purpose framework	3.609	2.411
- Difference in impairment loss expense of investment between LAS and IFRS	1.217	4.379
- Non-taxable profit arising from consolidation adjustments	8.304	(15.797)
- Non-taxable income	(6.136)	-
- Non-deductible expenses	93	39
Taxable profit under LAS	**118.373**	**186.432**
in which:		
- *Taxable profit of the parent bank*	*101.157*	*192.294*
- *Taxable profit of the subsidiary*	*606*	*674*
PT expense of the parent bank at rate of 24% (2018: 24%)	24.278	52.219
PT expense of the subsidiary at rate of 24% (2018: 24%)	146	162
Consolidated PT expense in the period	**24.424**	**52.381**
PT payable at the beginning of the period	31.422	9.540
PT paid in the period	(27.140)	(7.247)
Other adjustment	(12)	(212)
PT payable at the end of the period	**28.694**	**54.462**

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

29. TAXATION (Continued)

29.4 Deferred tax assets/(liabilities)

	Statement of financial position		*Income statement*		*Statement of comprehensive income*	
	31 March 2019 LAKm	*31 December 2018 LAKm*	*31 March 2019 LAKm*	*31 December 2018 LAKm*	*31 March 2019 LAKm*	*31 December 2018 LAKm*
Deferred tax assets	3.658	29.099	(25.441)	11.144	-	(260)
Deferred tax liabilities	5.570	(5.272)	10.842	7.276	-	1.028
Net deferred tax credited/(charged) to the consolidated income statement			**(14.599)**	**18.420**		
Net deferred tax credited to the consolidated statement of comprehensive income					**-**	**1.028**

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

	for the three-month period ended 31 March 2019 LAKm	*for the three-month period ended 31 March 2018 LAKm*
Deductible temporary differences	15.241	121.247
In which:		
Difference between carrying value under LAS and amortized cost under IFRS of bonds	*13.891*	*2.331*
Difference in impairment expense of investments between LAS and IFRS	*(2.413)*	*30.931*
Difference between carrying value under LAS and amortized cost under IFRS of bonds	*3.763*	*87.985*
Deferred tax assets (at tax rate 24%)	**3.658**	**29.099**
Taxable temporary differences	23.204	(21.965)
In which:		
Difference in allowance for impairment losses between LAS and IFRS of loans to banks and customers	*23.204*	*(21.965)*
Deferred tax liabilities (at tax rate 24%)	**5.570**	**(5.272)**

30. OTHER LIABILITIES

	for the three-month period ended 31 March 2019 LAKm	*31 December 2018 LAKm*
Payables to employees	53.776	86.612
Payable to suppliers	22.322	22.101
Defined post-employment benefit plan (*)	91.594	87.985
Others	52.780	46.220
	220.472	**242.918**

(*) Defined post-employment benefit plan

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

	for the three-month period ended 31 March 2019 LAKm	*31 December 2018 LAKm*
As at 1 January	87.985	65.149
Past service cost		
Current service cost	3.348	18.875
Interest cost	261	5.259
Actuarial changes arising from changes in financial assumption	-	1.411
Benefits paid	-	(2.709)
As at 31 March	**91.594**	**87.985**

Net benefit expense (recognised in profit or loss):

	for the three-month period ended 31 March 2019 LAKm	*31 December 2018 LAKm*
Current service cost	3.348	18.875
Interest cost	261	5.259
	3.609	**24.134**

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:

	31 March 2019 *%*	*31 December 2018* *%*
Discount rate	5,00 - 7,81	5,00 - 8,47
Future salary increases	1,03	1,03
Employee turnover rate	0,00	0,00

A quantitative sensitivity analysis for significant assumptions as at 31 March 2019 is, as shown below:

	31 March 2019 *LAKm*	*31 December 2018* *LAKm*
Discount rate		
increase 50 basis points	(6.412)	(7.301)
decrease 50 basis points	7.153	8.340
Future salary increase		
increase 50 basis points	(4.580)	(6.001)
decrease 50 basis points	4.031	5.517

31. CHARTER CAPITAL

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

32. STATUTORY RESERVES

There has been no change to statutory reserves during the period.

33. ADDITIONAL CASH FLOW INFORMATION

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

	31 March 2019 *LAKm*	*31 December 2018* *LAKm*
Cash and cash equivalents on hand	2.136.104	1.643.245
Demand deposits with the BOL	3.011.373	2.396.173
Current accounts with other banks	3.946.183	2.700.974
Term deposits due within 90 days	580.026	464.040
	9.673.686	**7.204.432**

34. CONTINGENT LIABILITIES AND COMMITMENTS

	31 March 2019 LAKm	*31 December 2018 LAKm*
Financial letter of guarantees	254.350	255.094
At sight letters of credit	126.305	39.978
Deferred payment letters of credit	138.957	162.423
Credit limit given to customers	2.694.734	3.349.575
Credit limit given to other banks	548	548
	3.214.894	**3.807.618**

Financial guarantees

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

Un-drawn commitments to lend

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

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

Lease commitments

As at 31 March 2019, the Bank did not enter 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 three-month period ended 31 March 2019 LAKm	*for the three-month period ended 31 March 2018 LAKm*
Salaries	429	365
Bonus	234	264
Responsibility allowance	266	290
Other benefits	48	-
	977	**919**

35. RELATED PARTY DISCLOSURES (continued)

Significant transactions with other related parties during the three-month period ended 31 March 2019 are as follows:

Related party	*Note*	*Transactions*	*Income LAKm*	*Expense LAKm*
Bank of the Lao PDR ("BOL")	(i)	Interest expense from borrowing from the BOL	-	30.602
The Ministry of Finance of the Lao PDR ("MOF")	(ii)	Interest income from investment in MOF's bonds	39.437	-

Related party	*Note*	*Transactions*	*Increase LAKm*	*Decrease LAKm*
Bank of the Lao PDR	(i)	Net change in borrowings from the BOL	11.227	-
		Net change in deposits at BOL	613.301	-
		Net change in deposits from BOL	188	-
The Ministry of Finance of Lao PDR	(ii)	Net change in investment in MOF's bonds	(36.520)	-
Lao Viet Joint Venture Bank ("LVB")	(iii)	Net change in deposits at LVB	286.427	-
		Net change in deposits from LVB	499.853	-
Lao China Bank Co., Ltd ("LCNB")	(iii)	Net change in deposits at LCNB	2.035	-

Significant balances with related parties as at 31 March 2019 are as follows:

Related party	*Note*	*Transactions*	*Receivable LAKm*	*Payable LAKm*
Bank of the Lao PDR	(i)	Borrowings from the BOL	-	2.074.470
		BCEL's demand deposits at BOL	3.011.372	6.534
		BCEL's compulsory deposits at BOL	1.292.929	-
The Ministry of Finance of the Lao PDR	(ii)	Investment in MOF's bonds	3.560.700	-
		Accrued interest	64.657	-
Lao Viet Joint Venture Bank	(iii)	Current accounts	1.310.494	694.670
Banque Franco – Lao	(iii)	Current accounts	1.621	10.065
Company Limited	(iii)	Term deposit	10.000	10.333
Lao China Bank Co.Ltd	(iii)	Current accounts	-	7.622

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

36. RISK MANAGEMENT POLICIES

Introduction

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

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

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

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

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

Risk management structure

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

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

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

37. CAPITAL MANAGEMENT

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

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

- Tier 1 capital, which includes charter capital, regulatory reserve fund, business expansion fund and other funds, and retained earnings;
- Tier 2 capital, which is equal to 45% of revaluation reserves; and lower option between 1.25% of total risk weighted balance sheet items and outstanding balance of general provision during the year.

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

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

	31 March 2019 LAKm	*31 December 2018 LAKm*
Tier 1 capital	2.045.230	2.003.541
Tier 2 capital	-	-
Total capital	**2.045.230**	**2.003.541**
Less: Deductions from capital (Investments in other entities)	(472.419)	(462.296)
Capital for CAR calculation (A)	**1.572.811**	**1.541.245**
Risk weighted balance sheet items	12.885.349	11.984.241
Risk weighted off balance sheet items	1.568.680	1.880.710
Total risk weighted assets (B)	**14.454.029**	**13.864.951**
Capital Adequacy Ratio (A/B)	**10,88%**	**11,12%**

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank's financial assets and liabilities, fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the Bank's management, except for bonds issued by the Ministry of Finance, bonds issued by and borrowings from the BOL, the carrying amount of the financial assets and liabilities included in the 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.

39. 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.

	31 March 2019	*31 March 2018*
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	118.061	116.508
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)	568	561

40. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 31 March 2019 that requires adjustment or disclosure in the consolidated financial statements of the Bank.

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

	31 March 2019 LAK	*31 December 2018 LAK*
USD	8.586,00	8.538,00
EUR	9.622,00	9.753,00
THB	273,92	265,48
GBP	11.076,00	10.702,00
JPY	76,45	75,80
AUD	5.991,00	5.966,00
CNY	1.265,00	1.229,00

Prepared by:

Mrs. Phousengthong Anoulakkham
Chief of Accounting Department

Approved by:

Mr. Khammone Vansana
Deputy Chief of Internal Audit Department

Approved by:

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

Mr. Lachay Khanpravong
Deputy Managing Director

Vientiane, Lao PDR

15 May 2019



Banque Pour Le Commerce Exterieur Lao Public

Interim Separate Financial Statements (Unaudited)

31 March 2019

Banque Pour Le Commerce Exterieur Lao Public

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GENERAL INFORMATION

THE BANK

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

Establishment and Operations

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

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

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

According to notification from Lao Securities Exchange, the shareholding structure of the Bank as at 31 March 2019 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 Bank's charter capital as at 31 March 2019 is LAKm 1.038.617 (31 December 2018: LAKm 1.038.617).

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 31 March 2019, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, twenty (20) main branches, ninety-three (93) services units, and fifteen (15) exchange units all over Lao PDR.

GENERAL INFORMATION (continued)

THE BANK (continued)

Subsidiary

As at 31 March 2019 the Bank has one (01) subsidiary as follows:

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

Joint ventures

As at 31 March 2019, the Bank has four (04) joint ventures as follows:

Name	*Established in accordance with 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 Company Limited	041/ERM dated 27 January 2014 by the Department of Enterprise Register and Management of Lao PDR	Banking & Finance	49%

GENERAL INFORMATION (continued)

BOARD OF DIRECTORS

Members of the Board of Directors during the three-month period ended 31 March 2019 and at the date of this report are as follows:

Name	*Title*	*Date of appointment/resignation*
Dr. Bounleua Sinxayvoravong	Chairman	Reappointed on 27 April 2018
Mr. Khamsouk Sundara	Vice Chairman	Reappointed on 27 April 2018
Mr. Phoukhong Chanthachack	Member	Reappointed on 27 April 2018
Mr. Marc Robert	Member	Reappointed on 27 April 2018
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

MANAGEMENT

Members of the Management during the three-month period ended 31 March 2019 and at the date of this report are as follows:

Name	*Title*	*Date of appointment /resignation*
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	1 November 2016
Mr. Viengsouk Chounthavong	Deputy Managing Director	18 February 2019

LEGAL REPRESENTATIVE

The legal representative of the Bank during the period and as at the date of this report is Mr. Phoukhong Chanthachack – General Managing Director.

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE INCOME STATEMENT (Unaudited)
for the three-month period ended 31 March 2019

	Notes	*For the three-month period ended 31 March 2019 LAKm*	*For the three-month period ended 31 March 2018 LAKm*
Interest and similar income	7	506.059	460.610
Interest and similar expense	7	(284.993)	(234.168)
Net interest and similar income	**7**	**221.066**	**226.442**
Fee and commission income	8	59.271	61.508
Fee and commission expense	8	(7.692)	(6.034)
Net fee and commission income	**8**	**51.579**	**55.474**
Net gain from dealing in foreign currencies	9	8.631	15.754
Gain or Loss on Trading Derivatives	9	(1.204)	-
Other operating income	10	9.785	8.027
Operating income		**289.857**	**305.697**
Credit loss expense of loans to customers	17	(24.167)	(7.964)
Reversal of impairment loss on financial investments	11	1.203	580
NET OPERATING INCOME		**266.893**	**298.313**
Personnel expenses	12	(76.706)	(57.492)
Depreciation and amortization	21, 22	(17.668)	(18.912)
Other operating expenses	13	(38.388)	(29.614)
TOTAL OPERATING EXPENSES		**(132.762)**	**(106.018)**
PROFIT BEFORE TAX		**134.131**	**192.295**
Current profit tax expense	27.1	(24.278)	(52.219)
Deferred profit tax income	27.1	(420)	(2.724)
NET PROFIT FOR THE PERIOD		**109.433**	**137.352**
Earnings per share (LAK)	**34**	**527**	**661**

Prepared by:

Mrs. Phounsengthong Anoulakkham
Chief of Accounting Department

Approved by:

Mr. Khammone Vansana
Deputy Chief of Internal Audit Department

Approved by:

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

Mr. Lachay Khanpravong
Deputy Managing Director

Vientiane. Lao PDR

15 May 2019

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
for the three-month period ended 31 March 2019

	Notes	*For the three-month period ended 31 March 2019* LAKm	*For the three-month period ended 31 March 2018* LAKm
NET PROFIT FOR THE PERIOD		**109.433**	**137.352**
OTHER COMPREHENSIVE INCOME			
Change on fair value of available-for-sale financial assets		-	(2.099)
Profit tax related to components of other comprehensive income		-	2.034
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		-	**(65)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**109.433**	**137.287**

Prepared by:

Approved by:

Approved by

Mrs. Phounsengthong Anoulakkham Chief of Accounting Department	Mr. Khammone Vansana Deputy Chief of Internal Audit Department	Mr. Lachay Khanpravong Deputy Managing Director

Vientiane, Lao PDR

15 May 2019

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION (Unaudited)
as at 31 March 2019

	Notes	31 March 2019 LAKm	31 December 2018 LAKm
ASSETS			
Cash and balances with Bank of the Lao PDR	14	6.440.400	5.334.240
Due from banks	15	5.041.273	3.733.419
Loans to customers	16	25.394.429	24.366.860
Financial investments - Available-for-sale	18	150.716	151.483
Financial investments - Held-to-maturity	19	3.616.251	3.652.772
Investments in subsidiary and joint ventures	20	514.007	514.007
Property and equipment	21	450.490	449.238
Intangible assets	22	246.313	246.596
Deferred tax assets	27.4	3.658	29.099
Other assets	23	587.026	464.931
TOTAL ASSETS		**42.444.563**	**38.942.645**
LIABILITIES			
Due to banks and other financial institutions	24	4.793.861	3.413.129
Due to customers	25	31.314.109	29.915.142
Borrowings from other banks	26	4.061.716	3.349.266
Current tax liabilities	27.2	33.571	35.793
Deferred tax liabilities	27.4	5.570	5.272
Other liabilities	28	213.793	239.533
TOTAL LIABILITIES		**40.422.620**	**36.958.135**
EQUITY			
Charter capital	29	1.038.617	1.038.617
Statutory reserves and other reserves	30	439.550	439.550
Retained earnings		543.776	506.343
TOTAL EQUITY		**2.021.943**	**1.984.510**
TOTAL LIABILITIES AND EQUITY		**42.444.563**	**38.942.645**

Prepared by:

Approved by:

Approved by:

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

Mrs. Phounsengthong Anoulakkham Chief of Accounting Department	Mr. Khammone Vansana Deputy Chief of Internal Audit Department	Mr. Lachay Khanpravong Deputy Managing Director

Vientiane, Lao PDR

15 May 2019

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY (Unaudited)
for the three-month period ended 31 March 2019

	Charter capital LAKm	*Statutory reserves LAKm*	*Retained earnings LAKm*	*Total LAKm*
Balances as at 31 December 2018	**1.038.617**	**439.550**	**506.343**	**1.984.510**
Advance dividend payment to MOF for 2018	-	-	(72.000)	(72.000)
Net profit for the period	-	-	109.433	109.433
Balances as at 31 March 2019	**1.038.617**	**439.550**	**543.776**	**2.021.943**

Prepared by:

Mrs. Phounsengthong Anoulakkham
Chief of Accounting Department

Approved by:

Mr. Khammone Vansana
Deputy Chief of Internal Audit Department

Approved by:

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

Mr. Lachay Khanpravong
Deputy Managing Director

Vientiane, Lao PDR

15 May 2019

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF CASH FLOWS (Unaudited)
for the three-month period ended 31 March 2019

	Notes	*For the three-month period ended 31 March 2019 LAKm*	*For the three-month period ended 31 March 2018 LAKm*
OPERATING ACTIVITIES			
Profit before tax		**134.131**	**192.295**
Adjustments for:			
Depreciation and amortization charges	21, 22	17.668	18.912
Expense for impairment losses	17	24.167	7.964
Expense for impairment losses for financial investments	11	1.203	580
Defined post-employment benefit expense	12	3.609	2.411
Interest income	7	(506.059)	(460.610)
Interest expense	7	284.993	234.168
Dividend income	10	(6.136)	(5.404)
Cash flows from operating profit before changing in operating assets and liabilities		**(46.424)**	**(9.685)**
Changes in operating assets			
Net change in balances with other banks		(12.819)	(201.572)
Net change in loans to customers		(1.051.735)	693.418
Financial investment - Held-to-maturity		36.521	(1.167.409)
Financial investment - Available-for-sale		767	12.268
Net change in other assets		(96.654)	(107.424)
Changes in operating liabilities			
Net change in due to other banks		2.093.182	174.760
Net change in due to customers		1.398.967	166.814
Net change in other liabilities		(25.742)	26.590
Interest received		539.436	210.255
Interest paid		(255.149)	(137.912)
Tax paid during the period	27.3	(26.994)	(7.247)
Net cash flows from operating activities		**2.553.356**	**(347.144)**
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(18.183)	(13.964)
Proceeds from disposals of fixed assets		87	185
Dividends received		6.136	5.404
Net cash flows used in investing activities		**(11.960)**	**(8.374)**
FINANCING ACTIVITIES			
Payment of dividends		(72.000)	-
Net cash flows (used in)/from financing activities		**(72.000)**	**-**
Net change in cash and cash equivalents		**2.469.396**	**(355.519)**
Cash and cash equivalents at the beginning of the period		**7.201.769**	**7.315.158**
Cash and cash equivalents at the end of the period	31	**9.671.165**	**6.959.639**

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF CASH FLOWS (Unaudited)
for the three-month period ended 31 March 2019

Prepared by:	Approved by:	Approved by:
Mrs. Phounsengthong Anoulakkham Chief of Accounting Department	Mr. Khammone Vansana Deputy Chief of Internal Audit Department	Mr. Lachay Khanpravong Deputy Managing Director

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

Vientiane, Lao PDR

15 May 2019

1. CORPORATE INFORMATION

Banque Pour Le Commerce Exterieur Lao Public (herein referred to as "the Bank") is a joint-stock bank incorporated and registered in the Lao People's Democratic Republic ("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 13.657.759 shares) to its strategic partner named Compagnie Financière de la BRED ("COFIBRED") in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and COFIBRED. COFIBRED is a subsidiary of BRED, the biggest regional banking society in the Banque Populare Group - a French group of cooperative banks. The total purchased price of LAK 150.235.349.000 has been paid fully by COFIBRED.

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

According to notification from Lao Securities Exchange Commission, the shareholding structure of the Bank as at 31 March 2019 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 Bank's charter capital as at 31 March 2019 is LAKm 1.038.617 (31 December 2018: LAKm 1.038.617).

1. CORPORATE INFORMATION (continued)

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 31 March 2019, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, twenty (20) main branches, ninety-three (93) services units, and fifteen (15) exchange units all over Lao PDR.

Subsidiary

As at 31 March 2019, the Bank has one (01) subsidiary as follows:

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

Joint ventures

As at 31 March 2019, the Bank has four (04) joint ventures as follows:

Name	*Established in accordance with 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 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 three-month period ended 31 March 2019 and at the date of this report are as follows:

Name	*Title*	*Date of appointment*
Dr. Bounleua Sinxayvoravong	Chairman	Reappointed on 27 April 2018
Mr. Khamsouk Sundara	Vice Chairman	Reappointed on 27 April 2018
Mr. Phoukhong Chanthachack	Member	Reappointed on 27 April 2018
Mr. Marc Robert	Member	Reappointed on 27 April 2018
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

Management

Members of the Management during the three-month period ended 31 March 2019 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	1 November 2016
Mr. Viengsouk Chounthavong	Deputy Managing Director	18 February 2019

Employees

Total number of employees of the Bank as at 31 March 2019 is 1.949 persons (as at 31 December 2018: 1.900 persons).

2. BASIS OF PREPARATION

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

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

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

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

3. PURPOSE AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS

3.1 Purpose of preparing the separate financial statements

The Bank has prepared and issued the separate financial statements to meet statutory reporting requirements. In addition, the Bank is also in the process of preparation of the consolidated financial statements for three-month period ended 31 March 2019.

Users of the accompanying separate financial statements should read them together with the said consolidated financial statements of the Bank and its subsidiary for the three-month period ended 31 March 2019 in order to obtain full information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Bank and its subsidiary.

3.2 Presentation of separate financial statements

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

4. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

4.1 New and amended standards and interpretations

In these separate financial statements, the Bank has applied, for the first time, the new accounting standards and interpretations as described below. The Bank has not adopted early any other standard, interpretations or amendments that has been issued but is not yet effective.

4.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. The Bank's revenue streams that are within the scope of IFRS 15 relate to fee and commission income. The Bank has not restated the comparative figures as the impact of retrospective adoption is immaterial.

4. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

4.3 Presentation of net interest income

With effect from 1 January 2018, paragraph 82(a) of IAS 1 requires interest income/expense calculated using the effective interest rate (EIR) method to be presented separately from interest income/expense calculated using other methods. The Bank does not have other interest income/expense other than those calculated using the EIR method. Therefore, the Bank does not include an additional line of "Other interest income/expense" on the face of the interest income. The change in presentation does not impact on the 2018 comparatives.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Foreign currency translation

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK on 31 March 2019 and 31 December 2018 as presented in Note 39). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance date are recognized in the separate income statement.

5.2 Financial instruments - initial recognition and subsequent measurement

5.2.1 Date of recognition

All financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes "regular way trades" - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' account. The Bank recognises due to customer balances when funds reach the Bank.

5.2.2 Initial measurement of financial instruments

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

5.2.3 The effective interest rate method

The effective interest rate (EIR) is the rate 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:

- Note 5.2.6 for 'Held-to-maturity financial investments';
- Note 5.2.7 for 'Due from banks and loans and advances to customers';
- Note 5.2.8 for 'Due to other banks and customers and other borrowed funds';
- Note 5.4 for 'Impairment of financial assets'; and
- Note 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 trading income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

5.2.5 Available for sale financial investments

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

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

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

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

5.2.6 Held-to-maturity financial investments

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

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

5. 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 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 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. At 31 March 2019, 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 separate income statement.

5.3.2 Financial liabilities

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

5.4 Impairment of financial assets

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 Impairment of financial assets (continued)

5.4.1 Financial assets carried at amortized cost

Specific impairment losses

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

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 Impairment of financial assets (continued)

5.4.1 Financial assets carried at amortized cost (continued)

Collective impairment model

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

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

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

5.4.2 Impairment of available for sale investments

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

5.4.3 Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank’s annually reporting schedule.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties (if available) such as mortgage brokers, housing price indices, audited 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.5 Offsetting financial instruments

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

5.6 Investment in subsidiaries

Investments in subsidiaries over which the Bank has control are accounted for under the cost method of accounting. Distributions from accumulated net profits of the subsidiaries arising subsequent to the date of acquisition are recognized in the separate income statement. Distributions from sources other than from such profits are considered a recovery of investment and are deducted from the cost of the investment. The allowance for impairment is made for investment in subsidiary when the subsidiary is making loss (except for the loss which is identified in the business plan before establishment). Accordingly, the allowance is made for difference between actual investment in the subsidiary and the Bank's proportionate share in the subsidiary's net equity.

5.7 Investment in joint ventures

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

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

5.8 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.8.2 Fees and commission income

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not typically include multiple performance obligations, as explained further in 5.8.2.1 and 5.8.2.2 below. When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time (unless otherwise specified in 5.8.2.1 and 5.8.2.2 below). The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

5.8.2.1 Fee and commission income from services where performance obligations are satisfied over time

Performance obligations satisfied over time include services where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs.

5.8.2.2 Fee and commission income from providing services where performance obligations are satisfied at a point in time

Services provided where the Bank's performance obligations are satisfied at a point in time are recognized once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, or the purchase or sale of businesses, brokerage and underwriting fees.

The Bank typically has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

5.8.3 Dividend income

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

5.8.4 Net trading income

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.9 Cash and cash equivalents

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

5.10 Property and equipment

Property and equipment is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The following are annual rates used:

Buildings & improvements	5%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in ‘Other operating income' in the separate income statement in the period the asset is derecognized.

5.11 Intangible assets

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

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

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

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

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

- Software 2 - 5 years

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.12 Impairment of non-financial assets

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

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

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

5.13 Financial guarantees

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

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

5.14 Employee benefits

Post-employment benefits

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.14 Employee benefits (continued)

Post-employment benefits (continued)

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

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

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

The Bank recognises the following changes in the net defined benefit obligation under 'Personnel expenses' in the separate 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

Termination benefits

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

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 31 March 2019, no employee of the Bank was dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the separate financial statements.

5.15 Provisions

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.16 Profit tax

Current tax

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

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

Deferred tax

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

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

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

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

5.17 Fiduciary assets

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

5.18 Equity reserves

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

- Statutory reserves which are created in accordance with prevailing regulations of Lao PDR, as stated in Note 30.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the separate financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

6.1 Going concern

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

6.2 Effective Interest Rate method

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

6.3 Impairment losses on loans and advances

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

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

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

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

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

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. NET INTEREST AND SIMILAR INCOME

	For the three-month period ended 31 March 2019 LAKm	*For the three-month period ended 31 March 2018 LAKm*
Interest income calculated using the effective interest method from:		
Interest income from lending to customers	466.813	417.182
Interest income from deposits at other banks	15.380	10.011
Interest income from investment securities	22.132	27.191
Other interest and similar income	1.734	6.226
	506.059	**460.610**
Interest expense calculated using the effective interest method for:		
Due to banks	71.955	33.222
Customer deposits	213.038	200.946
	284.993	**234.168**
Net interest and similar income	**221.066**	**226.442**

8. NET FEES AND COMMISSION INCOME

	For the three-month period ended 31 March 2019 LAKm	*For the three-month period ended 31 March 2018 LAKm*
Fees and commission income from:		
Settlement services	44.154	39.387
Treasury activities	10.633	19.852
Other activities	4.484	2.269
	59.271	**61.508**
Fees and commission expense for:		
Settlement services	(6.449)	(5.595)
Treasury activities	(1.243)	(439)
	(7.692)	**(6.034)**
Net fees and commission income	**51.579**	**55.474**

9. NET TRADING INCOME

	For the three-month period ended 31 March 2019 LAKm	*For the three-month period ended 31 March 2018 LAKm*
Gain from foreign currencies trading and revaluation of monetary items	1.264.070	1.230.504
Loss from foreign currencies trading and revaluation of monetary items	(1.255.439)	(1.214.750)
	8.631	**15.754**
Gain/Loss on Trading Derivatives	(1.204)	-
	7.427	**15.754**

10. OTHER OPERATING INCOME

	For the three-month period ended 31 March 2019 LAKm	*For the three-month period ended 31 March 2018 LAKm*
Dividend income	6.136	5.404
Recovery of bad debts written-off	3.104	1.766
Others	545	857
	9.785	**8.027**

11. IMPAIRMENT LOSSES OF FINANCIAL INVESTMENTS

	For the three-month period ended 31 March 2019 LAKm	*For the three-month period ended 31 March 2018 LAKm*
Reversal of impairment loss for Held-to-maturity investments (*Note 19*)	1.203	580
	1.203	**580**

12. PERSONNEL EXPENSES

	For the three-month period ended 31 March 2019 LAKm	*For the three-month period ended 31 March 2018 LAKm*
Salaries	34.893	31.776
Bonus and other allowances	36.105	21.191
Post-employment benefits (*Note 28*)	3.609	2.828
Other staff costs	2.099	1.697
	76.706	**57.492**

13. OTHER OPERATING EXPENSES

	For the three-month period ended 31 March 2019 LAKm	*For the three-month period ended 31 March 2018 LAKm*
Repair and maintenance	5.316	4.110
Publication, marketing and promotion	2.961	1.616
Office rental	2.123	1.616
Telecommunication	1.966	1.668
Training, meeting and seminar	3.657	2.898
Insurance fee for depositor protection fund	7.136	6.628
Tax and other duties	99	80
Insurance expense	2.253	858
Utility	1.977	1.690
Fuel expense	524	507
Stationaries and office materials	3.049	3.980
Consulting and financial service fees	2.982	645
Others	4.345	3.318
	38.388	**29.614**

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

	31 March 2019 *LAKm*	*31 December 2018* *LAKm*
Cash on hand in LAK	1.211.472	961.723
Cash on hand in foreign currencies ("FC")	924.627	681.517
Balances with the BOL:		
- Compulsory deposit (*)	1.292.929	1.294.828
- Demand deposit	3.011.372	2.396.172
	6.440.400	**5.334.240**

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

(*) Under regulations of the BOL, the Bank is required to maintain certain reserves with the BOL in the form of compulsory deposits, which are computed at 5,00% for LAK and 10,00% for foreign currencies, on a bi-weekly basis, (2018: 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.

15. DUE FROM BANKS

	31 March 2019 *LAKm*	*31 December 2018* *LAKm*
Current and saving accounts	**3.943.668**	**2.698.317**
- In LAK	6.486	1.229
- In foreign currencies	3.937.182	2.697.088
Term deposits	**1.097.605**	**1.035.102**
- In LAK	153.566	291.068
- In foreign currencies	944.039	744.034
	5.041.273	**3.733.419**

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

	31 March 2019 *% per annum*	*31 December* 2018 *% per annum*
Demand deposits	0,00% - 0,80%	0,00% - 0,80%
Saving deposits	0,00% - 0,80%	0,00% - 0,80%
Term deposits	0,85% - 4,95%	0,85% - 4,00%

16. LOANS TO CUSTOMERS

	31 March 2019 *LAKm*	*31 December 2018* *LAKm*
Gross loans	25.899.407	24.845.276
In which:		
Loans funded by borrowing from the BOL (Note 26)	*2.074.470*	*2.063.243*
Less: Allowance for impairment losses *(Note 17)*	(504.978)	(478.416)
	25.394.429	**24.366.860**

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

	31 March 2019 *Interest rates % per annum*	*31 December 2018* *Interest rates % per annum*
Loans denominated in LAK	6,00% - 16,00%	6,00% - 16,00%
Loans denominated in USD	4,00% - 16,00%	4,00% - 16,00%
Loans denominated in THB	6,00% - 10,00%	6,00% - 11,50%

Analysis of loan portfolio by currency:

	31 March 2019 *LAKm*	*31 December 2018* *LAKm*
Loans denominated in LAK	11.413.985	10.988.474
Loans denominated in USD	11.343.689	10.842.780
Loans denominated in THB	3.141.733	3.014.022
	25.899.407	**24.845.276**

Analysis of loan portfolio by original maturity:

	31 March 2019 *LAKm*	*31 December 2018* *LAKm*
Short-term loans	1.834.691	1.825.034
Medium-term loans	14.798.942	14.431.801
Long-term loans	9.265.774	8.588.441
	25.899.407	**24.845.276**

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

	31 March 2019		*31 December 2018*	
	LAKm	*%*	*LAKm*	*%*
Industrial services companies	13.271.641	51,24%	12.931.637	52,05%
Construction companies	3.692.234	14,26%	3.374.610	13,58%
Technical instruments enterprises	88.588	0,34%	85.352	0,34%
Agricultural & forestry	74.248	0,29%	74.248	0,30%
Trading companies	4.261.742	16,45%	4.336.508	17,45%
Transportation companies	688.434	2,66%	688.078	2,77%
Services companies	3.358.644	12,97%	2.875.026	11,57%
Handicrafts	3.446	0,01%	3.456	0,01%
Others	460.430	1,78%	476.361	1,92%
	25.899.407	**100%**	**24.845.276**	**100%**

17. ALLOWANCE FOR IMPAIRMENT LOSSES OF LOANS TO CUSTOMERS

Changes in allowance for impairment losses of loans to customers during the three-month period ended 31 March 2019 are as follows:

	For the three-month period ended 31 March 2019 LAKm	*31 December 2018 LAKm*
Balance as at 1 January	**478.416**	**481.013**
Net change during the period	24.167	221.957
Bad debts written off	-	(232.259)
Foreign exchange differences	2.395	7.705
Balance as at 31 March	**504.978**	**478.416**

Breakdown of allowance for impairment losses of loans to customers as at 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019		*31 December 2018*	
	Outstanding balance LAKm	*Impairment LAKm*	*Outstanding balance LAKm*	*Impairment LAKm*
Individually impaired	2.115.847	215.087	1.859.522	291.960
Collectively impaired	23.298.341	289.891	22.478.847	186.456
	25.414.188	**504.978**	**24.338.369**	**478.416**

18. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	31 March 2019 LAKm	*31 December 2018 LAKm*
Listed shares of EDL-Generation Public Company (*)	150.716	151.483
	150.716	**151.483**

(*) As at 31 March 2019, the shares have been impaired by an amount of LAKm 30.488 below its cost of 181.204.

19. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

	31 March 2019 *LAKm*	*31 December 2018* *LAKm*
Amortized cost of Treasury bills issued by the Ministry of Finance	1.989.572	1.916.549
Amortized cost of Bonds issued by the Ministry of Finance	1.626.679	1.737.433
	3.616.251	**3.653.982**
Impairment losses for investments in Held-to-maturity securities	**-**	**(1.210)**
- *Impairment losses for Bonds issued by the Ministry of Finance*	-	*(1.210)*
	3.616.251	**3.652.772**

Changes in allowance for impairment losses of held-to-maturity financial investments during the three-month period ended 31 March 2019 are as follows:

	31 March 2019 *LAKm*	*31 December 2018* *LAKm*
Balance as at 1 January	**(1.210)**	**(3.685)**
Net impairment losses reversed in the period	1.210	2.475
Balance as at 31 March	-	**(1.210)**

19.1 Treasury bills issued by the Ministry of Finance

Cur: LAKm

Term	*Issue date*	*Maturity date*	*Face value*	*Amortized cost*	*Interest rate per annum (nominal)*
1 year	06-Apr-18	06-Apr-19	350.000	367.205	5,00%
1 year	13-Apr-18	13-Apr-19	100.000	104.818	5,00%
1 year	27-Apr-18	27-Apr-19	20.000	20.924	5,00%
1 year	18-May-18	18-May-19	10.000	10.433	5,00%
1 year	25-May-18	25-May-19	58.000	60.454	5,00%
1 year	15-Jun-18	15-Jun-19	300.000	311.816	5,00%
1 year	16-Nov-18	16-Nov-19	300.000	305.463	5,00%
1 year	21-Dec-18	21-Dec-19	210.000	212.826	5,00%
1 year	22-Feb-19	22-Feb-20	300.000	301.487	5,00%
1 year	07-Mar-19	07-Mar-20	73.000	73.234	5,00%
1 year	22-Mar-19	22-Mar-20	68.600	68.682	5,00%
1 year	17-Dec-18	16-Dec-19	150.000	152.230	5,30%
			1.939.600	**1.989.572**	

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

19.2 Bonds issued by the Ministry of Finance

	31 March 2019 LAKm	*31 December 2018 LAKm*
Capitalization bonds	-	70.600
Other bonds	1.626.679	1.666.833
	1.626.679	**1.737.433**

19.2.1 Other bonds

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

	Face value LAKm	*Amortized cost LAKm*
Within 1 year	221.537	214.803
1 to 5 years	643.929	649.892
Over 5 years	755.634	761.984
	1.621.100	**1.626.679**

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

	31 March 2019 % per annum	*31 December 2018 % per annum*
Within 1 year	3,00 - 5,30%	3,00 - 5,30%
1 to 5 years	3,00 - 6,95%	3,00 - 6,95%
Over 5 years	4,00 - 4,80%	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.

20. INVESTMENTS IN SUBSIDIARY AND JOINT VENTURES

	31 March 2019		*31 December* 2018	
	Cost LAKm	*Ownership %*	*Cost LAKm*	*Ownership %*
Investments in subsidiary				
BCEL - Krung Thai Securities Company Limited	70.000	70%	70.000	70%
Investments in joint ventures				
Lao Viet Joint Venture Bank	197.839	25%	197.839	25%
Lao-Viet Insurance Joint Venture Company	9.168	35%	9.168	35%
Lao China Bank Company Limited	147.000	49%	147.000	49%
Banque Franco - Lao Company Limited	90.000	30%	90.000	30%
	514.007		**514.007**	

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

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

- Lao-Viet Insurance Joint Venture Company ("LVI") is incorporated as a joint venture company in the Lao PDR providing insurance services under the Investment License No. 077/08/FIMC issued by the Foreign Investment Management Committee on 09 June 2008. It is a joint venture with BIDV Insurance Joint Stock Corporation and Lao Viet Joint Venture Bank. As at 31 March 2019, 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 31 March 2019.

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

21. PROPERTY AND EQUIPMENT

	Buildings & improvements LAKm	*Office equipment LAKm*	*Furniture & fixtures LAKm*	*Motor vehicles LAKm*	*Total LAKm*
Cost:					
As at 1 January 2019	474.933	151.886	39.575	19.756	686.150
Additions	10.142	7.269	772	-	18.183
Write-offs	(2.442)	(7.278)	(1.565)	(39)	(11.323)
As at 31 March 2019	482.633	151.877	38.781	19.718	693.010
Accumulated depreciation:					
As at 1 January 2019	134.055	67.446	25.426	9.985	236.912
Charge for the period	6.633	7.777	1.446	987	16.844
Write-offs	(2.442)	(7.275)	(1.482)	(38)	(11.236)
As at 31 March 2019	138.246	67.948	25.391	10.935	242.520
Net book value:					
As at 1 January 2019	340.878	84.440	14.149	9.771	449.238
As at 31 March 2019	344.387	83.929	13.391	8.783	450.490

22. INTANGIBLE ASSETS

	Land use rights LAKm	*Software LAKm*	*Total LAKm*
Cost:			
As at 1 January 2019	240.619	16.505	257.124
Additions	541	-	541
Write-offs	-	(41)	(41)
As at 31 March 2019	241.160	16.464	257.624
Accumulated amortization:			
As at 1 January 2019	-	10.528	10.528
Charge for the period	-	824	824
Write-offs	-	(41)	(41)
As at 31 March 2019	-	11.311	11.311
Net book value:			
As at 1 January 2019	240.619	5.977	246.596
As at 31 March 2019	241.160	5.153	246.313

23. OTHER ASSETS

	31 March 2019 LAKm	*31 December 2018 LAKm*
Assets available for sale	263.703	255.438
Stationeries and other tools	2.685	8.558
Checks in collection	78.185	6.671
Construction in progress and fixed assets in transit (*)	56.021	65.079
Prepaid expenses to be allocated	80.484	61.557
Advance payment for other operations	32.164	27.233
Advance payment to suppliers	13.625	34.565
Others	60.159	5.830
	587.026	**464.931**

(*): Movement of construction in progress and fixed assets in transit for the three-month period ended 31 March 2019 is as follows:

	Land use rights LAKm	*Buildings & improvements LAKm*	*Others LAKm*	*Total LAKm*
As at 1 January 2019	541	38.630	25.908	65.079
Additions	-	-	1.631	1.631
Transferred to fixed assets	(541)	(4.334)	-	(4.875)
Transferred to other assets	-	(4.395)	-	(4.395)
Write off	-	-	(1.419)	(1.419)
As at 31 March 2019	**-**	**29.901**	**26.120**	**56.021**

24. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 March 2019 LAKm	*31 December 2018 LAKm*
Demand deposits	**4.054.063**	**2.517.029**
- In LAK	1.455.955	800.136
- In foreign currencies	2.598.108	1.716.893
Saving deposits	**188.198**	**119.495**
- In LAK	23.134	21.954
- In foreign currencies	165.064	97.541
Term deposits	**531.902**	**754.543**
- In LAK	198.370	195.581
- In foreign currencies	333.532	558.962
Others	**19.698**	**22.062**
- In LAK	13.385	9.009
- In foreign currencies	6.313	13.053
	4.793.861	**3.413.129**

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

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

	31 March 2019 *% per annum*	31 December 2018 *% per annum*
Demand deposits	No interest	No interest
Saving deposits	No interest	No interest
Term deposits	0,00% - 5,52%	0,00% - 5,52%

25. DUE TO CUSTOMERS

	31 March 2019 *LAKm*	*31 December 2018* *LAKm*
Demand deposits	**5.121.203**	**5.447.954**
Demand deposits in LAK	1.985.648	2.141.221
Demand deposits in FC	3.135.555	3.306.733
Demand savings	**14.227.568**	**13.092.788**
Demand saving deposits in LAK	6.456.636	5.788.652
Demand saving deposits in FC	7.770.932	7.304.136
Term deposits	**11.752.901**	**11.159.134**
Term deposits in LAK	6.884.301	6.671.234
Term deposits in FC	4.868.600	4.487.900
Margin deposits	**86.286**	**103.279**
Margin deposits in LAK	20.870	33.629
Margin deposits in FC	65.416	69.650
Others	**126.151**	**111.987**
	31.314.109	**29.915.142**

The interest rates during the period for these deposits are as follows:

	31 March 2019 *% per annum*	31 December2018 *% per annum*
Demand deposits	No interest	No interest
Saving deposits in LAK	1,25% - 1,89%	1,25% - 1,89%
Saving deposits in USD	0,90% - 1,15%	0,90% - 1,15%
Saving deposits in THB	0,45% - 0,90%	0,45% - 0,90%
Term deposits in LAK	3,16% - 6,90%	3,16% - 6,90%
Term deposits in USD	1,65% - 6,65%	1,65% - 6,65%
Term deposits in THB	1,40% - 6,40%	1,40% - 6,40%

26. BORROWINGS FROM OTHER BANKS

	31 March 2019 LAKm	*31 December 2018 LAKm*
Borrowings from the BOL	2.074.470	2.063.243
Borrowings from other banks	1.987.246	1.286.023
	4.061.716	**3.349.266**

Borrowings from the BOL as at 31 March 2019 include:

- USD 3.285.713 long-term borrowing (original borrowing amount was USD 9.200.000 with interest rate of 0,25% per annum) for the purpose of investment in Banque Franco – Lao Limited. The loan's principal is paid annually from 2010 to 2023. Interest is paid semi-annually.
- USD 99.854.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,50% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 1 January 2016 to 27 August 2025. Interest is paid semi-annually.
- USD 99.900.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,30% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 3 May 2016 to 3 May 2026. Interest is paid semi-annually.
- LAKm 300.000 one-year borrowing with interest rate of 10% per annum for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal and interest are paid at maturity date on 21 December 2019.

Borrowing from foreign banks and other financial institutions as at 31 March 2019 includes:

- USD 148.300.000 4-years borrowing with interest rate of 4% + 3M LIBOR for the purpose of providing credit to certain domestic projects. The loan's principal is paid annually and interest is paid quarterly.
- USD 20.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 5,50% per annum. The loan's principal and interest are paid at maturity date.
- USD 20.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 5,50% per annum. The loan's principal and interest are paid at maturity date.
- USD 20.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 5,50% per annum. The loan's principal and interest are paid at maturity date.
- USD 20.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 5,50% per annum. The loan's principal and interest are paid at maturity date.

27. TAXATION

27.1 Profit tax expense

Major components of tax expense are as follows:

	For the three-month period ended 31 March 2019 LAKm	*For the three-month period ended 31 March 2018 LAKm*
Current profit tax expense	24.278	52.219
Deferred profit tax expense	420	2.724
Total tax expense for the period	**24.698**	**54.943**

27. TAXATION (continued)

27.2 Tax payables

	For the three-month period ended 31 March 2019 LAKm	*31 December 2018 LAKm*
Profit Tax payable	28.548	31.264
Value Added Tax payable	5.023	4.529
	33.571	**35.793**

27.3 Current Profit Tax ("PT")

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

The calculations of Profit tax for the three-month period ended 31 March 2019 and 31 March 2018 are as follows:

	For the three-month period ended 31 March 2019 LAKm	*For the three-month period ended 31 March 2018 LAKm*
Profit before tax in accordance with IFRS	**134.131**	**192.295**
Adjustments for:		
- Difference between carrying value of bonds under LAS and their amortized cost under special purpose framework	15.235	(20.147)
- Difference between allowance for impairment losses of loans to banks and customers under LAS and special purpose framework	(46.991)	43.779
- Difference between allowance for post-employment benefits under LAS and special purpose framework	3.609	2.411
- Difference between impairment loss expense of investments under LAS and special purpose framework	1.217	4.379
Profit before tax in accordance with LAS	**107.200**	**222.717**
Increase/(Decrease):		
- Non taxable income	(6.136)	(5.404)
- Non-deductible expenses	93	39
Taxable profit under LAS	**101.157**	**217.353**
PT expense at rate of 24%	**24.278**	**52.165**
Payable at the beginning of the period	31.264	9.491
Tax paid during the period	(26.994)	(7.247)
Other adjustment	-	53
PT payable at the end of the period	**28.548**	**54.462**

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

27. TAXATION (continued)

27.4 Deferred tax assets/(liabilities)

	Statement of financial position		*Income statement*		*Statement of comprehensive income*	
	31 March 2019 LAKm	*31 December 2018 LAKm*	*31 March 2019 LAKm*	*31 December 2018 LAKm*	*31 March 2019 LAKm*	*31 December 2018 LAKm*
Deferred tax assets	3.658	29.099	(25.441)	11.144	-	-
Deferred tax liabilities	5.570	5.272	298	7.276	-	1.028
Net deferred tax credited/(charged) to the separated income statement			**(25.143)**	**18.420**		
Net deferred tax credited to the separated statement of comprehensive income					**-**	**1.028**

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

	31 March 2019 LAKm	*31 December 2018 LAKm*
Deductible temporary differences	15.241	121.247
In which:		
Difference between carrying value of bonds under LAS and their amortized cost under special purpose framework	*13.891*	*2.331*
Difference in impairment expense of investments under LAS and under special purpose framework	*(2.413)*	*30.931*
Difference in allowance for post-employment benefits under LAS and under special purpose framework	*3.763*	*87.985*
Deferred tax assets (at tax rate 24%)	**3.658**	**29.099**
Taxable temporary differences	23.204	(21.965)
In which:		
Difference in allowance for impairment losses between LAS and IFRS of loans to banks and customers	*23.204*	*(21.965)*
Deferred tax liabilities (at tax rate 24%)	**5.570**	**(5.272)**

28. OTHER LIABILITIES

	31 March 2019 LAKm	*31 December 2018 LAKm*
Payables to employees	53.776	86.612
Payable to suppliers	22.322	21.513
Defined post-employment benefit plan (*)	91.594	87.985
Others	46.101	43.423
	213.793	**239.533**

(*) Defined post-employment benefit plan

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

	31 March 2019 LAKm	*31 December 2018 LAKm*
As at 1 January	87.985	65.149
Current service cost	3.348	18.875
Interest cost	261	5.259
Actuarial changes arising from changes in financial assumption	-	1.411
Benefits paid	-	(2.709)
As at 31 March	**91.594**	**87.985**

Net benefit expense (recognised in profit or loss):

	31 March 2019 LAKm	*31 December 2018 LAKm*
Current service cost	3.348	18.875
Interest cost	261	5.259
	3.609	**24.134**

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

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

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

	31 March 2019 %	*31 December 2018 %*
Discount rate	5,00 - 7,81	5,00 - 8,47
Future salary increases	1,03	1,03
Employee turnover rate	0,00	0,00

28. OTHER LIABILITIES (continued)

A quantitative sensitivity analysis for significant assumptions as at for the three-month period ended 31 March 2019 is, as shown below:

	31 March 2019 LAKm	*31 December 2018 LAKm*
Discount rate		
increase 50 basis points	(6.412)	(7.301)
decrease 50 basis points	7.153	8.340
Future salary increase		
increase 50 basis points	(4.580)	(6.001)
decrease 50 basis points	4.031	5.517

29. CHARTER CAPITAL

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

30. STATUTORY RESERVES AND OTHER RESERVES

There has been no change to statutory reserves during the period.

31. ADDITIONAL CASH FLOW INFORMATION

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

	31 March 2019 LAKm	*31 December 2018 LAKm*
Cash and cash equivalents on hand	2.136.099	1.643.240
Demand deposits with the BOL	3.011.372	2.396.172
Current accounts with other banks	3.943.668	2.698.317
Term deposits due within 90 days	580.026	464.040
	9.671.165	**7.201.769**

32. CONTINGENT LIABILITIES AND COMMITMENTS

	31 March 2019 LAKm	*31 December 2018 LAKm*
Financial letter of guarantees	254.350	255.094
At sight letters of credit	126.305	39.978
Deferred payment letters of credit	138.957	162.423
Credit limit given to customers	2.694.734	3.349.575
Credit limit given to other banks	548	548
	3.214.894	**3.807.618**

Financial guarantees

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

Un-drawn commitments to lend

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Lease commitments

As at 31 March 2019, the Bank did not enter into any lease contracts as either lessor or lessee which results in future cash inflows and/or outflows.

33. RELATED PARTY DISCLOSURES

Transactions with key management personnel of the Bank

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

	31 March 2019 LAKm	*31 December 2018 LAKm*
Salaries	429	365
Bonus	234	264
Responsibility allowance	266	290
Other benefits	48	-
	977	**919**

Significant transactions with other related parties during the three-month period ended 31 March 2019 are as follows:

Related party	*Note*	*Transactions*	*Income LAKm*	*Expense LAKm*
Bank of the Lao PDR ("BOL")	(i)	Interest expense for borrowing from BOL	-	30.602
The Ministry of Finance of Lao PDR ("MOF")	(ii)	Interest income from investment in MOF's bonds	39.437	-

Related party	*Note*	*Transactions*	*Increase LAKm*	*Decrease LAKm*
Bank of the Lao PDR	(i)	Net change in borrowings from the BOL	11.227	-
		Net change in deposits at BOL	613.301	-
		Net change in deposits from BOL	188	-
The Ministry of Finance of Lao PDR	(ii)	Net change in investment in MOF's bonds	(36.520)	-
BCEL - Krung Thai Securities Company Limited ("BCEL – KT")	(iii)	Net change in deposits at BCEL - KT	-	1.332
Lao Viet Joint Venture Bank ("LVB")	(iv)	Net change in deposits at LVB	286.427	-
		Net change in deposits from LVB	499.853	-
Lao China Bank Co., Ltd ("LCNB")	(iv)	Net change in deposits at LCNB	2.035	-

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

33. RELATED PARTY DISCLOSURES (continued)

Significant balances with related parties as at 31 March 2019 are as follows:

Related party	*Note*	*Transactions*	*Receivable LAKm*	*Payable LAKm*
Bank of the Lao PDR	(i)	Borrowings from the BOL	-	2.074.470
		Demand deposits	3.011.372	6.534
		Compulsory deposits	1.292.929	-
The Ministry of Finance of the Lao PDR	(ii)	Investment in MOF's bonds	3.560.700	-
		Accrued interest	64.657	-
BCEL - Krung Thai Securities Company Limited	(iii)	Saving accounts	-	350
Lao Viet Joint Venture Bank	(iv)	Current accounts	1.310.494	694.670
Banque Franco – Lao Company Limited	(iv)	Current accounts	1.621	10.065
		Term deposit	10.000	10.333
Lao China Bank Co., Ltd	(iv)	Current accounts	-	7.622

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

34. EARNINGS PER SHARE

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

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

	For the three-month period ended 31 March 2019	*For the three-month period ended 31 March 2018*
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	109.433	137.352
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)	527	661

35. 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.

36. CAPITAL MANAGEMENT

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

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

- Tier 1 capital, which includes charter capital, regulatory reserve fund, business expansion fund and other funds, and retained earnings;
- Tier 2 capital, which is equal to 45% of revaluation reserves; and lower option between 1,25% of total risk weighted balance sheet items and outstanding balance of general provision during the 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 special purpose separate financial statements is as follows:

	31 March 2019 *LAKm*	*31 December 2018* *LAKm*
Tier 1 capital	2.021.943	1.984.510
Tier 2 capital	-	-
Total capital	**2.021.943**	**1.984.510**
Less: Deductions from capital (Investments in other entities)	(514.007)	(514.007)
Capital for CAR calculation (A)	**1.507.936**	**1.470.503**
Risk weighted balance sheet items	12.858.774	11.939.639
Risk weighted off balance sheet items	1.568.680	1.880.710
Total risk weighted assets (B)	**14.427.454**	**13.814.394**
Capital Adequacy Ratio (A/B)	**10,24%**	**10,64%**

37. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

38. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 31 March 2019 that requires adjustment or disclosure in the separate financial statements of the Bank.

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

	31/03/2019 *LAK*	*31/12/2018* *LAK*
USD	8.586,00	8.538,00
EUR	9.622,00	9.753,00
THB	273,92	265,48
GBP	11.076,00	10.702,00
JPY	76,45	75,80
AUD	5.991,00	5.966,00
CNY	1.265,00	1.229,00

Prepared by:

Mrs. Phounsengthong Anoulakkham
Chief of Accounting Department

Approved by:

Mr. Khammone Vansana
Deputy Chief of Internal Audit Department

Approved by:

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

Mr. Lachay Khanpravong
Deputy Managing Director

Vientiane, Lao PDR

15 May 2019