Banque Pour Le Commerce Exterieur Lao Public

Interim Separate Financial Statements
in accordance with International Financial Reporting Standards (Unaudited)

30 September 2015

Banque Pour Le Commerce Exterieur Lao Public

CONTENTS

	Pages
General information	1 - 3
Interim separate income statement	4
Interim separate statement of comprehensive income	5
Interim separate statement of financial position	6
Interim separate statement of changes in equity	7
Interim separate statement of cash flows	8
Notes to the interim separate financial statements	9 - 61

Banque Pour Le Commerce Exterieur Lao Public

GENERAL INFORMATION

THE BANK

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

Establishment and Operations

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

On 15 July 2011, the MOF sold 10% of the total ordinary shares (equivalent 13,657,759 shares) to its strategic partner named Compagnie Financière de la BRED ("COFIBRED") in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and COFIBRED. COFIBRED is a subsidiary of BRED, the biggest regional banking society in the Banque Populare Group - a French group of cooperative banks. The total purchased price of LAK 150,235,349,000 has been paid fully by COFIBRED.

According to notification from Lao Securities and Exchange Commission, the shareholding structure of the Bank as at 30 September 2015 is as follows:

Shareholders	*Number of shares*	%
The Government	95,604,321	70%
Local investors (including employees of the Bank)	13,657,760	10%
Strategic partners	13,657,759	10%
Other foreign investors	13,657,760	10%
	136,577,600	**100%**

The principal activities of the Bank are to provide banking services including mobilizing and receiving short-term, medium-term, and long-term deposits from organizations and individuals; making short-term, medium-term, and long-term loans and advances to organizations and individuals based on the nature and capability of the Bank's sources of capital; foreign exchange transactions, international trade financial services, discounting of commercial papers, bonds and other valuable papers, and providing other banking services allowed by the Bank of Lao P.D.R..

Charter Capital

The charter capital as at 30 September 2015 is LAKm 682,888 (31 December 2014: LAKm 682,888).

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao P.D.R. As at 30 September 2015, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, seventy-six (76) services units, and fifteen (15) exchange units all over Lao P.D.R.

GENERAL INFORMATION (continued)

THE BANK (continued)

Subsidiary

As at 30 September 2015, 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 P.D.R	Securities	70%

Joint ventures

As at 30 September 2015, the Bank has four (04) joint ventures as follows:

Name	*Business License No.*	*Business sector*	*% owned by the Bank*
Lao Viet Joint Venture Bank	691/MPI dated 29 September 2015 by the Ministry of Planning and Investment of Lao P.D.R	Banking & Finance	25%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of Lao P.D.R	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	077/08/FIMC dated 09 June 2008 by the Foreign Investment Management Committee of Lao P.D.R	Insurance	35%
Lao China Bank Limited	041/ERM dated 27 January 2014 by the granted by Department of Enterprise Register and Management of Lao P.D.R	Banking & Finance	49%

GENERAL INFORMATION (continued)

BOARD OF DIRECTORS

Members of the Board of Directors during the six-month period ended 30 September 2015 and at the date of this report are as follows:

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

BOARD OF MANAGEMENT

Members of the Board of Management during the six-month period ended 30 September 2015 and at the date of this report are as follows:

Name	*Title*	*Date of appointment*
Mr. Vanhkham Voravong	General Managing Director	Appointed on 13 January 2012 Resigned on 16 February 2015
Mr. Phoukhong Chanthachack	Acting General Managing Director	Appointed on 17 February 2015
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
Ms. Khanthaly Vongxayarath	Deputy Managing Director	Appointed on 30 September 2014
Mr. Lachay Khanpravong	Deputy Managing Director	Appointed on 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointed on 30 September 2014

LEGAL REPRESENTATIVE

The legal representative of the Bank from 1 January 2015 to 16 February 2015 was Mr. Vanhkham Voravong - General Managing Director.

The legal representative of the Bank from 17 February 2015 till the date of this report is Mr. Phoukhong Chanthachack - Acting General Managing Director.

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE INCOME STATEMENT (Unaudited)
for the nine-month period ended 30 September 2015

	Notes	*For the nine-month period ended 30 September 2015 LAKm*	*For the nine-month period ended 30 September 2014 LAKm*
Interest and similar income	3	791,276	762,353
Interest and similar expense	4	(613,068)	(498,533)
Net interest and similar income		**178,208**	**263,820**
Fee and commission income	5	121,800	101,979
Fee and commission expense	5	(12,855)	(19,321)
Net fee and commission income	**5**	**108,945**	**82,658**
Net trading (loss)/gain	6	(257,414)	62,846
Other operating income	7	441,145	21,703
Total operating income		**470,884**	**431,027**
Credit loss expense	14	(219,350)	(90,374)
Reversal of impairment loss for financial investments	8	1,411	29,681
Reversal of impairment loss for other assets		-	6,445
NET OPERATING INCOME		**252,945**	**376,779**
Personnel expenses	9	(139,383)	(134,722)
Depreciation and amortization		(46,858)	(43,241)
Other operating expenses	10	(62,888)	(81,130)
TOTAL OPERATING EXPENSES		**(249,129)**	**(259,093)**
PROFIT BEFORE TAX		**3,816**	**117,686**
Current profit tax	24.3	-	(22,225)
Deferred profit tax	24.4	(1,350)	3,400
NET PROFIT FOR THE PERIOD		**2,466**	**98,861**
Earnings per share (LAK)	**32**	**18**	**724**

Prepared by:

Mrs. Lammaniseng Sayaphet
Head of Accounting Department

Approved by:

Mr. Khammone Vansana
Deputy Head of Internal Audit Department

Approved by:

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

Mr. Nanthalath Keopaseuth
Deputy Managing Director

Vientiane, Lao P.D.R
12 November 2015

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
for the nine-month period ended 30 September 2015

	Notes	*For the nine-month period ended 30 September 2015 LAKm*	*For the nine-month period ended 30 September 2014 LAKm*
NET PROFIT FOR THE PERIOD		**2,466**	**98,861**
OTHER COMPREHENSIVE INCOME			
Changes in fair value of available-for-sale financial assets		(26,503)	25,438
Profit tax related to components of other comprehensive income		24,085	(4,833)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(2,418)**	**20,605**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**48**	**119,464**

Prepared by:	Approved by:	Approved by:
Mrs. Lammaniseng Sayaphet Head of Accounting Department	Mr Khammone Vansana Deputy Head of Internal Audit Department	Mr. Nanthalath Keopaseuth Deputy Managing Director

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

Vientiane, Lao P.D.R

12 November 2015

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION (Unaudited)
as at 30 September 2015

	Notes	*30 September 2015 LAKm*	*31 December 2014 LAKm*
ASSETS			
Cash and balances with the Bank of Lao P.D.R	11	9,240,094	7,268,963
Due from banks	12	2,143,508	3,746,041
Loans and advances to customers	13	10,393,366	9,622,905
Financial investments - Available-for-sale	15	251,733	222,332
Financial investments - Held-to-maturity	16	1,519,156	1,266,732
Investments in subsidiary and joint ventures	17	562,909	562,909
Property and equipment	18	395,775	248,506
Intangible assets	19	253,751	271,419
Deferred tax assets	24.4	6,571	5,999
Other assets	20	270,603	265,035
TOTAL ASSETS		**25,037,466**	**23,480,841**
LIABILITIES			
Due to banks	21	2,450,312	2,929,740
Due to customers	22	20,967,955	19,101,854
Borrowings from the BOL and other banks	23	501,361	121,287
Current tax liabilities	24.2	15,752	19,815
Deferred tax liabilities	24.4	16,897	17,394
Other liabilities	25	59,734	212,420
TOTAL LIABILITIES		**24,012,011**	**22,402,510**
EQUITY			
Charter capital	26	682,888	682,888
Statutory reserves	27	301,558	278,208
Capital supplement reserve	27	12,275	-
Available-for-sale reserve	28	39,785	63,870
Retained earnings		(11,051)	53,365
TOTAL EQUITY		**1,025,455**	**1,078,331**
TOTAL LIABILITIES AND EQUITY		**25,037,466**	**23,480,841**

Prepared by:

Mrs. Lammaniseng Sayaphet
Head of Accounting Department

Approved by:

Mr Khammone Vansana
Deputy Head of Internal Audit Department

Approved by:

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

Mr. Nanthalath Keopaseuth
Deputy Managing Director

Vientiane, Lao P.D.R

12 November 2015

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY (Unaudited)
for the nine-month period ended 30 September 2015

	Charter capital LAKm	*Statutory reserves LAKm*	*Available-for-sale reserve LAKm*	*Retained earnings LAKm*	*Capital supplement reserve LAKm*	*Total LAKm*
Balance as at 31 December 2014	**682,888**	**278,208**	**63,870**	**53,365**	**-**	**1,078,331**
Dividend paid out to shareholders	-	-	-	(31,959)	-	(31,959)
Net profit for the period				2,466	-	2,466
Appropriation to reserve for the year 2014	-	23,350	-	(35,625)	12,275	-
Net movement in available-for-sale reserve	-	-	(24,085)	-	-	(24,085)
Foreign exchange difference	-	-	-	701	-	701
Balances as at 30 September 2015	**682,888**	**301,558**	**39,785**	**(11,051)**	**12,275**	**1,025,455**

Prepared by:

Mrs. Lammaniseng Sayaphet
Head of Accounting Department

Approved by:

Mr Khammone Vansana
Deputy Head of Internal Audit Department

Approved by:

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

Mr. Nanthalath Keopaseuth
Deputy Managing Director

Vientiane, Lao P.D.R

12 November 2015

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF CASH FLOWS (Unaudited)
for the nine-month period ended 30 September 2015

	Notes	*For the nine-month period ended 30 September 2015 LAKm*	*For the nine-month period ended 30 September 2014 LAKm*
OPERATING ACTIVITIES			
Profit before tax		**3,816**	**117,686**
Adjustments for:			
Depreciation and amortization charges		46,822	43,568
Credit loss expense		219,350	95,226
Reversal of impairment of investment securities		(1,411)	(29,530)
Gain on disposal of fixed assets		(358,200)	-
Cash flows from operating profit before changing in operating assets and liabilities		**(89,622)**	**226,951**
Changes in operating assets			
Due from BOL and other banks		(168,452)	(185,609)
Loans and advances to customers		(981,486)	43,898
Financial investment - Available-for-sale		(29,401)	-
Financial investment - Held-to-maturity		(251,014)	-
Other assets		(6,138)	131,876
Changes in operating liabilities		-	-
Due to BOL and other banks		(99,354)	1,501,642
Due to customers		1,866,101	3,419,593
Other liabilities		(175,796)	(99,705)
Profit tax paid during the period	24.3	(6,183)	(17,864)
Net cash flows (used in)/from operating activities		**58,656**	**5,020,780**
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(188,988)	(98,634)
Proceeds from disposals of fixed assets		370,763	755
Receipts from investment in securities		-	(549,798)
Payments for investments in other entities		-	(147,000)
Net cash flows from/(used in) investing activities		**181,775**	**(794,677)**
FINANCING ACTIVITIES			
Transfer from BCEL Leasing Company		-	1,128
Payment of dividend		(31,959)	(86,317)
Net cash flows used in financing activities		**(31,959)**	**(85,189)**
Net (decrease)/increase in cash and cash equivalents		**208,471**	**4,140,915**
Cash and cash equivalents at the beginning of the period		**10,070,876**	**4,343,879**
Foreign exchange difference		**(8,323)**	**306**
Cash and cash equivalents at the end of the period	**29**	**10,271,024**	**8,485,100**

Prepared by:

Mrs. Lammaniseng Sayaphet
Head of Accounting Department

Approved by:

Mr Khammone Vansana
Deputy Head of Internal Audit Department

Approved by:

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

Mr. Nanthalath Keopaseuth
Deputy Managing Director

Vientiane, Lao P.D.R

12 November 2015

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 P.D.R").

Establishment and Operations

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

On 15 July 2011, the MOF sold 10% of the total ordinary shares (equivalent 13,657,759 shares) to its strategic partner named Compagnie Financière de la BRED ("COFIBRED") in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and COFIBRED. COFIBRED is a subsidiary of BRED, the biggest regional banking society in the Banque Populare Group - a French group of cooperative banks. The total purchased price of LAK 150,235,349,000 has been paid fully by COFIBRED.

According to notification from Lao Securities and Exchange Commission, the shareholding structure of the Bank as at 30 September 2015 is as follows:

Shareholders	No. of shares	%
The Government	95,604,321	70%
Local investors (including employees of the Bank)	13,657,760	10%
Strategic partners	13,657,759	10%
Other foreign investors	13,657,760	10%
	136,577,600	**100%**

The principal activities of the Bank are to provide banking services including mobilizing and receiving short-term, medium-term, and long-term deposits from organizations and individuals; making short-term, medium-term, and long-term loans and advances to organizations and individuals based on the nature and capability of the Bank's sources of capital; foreign exchange transactions, international trade financial services, discounting of commercial papers, bonds and other valuable papers, and providing other banking services allowed by the Bank of Lao P.D.R.

Charter Capital

The charter capital as at 30 September 2015 is LAKm 682,888 (31 December 2014: LAKm 682,888).

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao P.D.R. As at 30 September 2015, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, seventy-six (76) services units, and fifteen (15) exchange units all over Lao P.D.R.

1. CORPORATE INFORMATION (continued)

Subsidiary

As at 30 September 2015, the Bank has one (01) subsidiary as follows:

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

Joint ventures

As at 30 September 2015, the Bank has four (04) joint ventures as follows:

Name	*Business License No.*	*Business Sector*	*% owned by the Bank*
Lao Viet Joint Venture Bank	691/MPI dated 29 September 2015 by the Ministry of Planning and Investment of Lao P.D.R	Banking & Finance	25%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of Lao P.D.R	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	077/08/FIMC dated 09 June 2008 by the Foreign Investment Management Committee of Lao P.D.R	Insurance	35%
Lao China Bank Limited	041/ERM dated 27 January 2014 by the granted by Department of Enterprise Register and Management of Lao P.D.R	Banking & Finance	49%

Board of Directors

Members of the Board of Directors during the six-month period ended 30 September 2015 and at the date of this report are as follows:

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

1. CORPORATE INFORMATION (continued)

Board of Management

Members of the Board of Management during the six-month period ended 30 September 2015 and at the date of this report are as follows:

Name	*Position*	*Date of appointment/resignation*
Mr. Vanhkham Voravong	General Managing Director	Appointed on 13 January 2012 Resigned on 16 February 2015
Mr. Phoukhong Chanthachack	Acting General Managing Director	Appointed on 17 February 2015
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
Ms. Khanthaly Vongxayarath	Deputy Managing Director	Appointed on 30 September 2014
Mr. Lachay Khanpravong	Deputy Managing Director	Appointed on 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointed on 30 September 2014

Employees

Total number of employees of the Bank as at 30 September 2015 is 1,501 persons (as at 31 December 2014: 1,470 persons).

2. ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

Purpose of preparing the interim separate financial statements

The Bank has prepared and issued the interim separate financial statements in accordance with IFRS. In addition, the Bank has also prepared and issued its interim consolidated financial statements For the nine-month period ended 30 September 2015 on 12 November 2015.

Users of the accompanying interim separate financial statements should read them together with the interim consolidated financial statements of the Bank and its subsidiary For the nine-month period ended 30 September 2015 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.

2. ACCOUNTING POLICIES

2.2 Fiscal year

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

2.3 Presentation of interim separate financial statements

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

2.4 Significant accounting judgments, estimates and assumptions

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

2.4.1 Estimates and assumptions

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

2.4.1.1 Going concern

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

2. ACCOUNTING POLICIES (continued)

2.4 Significant accounting judgments, estimates and assumptions (continued)

2.4.1 Estimates and assumptions (continued)

2.4.1.2 Impairment losses on loans and advances

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

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

2.4.1.3 Impairment of available for sale investments

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

2.5 Summary of significant accounting policies

2.5.1 Foreign currency translation

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 as at 30 September 2015 and 31 December 2014 as presented in Note 41). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the reporting date are recognized in the interim separate income statement.

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.2 Financial instruments - initial recognition and subsequent measurement

2.5.2.1 Date of recognition

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

2.5.2.2 Initial measurement of financial instruments

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

2.5.2.3 'Day 1' profit or loss

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

2.5.2.4 Available for sale financial investments

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

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

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

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

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued*)*

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

2.5.2.5 Held-to-maturity financial investments

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

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

2.5.2.6 Due from banks and loans and advances to customers

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

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

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

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

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

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

2.5.2.7 Debt issued and other borrowed funds

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

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

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

2.5.2.8 Reclassification of financial assets

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

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

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

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

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

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

2.5.3 Derecognition of financial assets and financial liabilities

2.5.3.1 Financial assets

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

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

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

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

2.5.3.2 Financial liabilities

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

2.5.4 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.4 Determination of fair value (continued)

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded (Day 1 profit or loss) is deferred and recognized only when the inputs become observable or on derecognition of the instrument.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 39.

2.5.5 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.

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

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

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.5 Impairment of financial assets (continued)

Financial assets carried at amortized cost

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to 'Other operating 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 collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

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

2.5 Summary of significant accounting policies (continued)

2.5.5 Impairment of financial assets (continued)

Available for sale financial investments

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

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The Bank treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the interim separate income statement – is removed from equity and recognized in the interim separate income statement. Impairment losses on equity investments are not reversed through the interim separate income statement; increases in the fair value after impairment are recognized in other comprehensive income.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

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

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.6 Investment in subsidiary

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

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

2.5.7 Investment in joint ventures

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

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

2.5.8 Offsetting financial instruments

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

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.9 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:

(i) 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 EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future impairment losses.

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

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

(ii) Fees and commission income

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

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

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

Fee income from providing transaction services

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

(iii) Dividend income

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

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.10 Cash and cash equivalents

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

2.5.11 Property and equipment

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

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

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

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

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.12 Intangible assets

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

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

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

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

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

- Land use rights with indefinite life — No amortization
- Software — 2 - 5 years

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

2.5.13 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.

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.13 Impairment of non-financial assets (continued)

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 periods. Such reversal is recognized in the interim separate income statement.

2.5.14 Provisions for contingent liabilities

Provisions for contingent liabilities are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the interim separate income statement net of any reimbursement.

2.5.15 Profit tax

Current tax

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

Deferred tax

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

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

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.15 Profit tax **(**continued)

Deferred tax (continued)

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the interim separate statement of financial position date.

2.5.16 Fiduciary assets

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

2.5.17 Equity reserves

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

Statutory reserves which are created in accordance with prevailing regulations of Lao P.D.R, as stated in Note 27.

Available-for-sale reserve which comprises changes in fair value of available-for-sale investments, as stated in Note 28.

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.18 Employee benefits

Post-employment benefits

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

Termination benefits

In accordance with Article 29 of the Amended Labour Law issued by the President of the Lao People's Democratic Republic on 16 January 2007, the Bank has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work for the worker who has worked for less than five years. For workers who have worked for more than five years, the basis of calculation shall be 15%. As at 30 September 2015, there is no employees of the Bank who were dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the interim separate financial statements.

2.5.19 Standards issued but not yet effective

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities.

3. INTEREST AND SIMILAR INCOME

	For the nine-month period ended 30 September 2015 LAKm	*For the nine-month period ended 30 September 2014 LAKm*
Interest income from customers	682,878	692,894
Interest income from interbank activities	4,694	10,025
Interest income from investment securities	59,915	13,038
Other interest and similar income	43,789	46,396
	791,276	**762,353**

4. INTEREST AND SIMILAR EXPENSE

	For the nine-month period ended 30 September 2015 LAKm	*For the nine-month period ended 30 September 2014 LAKm*
Interest expense for interbank activities	21,301	17,257
Interest expense for customers deposits	591,767	481,276
	613,068	**498,533**

5. NET FEES AND COMMISSION INCOME

	For the nine-month period ended 30 September 2015 LAKm	*For the nine-month period ended 30 September 2014 LAKm*
Fees and commission income from:		
Settlement services	77,513	67,022
Credit activities	43,367	34,509
Other activities	920	448
	121,800	**101,979**
Fees and commission expense for:		
Settlement services	(11,686)	(7,309)
Other activities	(1,169)	(12,012)
	(12,855)	**(19,321)**
Net fees and commission income	**108,945**	**82,658**

6. NET TRADING (LOSS)/GAIN

	For the nine-month period ended 30 September 2015 LAKm	*For the nine-month period ended 30 September 2014 LAKm*
Gains from dealing in foreign currencies	2,853,720	2,605,748
Loss from dealing in foreign currencies	(2,823,983)	(2,562,877)
Net gain from dealing in foreign currencies	**29,737**	**42,871**
(Loss)/gain from currency margin trading	**(287,151)**	**19,975**
	(257,414)	**62,846**

7. OTHER OPERATING INCOME

	For the nine-month period ended 30 September 2015 LAKm	*For the nine-month period ended 30 September 2014 LAKm*
Dividend income	33,488	17,832
Gain on sale of non-current assets (*)	1	2,174
Recovery of bad debts written off	358,200	398
Subsidies received from Bank for Investment and Development of Vietnam	49,196	229
Others	260	1,070
	441,145	**21,703**

(*): This amount includes LAKm 355,021 gain on the sale of the land use rights of 36 pieces of lands to the Bank of Lao P.D.R *(See Note 31 for details)*.

8. REVERSAL OF IMPAIRMENT LOSS FOR FINANCIAL INVESTMENTS

	For the nine-month period ended 30 September 2015 LAKm	*For the nine-month period ended 30 September 2014 LAKm*
Reversal of impairment loss for investment in held-to-maturity securities	(1,411)	(29,681)
	(1,411)	**(29,681)**

9. PERSONNEL EXPENSES

	For the nine-month period ended 30 September 2015	*For the nine-month period ended 30 September 2014*
	LAKm	*LAKm*
Salary and wages	81,811	78,607
Allowances and other staff benefits	53,545	51,845
Other costs	4,027	4,270
	139,383	**134,722**

10. OTHER OPERATING EXPENSES

	For the nine-month period ended 30 September 2015	*For the nine-month period ended 30 September 2014*
	LAKm	*LAKm*
Fuel and travelling expenses	2,620	2,876
Training and education expenses	1,388	-
Telecommunication expenses	1,470	1,203
Publication, marketing and promotion expenses	7,097	3,915
Repair and maintenance expenses	10,312	10,225
Materials, tools and equipment expenses	4,535	4,156
Electricity and water supply	4,949	4,316
Office rental	5,738	5,729
Insurance fee for depositor protection fund	13,696	1,768
Others	11,083	46,942
	62,888	**81,130**

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

	30 September 2015	*31 December 2014*
	LAKm	*LAKm*
Cash on hand in LAK	1,574,202	983,015
Cash on hand in foreign currencies ("FC")	938,218	1,015,743
Cheques	-	12
Balances with the BOL		
- Compulsory deposit	1,111,957	925,321
- Demand deposit	5,615,717	4,320,190
- Term deposit	-	24,655
- Accrued interest	-	27
	9,240,094	**7,268,963**

Accounts with the BOL include settlement and compulsory and term 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-monthly basis, (2014: 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.

12. DUE FROM BANKS

	30 September 2015 LAKm	*31 December 2014 LAKm*
Current and saving accounts	**1,967,452**	**2,260,164**
- In LAK	12,054	6,148
- In foreign currencies	1,955,398	2,254,016
Term deposits	**175,435**	**1,475,220**
- In LAK	30,000	-
- In foreign currencies	145,435	1,475,220
Loans to other banks	-	**10,100**
- In LAK	-	-
- In foreign currencies	-	10,100
Accrued interest	**621**	**557**
	2,143,508	**3,746,041**

13. LOANS AND ADVANCES TO CUSTOMERS

	30 September 2015 LAKm	*31 December 2014 LAKm*
Gross loans and advances	10,676,288	9,728,396
Accrued interest	96,450	93,822
Less Allowance for impairment loss *(see Note 14)*	(379,372)	(199,313)
	10,393,366	**9,622,905**

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

	For the nine-month period ended 30 September 2015 Interest rates % per annum	*For the year ended 31 December 2014 Interest rates % per annum*
Loans and advances denominated in LAK	8.75% - 18.00%	9.00% - 16.00%
Loans and advances denominated in USD	5.50% - 13.00%	5.50% - 14.00%
Loans and advances denominated in THB	7.75% - 12.00%	7.75% - 12.75%

Analysis of loan portfolio by currency:

	30 September 2015 LAKm	*31 December 2014 LAKm*
Loans and advances denominated in LAK	4,086,928	4,153,691
Loans and advances denominated in USD	5,326,673	4,232,963
Loans and advances denominated in THB	1,262,687	1,341,742
	10,676,288	**9,728,396**

13. LOANS AND ADVANCES TO CUSTOMERS (continued)

Analysis of loan portfolio by original maturity:

	30 September 2015 LAKm	*31 December 2014 LAKm*
Short-term loans	2,293,689	2,706,990
Medium-term loans	6,046,340	5,393,627
Long-term loans	2,336,259	1,627,779
	10,676,288	**9,728,396**

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

	30 September 2015		*31 December 2014*	
	LAKm	*%*	*LAKm*	*%*
Industrial services companies	2,530,897	23.71%	1,545,510	15.89%
Construction companies	3,322,147	31.12%	3,385,094	34.80%
Technical instrument enterprises	42,821	0.40%	53,409	0.55%
Agriculture & forestry	34,982	0.33%	39,021	0.40%
Trading companies	2,691,474	25.21%	2,621,496	26.95%
Transportation companies	701,435	6.57%	713,939	7.34%
Services companies	1,165,879	10.92%	1,178,883	12.12%
Handicrafts	10,438	0.10%	4,541	0.04%
Others	176,215	1.65%	186,503	1.91%
	10,676,288	**100%**	**9,728,396**	**100%**

14. ALLOWANCE FOR IMPAIRMENT LOSSES OF LOANS TO CUSTOMERS

Changes in the allowance for impairment losses of loans to customers during the period ended 30 September 2015 are as follows:

	For the nine-month period ended 30 September 2015 LAKm
Opening balance	**199,313**
Net credit loss expense	219,349
Non-performing loans written-off	(30,967)
Foreign exchange differences	(8,323)
Closing balance	**379,372**

Details of loans classification are as follows:

	30 September 2015		*31 December 2014*	
	Principal LAKm	*Impairment LAKm*	*Principal LAKm*	*Impairment LAKm*
Individually impaired	2,333,528	367,695	2,497,162	195,534
Collectively impaired	8,342,761	11,677	7,241,334	3,779
	10,676,288	**379,372**	**9,738,496**	**199,313**

15. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	30 September 2015 LAKm	*31 December 2014 LAKm*
Equity securities issued by local business entity (*)	233,936	202,776
Securities issued by foreign credit institutions (**)	17,797	19,556
	251,733	**222,332**

(*): These are shares of EDL Generation Public Company which have total face value of LAKm 181,204 (31 December 2014: LAKm 123,679).

(**): These are certificate of funds issued by CIMB Thai Bank Public Company with total face value of LAKm 18,180 (31 December 2014: LAKm 19,801).

16. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

	30 September 2015 LAKm	*31 December 2014 LAKm*
Amortized cost of Treasury bills issued by the Ministry of Finance	974,172	759,871
Amortized cost of Bonds issued by the Ministry of Finance	547,368	510,655
	1,521,540	**1,270,526**
Impairment losses for investments in Held-to-maturity securities	(2,384)	(3,794)
- *Impairment losses for Treasury bills issued by the Ministry of Finance*	(259)	*(856)*
- *Impairment losses for bonds issued by the Ministry of Finance*	(2,125)	*(2,938)*
	1,519,156	**1,266,732**

16.1 Treasury bills

Details of the treasury bills as at 30 September 2015 are as follows:

Term	*Purchase date*	*Maturity date*	*Face value*	*Amortized cost*	*Interest rate per annum (nominal)*
1 year	16-Sep-14	16-Sep-16	50,000	50,081	4.50%
1 year	8-Apr-14	8-Apr-16	100,000	101,583	4.50%
1 year	26-Aug-14	26-Aug-16	100,000	100,416	4.50%
1 year	30-Dec-14	30-Dec-15	200,000	206,719	4.50%
1 year	27-Mar-15	27-Mar-16	300,000	300,146	4.50%
1 year	10-Mar-15	10-Mar-16	73,000	74,660	4.50%
1 year	31-Mar-15	31-Mar-16	50,000	51,113	4.50%
1 year	28-Apr-15	28-Apr-16	20,000	20,376	4.50%
1 year	12-May-15	12-May-16	10,000	10,171	4.50%
1 year	25-May-15	25-May-16	58,000	58,906	4.50%
			961,000	**974,172**	

16. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

16.2 Bonds issued by the Ministry of Finance

	30 September 2015	*31 December 2014*
	LAKm	*LAKm*
Triangle bonds	16,393	265,511
Capitalization bonds	64,870	64,558
Other bonds	466,104	180,586
	547,368	**510,655**

Triangle bonds represent the bonds which were issued by the Ministry of Finance to either settle the balances due from the MOF or settle the debts owed to the Bank by customers who were in turn owed money by the MOF. The bonds are not transferrable and could be required to be extended on maturity by the MOF. The bonds carry a term of 17 years and bear no interest.

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

Issued date	*Maturity date*	*Face value (LAKm)*	*Amortized cost*	*Term*	*Interest rate (% p.a)*
1-Mar-14	1-Mar-19	68,600	64,870	5 years	4.00%

In accordance with notification 1569/MOF dated 09 June 2014, the Bank agreed with the Ministry of Finance to settle 30% of capitalization bonds amounting to LAKm 29,400 in July 2014 and restructure the remaining 70% amounting to LAKm 68,600 with new interest rate of 4.00% per annum (2014: 4.00%).

Other bonds issues by the Ministry of Finance are infrastructure bonds for the implementation of Wung Anh Port/Habour project (with total amount LAKm 46,000) and DM construction project (with total amount of LAKm 20,000). Details of these bonds are as follows:

Purchase date	*Maturity date*	*Face value (LAKm)*	*Amortized cost (LAKm)*	*Interest rate (% p.a)*
5-Dec-11	5-Dec-16	46,000	47,161	8.00%
2-Mar-13	20-Dec-15	50,000	50,851	3.00%
25-Dec-13	10-Oct-15	2,000	2,063	3.50%
16-Aug-12	12-Mar-16	20,000	19,767	3.00%
7-May-14	12-Nov-15	8,000	7,969	3.50%
30-Jul-14	31-Jul-16	5,000	4,575	3.50%
29-Sep-14	7-May-16	22,000	19,864	3.50%
29-Sep-14	11-Jun-16	9,000	8,025	3.50%
29-Sep-14	12-Jun-16	25,000	22,283	3.50%
29-Sep-14	13-Jun-16	1,000	891	3.50%
29-Sep-14	16-May-16	5,000	4,499	3.50%
29-Sep-14	18-Sep-16	4,000	3,465	3.50%
27-Nov-14	31-Jul-16	2,000	1,785	3.50%
18-Dec-14	2-Aug-16	14,000	12,422	3.50%
30-Dec-14	30-Dec-15	150,000	155,310	4.75%
30-Dec-14	30-Dec-16	100,000	103,801	5.10%
27-Feb-15	11-Jun-16	2,000	1,372	3.50%
		465,000	**466,104**	

17. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

	30 September 2015		*31 December 2014*	
	Book value LAKm	*Ownership %*	*Book value LAKm*	*Ownership %*
Investment in subsidiaries				
BCEL - Krung Thai Securities Company Limited	70,000	70%	70,000	70%
Investments in joint ventures				
Lao Viet Joint Venture Bank	199,125	25%	199,125	35%
Banque Franco - Lao Company Limited	138,000	46%	138,000	46%
Lao China Bank Company Limited	147,000	49%	147,000	49%
Lao-Viet Insurance Joint Venture Company	8,784	35%	8,784	35%
	562,909		**562,909**	

- BCEL - Krung Thai Securities Company Limited is incorporated in the Lao P.D.R under the Business License No. 180-10 granted by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R on 14 December 2010. The company's principal activities are to provide brokerage services, proprietary trading, finance and securities investment advisory services, custody services, underwriting for share issues and other value added services.
- Lao Viet Joint Venture Bank ("LVB") is incorporated in the Lao P.D.R with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with the Bank for Investment and Development of Vietnam, a state-owned commercial bank incorporated in the Socialist Republic of Vietnam. The joint venture was granted the banking license on 31 March 2000 by the Bank of Lao P.D.R for a period of 30 years. As at 30 September 2015, total contributed capital of the Bank in LVB was USD 24,500,000. According to the agreement No.1567/ MOF, dated 20/05/2015 the decrease of BCEL's share in LVB 10% from 35% down to 25%.
- Banque Franco - Lao Company Limited ("BFL") is incorporated in the Lao P.D.R with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with Cofibred Company Frances De La Bred which is a state-owned bank incorporated in Paris, France. The joint venture was granted the temporary banking license on 01 October 2009 and a permanent license on 16 July 2010 by the Bank of Lao P.D.R. The legal capital of BFL was USD 20 million which was later revised to USD 37 million in accordance with the President's decree issued on 24 September 2009 and letter No. 01/BOL dated 28 January 2010 from BOL. As at 30 September 2015, the contributed capital of the Bank in BFL included USD 1,840,000 and LAK 122,854,960,000 (equivalent to LAKm 138,000).
- Lao-Viet Insurance Joint Venture Company ("LVI") is incorporated as a joint venture company in the Lao P.D.R providing insurance services under the Investment License No. 077/08/FIMC issued by the Foreign Investment Management Committee on 09 June 2008. It is a joint venture with BIDV Insurance Joint Stock Corporation and Lao Viet Joint Venture Bank. LVI's legal capital is USD 3,000,000 and has been fully contributed by partners on 17 July 2008. In 2013, the Bank has contributed additional capital of USD 180,000 on 02 September 2013. As at 30 September 2015, the total amount of USD 1,050,000, equivalent to LAkm 8,784 was contributed by the Bank.

17. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES (continued)

- Lao China Bank Limited ("LCNB") is incorporated in the Lao P.D.R and engages in the provision of baking services. It is a joint venture with Fudian Bank China, a state-owned commercial bank incorporated in China. The joint venture bank was granted the Banking Business License on 20 January 2014 by the Bank of Lao P.D.R. The legal capital of LCNB was LAKm 300,000 and had been fully contributed by partners as at 30 September 2015. The total amount of LAKm 147,000 was contributed by the Bank.

18. PROPERTY AND EQUIPMENT

Movements of property and equipment For the nine-month period ended 30 September 2015 are as follows:

	Buildings & improvements LAKm	*Office equipment LAKm*	*Furniture & fixtures LAKm*	*Motor vehicles LAKm*	*Total LAKm*
Cost:					
As at 1 January 2015	210,814	119,240	26,858	17,801	374,713
Additions	160,915	15,564	5,792	1,122	183,393
Disposals	(1,225)	(15,395)	(593)	(2,270)	(19,483)
As at 30 September 2015	370,504	119,408	32,057	16,653	538,623
Accumulated depreciation:					
As at 1 January 2015	54,487	53,244	10,342	8,134	126,207
Charge for the period	11,763	18,092	2,519	2,557	34,931
Disposals	(826)	(15,373)	15	(2,107)	(18,291)
As at 30 September 2015	65,424	55,963	12,876	8,585	142,847
Net book value:					
As at 1 January 2015	156,327	65,996	16,516	9,667	248,506
As at 30 September 2015	305,080	63,445	19,182	8,069	395,775

19. INTANGIBLE ASSETS

Movements in intangible assets during the six-month period ended 30 September 2015 are as follows:

	Land use rights LAKm	*Computer software LAKm*	*Total LAKm*
Cost:			
As at 1 January 2015	227,076	78,046	305,122
Additions	654	4,940	5,595
Disposal	(11,360)	(5,067)	16,427)
As at 30 September 2015	216,370	77,919	294,289
Accumulated amortization:			
As at 1 January 2015	-	33,703	33,703
Amortize for the period	-	11,891	11,891
Disposal	-	(5,056)	(5,056)
As at 30 September 2015	-	40,538	40,538
Net book value:			
As at 1 January 2015	227,076	44,343	271,419
As at 30 September 2015	216,370	37,381	253,751

20. OTHER ASSETS

	30 September 2015 LAKm	*31 December 2014 LAKm*
Assets waiting for sales	7,883	5,094
Stationeries and other tools	1,085	1,076
Checks in collection	21,028	9,381
Construction in progress and fixed assets in transit	161,917	196,907
Prepaid expenses to be allocated	33,456	34,068
Other receivables	45,234	18,509
	270,603	**265,035**

21. DUE TO BANKS

	30 September 2015 LAKm	*31 December 2014 LAKm*
Demand deposits from other banks	**2,133,955**	**1,610,072**
- In LAK	935,921	893,584
- In foreign currencies	1,198,034	716,488
Saving deposits from other banks	**204,302**	**796,168**
- In LAK	131,418	95,945
- In foreign currencies	72,884	700,223
Term deposits from other banks	**72,563**	**512,254**
- In LAK	72,563	96,933
- In foreign currencies	-	415,321
Others	**37,700**	**4,802**
- In LAK	7,457	1,554
- In foreign currencies	30,243	3,248
	2,448,520	**2,923,296**
Accrued interest payables	**1,792**	**6,444**
	2,450,312	**2,929,740**

Saving deposits from other banks and financial institutions denominated in LAK, USD, THB bear interest at rates ranging of 0.80% - 1.50%, 0.15% - 0.75% and 0.15% per annum, respectively.
Term deposits from other banks and financial institutions denominated in LAK, USD bear interest at rates ranging of 2.00% – 10.00% and 6.00%per annum, respectively.

22. DUE TO CUSTOMERS

	30 September 2015 LAKm	*31 December 2014 LAKm*
Demand deposits	**4,444,945**	**4,308,911**
Demand deposits in LAK	2,062,560	1,319,640
Demand deposits in foreign currencies	2,382,385	2,989,271
Saving deposits	**8,098,913**	**7,544,224**
Demand saving deposits in LAK	2,796,699	2,631,148
Demand saving deposits in foreign currencies	5,302,214	4,913,076
Term deposits	**7,802,229**	**6,913,028**
Term deposits in LAK	5,509,140	4,847,213
Term deposits in foreign currencies	2,293,089	2,065,815
Margin deposits	**98,893**	**72,056**
Margin deposits in LAK	7,018	5,580
Margin deposits in foreign currencies	91,875	66,476
Others	**493,947**	**242,289**
	20,938,927	**19,080,508**
Accrued interest	**29,028**	**21,346**
	20,967,955	**19,101,854**

22. DUE TO CUSTOMERS (continued)

Saving deposits from customers denominated in LAK, USD and THB bear interest at rate ranging of 1.25% - 1.96%, 0.25% - 1.25% and 0.60% - 1.00% per annum respectively.

Fixed term deposits in LAK, USD, THB have terms of 3, 6, 12 months and more than 1 year and are subject to interest rates ranging of 2.00% - 14.00%, 1.15% - 8.00 % and 1.5% - 7.50% per annum respectively.

23. BORROWINGS FROM THE BOL AND OTHER BANKS

	30 September 2015 LAKm	*31 December 2014 LAKm*
Borrowings from the BOL	402,035	121,287
Short-term borrowings from other banks	97,632	-
Accrued interest payables	1,694	-
	501,361	**121,287**

Borrowings from the BOL and other banks include:

- A long-term loan with outstanding balance of USD 5,914,285 as at 30 September 2015 (original loan amount is USD 9,200,000) from the BOL for the purpose of investment in Banque Franco – Lao Limited. The loan's principal is paid annually from 2010 to 2023 with the interest of 0.25% per annum. The interest is paid semi-annually.
- A long-term loan with outstanding balance of USD 43,500,000 as at 30 September 2015 from the BOL for of the loan is to provide credit to customers. Period from 2015 to 2025 with the interest rate of 5.50% per annum.
- A short term loan with outstanding balance of USD 12,000,000 as at 30 September 2015 from the industrial and commercial Bank of China (ICBC) for the purpose of increasing the Bank's working capital with interest rate of 2.283% per year.

24. TAXATION

24.1 Profit tax expense

Major components of profit tax expense are as follows:

	For the nine-month period ended 30 September 2015 LAKm	*For the nine-month period ended 30 September 2014 LAKm*
Current profit tax expense	3,119	22,225
Deferred profit tax expense	3,291	(3,400)
Total tax expense for the period	**6,410**	**18,825**

24.2 Tax payables

	30 September 2015 LAKm	*31 December 2014 LAKm*
Profit Tax payable	2,352	8,369
Value Added Tax payable	12,353	10,400
Other payable to tax authorities	1,047	1,046
	15,752	**19,815**

24. TAXATION (continued)

24.3 Current Profit Tax ("PT")

Provision is made for PT on the current period's profits, based on the Tax Law governing taxation within Lao P.D.R. The Bank is obliged to pay tax at rate of 24% on total profit before tax in accordance with the new Tax Law No.05 dated 20 December 2011 which is effective on or after 1 January 2013. Additionally, in accordance with Decree 001 dated 28 December 2010 issued by the President of Laos P.D.R, the tax rate for listed companies is reduced by 5% within 4 years from the date of listing. Accordingly, the Bank is subject to the tax rate of 24% For the nine-month period ended 30 September 2015 (2014: 19%).

	For the nine-month period ended 30 September 2015 LAKm	*For the nine-month period ended 30 September 2014 LAKm*
Profit before tax in accordance with IFRS	**3,816**	**117,686**
Adjustments for:		
− Difference between carrying value under LAS and amortized cost under IFRS of bonds	(345)	(17)
− Expense for impairment losses of other assets	-	(6,445)
− Difference in expense for /(reversal of) credit loss between LAS and IFRS	(5,843)	28,061
− Difference in recognition of subvention	236	(2,046)
− Write-off start-up cost as expense during the year	(24)	-
− Difference in impairment expense of investment between LAS and IFRS	(1,411)	(2,595)
Profit before tax in accordance with LAS	**(3,571)**	**134,644**
Increase/(Decrease):		
- Income exempted from PT (dividend income)	(33,488)	(17,832)
- Non-deductible expenses	298	162
Taxable profit under LAS	**(36,760)**	**116,974**
PT expense at rate of 24% (2014: 19%)	-	22,225
PT payable at the beginning of the period	8,369	15,018
PT paid in the period	(6,183)	(17,864)
Additional tax liability for previous years	165	-
PT payable at the end of the period	**2,351**	**19,378**

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

24. TAXATION (continued)

24.4 Deferred tax assets/(liabilities)

	Deferred tax assets (tax rate of 24%)	*Deferred tax liabilities (tax rate of 24%)*	*Net deferred tax assets/ (liabilities)*
	LAKm	*LAKm*	*LAKm*
As at 1 January 2015	**5,999**	**(17,394)**	**(11,395)**
Increase during the period due to:			
Changes in fair value of available-for-sale financial instruments	39	2,379	2,418
Changes in temporary difference between taxable profit under LAS and taxable profit under IFRS	533	(1,883)	(1,350)
As at 30 September 2015	**6,571**	**(16,898)**	**(10,327)**

25. OTHER LIABILITIES

	30 September 2015	*31 December 2014*
	LAKm	*LAKm*
Payables to employees	310	19,320
Payable to suppliers	17,015	17,738
Termination allowances	13,688	11,202
Others	28,721	164,160
	59,734	**212,420**

26. CHARTER CAPITAL

Total charter capital of the Bank as at 30 September 2015 and 31 December 2014 are as follows:

	30 September 2015	*31 December 2014*
	LAKm	*LAKm*
Opening balance	682,888	682,888
Closing balance	**682,888**	**682,888**

27. STATUTORY RESERVES

	Regulatory reserve fund	*Business expansion fund*	*Capital supplement reserve*	*Total*
	LAKm	*LAKm*	*LAKm*	*LAKm*
As at 1 January 2015	61,217	216,991	-	**278,208**
Appropriation to reserves for the year 2014	11,675	11,675	12,275	**35,625**
As at 30 September 2015	**72,892**	**228,666**	**12,275**	**313,833**

Under the requirement of the Law on Commercial Bank dated 16 January 2007, commercial banks are required to appropriate net profit to following reserves:

- Regulatory reserve fund
- Business expansion fund and other funds

In accordance with the Regulation on capital adequacy No.1/BOL dated 28 August 2002 by the Governor of the Bank of Lao P.D.R and other relevant guidance, commercial banks are required to provide regulatory reserve fund at the rate between 5% to 10% of profit after tax depending on decision of the Board of Directors. The Business expansion fund and others shall be created upon decision of the Board of Directors.

28. AVAILABLE-FOR-SALE RESERVE

	30 September 2015	*31 December 2014*
	LAKm	*LAKm*
Opening balance	63,870	37,713
Net changes in fair value of available-for- sale financial investments	(24,085)	26,157
Closing balance	**39,785**	**63,870**

29. ADDITIONAL CASH FLOW INFORMATION

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

	30 September 2015	*31 December 2014*
	LAKm	*LAKm*
Cash and cash equivalents on hand	2,512,420	1,998,770
Demand deposits with the BOL	5,615,717	4,320,190
Current accounts with other banks	1,967,452	2,260,164
Term deposits due within 90 days	175,435	1,491,752
	10,271,024	**10,070,876**

30. CONTINGENT LIABILITIES AND COMMITMENTS

	30 September 2015 LAKm	*31 December 2014 LAKm*
Financial letter of guarantees	250,482	136,113
At sight letters of credit	1,024,562	1,408,294
Deferred payment letters of credit	212,120	183,998
Credit limit given to customers	6,280,490	1,552,822
	7,767,654	**3,281,227**

Financial guarantees

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

Un-drawn commitments to lend

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

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

Lease commitments

As at 30 September 2015, the Bank did not entered into any lease contracts as either lessor or lessee which results in future cash inflows and/or outflows.

31. RELATED PARTY DISCLOSURES

Related party transactions include all transactions undertaken with other parties to which the Bank is related. A party is related to the Bank if:

(a) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the Bank that gives it significant influence over the Bank; or
- has joint control over the Bank.

(b) the party is a joint venture in which the Bank is a venture;

(c) the party is a member of the key management personnel of the Bank or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (d);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any Bank that is a related party of the Bank.

31. RELATED PARTY DISCLOSURES (continued)

During the period, the Bank sold the land use rights of 36 pieces of lands to the Bank of Lao P.D.R at a total price of LAKm 374,970. This price was solely determined by mutual agreement between the Bank and the Bank of Lao P.D.R. This transaction results in a gain of LAKm 355,021 recognized in the interim separate income statement For the nine-month period ended 30 September 2015.

Significant balances with related parties as at 30 September 2015 are as follows:

Related party	*Relationship*	*Transactions*	*Receivable LAKm*	*Payable LAKm*
The Bank of the Lao P.D.R	Direct controller	Borrowings and accrued interest from the BOL	-	403,729
The Bank of the Lao P.D.R	Direct controller	BCEL's demand deposits at BOL	5,615,717	-
The Bank of the Lao P.D.R	Direct controller	BCEL's compulsory deposits at BOL	1,111,957	-
The Bank of the Lao P.D.R	Direct controller	Demand deposits at BCEL	-	14,973
The Ministry of Finance of the Lao P.D.R	Direct owner	Investment in MOF's bonds	1,521,540	-
BCEL - Krung Thai Securities Company Limited	Subsidiary	Current accounts	-	3
BCEL - Krung Thai Securities Company Limited	Subsidiary	Saving accounts and accrued interest	-	2,692
Lao Viet Joint Venture Bank	Joint venture	Current accounts	-	155,990
Lao Viet Joint Venture Bank	Joint venture	Saving accounts and accrued interest	-	89
Banque Franco – Lao Company Limited	Joint venture	Current accounts	-	20,121
Banque Franco – Lao Company Limited	Joint venture	Saving accounts and accrued interest	-	105,824
Banque Franco – Lao Company Limited	Joint venture	Fixed deposits and accrued interest	-	10,492
Lao China Bank Co.Ltd	Joint venture	Current accounts	-	13,201
Lao China Bank Co.Ltd	Joint venture	Saving accounts and accrued interest	-	15,408

31. RELATED PARTY DISCLOSURES (continued)

Significant balances with related parties as at 31 December 2014 are as follows:

Related party	*Relationship*	*Transactions*	*Receivable LAKm*	*Payable LAKm*
The Bank of Lao P.D.R	Direct controller	Borrowings from and accrued interest payable to the BOL	-	121,287
The Bank of Lao P.D.R	Direct controller	BCEL's demand deposits at BOL	4,320,191	-
The Bank of Lao P.D.R	Direct controller	BCEL's compulsory deposits at BOL	925,320	-
The Bank of Lao P.D.R	Direct controller	BCEL's term deposits at BOL	24,655	-
The Bank of Lao P.D.R	Direct controller	Demand deposits at BCEL	-	3,093
The Ministry of Finance of the Lao P.D.R	Direct owner	Investment in MOF's bonds	1,279,952	-
BCEL - Krung Thai Securities Company Limited	Subsidiary	Saving accounts and accrued interest	-	2,608
BCEL - Krung Thai Securities Company Limited	Subsidiary	Fixed deposits and accrued interest	-	65,408
Lao Viet Joint Venture Bank	Joint venture	Demand deposits at LVB	28,528	-
Lao Viet Joint Venture Bank	Joint venture	Term deposits at LVB and Accrued interest	40,404	-
Lao Viet Joint Venture Bank	Joint venture	Current accounts	-	65,610
Lao Viet Joint Venture Bank	Joint venture	Fixed deposits and accrued interest	-	247,948
Banque Franco – Lao Limited	Joint venture	Term deposits at BFL and Accrued interest	8,504	-
Banque Franco – Lao Limited	Joint venture	Current accounts	-	22,028
Banque Franco – Lao Limited	Joint venture	Saving accounts and accrued interest	-	139,105
Banque Franco – Lao Limited	Joint venture	Fixed deposits and accrued interest		10,106
Lao China Bank Company Limited	Joint venture	Current accounts	-	49,871
Lao China Bank Company Limited	Joint venture	Saving accounts and accrued interest	-	645,892
Lao China Bank Company Limited	Joint venture	Fixed deposits and accrued interest	-	24,242

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

	For the nine-month period ended 30 September 2015 LAKm	*For the nine-month period ended 30 September 2014 LAKm*
Salaries	833	745
Bonus	306	360
Responsibility allowance	711	638
	1,850	**1,743**

32. EARNINGS PER SHARE

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

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

	For the nine-month period ended 30 June 2015	*For the nine-month period ended 30 September 2014*
Profit after tax attributable to ordinary equity holders (LAKm)	2,466	98,861
Weighted average number of ordinary shares for basic earnings per share (shares)	136,577,600	136,577,600
Face value per share (LAK)	5,000	5,000
Earnings per share (LAK)	18	724

33. RISK MANAGEMENT POLICIES

Introduction

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

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

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

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

Risk management structure

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

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

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

33. RISK MANAGEMENT POLICIES (continued)

Risk management structure (continued)

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.

34. CREDIT RISK

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations.

The Bank has maintained a policy of credit risk management to ensure the following basic principles:

- set up an appropriate credit risk management environment;
- operate in a healthy process for granting credit facilities;
- maintain an appropriate management, measurement and monitoring credit process; and
- ensure adequate controls for credit risk.

The approval process for granting credit must go through several management levels to ensure a credit facility is reviewed independently together with the limit applied to each competent level.

The Bank manages credit risk by using various tools: development and issuance of internal policies and regulations on credit risk management; development of credit procedures; regular review of credit risk; development of a credit rating system and loan classification; setting up authorisation levels within the credit approval process.

34.1 Impairment assessment

For accounting purposes, the Bank uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognized when objective evidence of a specific loss event has been observed. Triggering events include the following:

- A breach of contract such as a default of payment;
- Where the Bank grants the customer a concession due to the customer experiencing financial difficulty;
- It becomes probable that the customer will enter bankruptcy or other financial reorganization;
- Other observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

This approach differs from the expected loss model used for regulatory capital purposes in accordance with Basel II.

34. CREDIT RISK (continued)

34.1 Impairment assessment (continued)

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis, taking into account any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected pay-out should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired. The Bank generally bases its analyses on historical experience.

Allowances are evaluated separately at each reporting date with each portfolio.

34. CREDIT RISK (continued)

34.2 Credit risk concentrations

Concentrations of credit risk arise when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The maximum credit exposure is calculated without taking into account of any collateral or other credit enhancements. The Bank's concentrations of risk are managed by client/counterparty, by geographical region and by industry sector.

34.2.1 Credit risk concentrations by industry

Maximum exposure to credit risk for the components of the statement of financial position by industry (without taking into account of any collateral, margin deposit…) as at 30 September 2015 is as follows:

Unit: LAKm

	Government	*Financial institutions*	*Industrial services companies*	*Construction companies*	*Technical instruments enterprises*	*Agricultural & forestry*	*Trading companies*	*Transportation companies*	*Services companies*	*Handi-crafts*	*Others*	*Total*
Balances with the Bank of Lao P.D.R (*)	6,727,674	-	-	-	-	-	-	-	-		-	6,727,674
Due from banks (**)	-	2,143,508	-	-	-	-	-	-	-		-	2,143,508
Loans and advances to customers (**)	-	-	2,546,592	3,354,916	43,195	35,330	2,723,969	705,437	1,175,194	10,480	177,624	10,772,738
Financial investments - Available-for-sale (*)	-	17,797	233,935	-	-	-	-	-	-		-	251,733
Financial investments - Held-to-maturity (*)	1,516,242	-	-	-	-	-	-	-	-		-	1,516,242
Total	**8,243,916**	**2,161,305**	**2,780,527**	**3,354,916**	**43,195**	**35,330**	**2,723,969**	**705,437**	**1,175,194**	**10,480**	**177,624**	**21,411,895**

(*): Balances of these items do not include allowance for impairment losses.

34. CREDIT RISK (continued)

34.2 Credit risk concentrations (continued)

34.2.2 Credit risk concentrations by geography

Operations of the Bank are carried out mostly in Laos and there is no distinct gap among the regions.

34.3 Credit quality by classes of financial assets

34.3.1 Credit quality by class of financial assets

Details on credit quality by class of all financial assets which are exposed to credit risk as at 30 September 2015 are as follows:

Unit: LAKm

	Notes	*Neither past due nor impaired*	*Past due but not impaired*	*Individually impaired*	*Total*
Balances with the Bank of Lao P.D.R (*)	11	6,727,674	-	-	6,727,674
Due from banks (*)	12	2,143,508	-	-	2,143,508
Loans and advances to customers (*)	13	8,171,365	294,704	2,306,669	10,772,738
Financial investments - Available-for-sale (*)		251,733	-	-	251,733
Financial investments - Held-to-maturity (*)		1,181,027	-	335,216	1,516,242
Total		**18,475,306**	**294,704**	**2,641,885**	**21,411,895**

(*): Balances of these items do not include allowance for impairment losses.

Neither past due nor impaired: financial assets or the loans with interest or principal payments not yet past due and there is no evidence of impairment.

Past due but not impaired: financial assets with past due interest and principal payments but the Bank believes that these asset are not impaired as they are secured by collaterals and has confidence in the customer's credit worthiness and other credit enhancements.

Individually impaired: debt instruments and loans to customers, for which the Bank considers not being able to recover interest and principal under the terms of the contracts.

34.3.2 Past due but not impaired classes of financial assets

Details on past due but not impaired classes of financial assets as at 30 September 2015 are as follows:

Unit: LAKm

	Pass due less than 91 days	*Pass due from 91 days to less than 181 days*	*Pass due from 181 days to less than 361 days*	*Pass due more than 360 days*	*Total*
Loans and advances to customers (*)	182,321	28,634	17,817	65,931	294,704
Total	**182,321**	**28,634**	**17,817**	**65,931**	**294,704**

(*):Balances of these items do not include accrued interest and impairment losses

35. LIQUIDITY RISK

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risks. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The maturity term of assets and liabilities represents the remaining period of assets and liabilities as calculated from the balance sheet date to the latest date of settlements as stipulated in contracts or in issuance terms and conditions.

The following assumptions and conditions are applied in the liquidity risk analysis of the Bank's assets and liabilities:

- Cash and cash equivalent on hand, demand deposits at the BOL and at other Banks are classified as on demand;
- The balance of compulsory deposits at the BOL are classified as over 5 years;
- The maturity term of placements with the BOL and other banks; held-to-maturity investment in and loans to customers are determined on the maturity date as stipulated in contracts. The actual maturity term may be altered because loan contracts may be extended.
- The maturity term of available-for-sale equity investments is considered as less than three months because these investments do not have specific maturity date.
- The maturity term of deposits and borrowings from other banks; and customer's deposits is determined based on features of these items or the maturity date as stipulated in contracts. Demand deposits are transacted as required by customers and therefore being classified as on demand. The maturity term of borrowings and term deposits is determined based on the maturity date in contracts. In fact, these amounts may be rotated and therefore they last beyond the original maturity date.
- The maturity term of fixed assets is determined on the remaining useful life of assets.
- The maturity term of other assets and other liabilities is determined based on the actual maturity term of each other asset and other liability.

35. LIQUIDITY RISK (continued)

The classification of assets and liabilities based on the maturity as at 30 September 2015 are as follows:

		Before due date					
	Over due	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Above 5 years*	*Total*
Assets							
Cash and cash equivalents on hand	-	2,512,420	-	-	-	-	2,512,420
Balances with the Bank of Lao P.D.R	-	5,615,717	-	-	-	1,111,957	6,727,674
Due from banks (*)	-	1,967,452	127,216	48,840	-	-	2,143,508
Loans and advances to customers (*)	3,929,512	57,022	177,123	1,021,207	3,875,291	1,712,582	10,772,737
Financial investments - Available-for-sale (*)	-	-	251,733	-	-	-	251,733
Financial investments - Held-to-maturity (*)	-	-	60,883	1,073,115	371,463	16,079	1,521,540
Investments in subsidiary and joint ventures (*)	-	-	-	-	-	562,909	562,909
Property and equipment	-	-	8,070	19,180	63,446	305,080	395,775
Intangible assets	-	-	-	-	37,381	216,369	253,751
Deferred tax assets	-	-	134	1,908	1,393	3,137	6,571
Other assets (*)	-	-	161,917	22,113	86,573	-	270,603
Total assets	**3,929,512**	**10,152,610**	**787,075**	**2,186,363**	**4,435,547**	**3,928,112**	**25,419,220**
Liabilities							
Due to banks	-	2,375,957	52,563	21,792	-	-	2,450,312
Due to customers	-	13,037,805	326,423	2,815,200	4,788,527	-	20,967,955
Borrowings from other banks	-	-	-	-	-	501,361	501,361
Current tax liabilities	-	-	15,752	-	-	-	15,752
Deferred tax liabilities	-	-	3,644	378	-	12,875	16,897
Other liabilities	-	-	-	17,325	28,721	13,688	59,734
Total liabilities	**-**	**15,413,762**	**398,382**	**2,854,694**	**4,817,248**	**527,924**	**24,012,011**
Liquidity exposure	**3,929,512**	**(5,261,152)**	**388,693**	**(668,331)**	**(381,701)**	**3,400,188**	**1,407,209**

(*): Balances of these items do not include impairment losses.

36. MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables. Market risk arises from the open position of interest rates, currency and equity instruments which are also affected by the fluctuations in general market and in each particular market and by market variables such as interest rates, foreign exchange rates and equity prices.

36.1 Interest rate risk

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

The re-pricing remaining period represents the remaining period of assets and liabilities as calculated from the reporting date to the latest re-pricing date.

The following assumptions and conditions are applied in the analysis of interest rate risk of the Bank's assets and liabilities:

- Cash and cash equivalent on hand; compulsory deposits at the BOL ; investments in securities – Available-for-sale; investments in subsidiaries and joint ventures; and other assets (including fixed assets and other assets) are classified as non re-pricing items;
- Demand deposits at the BOL and at other banks are classified as demand deposits and interest rate re-pricing is within 1 month;
- The re-pricing period of investment in securities – Held-to-maturity is calculated based on the actual maturity date of each kind of securities from the reporting date;
- The re-pricing period of term deposit at the BOL; placements with and loans to other banks; loans to customers; deposits of and loans from the BOL and other banks; and customer deposits are determined as follows:
  - With fixed interest rate: the duration is calculated from the reporting date to the maturity date;
  - With floating interest rate: the duration is calculated from the reporting date to the nearest time to re-price the interest rate.
- Other liabilities duration for the interest rate re-pricing is calculated based on the actual maturity date for each item.

36. MARKET RISK (continued)

36.1 Interest rate risk (continued)

The classification of assets and liabilities based on the interest rate re-pricing as at 30 September 2015 are as follows:

Unit: LAKm

	Non re-pricing	*Up to 1 month*	*1 - 3 months*	*3 - 6 months*	*6 - 12 months*	*1 - 5 years*	*Above 5 years*	*Total*
Assets								
Cash and cash equivalents on hand	2,512,420	-	-	-	-	-	-	2,512,420
Balances with the Bank of Lao P.D.R	6,727,674	-	-	-	-	-	-	6,727,674
Due from banks (*)	1,967,452	127,216	-	-	48,840	-	-	2,143,508
Loans and advances to customers (*)	1,542,021	496,581	551,462	580,544	1,701,708	4,693,625	1,206,797	10,772,737
Financial investments - Available-for-sale (*)	251,733	-	-	-	-	-	-	251,733
Financial investments - Held-to-maturity (*)	-	-	60,883	601,293	471,822	371,463	16,079	1,521,540
Investments in subsidiary and joint ventures (*)	562,909	-	-	-	-	-	-	562,909
Property and equipment	395,775	-	-	-	-	-	-	395,775
Intangible assets	253,751	-	-	-	-	-	-	253,751
Deferred tax assets	6,571	-	-	-	-	-	-	6,571
Other assets (*)	270,603	-	-	-	-	-	-	270,603
Total assets	**14,490,908**	**623,797**	**612,344**	**1,181,837**	**2,222,370**	**5,065,088**	**1,222,876**	**25,419,220**
Liabilities								
Due to banks	2,375,957	-	52,563	-	21,792	-	-	2,450,312
Due to customers	12,543,858	-	326,423	768,072	2,541,075	4,788,527	-	20,967,955
Borrowings from other banks	-	-	-	-	-	-	501,361	501,361
Current tax liabilities	15,752	-	-	-	-	-	-	15,752
Deferred tax liabilities	16,897	-	-	-	-	-	-	16,897
Other liabilities	59,734	-	-	-	-	-	-	59,734
Total liabilities	**15,012,198**	**-**	**378,986**	**768,072**	**2,562,867**	**4,788,527**	**501,361**	**24,012,011**
Interest rate exposure	**(521,290)**	**623,797**	**233,359**	**413,765**	**(340,497)**	**276,561**	**721,515**	**1,407,209**

(*): Balances of these items do not include impairment losses.

36. MARKET RISK (continued)

36.1 Interest rate risk (continued)

Interest risk sensitivity analysis

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss For the nine-month period ended 30 September 2015, based on the floating rate non-trading financial assets and financial liabilities held at 30 September 2015 (including the following items: cash and cash equivalent on hand, balances with the BOL, due from banks, loans to customers, available-for-sale financial investments, held-to-maturity financial investments, due to other banks, due to customers).

Because neither asset nor liability of the Bank bears floating interest rate, any change in interest rates will not effect on the Bank's income statement.

36.2 Currency risk

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

36. MARKET RISK (continued)

36.2 Currency risk (continued)

Breakdown of assets and liabilities which has been converted into LAKm as at 30 September 2015 is as follows:

	LAK in LAKm	*USD in LAKm*	*THB in LAKm*	*Others in LAKm*	*Total in LAKm*
ASSETS					
Cash and cash equivalents on hand	1,574,202	642,523	284,866	10,829	2,512,420
Balances with the Bank of Lao P.D.R	3,666,414	1,836,011	1,225,250	-	6,727,674
Due from banks (*)	42,375	1,068,782	970,758	61,592	2,143,508
Loans and advances to customers (*)	4,130,236	5,371,610	1,270,892	-	10,772,737
Financial investments - Available-for-sale (*)	233,935	-	17,797	-	251,733
Financial investments - Held-to-maturity (*)	1,521,540	-	-	-	1,521,540
Investments in subsidiary and joint ventures (*)	562,909	-	-	-	562,909
Property and equipment	395,775	-	-	-	395,775
Intangible assets	253,751	-	-	-	253,751
Deferred tax assets	6,571	-	-	-	6,571
Other assets (*)	247,500	21,263	1,840	-	270,603
TOTAL ASSETS	**12,635,208**	**8,940,188**	**3,771,404**	**72,421**	**25,419,221**
LIABILITIES					
Due to banks	1,149,027	1,016,889	284,322	74	2,450,311
Due to customers	10,517,625	7,155,040	3,245,063	50,228	20,967,954
Borrowings from other banks	-	501,361	-	-	501,361
Current tax liabilities	15,752	-	-	-	15,752
Deferred tax liabilities	16,897	-	-	-	16,897
Other liabilities	(218,840)	155,990	100,465	22,119	59,734
TOTAL LIABILITIES	**11,480,461**	**8,829,279**	**3,629,850**	**72,421**	**24,012,010**
EQUITY	**1,099,276**	**-**	**-**	**-**	**1,099,276**
TOTAL LIABILITIES AND EQUITY	**12,579,737**	**8,829,279**	**3,629,850**	**72,421**	**25,111,286**
NET ON-BALANCE SHEET CURRENCY POSITION	**55,470**	**110,908**	**141,554**	**-**	**307,935**

(*): Balances of these items do not include impairment losses.

36. MARKET RISK (continued)

36.2 Currency risk (continued)

Currency risk sensitivity analysis

The table below indicates the currencies to which the Bank had significant exposure at 30 September 2015 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the exchange rate against the Lao Kip, with all other variables held constant, on the income statement (due to the fair value of currency sensitive monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in the income statement, while a positive amount reflects a net potential increase.

Unit: LAKm

	Effect on profit before tax		*Effect on equity*	
	Exchange rate increase 10%	*Exchange rate decrease 10%*	*Exchange rate increase 10%*	*Exchange rate decrease 10%*
USD	11,091	(11,091)	8,429	(8,429)
THB	14,155	(14,155)	10,758	(10,758)
Others	-	-	-	-
Total	**25,246**	**(25,246)**	**19,187**	**(19,187)**

36.3 Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The non–trading equity price risk exposure arises from equity securities classified as available-for-sale. A 10 percent increase in the value of the Bank's available-for-sale equities at 30 September 2015 would have increased equity by LAKm 19,187. An equivalent decrease would have resulted in an equivalent but opposite impact and would cause a potential impairment, which would reduce profit after tax by approximately LAKm 19,187.

37. OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit. In addition, the Bank also pays attention to staff training, coaching and performance evaluation of its staff.

38. CAPITAL MANAGEMENT

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

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

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

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

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

	30 September 2015	*31 December 2014*
	LAKm	*LAKm*
Tier 1 capital	1,025,455	1,078,331
Tier 2 capital	17,903	-
Total capital	1,043,358	1,078,331
Less: Deductions from capital (Investments in other credit and financial institutions)	(562,910)	(562,909)
Capital for CAR calculation (A)	**480,449**	**515,422**
Risk weighted balance sheet items	6,576,502	6,445,145
Risk weighted off balance sheet items	3,883,827	864,203
Total risk weighted assets (B)	**10,460,328**	**7,309,348**
Capital Adequacy Ratio (A/B)	**4.59%**	**7.05%**

39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

39.1 Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices/(unadjusted) in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 30 September 2015 is as follows:

	Level 1 LAKm	*Level 2 LAKm*	*Level 3 LAKm*	*Total LAKm*
Financial investments – available-for-sale				
Debt securities	-	-	-	-
- *Debt securities issued by the Government*	-	-	-	-
- *Debt securities issued by other local banks*	-	-	-	-
- *Debt securities issued by local business entities*	-	-	-	-
Equity securities	251,733	-	-	251,733
- *Equity securities issued by other local banks*	-	-	-	-
- *Equity securities issued by local business entities*	*233,935*	-	-	*233,935*
- *Others*	*17,797*			*17,797*
	251,733	**-**	**-**	**251,733**

39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

39.2 Fair value of financial assets and liabilities not carried at fair value

The Bank uses the following methodologies and assumptions to determine fair value for financial assets and liabilities not carried at fair value on the interim separate financial statements:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than one year) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits.

Fixed rate financial instruments

The fair value is determined using discounted cash flows using interest at period end of financial instruments in the market with similar risk and maturity. In addition, the Bank assumes that loans to customers are held to maturity. Fair values of loans to customers are determined as the carrying value less impairment losses.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the interim separate financial statements:

	Carrying value LAKm	*Fair value LAKm*
Financial assets		
Cash and balances with the BOL	9,240,094	9,240,094
Placement with other banks	2,143,508	2,143,508
Loans and advances to customers and other banks	10,393,366	10,393,366
Financial investments – Held-to-maturity	1,519,156	1,519,156
	23,296,124	**23,296,124**
Financial liabilities		
Due to banks	2,450,312	2,450,312
Borrowings from the BOL and other banks	501,361	501,361
Due to customers	20,967,955	20,967,955
	23,919,628	**23,919,628**

40. EVENTS AFTER THE REPORTING DATE

Other than as disclosed elsewhere in these interim separate financial statements, at the date of this report, there were no events, which occurred subsequent to 30 September 2015 that significantly impacted the interim separate financial position of the Bank as at 30 September 2015.

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

	30 September 2015 LAK	*31 December 2014 LAK*
USD	8,136.00	8,080.00
EUR	9126.00	9,790.00
THB	226.36	246.55
GBP	12,123.00	12,323.00
CHF	7,992.00	7,940.00
JPY	67.5	65.91
SGD	5,781.00	6,182.00
CAD	5,785.00	6,753.00
AUD	5,613.00	6,454.00
CNY	1,204.00	1288.00
VND	0.34	0.38

Prepared by:

Mrs. Lammaniseng Sayaphet
Head of Accounting Department

Approved by:

Mr Khammone Vansana
Deputy Head of Internal Audit Department

Approved by:

Mr. Nanthalath Keopaseuth
Deputy Managing Director

Vientiane, Lao P.D.R

12 November 2015