

# PROSPECTUS

## Banque Pour Le Commerce Extérieur Lao Public (BCEL)



The offering of BCEL 19% shares of the Government

Ordinary Shares 39.467.400 shares, Par Value 5.000 Kip/share

Offering to the Existing Shareholders in the amount of 4.154.500 shares,  
Price 5.450 Kip/share

(Ratio of ten existing shares per one new share is 10:1)

Offering to Public in the amount of 16.617.800 shares, Price 5.550 Kip/share

Offering to the Strategic Partner in the amount of 18.695.100 shares price is based on  
negotiation between the Ministry of Finance and Strategic Partner

For Ordinary Shares offering to the Existing Shareholders (RO) and Public Offering (PO)  
inside Lao PDR and Strategic Partner

Offering to the Existing Shareholders (RO): during 28/10/2019 - 01/11/2019

Offering to General Shareholders (PO): 04/11/2019 - 29/11/2019

Between 08.30 am - 03.30 pm

Financial Advisor	:	Lao-China Securities Co., Ltd
Underwriter	:	Lao-China Securities Co., Ltd
External Auditor	:	Ernst and Young Lao Co., Ltd
Legal Advisor	:	Lao Law and Consultancy Group

The offering of ordinary shares, all shares shall be allocated and offered to the public, including investors inside Lao PDR and internationally by Lao-China Securities Co., Ltd (the "Underwriter"). Ordinary shares shall not be registered under any other countries' rules apart from registration under the Law on Securities of Lao PDR.



## WARNING

This prospectus is written for investors who are interested in investing in the ordinary shares issued by Banque Pour Le Commerce Extérieur Lao Public as preliminary information for assisting investors' decision of investment only; it does not mean that Lao Securities Commission Office (LSCO) suggests investing in the offering securities, guarantee of the price or returns of the offered securities. Any guarantee on the accuracy and completion of the information in this prospectus is the responsibility of Banque Pour Le Commerce Extérieur Lao Public. This prospectus in Lao version was created with the aim to offer ordinary shares to the strategic partners and the general public consisting of 19% shares of the Ministry of Finance (MOF). For the offering form to the general public shall include two forms: Offering to Existing Shareholders (RO: Rights Offering) and Offering to Public (PO: Public Offering). Thus, numbers of ordinary shares for capital increase shall not be registered under the Securities Act of other countries apart from registration in accordance with the Law on Securities of Lao PDR. The format and contents of this prospectus do not certify the appropriateness or sufficiency of the information regarding securities issuance in other countries. The investors shall carefully read this Lao version prospectus before deciding to invest in these ordinary shares.

In the event that the context or any information in this prospectus is not true or lacks material information that needs to be disclosed, the shareholders are able to file a claim for compensation from Banque Pour Le Commerce Extérieur Lao Public or the securities issuer in accordance with the laws and relevant regulations.

Prior to investing in these offering ordinary shares, the investors should consider the risks involved. Please read the sections titled "Risk Factors" prior to deciding on investing.

**"All investments involve risk. Investors should read the prospectus carefully before making an investment decision."**



## Securities Intermediary Institute

<p>❖ Issuer Company Banque Pour Le Commerce Extérieur Lao Public No. 01, Pangkham Road, Chanthabouly District, Vientiane Capital, P.O Box 6821 Website: <a href="http://www.bcel.com.la">www.bcel.com.la</a> Tel: 00856-21 213200 Fax: 00856-21 213202 Email: <a href="mailto:bcelhqv@bcel.com.la">bcelhqv@bcel.com.la</a></p>	<p>❖ Financial Advisor Company Lao-China Securities Co., Ltd 6<sup>th</sup> Floor, Lao Securities Exchange Building, Kamphengmouang Road (T4), Phonthan Nue Village, Saysettha District, Vientiane Capital, P.O Box 3373 Website: <a href="http://www.lcs.com.la">www.lcs.com.la</a> Tel: 00856-21-419212 Fax: 00856-21-419221</p>
<p>❖ Legal Advisor Lao Law and Consultancy Group LLC Building, Nongbone Road, Nongbone Village, Saysettha District, Vientiane Capital, Lao PDR Website: <a href="http://www.laolaws.com">www.laolaws.com</a> Tel: +856-21 261391, 264866, 264877 Fax: +856-21 264344</p>	<p>❖ External Auditor  Ernst and Young Lao Co., Ltd 6<sup>th</sup> Floor Capital Tower Building, 23 Singha Road, Nongbone Village, Saysettha District, Vientiane Capital, Lao PDR Website: <a href="http://www.ey.com">www.ey.com</a></p>
<p>❖ Underwriter  Lao-China Securities Co., Ltd 6<sup>th</sup> Floor, Lao Securities Exchange Building, Kamphengmouang Road (T4), Phonthan Nue Village, Saysettha District, Vientiane Capital P.O Box 3373 Website: <a href="http://www.lcs.com.la">www.lcs.com.la</a> Tel: 00856-21-419212 Fax: 00856-21-419221</p>	<p>❖ Selling Agent and Book Runner  (If any)</p>



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## Definitions

Terms	Definitions
BCEL or BANK	BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC
BOL	Bank of the Lao PDR
MOF	Ministry of Finance
LSCO	Lao Securities Commission Office
SWIFT	Society for Worldwide Interbank Financial Telecommunication
ALCO	Assets and Liabilities Committee
L/C	Letter of Credit
L/G	Letter of Guarantee
Forward/Options	Forward Fixed Contract
EDC	Electronic Data Capture
ATM	Automated Teller Machine
E&Y	Ernst & Young Lao Limited
SME	Small and Medium Enterprises
VISA	Visa International Service Association
Internet Banking	Banking Services via online banking website
SMS Banking	Banking Services via SMS
ROE	Return on Equity
ROA	Return on Assets
PO	Public Offering
RO	Rights Offering
Digit grouping symbol	[.] is used as 1000 separator for a number
Decimal symbol	[,] is used as a decimal point for a number

## Executive Summary

This following summary may not contain all of the information that may be important to investors. Investors should read this entire prospectus, including the financial data and related notes and the “Risk Factors” before making an investment decision.

### ❖ Information on Issuer Company

Banque Pour Le Commerce Extérieur Lao Public is established under the Bank Establishment License, No. 129/BOL, dated 01 November 1989 by fund contribution of the Ministry of Finance. On 23 December 2010, the Bank has completely conducted the Initial Public Offering (IPO). The Bank has changed its status from “Limited” to Banque Pour Le Commerce Extérieur Lao Public according to the Enterprise Registration Certificate (ERC), No. 0061/ERO, dated 10 January 2011 issued by Enterprise Registration and Management Department, Ministry of Industry and Commerce, Lao PDR. The Government, represented by the Ministry of Finance, is the biggest shareholder, holding 80% of the total shares.

On 15 July 2011, Ministry of Finance has sold its 10% ordinary shares (equivalent to 13.657.759 shares) to the strategic partner named Compagnie Financière de la BRED (“COFIBRED”) according to the Share Purchase Agreement between Ministry of Finance and COFIBRED. COFIBRED is an affiliate bank of BRED Bank, which is the biggest bank in the region of the bank association under Banque Populaire Group, which is a cooperation group of French banks.

On 17 August 2017, Banque Pour Le Commerce Extérieur Lao Public has offered its shares to original and new shareholders to increase its capital, in which, the bank offered 68.047.300 shares for the original shareholders and general public in the amount of 3.098.400 shares. BCEL has received a new Decision, No. 21 / BOL, dated 13 September 2017, issued by Bank of the Lao PDR. On 15 September 2017, the LSX confirmed that the bank had increased its registered capital of 355.728.500.000 kip (equivalent to 71.145.700 shares) as per Certificate, No. 01 /ERO, dated 15 September 2017 and Updated Enterprise Registration Certificate, No. 0429/PM, dated 18 May 2018 issued by the Ministry of Industry and Commerce.

The principal activities of the Bank are to provide services including short-, medium- and long-term savings and deposits from legal entities and individuals; Short, medium, long term and advance loans to businesses and individuals according to the objectives and capabilities of the Bank's financing and other banking services, which are authorized by the Bank of the Lao PDR, especially insurance services and securities brokerage services.

### ❖ Risk Factors

- Uncertain circumstances of the global and domestic economy
- Credit risks
- Marketing risks
- Competitive risk in the banking sector
- Business transformation in the IT era.
- Regulatory changes
- Other related risks

## ❖ Shares Offering

Share offering 19% of BCEL, which the Ministry of Finance is the major shareholder of the BCEL, in order to restructure shareholders and aim to raise the liquidity of BCEL in the secondary market, which will issue shares to the public and strategic partners as follows:

### ➤ Ordinary shares offering to the Strategic Partner 9%

To bolster its business expansion mission in the banking sector, the Ministry of Finance plans to issue a 9% shareholding to strategic partners of 18.695.100 shares. Initially, the Ministry of Finance has placed the criteria and standards for the selection of strategic partners as follows:

- shall be any financial institution, especially those that do business in the banking sector;
- Shall be an internationally recognized organization with a wide presence in the region;
- Shall support and encourage the activities of the bank to grow its business in foreign countries through mutual cooperation;
- Shall support and encourage the activities of the bank in improving business efficiency through the exchange of mutual ideas.

### ➤ Ordinary shares offering to the Existing Shareholders and Public 10%

Ordinary shares offering to the Existing Shareholders and Public at 10% with the amount equaling 20.772.300 shares which are divided into two forms: RO and PO forms.

Offering in the form of RO amounts to 4.154.500 shares with price 5.450 Kip/share at the Ratio of ten existing shares per one new share. If the total number of RO shares is not sold, the remaining RO shares shall be sold in PO form.

Offering in the form of PO amount 16.617.800 shares with price 5.550 Kip/share. Shares dividing shall use the pre-booking method to obtain a pre-dividend (first come, first serve) dividend. In the event of an incomplete sale of the shares, the underwriter shall buy all remaining shares.

## ❖ Dividend Policy

Currently, the dividend policy of BCEL for shareholders is once a year according to the resolutions approved by the Ordinary Meeting of Shareholders 2015, which proposed to pay dividends of not less than 50% of net profit of the bank upon deductions for the legal reserve and regulatory reserves according to the regulation defined by BCEL and for dividend payment among that year.

However, the ratio of dividends which is not less than 50 percent of net profit may be changed depending on the consideration and approval of the shareholders meeting. Consideration of the aforementioned issue shall be based on the reality of economic circumstances in each period, cash flow, investment plans, conditions and terms of the contracts that BCEL are bound by, including legislation limits and along with the capital adequacy to ensure the growth of the bank in the future.

BCEL shall pay dividends in Kip currency, and shareholders will be exempt from income tax from such dividends.

## ❖ Shareholders Structure

BCEL's shareholding structure before and after the secondary market offering are as follow:

Table 1: List of Shareholders

No	Shareholders	Before Share Offering		After Share Offering	
		No. of Shares	%	No. of Shares	%
1	Ministry of Finance	145.406.321	70%	105.938.921	51%
2	COFIBRED BANK	20.772.359	10%	20.772.359	10%
3	General Investors	41.544.620	20%	62.316.920	30%
4	New Strategic Partners	-	0%	18.695.100	9%
	<b>Total</b>	<b>207.723.300</b>	<b>100%</b>	<b>207.723.300</b>	<b>100%</b>

Source: Banque Pour Le Commerce Extérieur Lao Public

## ➤ Board of Directors and Directors

### - Board of Directors

Table 2: Board of Directors

No	Name & Family Name	Position
1	Dr. Bounleua Sinxayvolavong	Director-General, Department of Financial Policy and Legislation/ Chairman
2	Mr. Khamsouk Sundara	Senior Officer (outsourcing independent individual)/ Vice Chairman
3	Mr. Phoukhong Chanthachack	General Managing Director of BCEL/ Member
4	Mr. Marc Robert	The Representative of COFIBRED / Non-Independent Member
5	Mr. Phouththakhan Khanty	Deputy Director of the National Treasury, Ministry of Finance/ Member
6	Mr. Viengsouk Chounthavong	Head of Credit Management Department representing BCEL's employees/ Member
7	Vice Professor Phouphet Kiewphilavong, PhD.	Vice-Dean of the Economics Faculty, National University of Laos/ Member

Source: Banque Pour Le Commerce Extérieur Lao Public

- **Directors**

Table 3: Directors

No	Name & Family Name	Position
1	Mr. Phoukhong Chanthachack	General Managing Director
2	Mr. Larchay Khanpravong	Deputy Managing Director
3	Mr. Nanthalath Keopaseuth	Deputy Managing Director
4	Mr. Souphak Thinsayphone	Deputy Managing Director
5	Mr. Bouavanh Simmalivong	Deputy Managing Director
6	Mr. Viengsouk Chounthavong	Deputy Managing Director

Source: Banque Pour Le Commerce Extérieur Lao Public

❖ **Financial Status and Operating Data for the FYE 2016, 2017 and 2018**

Financial Status and operating data of BCEL for the last 3 years is as followings:

Table 4: Consolidated Statement of Financial Position

Unit: LAKm

Financial Summary (LAKm)	2016	2017	2018
Total Assets	32.023.274	35.886.113	38.993.293
Total Liabilities	30.710.080	34.072.425	36.961.678
Chartered Capital	682.888	1.038.617	1.038.617
Total Equity Contributable to the Parent	1.279.262	1.782.126	2.000.228
Total Equity Contributable to Non-Controlling Interest	33.932	31.562	31.387
Total Equity	1.313.194	1.813.688	2.031.615
Total Liabilities and Equity	32.023.274	35.886.113	38.993.293

Source: Banque Pour Le Commerce Extérieur Lao Public

Table 5: Consolidated Income Statement

Unit: LAKm

Financial Summary (LAKm)	2016	2017	2018
Net Interest and Similar Income	547.835	857.840	938.251
Net Fee and Commission Income	178.433	179.217	239.620
Net Operating Income	610.180	898.308	998.113
Total Operating Expenses	(410.377)	(550.837)	(563.190)
Profit Before Tax	226.216	364.022	427.280
<b>Net Profit for the Year</b>	<b>174.105</b>	<b>280.342</b>	<b>320.938</b>

Source: Banque Pour Le Commerce Extérieur Lao Public

Table 6: Consolidated Statement of Comprehensive Income

Unit: LAKm

Financial Summary (LAKm)	2016	2017	2018
Net Profit for the Year	174.105	280.342	320.938
Other Comprehensive Income for The Year, Net of Tax	(25.404)	(6.022)	(2.435)
<b>Total Comprehensive Income for The Year, Net Tax</b>	<b>148.701</b>	<b>274.320</b>	<b>318.503</b>

Source: Banque Pour Le Commerce Extérieur Lao Public

Table 7: Consolidated Statement of Cash Flows

Unit: LAKm

Financial Summary (LAKm)	2016	2017	2018
Profit before tax	226.216	364.022	427.280
Net cash flows (used in)/from operating activities	(2.887.876)	52.217	69.518
Net cash flows from/ (used in) investing activities	(110.002)	(77.808)	(87.702)
Net cash flows used in financial activities	(29.881)	220.523	(97.900)
Net change in cash and cash equivalents	(3.028.759)	194.932	(116.084)
Cash and cash equivalents at the beginning of the year	10.154.343	7.125.584	7.320.516
<b>Cash and cash equivalents at the end of the year</b>	<b>7.125.584</b>	<b>7.320.516</b>	<b>7.204.432</b>

Source: Banque Pour Le Commerce Extérieur Lao Public

## ➤ Assets Analysis



As at 31 December 2016, 2017 and 2018, the Bank had total assets of LAKm 32.023.274, LAKm 35.886.113 and LAKm 38.993.293, respectively. Among all these assets, “loans to customers” are the largest asset group for three consecutive years, which accounted for 59,62%, 62,49% and 62,49% of the total assets, respectively. On the contrary, “cash and balances with the BOL” and “due to banks”, which mostly consisted of cash and cash equivalents items, its contribution to the total assets had been reduced from 26,95% to 23,50% of the total assets. Consequently, BCEL is moving toward more aggressive assets structure, in other words, the Bank is taking more risk, gearing its assets toward a riskier position to earn more interest income.

The gross loans to deposit ratio increased year by year, from 76,02% in FYE 2016 to 80,65% in FYE 2017, and further increased to 83,05% in FYE 2018. Although the ideal level of this ratio for a bank depends on various factors, based on the Bank’s analysis, a tradition and prudence indicate that the ideal ratio is between 60% and 80% for a state-owned commercial bank in Lao PDR. Therefore, this ratio for the Bank is considered reasonable.

### ➤ Liabilities Analysis

The Bank always maintains a very strong liabilities structure with “Customers deposits” made up of about 82,72%, 83,36% and 80,94% of total liabilities as at 31 December 2016, 2017 and 2018, respectively. The remaining comes from interbank liabilities (“due to banks” and “borrowings from other banks”). As one of the leading banks in Lao PDR, the Bank has a huge advantage to support its expansion in customer loans and other lending business.

### ➤ Shareholders’ Equity Analysis

As at 31 December 2016, 2017 and 2018, the total shareholders’ equity increased continuously from LAKm 1.313.194 or 4,10% of total assets to LAKm 1.813.688 or 5,05% of total assets and LAKm 2.031.615 or 5,21% of total assets, respectively. The registered capital for the bank is LAKm 682,888 as at 31 December 2016 but increased to LAKm 1.038.617 in 2017. The Bank’s total shareholders’ equity increased year over year, as well as its equity to asset ratio. These indicate that the Bank improved its capital management.

Tier 1 capital ratio increased gradually from 9,37% in FYE 2016 to 13,96% in FYE 2017 and 14,45% in FYE 2018. It was mainly contributed by an increase in registered capital and better assets management.

Capital adequacy ratio also increased gradually from 5,33% in FYE 2016 to 9,72% in FYE 2017 and 11,12% in FYE 2018 due to the same reason. The Bank’s effort to meet its capital requirement as regulated in the BOL’s regulation, where stated that the capital adequacy ratio of a bank must be no lower than 8%, had been paid out.

Selected key financial ratios data for the last 3 years are as followings:

Table 8: Key Financial Ratios

Key Financial Ratios	2016	2017	2018
Interest income to interest earning assets	7,12%	6,57%	6,39%

Key Financial Ratios	2016	2017	2018
Net Interest Margin	2,77%	3,23%	3,09%
Fee to Income	22,63%	16,27%	19,18%
Non-Interest Income to Total Income	30,52%	22,12%	24,91%
Cost to Income	52,04%	50,01%	45,07%
Effective Tax rate	23,04%	22,99%	24,89%
Return on Equity	14,20%	18,25%	16,96%
Return on Assets	0,60%	0,82%	0,86%
Gross Loans to Deposits Ratio	76,02%	79,96%	83,36%
Tier 1 capital	1.272.887	1.781.781	2.003.541
Total capital	724.761	1.240.798	1.541.245
Risk weighted assets	13.588.881	12.764.766	13.864.951
Equity to Asset	4,10%	5,05%	5,21%
Tier 1 Capital Ratio	9,37%	13,96%	14,45%
Capital Adequacy Ratio	5,33%	9,72%	11,12%

Source: Banque Pour Le Commerce Extérieur Lao Public

#### ❖ Listed Fee Share Transfers

According to the Decision on Transfer of Shares No. 0025/SECO, dated 26/10/2016, Article 19: Rights and Duties of the Transferee, Clause 4. Performance Fee related to regulatory share transfer and Article 24 fee to transfer shares each mode is set in accordance with the specific rules which have been established in the Decision on Determining of Buying and Selling Ratio Fee and Share Transfer of listings on the Lao Stock Exchange, No. 10/SECO, dated 27/04/2017 defined in Article 1 as follows:

Table 9: Listed Fee Share Transfers

Fee Collectors	By Agreement	At the discretion or judgment of the court	Upon Request	Upon Inheritance or Death
Government	0,30%	0,30%	0,30%	0,00%
Lao Securities Commission Office	0,08%	0,08%	0,08%	0,04%
Lao Securities Exchange	0,30%	0,30%	0,30%	0,15%
Security Companies	0,30%	0,30%	0,30%	0,15%
Risk Protection Fund	0,02%	0,02%	0,02%	0,01%
<b>Total</b>	<b>1,00%</b>	<b>1,00%</b>	<b>1,00%</b>	<b>0,35%</b>

**Part I. BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC****1. Banque Pour Le Commerce Extérieur Lao Public****1.1 General information of Banque Pour Le Commerce Extérieur Lao Public**

Lao Name	:	ທະນາຄານການຄ້າຕ່າງປະເທດລາວ ມະຫາຊົນ (ທຄຕລ)
English Name	:	BANQUE POUR LE COMMERCE EXTERIEURLAO PUBLIC (BCEL)
Establish Date	:	01 November 1989
Business Type	:	Banking
Registered Capital	:	1.038.616.500.000 LAK
Par Value	:	5.000 LAK/Share
Number of Total Shares to Ordinary Shares Offering:		39.467.400 Shares
Number of Shares to the Rights Offering	:	4.154.500 Shares
Offering Price to the Rights Offering	:	5.450 LAK/Share
Number of Shares to the Public Offering	:	16.617.800 Shares
Offering Price to the Public Offering	:	5.550 LAK/Share
Number of Shares to the Strategic Partner Offering	:	18.695.100 shares
Offering Price to Strategic Partner:		based on negotiation between The Ministry of Finance and Strategic Partner
Headquarters	:	1st Building, Pangkham Road, P.O box 2925, Vientiane Capital, Lao PDR
Telephone	:	+856-21-213200
Fax	:	+856-21-213202
E-mail	:	bcelhqv@bcel.com.la
Website	:	www.bcel.com.la

Symbol/Mark

:



## 1.2 Background of Banque Pour Le Commerce Extérieur Lao Public

Banque Pour Le Commerce Extérieur Lao Public (BCEL) is established, by capital contributed of the Ministry of Finance, under Bank Establishment License, No. 129/BOL, dated 1 November 1989, On 23 December 2010, the bank completed the Initial Public Offering (IPO), the bank has changed its name to Banque Pour Le Commerce Extérieur Lao Public according to the Enterprise Registration Certificate (ERC), No. 0061/ERO, dated 10 January 2011 issued by the Department of Registration and Enterprise Management, Ministry of Industry and Commerce, Lao PDR. On such date, the Government, represented by the Ministry of Finance, is the biggest shareholder that holds 80% of the total shares.

On 15 July 2011, the Ministry of Finance sold its 10% of ordinary shares (equivalent to 13.657.759 shares) to strategic business partner named Compagnie Financière de la BRED (“COFIBRED”), pursuant to the Ordinary Share Purchase Agreement between Ministry of Finance and COFIBRED. COFIBRED is an affiliate bank of BRED which is the biggest bank in the regional association of banks under Banque Populaire Group, that is a collaboration of the Bank of France. Total purchased value is equivalent to 150.235.349.000 LAK which is full contributed by COFIBRED.

On August 17, 2017, BCEL offered to sell shares to its original and new shareholders to increase its registered capital, with the Bank offering 68.047.300 shares to original shareholders and to the general public 3.098.400 shares. The Bank has received a new Decision No. 21/ BOL, dated 13 September 2017, issued by the Bank of the Lao PDR. On 15 September 2017, the LSX confirmed that the bank had increased its registered capital of 355.728.500.000 kip (equivalent to 71.145.700 shares) as per certificate No. 01/LSL, dated 15 September 2017 and updated Enterprise Registration Certificate No. 0429/PM, dated 18 May 2018 issued by the Ministry of Industry and Commerce.

Background of BCEL can be summarized in details as the following:

Table 10: Background

Year	Descriptions
1975	After the country was liberated and established as Lao People’s Democratic Republic on 2 December 1975, Banque Pour Le Commerce Extérieur Lao was established as one branch of the State Bank with its role as a treasury to make payments on behalf of the government and has been granted an exclusive right to perform specific duties on international trade, as well as acting on behalf of the Government to cooperate on trading with international entities, holding of accounts and management of deposit accounts in foreign currencies; additionally, it is also assigned to manage the use of grants and loans from foreign countries and international organizations including International Settlement.
1989	In compliance with the development strategy of the Party and Government, since 1 November 1989, Banque Pour Le Commerce Extérieur Lao shifted from a bank administrated by the State to a State-Owned Commercial Bank that performs business independently and self-reliant on income - expense under the supervision of the Bank of Laos. Its role is to provide banking and finance services to general customers such as: deposits, loans, issuing guaranty letters, open letters of credit

	for importing goods, informing letters of credit for promoting exportation, internal and external payment services by using modern tools such as, international money transfer using SWIFT, Fax, Online and Telex systems, issuing cheque and others. The bank also provides foreign exchange services to facilitate the Government, private and international organizational sectors, international credit cards, ATM and so on.
1998	On August 1998, the Ministry of Finance appointed the First Board of Directors of Banque Pour Le Commerce Extérieur Lao, which includes the representative of the Ministry of Finance as President and representative from the Ministry of Industry and Commerce and provinces; which Banque Pour Le Commerce Extérieur Lao's branches are mainly located in Champasak, Savannakhet and Khammouane provinces. The Board of Directors has the role to determine the direction, policies, and operations are responsible for guiding the performance in all aspects of BCEL to protect its interests and the bank's stability in accordance with the policies issued by the State. The first Board of Directors was appointed to a three-year term.
1999	On 22 June 1999, Banque Pour Le Commerce Extérieur Lao Public entered into a joint venture with the Bank for Investment and Development of Vietnam (BIDV) to establish Lao – Viet Bank.
2001	On August 2001, the Second Board of Directors was appointed based on the lessons learned from the previous Board of Directors, the Second Board of Directors was comprised of a representative of the Ministry of Finance as President and other relevant parties as members.
2003	On January 2003, the Third Board of Directors was appointed which was only comprised of members of BCEL Staff, in addition, the Government hired a foreign banking expert for assisting and guiding all aspects of banking business operations at that time.
2008	Cooperate with Vietnam Insurance Company and Bank of Investment and Development of Vietnam to establish Lao-Viet Insurance Company.
2011	Banque Pour Le Commerce Extérieur Lao Public entered into a joint venture with COFIBRED Company, which is a Company represented by BRED Bank Group, registered in France for establishing Banque Franco-Lao.
2011	On 11 January 2011, BCEL changed from a State-Owned Commercial Bank to Banque Pour Le Commerce Extérieur Lao Public and it was the first commercial bank in Lao PDR that listed in the Lao Security Exchange, in which the biggest shareholder is the Ministry of Finance, holding 70% of the total shares, BCEL Staff holding 5%, strategic business partner holding 10% and the general public holding 15%.
2011	Joint venture with KT-ZMICO Security Company of Thailand to establish BCEL-KT Security Company.
2013	The annual general meeting in 2012 resolved to approve a capital increase to 360 billion for BCEL.
2014	Joint venture with Fu Tien Bank Limited to establish Lao-China Bank Limited.
2017	Issued a RO & PO shares of 355.728.500.000 kip (equivalent to 71.145.700 shares), which was offered 68.047.300 shares to the right offering and 3.098.400 shares to the public offering.

Source: Banque Pour Le Commerce Extérieur Lao Public

BCEL has a long history and has developed its service quality to compete in the market of the banking sector, in terms of a variety of products to provide better service to its customers, better use of updated technologies and better management which is one of the advantages to businesses. The main activities of bank are providing financial services, including capital

mobilization and deposits for short, medium and long terms for business units and individuals in accordance with their purposes and abilities to provide the capital of the bank; foreign exchange services, settlement services, international trade services, letter of credit service, bank guarantee, trading precious metals service and providing other banking services approved by Bank of the Lao PDR, especially insurance service and securities brokerage service.

### 1.3 Previous Achievements

Over the last decade, Banque Pour Le Commerce Extérieur Lao Public has actively contributed to the development and preservation of the nation in all aspects, complied with the leader’s guidelines in collaboration with the Bank for Investment and Development of Vietnam (BIDV) to operate banking activity services in the form of special cooperation between the two nations of Lao – Vietnam. Through the aforementioned operation, it has found that Banque Pour Le Commerce Extérieur Lao Public has outstanding performance in contributing for cooperation on economic, commerce and investment between the two nations of Laos – Vietnam. The bank received a Labor Medal Class III according to the Decree No. 27/GOL, dated 26/05/2004 and received a Labor Medal Class II according to the Decree No. 335/GOL, dated 28/12/2007 for contributing to the preservation and development of the nation for the 30-year anniversary (1975-2005). Additionally, the bank received a Labor Medal Class II in special cooperation on the occasion of the 10 years anniversary of the Lao-Viet Bank establishment date (22/06/1999 – 22/06/2009). On the occasion of the 20 years anniversary of business operations, BCEL received one Liberty Medal Class III, in addition, BCEL also received awards the following awards:

Table 11: International Awards Received

Year	Descriptions	Received From
2011	“The Bank of the Year 2011”	From the Branden Awards
2012	“Core Banking System Initiative of the Year- Retail Banking Awards”	From Asian Banking & Finance Magazine
	“Laos Domestic Technology & Operations Bank of The Year - Whole Sale Banking Awards”	From Asian Banking & Finance Magazine
2013	“The Platinum Technology Awards for Quality & Best Trade Name 2013”	From Asian Banking & Finance Magazine
	“Laos Domestic Project Finance Bank of The Year”	From Asian Banking & Finance Magazine
	“Lao Domestic Technology and Operations Bank of The Year”	From Asian Banking & Finance Magazine
	“Domestic Retail Bank of The Year”	From Asian Banking & Finance Magazine
2014	“Laos Domestic Cash Management of The Year”	From Asian Banking & Finance Magazine
	“Laos Domestic Technology and Operations Bank of The Year”	From Asian Banking & Finance Magazine
	“Domestic Retail Bank of The Year”	From Asian Banking & Finance Magazine
	“Online Banking Initiative of The Year”	From Asian Banking &



Year	Descriptions	Received From
		Finance Magazine
2015	ICT Award 2015 “Outstanding User Organization Award 2015”	From Asian Banking & Finance Magazine
	“Best Internet Bank – Lao PDR”	From Global Banking & Finance Review, London, UK
2016	“Domestic Retail Bank of The Year”	From Asian Banking & Finance Magazine
	“Mobile Banking Initiative– Laos”	From Asian Banking & Finance Magazine
	“Best Internet Bank – Lao PDR”	From Global Banking & Finance Review, London, UK
2017	“Operational Excellence Award”	From Wells Fargo Bank, USA
2018	“Financial Inclusion Initiative of The Year”	From Asian Banking & Finance Magazine
	“Mobile Banking Initiative of the year Laos”	From Asian Banking & Finance Magazine

Source: Banque Pour Le Commerce Extérieur Lao Public

#### 1.4 Related Companies

As of 31 December 2018, the bank has one Affiliated Company and four Joint Venture Companies as follow:

##### - Affiliated Company

In 2011, BCEL entered into a Joint venture with KTZMICO Security Company of Thailand to establish BCEL-KT Security Company.

Table 12: Affiliated Company

Name	Enterprise Registration Certificate	Sector	%
BCEL-KT Security Company	No. 180 – 10, dated 14 <sup>th</sup> December 2010 issued by the Department of Investment Promotion, Ministry of Planning and Investment, Lao PDR.	Securities Business	70%

Source: Banque Pour Le Commerce Extérieur Lao Public

##### - Joint Venture Companies

BCEL had entered into a joint venture with a foreign investor to establish three Joint Venture Banks and one Insurance Company, such as Lao-Viet Bank, Banque Franco-Lao, Lao-China Bank Limited and Lao-Viet Insurance Company.

In addition, BCEL is a joint venture with Lao National Payment Co., LTD (LAP Net), a legal entity company established in 2019 by separating from the LAPs program (Lao ATM

Pool Switching), which was officially launched on 24 November 2015, such project is funded by the Chinese Government and the China Development Bank; Union Pay Company is a developer. It has a total registered capital of 34.000.000.000 LAK (Thirty-Four Billion KIP). Of which, BCEL has a 20% investment equivalent to 6.800.000.000 LAK (Six Billion Eight Hundred LAKm). The main purpose of this joint venture is to follow the policies of the Party and the Government to modernize the payment system, reduce cash use, and facilitate customer services.

Table 13: Joint Venture Companies

Name	Enterprise Registration Certificate	Sector	%
Lao-Viet Bank	No. 232/11, dated 08/09/2011 issued by Bank of Lao PDR	Banking-Finance	25%
Banque Franco-Lao	No.121-09/MPI, dated 26/08/2009 issued by Ministry of Planning and Investment, Lao PDR	Banking-Finance	46%
Lao-Viet Insurance Company	No.077/08/ FIMC, dated 09/06/2008 issued by Foreign Investment Management Committee, Lao PDR	Insurance	35%
Lao-China Bank Limited	No.041/ERO, dated 27/01/2014 issued by Enterprise Registration Department, Lao PDR	Banking-Finance	49%

Source: Banque Pour Le Commerce Extérieur Lao Public

## 2. The Objective of Using Fund from the Share Offering

The share offering of BCEL 19% of the Ministry of Finance which is the largest shareholder, is to restructure shareholder structuring with the aim to raise the liquidity of BCEL's shares in secondary markets. Capital received from share offering after deducting the cost of issuance is all recorded in the Ministry of Finance's revenue.

## 3. Risk Factors

Investment in shares involves risk. Therefore, investors shall consider the information in this Prospectus carefully, especially risk factors related to the bank prior to making a decision on investing in common shares of the Bank. Those risk factors mentioned in this Prospectus may positively or negatively affect BCEL and the share value of BCEL. In addition, there may be other risk factors which are not mentioned in this Prospectus, which are the risk factors which have minor effects on BCEL at the present time. In the future, the aforementioned risk factors may affect the incomes, profits, liquidity, capital resources and business opportunities of BCEL.

BCEL always takes into account that risk management is a fundamental factor of banking business operations by clearly defining guidelines for risk management to ensure that the Bank shall have a better management mechanism ensuring against negative effects that may occur to banking business operations and shall comply with BASEL Principle. Risk management of the Bank consists of the Risk Management Committee and Executive Management Team that have key roles in defining and revising the Bank's policies.



Risk management processes of the Bank shall begin with indicating main risks that may cause negative effects to banking business operation, assessment of each risk, monitoring and controlling the risk at proper levels then making a report to the Executive Management Team for acknowledgement and seeking resolutions in timely manner of risk factors that investors shall consider prior making decision to invest are as follows:

### **3.1 Uncertainty of Global and Domestic Economic Circumstances**

Uncertainty of Global and Domestic Economic Circumstances that may cause challenges to the business operation of the Bank and could also be a risk factor to the Bank. The key factor for the year 2018 is the slowing of global economic growth occurring since the global financial crisis in the previous period, consumption circumstances and investment in main economic sectors where growth remained at low levels for a long time. This causes excess production capacity and previously the recovery of the global economy was still slow, especially considering that the European economy was faced with the problem of unemployment and a high level of debt. The Japanese economy was faced with prolonged deflation problems; hence the aforementioned circumstances may cause disruption in investment.

#### **- External Risk Factors**

Challenges from the China-USA trade war, as in 2018, the two countries have increased import tariffs on each other for the purpose of impeding trade and interaction with each other. This has been detrimental to the two countries' economies and may impact the global economy, which will affect Asian economies with high economic and trade links with China, especially due to a decline in imports. On the other hand, it is a good direction for investors who have no confidence in the economies of the two countries to invest in developing countries in the ASEAN region especially Lao PDR which is a politically stable country with a growing economy.

The direction of US interest rate increases by the end of last year and are likely to improve again in the foreseeable future even with the appreciation of the US dollar, this will lead to higher capital costs for fundraising, especially for emerging markets, thus increasing of the US interest rates may affect the flow of funds from countries into the United States, that has resulted in the stronger US dollar, hence all of these factors are contributing to the cost of fundraising. In addition, China's economic recovery will also have an overall effect on the world economy.

However, the impact of the economic situation is mainly due to external factors that cannot be avoided or controlled. For mitigating this risk, the Bank has placed the importance of monitoring the economy closely and continuously as indispensable for obtaining information for decisions of the bank to be able to adapt its competitive strategy to suit the changing economic environment from time to time with the least impact on the bank.

#### **- Internal Risk Factors**

In the past, BOL regulations have set the difference between deposits and loans no higher than 3% (three percent). There were some changes to the rules in 2019, especially the Decision on Setting Interest Rates for Commercial Banks, No. 140/BOL, with the main to allow

commercial banks to set their deposit-loan interest rates in accordance with a market mechanism. This factor will enable the commercial banks as well as BCEL, to set their deposit rates in line with the economic conditions and cost-effective management principles. At the same time, it is possible to manage the loan interest rates in accordance with the source of funds accordingly.

Also, internal factors of the Lao economy that directly impact the bank is to set policy rate of BOL which is likely to fall which will result directly to deposit raising of the bank and with the demanding to hold cash of people are still high, reducing the investment in building infrastructure and the slowdown in public spending has caused the investment sector to suffer a shortage of capital, which has led to a slow debt repayment. At the same time, to set the regulation of financial institution management system of the Bank of the Lao PDR is likely to be more concise to meet the requirements of the international organizations of which the Lao PDR is a member.

In response to the interest rate policy and economic slowdown, BCEL has taken measures to determine the proportionality of deposits and loans in order to accommodate this risk at an appropriate proportion as follows:

- Plan for deposit mobilization in the short and long term.
- Plan for deposit mobilization to meet demands in each area, especially focusing on the mobilization of fixed deposits to cover a large proportion of the total deposits so that the mobilization is consistent with long-term capital utilization.
- Maintain and increase the Lao Kip currency deposits and focusing on deposit mobilization for dollar and baht currencies.
- Review and consider long-term deposit products as appropriate to the needs of the customers, as well as identify the customer groups and advertise them to the target customer groups. At the same time, it is important to consider the appropriate deposit promotion scheme for depositors to mobilize effectively in the long run.
- Increasing credit management measures, based on economic conditions, to be used as references to analyze the risk of lending to projects.
- Pay close attention and follow-up with clients to ensure the business conditions of the customers, as well as minimize the potential risks.
- Advise customers in financial management, aiming to assist customers in carrying out their business goals and to cope with changing business situations.

### **3.2 Credit Risk**

Credit risk means the risk caused by borrowers or contractors that are unable to comply with the terms and conditions as defined in the loan agreement. This may be because the parties are facing financial issues that cause an inability to pay the debts that are due or deliberately not following the contract which results in damage to the banking business, mainly income from extending credit of the Bank. Credit risk is caused by several factors that include:

#### **- External Risk Factors**

The main external risk factors are from fluctuating conditions of domestic and international economies, such as fluctuation of interest rates, exchange rates, and political

conditions. Additionally, there are also related factors such as the customer's ability to pay debt, debtor's honesty, changes of BOL's policies related to credit management of commercial banks, such as an increase of credit measures (Debt Classification), risk classification for each customer, and setting the conditions and power to approve credit.

Classification of risks and deduction into the reserve fund for credit risks against the credit list of BCEL is in compliance with the Decision of Bank of Lao PDR, No. 512/BoL, dated 29 June 2018, as in the following details:

Table 14: Debt Classification and Minimum Reserved Ratio

<b>Classified Debt</b>	<b>Day of Pending Payment</b>	<b>Minimum Reserved Ratio</b>
Normal or Pass	< 30	0,5%
Watch or Special Mention	$30 \leq x < 90$	3%
Substandard	$90 \leq x < 180$	20%
Doubtful	$180 \leq x < 360$	50%
Loss	$\geq 360$	100%

In coping with such risks, BCEL is closely and continuously following economic circumstances in order to identify the ways to cope and prevent negative developments in case there is a change of external situation that adversely affects the bank and research and seeking opportunities when economic conditions are favorable. In addition, BCEL is also improving its business operations, especially on the lending section to comply with current legislation and other regulations that may be revised in the future. Therefore, to accommodate some of the changes in regulations on banking in the future, the Bank has prepared several ways and hired an international consulting firm to assist the reformation of internal regulations and seeking tools to help the operation of credit, tools supporting the analysis of financial information, tools to indicate credit risk, and tools for credit ranking.

#### - Internal Risk Factors

Internal risk factors are factors that occur within the bank such as an analysis and assessment of credit, assessment and receipt of securities, morality of credit officers, approval processes, regime, systems, monitoring tools and credit management starting from credit approval until final processing and the process for repayment of loans back to the Bank. Due to the fact that credit is the main business of the bank, credit service is the core issue of the Bank, if management and administration of credit is good that shall result in a good profile of the Bank and generate profits; In contrast, if the credit administration is not effective that may directly affect the income of the bank.

To manage the credit risk of BCEL, there is a specific unit to manage and administrate the credit risk. Across BCEL's system has policies and regulations as a reference for implementation and monitoring the contractors; in addition, BCEL has reviewed and closely monitored, the bank focusing on creation of a strong credit culture with clear principles and targets allowing credit officers to understand the principles of credit performance and communications based on the same system across the system, furthermore, there is also the

organizing of training across the system and an examination for measuring the quality of credit officers issue each year.

BCEL has issued a credit risk management policy based on international principles, especially BASEL II, which includes: management, stakeholders' responsibilities for credit, credit assessment and approval principles, collateral, credit risk management, risk mitigation and monitoring.

In addition, the introduction of a new credit risk rating system will be used in the assessment and credit analysis process to enable the Bank to prioritize loans to international standards and reflect the most realistic ways to reduce inefficient credit.

#### **- Credit Risk of Large Debtors**

Credit risk factors of large debtors mean the risk caused by bank loans or investments, creation of financial commitments, providing guarantees to any cluster of debtors or any project with high value; if there are damages that directly affect the financial status and ability to operate the Bank's business. Credit risk management of large debtors, the bank shall diversify the risk into many different clusters of customers.

In consideration of the aforementioned risks, BCEL has the policy to manage the credit by setting the approval of credit to any individual or company not exceeding 25% of Tier 1 and approving the credit of any company cluster by not exceeding 50% of Tier 1. Most importantly, approving the credit to large debtors (more than 10% of the capital) collectively shall not exceed 8 times or 800% of Tier 1 of BCEL.

#### **- Credit Risk of Economic Factors**

The credit risk factor of an economic sector means the risk caused by the Bank's loan and/or creation of financial commitments to debtors within any economic sectors with high value. If there is a recession in the economic sectors that cause damage or directly affects the financial status and ability to operate the business of the Bank such as approving the credit for an infrastructure construction project, construction sectors and so on. The bank shall diversify the risk from credit approval in any economic sectors to avoid an effect to the Bank if there is a recession in any economic sectors.

To manage the credit risk factor on the concentration of economic sectors, BCEL has paid attention in the diversification of the credit risk into several sectors focusing on the approval of credit for any economic sectors not exceeding 30% of gross credit.

### **3.3 Marketing Risks**

Marketing risks are the risks to the revenue of BCEL that may occur from transactions or evaluations in the financial statement of BCEL that may affect the assets, liabilities and capital which in turn could affect the profit/loss of banks. The cause of such effects is due to changes in interest rates, exchange rates and the price of securities in the markets that BCEL invested. Nonetheless, at the present time, the marketing risks for BCEL has less of an opportunity to occur, as it has seen previously:

- The interest rate is likely to decrease, which would benefit in assisting BCEL to reduce the payment commitments of deposit interest and allow for the ability to extend more

loans, at the same time it is found that decreasing the interest rate caused funding from deposits to grow slowly, in light of such circumstances, BCEL has improved its policies to minimize such risks by providing flexible interest rates as appropriate and applying sources of funds in the markets to the highest effective use.

- Foreign currency trading transactions of BCEL requires providing services to customers who are required to pay settlement for goods fees and international services fees and to prevent the risk from the fluctuation of exchange rates, the bank shall conduct foreign currency trading transactions within a day.
- Investment in the securities of BCEL is comprised of bonds and shares in Lao Securities Exchange, which is found to have low risks because it is the Government's bonds and the price of shares in the domestic market has less fluctuation.

Coping with such risks, however, BCEL has continued to improve its marketing risks management to ensure effective operations, along with the development of present and future financial products.

### **3.4 Competitive Risk in the Banking Sector**

Over the years, the banking sector of the Lao PDR has grown rapidly in terms of both quantity and quality, as evidenced by the fact that in 2006, Lao PDR had only 12 commercial banks, including the foreign commercial bank branches, but by 2019, the banking sector had grown to 43 commercial banks, consisting of 3 state-owned commercial banks, one specialized bank, 3 joint venture banks, 8 domestic and foreign private banks, 8 foreign subsidiary banks and 20 foreign branch banks (BOL, 2019). However, due to the growing number of banking institutions in the country, it is becoming more and more difficult for individual banks to compete with their competitors. In order to improve their service quality to be able to compete with their competitors, such as creating products to serve the customers with the latest technology, including: ATMs, Cash Deposit Machine (CDM), B-Connex Network, BCEL One, I-Bank, EDC, SME Banking, card productions such as BCEL UnionPay, BCEL Visa and MasterCard and other services in order to meet the future's demands.

### **3.5 Business transformation in the IT era.**

Currently, business competition between financial institutions is increasing from time to time, thus financial institutions, as well as commercial banks, must adapt continuously for sustainable business growth and competitiveness. Therefore, the application of new modern technology tools is necessary for business operations considering the situation involving a high degree of business competition in order to transform and modernize the Bank's services to facilitate customer's access to the services of the bank, maximizing convenience at all times, thus ensuring safety and increasing the effectiveness of working, as well as creating favorable differences for businesses. Meanwhile, the Bank must keep in mind that the application of new modern technology tools will have high risks, especially the risks on the treatment of the information systems and the safety of computer networking systems that is inescapable and is quickly increased at the present with various forms and more complexity, which causes directly impact the decision to receive the service of customers. It is essential to transform application to be more in line with international standards and available at all times to prevent and respond to such problems; the features of information system risks that are found and the preventive methods are as follows:

- Risk of bringing other unauthorized devices to be connected, the Bank's installed software in the management of centralized computing resources with high performance and can prevent computer viruses and is able to monitor and inspect the systems according to policies as stipulated by the bank periodically.
- Risk from computer and IT device failures which are unable to operate properly, the Bank has paid attention to monitor IT devices and equipment serving within the Bank, any equipment that works for long periods of time shall be replaced by new equipment, thus providing new high quality computers, updated technology, arranging backup equipment to be ready for replacements, and creating a hub system in parallel with internal and external locations to ensure the services operate continuously.
- Risk from customer data being stolen by unauthorized persons, the bank has issued a series of instructions on social media to let customers know the pitfalls of unauthorized persons stealing customer data, as well as seeking protection methods of its personal information, such as usernames, login passwords, and being careful about accessing information through social media channels online. At the same time, there is a committee in charge of monitoring and inspecting the use of online social media information to keep it up-to-date and provide timely remedies.
- Security risks of using the products, the bank has the tools to monitor and prevent cyber-crime that are internationally recognized, such as the use of Secure Socket Layer (SSL) to encrypt and decrypt the users of the system, whether they are the bank's websites, I-Bank banking products in order to ensure the safe use of BCEL products.

Therefore, to cope with such risks and to build the trust of customers who receive services, business partners, and domestic and foreign investors, it is necessary that the Bank apply some funds into the development, improvement and upgrading of its IT systems in order to modernize and gradually meet international standards.

### **3.6 Regulatory Changes**

The Bank of the Lao PDR, which is an administrative organization for commercial banks and financial institutions, has issued policies to manage financial institutions from time to time and to be in compliance with the financial policies of the Bank of the Lao PDR as a reference in the management of liquidation and risk management in business operations of the Bank as follows:

#### **3.6.1 Basel II Principle**

The Basel II Principle shall be emphasized on capital adequacy to the risk-weighted assets. In regards to each category of risk-weighted assets, the BOL has clearly defined the standards and conditions of international financial organizations that would cause difficulties to commercial banks when implementing the aforementioned principle, as it may affect the capital adequacy and main income of commercial banks.

Capital Adequacy Ratio: CAR is a tool for measuring the sufficiency of capital that is determined by calculating Capital Tier 1 and Capital Tier 2 in comparison with the total risk assets:

$$CAR = [(Capital\ Tier\ 1 + Capital\ Tier\ 2 / Sum\ of\ Multiply\ Result\ with\ Total\ risk-weighted\ Assets)] \times 100 \geq 8\%.$$



At present, the Basel II principle is continuing to explore regulatory and policy issues in line with the economic situation of the Lao banking sector. Therefore, BCEL has been preparing the readiness and prioritizing the training and learning the lessons on such tasks on a regular basis to ensure the effectiveness of the Bank's Basel II principle implementation in the future.

### **3.6.2 Complying with other laws and regulations**

In addition, commercial banks shall be in compliance with the principles and conditions as defined by BOL and the Securities Management Organizations from time to time, such as credit management, foreign currency management, management of exchange rate, interest rate and so on.

- International Regulation: BCEL participates as a member of the financial institution that complies with the Foreign Account Tax Compliance Act (FATCA), Law on Tax Payment of individuals and American legal entities that conduct activities in foreign countries which play an important role involving anti-money laundering initiatives and preventing the financing of terrorist activities; additionally, it has also complied with measures related to the list of boycotted countries by international organizations.
- Internal Regulations: BCEL has complied with the relevant laws and regulations promulgated from time to time, in addition, there are ongoing improvement and development of regulations, policies and manuals of the bank suitable for the economic and regulatory environment of the Lao PDR.

### **3.6.3 Liquidity Risk**

Liquidity risk is the risk caused by the bank when it is unable to repay the debts and commitments of the Bank, due to the fact that it lacks financial liquidity. An objective in the administration of liquidity risk of the Bank is: The Bank shall have proper capital that is adequate to repay debts and financial commitments, both presently and in the future. In addition, it also can utilize the capital for other benefit generation as well. The main liquidity risks of the Bank comprise of financial structure, sources of funding and use of sources of funding.

In regards to the aforementioned risks, the Bank has established the ALCO, which is regularly reviewed by TISD, which is a secretariat to such committee. The secretariat division shall administer and monitor such activities daily. In addition, there is also continuing development of the reporting system.

### **3.7 Other Risks**

In addition to the aforementioned risks, other risks remain unpredictable, which can have an effect on the business operations of BCEL such as natural disaster, war, flood, fire, explosion, protest and others which are factors affecting business operations of the Bank. Thus, BCEL shall pay attention to the management of such risks by preparing the development of policies and tools for the management of such risks, tightly focusing on ensuring the effectiveness of operational procedures over the systematic and standardized risk management. Meanwhile, in order to cope with an emergency situation that may affect to the Bank, BCEL is also preparing the development plan for Business Continuity Management to ensure that BCEL shall be able to cope with any situations that may occur at any level.

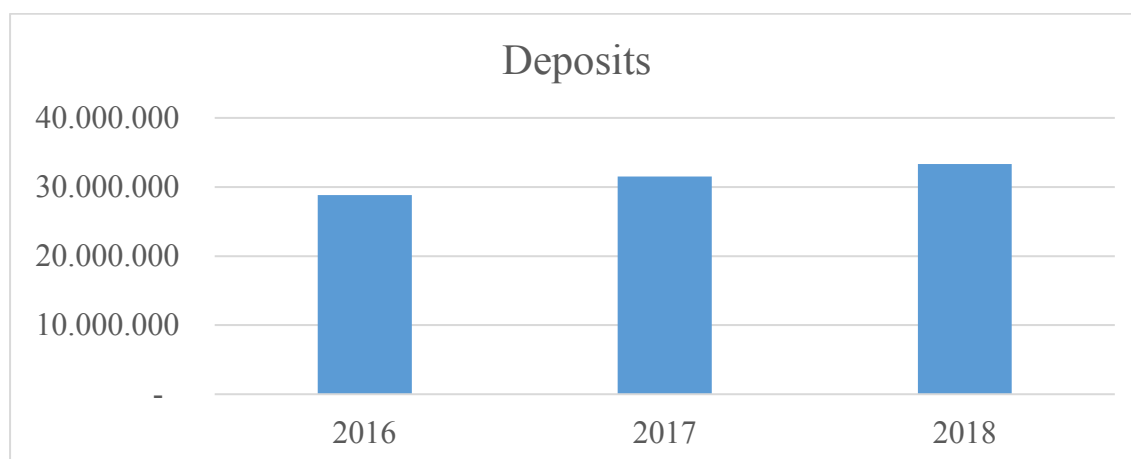
#### 4. Current Business

BCEL has operated in the banking business in accordance with the regulations and principles as stipulated by the Bank of Lao PDR, in which products and services of BCEL provided to customers are also similar to other banks in general, including current deposit accounts, fixed deposit accounts, loans, guarantees and others; although BCEL has various advantages that allow BCEL to develop technology that is linked to the bank's products to provide conveniences to customers such as BCEL ONE, Mobile Banking, Internet Banking and other services that are more advanced than other banks. General services are as follows:

##### 4.1 Deposits

In FYE 2016, 2017 and 2018, BCEL had total deposits of 28.928.650 LAKm, 31.679.077 LAKm, and 33.328.271 LAKm respectively. In FYE 2017 increased by 9,51% compared to FYE 2016, and in FYE 2018 increased 5,21% compared to FYE 2017.

Figure 1: Deposits



Source: Banque Pour Le Commerce Extérieur Lao Public

##### 4.2 Loans

Loans to customers increased by 17,45% from 19.093.205 LAKm in FYE 2016 to 22.425.778 LAKm in FYE 2017 and increased by 8,66% to 24.366.860 LAKm in FYE 2018. Loans growth mainly came from the provision of credit to companies in the service industry sector expansion, which has grown by 18,21% from 9.796.735 LAKm in FYE 2016 to 11.580.391 LAKm in FYE 2017 and has continued to increase by 11,67% to 12.931.637 LAKm in FYE 2018.



Figure 2: Loans



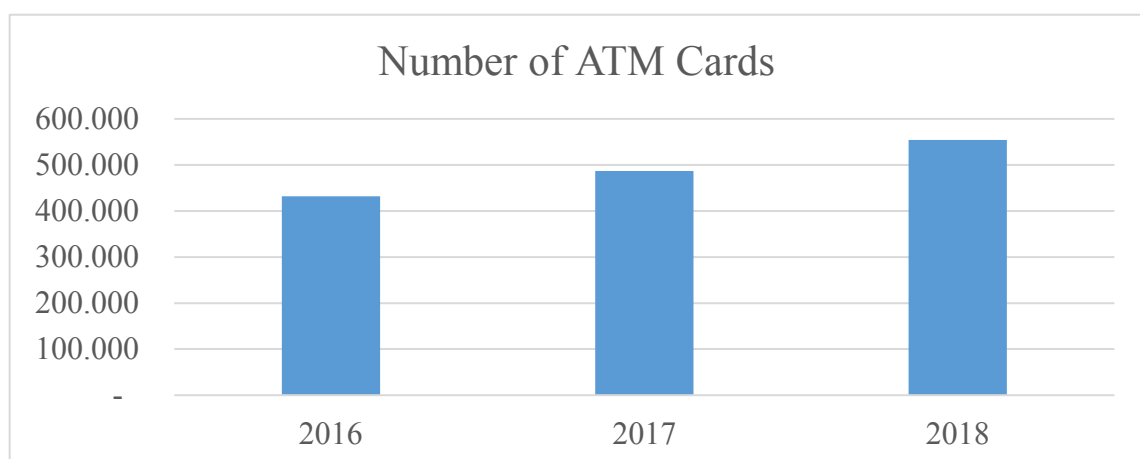
Source: Banque Pour Le Commerce Extérieur Lao Public

### 4.3 ATM Cards

ATM's of BCEL are popularly used by the general public because BCEL has branches and service units in all provinces across the country, that is different from many banks that have not yet expanded to other provinces; for this reason, ATM card use is widespread. In addition, BCEL also provides ATM cards in the form of student cards and for employees of the Government across the country.

There has been an increase in the number of ATM cards issued by Banque Pour Le Commerce Extérieur Lao Public, as seen from the graph below, which has increased each year. In 2016, 2017 and 2018 the total number of ATM cards issued was 431,736, 486,631 and 554,234 cards which increased by 12,71% in 2017 as compared to 2016 and 13,89% in 2018 as compared to 2017.

Figure 3: Number of ATM Cards



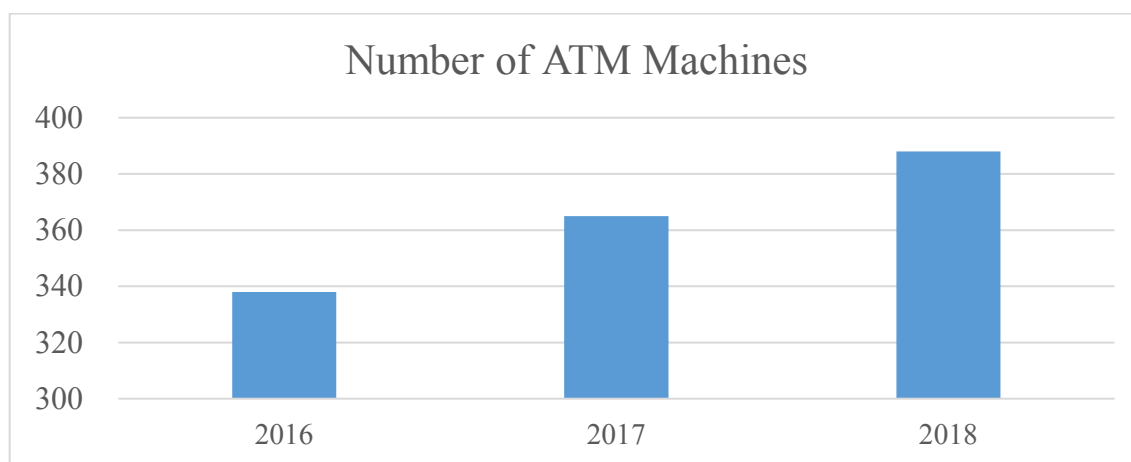
Source: Banque Pour Le Commerce Extérieur Lao Public

### 4.4 ATM Machines

Expansion of BCEL ATM machines is based on the expansion of the service unit networks of BCEL across the nation. In 2016, there were a total of 338 ATM machines installed

across the country; in 2017, the number of ATM machines installed increased by 365 machines, which represents an increase of 7,99% as compared to 2016. In 2018, the number of ATM machines installed was increased to 388 machines, which represented a 6,30% increase as compared to 2017.

Figure 4: Number of ATM Machines



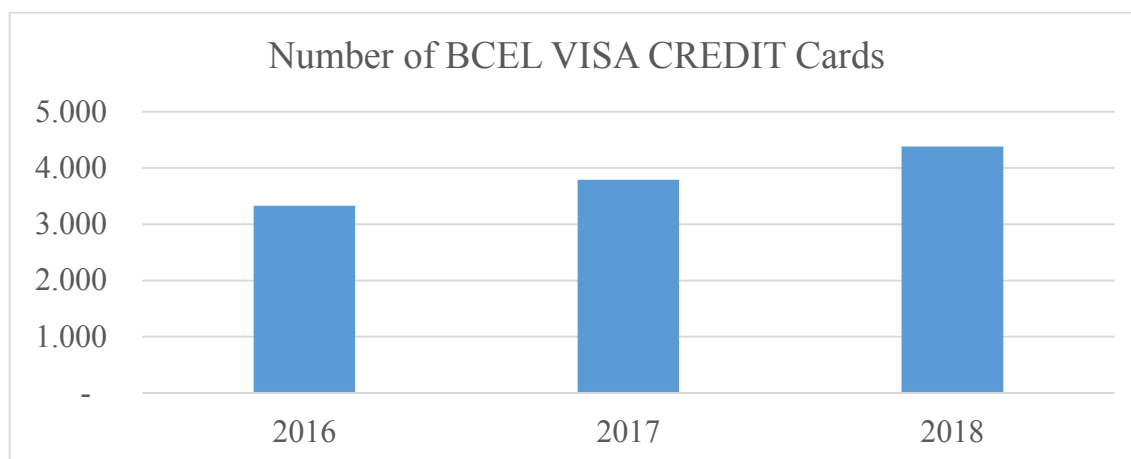
Source: Banque Pour Le Commerce Extérieur Lao Public

#### 4.5 BCEL VISA CREDIT Cards

The BCEL VISA CREDIT Cards are credit cards with microchip technology meeting international standards and ensuring high security. The credit card is a card that represents a cash advance or credit that card members will receive a credit line from the bank based on regulations as issued. The card can be used to pay for goods or services or for payment via the Internet. Customers can apply for a supplement card for a maximum of one card, with a maximum non-interest period up to 45 days (depending on the transaction date), which is applicable if previous outstanding balance is paid in full and within the due date; or cardholder can choose to pay partially, but shall not be less than the minimum 20% of the outstanding balance in the statement of the credit card. The cards can be used at stores displaying the sign indicating that they accept credit cards issued by the Banque Pour Le Commerce Extérieur Lao Public, as well as stores that have Visa symbols across the country and worldwide. Credit cards of Banque Pour Le Commerce Extérieur Lao Public are comprised of two types, such as Gold and Silver Cards.

Issuance of VISA Credit cards has increased each year, which in the Figure shown in 2016, BCEL was able to provide 3.331 and in 2017 there were 3.793 cards issued, representing a 13,87% growth rate as compared to 2016. In 2018 an additional 4.384 cards were issued, representing a rate of growth of 15,58% compared to 2017.

Figure 5: Number of BCEL VISA CREDIT Cards



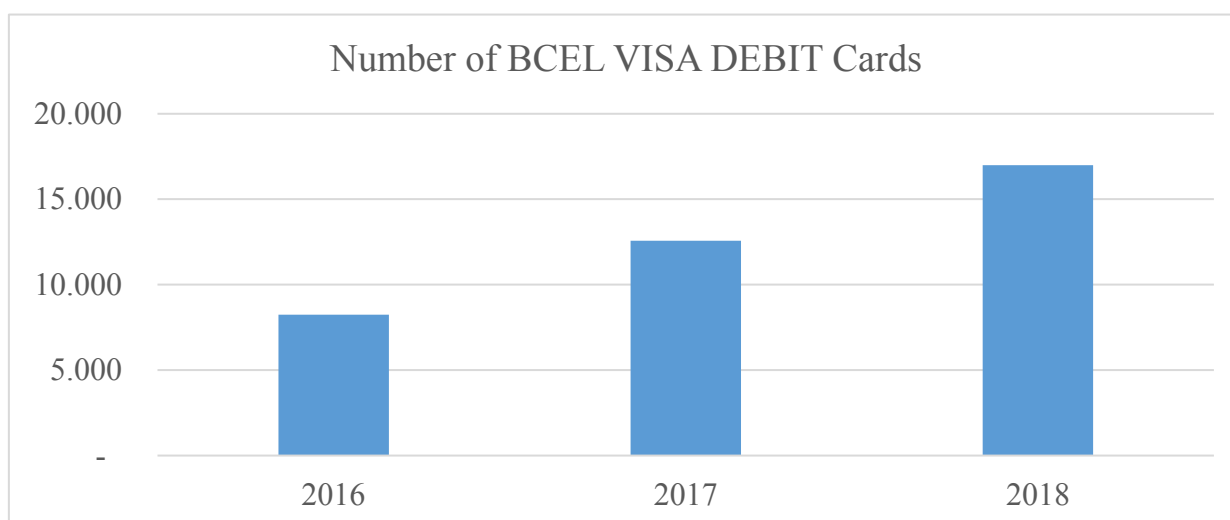
Source: Banque Pour Le Commerce Extérieur Lao Public

#### 4.6 BCEL VISA DEBIT Cards

Based on the potential of BCEL as stated above, the use of VISA DEBIT cards is popular among BCEL customers across the country, because it is easy to make withdrawals both domestically and internationally. The VISA DEBIT cards are embedded with a chip which is regarded with having high-security level according to international standards. They can be used to replace cash to make a transaction for commodities and services or for online payment like credit cards. The Debit cards are different from credits cards as when they are used in the transaction, the money will be deducted immediately from the card holder's bank account.

According to the Figure below, the growth of the VISA DEBIT Cards is also providing a service which is popular with society. In 2016 debit card use was increased by an additional 8,243 cards and 12,566 cards in 2017, representing an increase of 52,44% as compared to 2016. In 2018 the bank issued 12,566 cards, representing an increase of 35,15% as compared to 2017.

Figure 6: Number of BCEL VISA DEBIT Cards



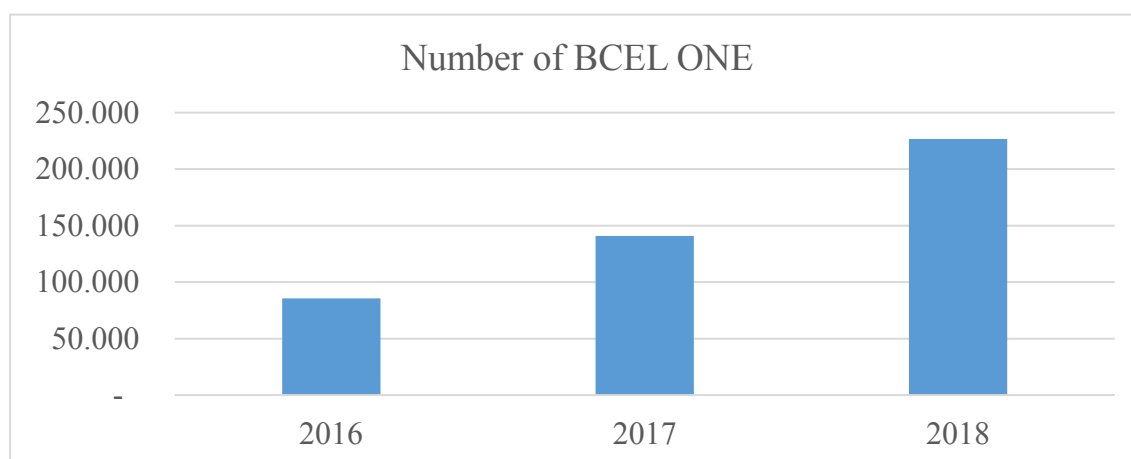
Source: Banque Pour Le Commerce Extérieur Lao Public

#### 4.7 BCEL ONE

BCEL ONE product was launched and started to be available in July 2013. The new product BCEL created was to serve society, with the main aim of reducing the crowdedness resulting from the large numbers of customers going to the bank to conduct transactions. With BCEL ONE, customer can conduct the transactions by themselves online, such as money transfers, payment for water and electricity bills, and telephone bills for some carriers. Subsequently, it has been continually developed up to the present time resulting in BCEL ONE being a very popular product in society and a convenient electronic product to customers, which is illustrated by the expansion in 2018 with a total of 226.608 users.

In 2016, there were a total of 85.443 users and there were 140.728 users in 2017, which represented an increase of 64,70% as compared to 2016. In 2018, the number of users further increased to 226.608 users, representing an increase of 61,03% as compared to 2017.

Figure 7: Number of BCEL ONE Users

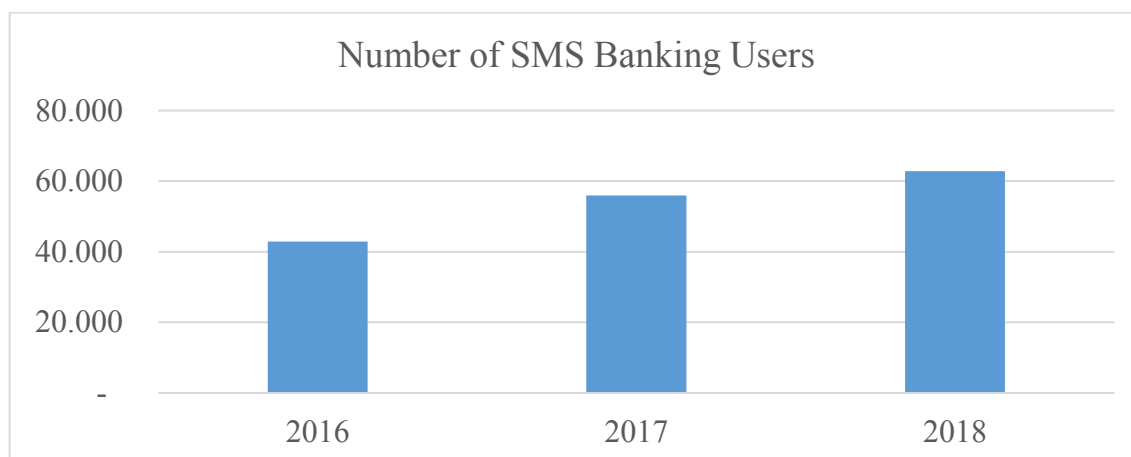


Source: Banque Pour Le Commerce Extérieur Lao Public

#### 4.8 SMS Banking

The SMS BANKING service was established in 2008 to alert customers of financial transaction activities on their accounts. In 2016, there were 42.899 users and the number increased to 55.944 users in 2017, which represented an increase of 30,41% as compared to 2016. In 2018, the numbers of users continued to increase and reached 62.858 users, which represented an increase of 12,36% as compared to 2017. The reason that caused such an increase was that BCEL improved the forms of services and promoted this product to be a supplemental product when the customers open new accounts.

Figure 8: Number of SMS Banking Users



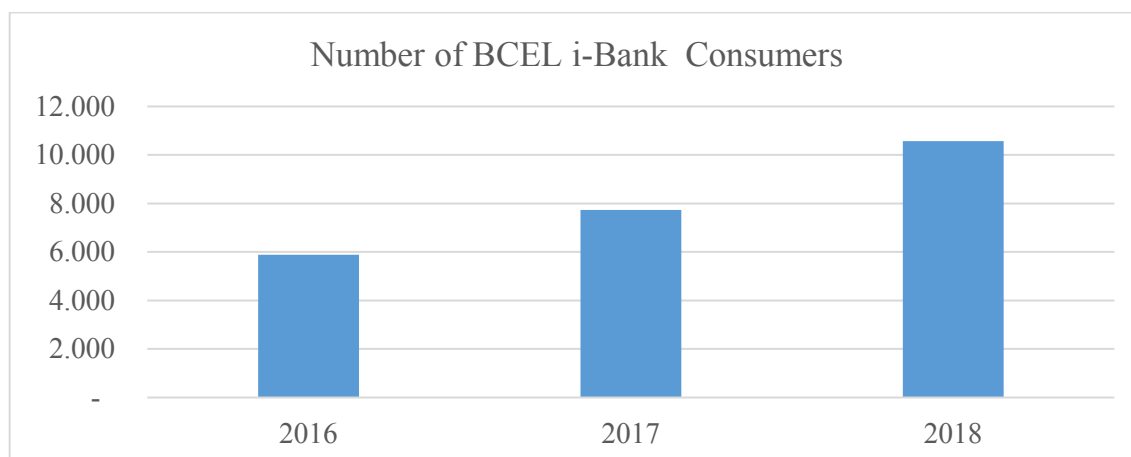
Source: Banque Pour Le Commerce Extérieur Lao Public

#### 4.9 BCEL i-Bank

BCEL i-Bank was introduced in 2008 and has been developed continuously. Such a product is suitable among government, private organizations, international organizations, companies or legal entities and legal entity groups.

In 2016, there were 5,891 users. In 2017 i-Bank there were 7,735 users, representing an increase of 31,30% as compared to 2016. In 2018 the number expanded to 10,565 users, representing an increase of 36,59% as compared to 2017.

Figure 9: Number of BCEL i-Bank Consumers



Source: Banque Pour Le Commerce Extérieur Lao Public

#### 5. Project Plan

BCEL has adjusted and increased some tasks aiming to achieve its long-term vision which includes upgrading its business services, developing and strengthening its organizational management systems in 2018. The bank also increased some sub-projects particularly those related to compliance with Basel II principles and some programs which are comprised of 6 key programs (unchanged) that include 32 major projects and 253 working plans (an increase of 62 working plans). The increases of work plans are related to the services that are in line

with the Basel II principles and to be implemented by various committees, departments, centers, branches, divisions and service units as follows:

❖ Develop an administration to international standards

Corporate Governance (CG) is the management and administration systems underlying the structural controls and processes of the shareholders meeting, the board of directors, directors, shareholders and other stakeholders to allow the company with guidelines to implement standards for good business management, effective businesses administration, transparency, accountability, regardless of all the stakeholders.

❖ Create the Risk Management System and Complying with Basel II Principles

After joining the ASEAN Economic Community, competition in the financial and banking systems are expected to increase, which will require banks to improve and build strong foundations for their organizations in order to be able to compete and ensure achievement of the goals of the bank by building a strong and effective risk management system meeting regional and international standards. BCEL has guidelines for building a strong risk management system which established the Risk Management Division and the Anti-Money Laundering Division, focusing on risk management issues and implemented in accordance with the Basel II Principles. Therefore, to achieve the target of building the foundation of a risk management system in accordance with the Basel II Principles, BCEL shall pay close attention to the following main activities:

- To improve the risk management system in accordance with the policy of Bank of Lao PDR and Basel II standards;
- To improve risk management policy in accordance with Basel II standards;
- To develop tools for asset management, risk management and auditing to be efficient;
- To create and improve the rules of asset management to be effective.

❖ Create a Management Information System (MIS)

MIS is an important part of business administration that requires the development of the management team with accurate, precise, standardized and secure target strategies, such as the following:

- To develop a reporting system to reach standards for effective management;
- To develop a database center;
- To create and improve reporting systems with a variety of dimensions;
- Reporting systems and disclosures shall be centralized;
- To develop protection systems for the security of information.

❖ Development and Management of IT System

Along with the development of transforming into a modern system, the development of IT systems is an important and fundamental activity. It is essential to develop BCEL's IT systems with modern, comprehensive systems that meet international standards, possess the ability to support business operations, and fulfill services with modern, streamlined and integrative

international technology. At the same time, it will need to make it a priority to develop the system in accordance to the principal activities of the overall business strategy, which will further develop and improve the IT systems, as in the following:

- Research and development towards the use of an open-source system;
- Developing the application systems serving internal activities;
- Creating the running parallel systems and backup systems;
- Creating and strengthening computer protection systems;
- Development and upgrading the IT system structure to attain an international standard, such as establishing a DATA CENTER with international standards, creating the conditions for managing the IT system of BCEL that is capable of attaining the certificate of qualification for international standards (ISO 27001) and prepare for international integration;
- Create and improve regulations, manuals and guidelines which relates to IT activities systematically and concisely.

#### ❖ Development of Personnel Management

Personnel is the main supporting factors to drive the strategy of achieving BCELs stated goals. In the current environment, competition in the banking sectors is gradually increasing. Economic, social and technological factors are rapidly changing, likewise, management of personnel demands tools to foster the sustainable development of business success by focusing on the personnel's ability as a mechanism to drive BCEL's progress, especially building personnel to be professional and adaptable to the new environment.

Therefore, it is imperative to develop a personnel management system with strength and consistency which integrates the bank's strategies and is able to step toward achieving the vision and mission of BCEL, it is necessary to determine the strategic plan for the development of management personnel in the following manner:

- To develop personnel consistent with the tasks;
- To increase the efficiency of personnel allocation in accordance with appropriate tasks, knowledge and educational qualification;
- To motivate employees based on the change of conditions and necessity of the tasks;
- To create Key Performance Indicators (KPI).

#### ❖ Development of Financial Management and Efficient Business Operation

Financial management is to focus on the development of raising capital, capital management in various forms as possible according to the actual conditions, improving the appropriate capital structure as a standards for credit rating, ensuring the effective use of capital by identifying strategies of credit and precise and consistent capital management, improving joint ventures with other parties to improve the quality of business, generating revenue and managing expenditures with more efficiency and developing the management and monitoring systems for periodic evaluation.

## 6. Asset Structure

As of the date 31 December 2018, BCEL's assets were up to LAK 38.993.293 million, due to the special characteristics of the banking business sector. The main assets of BCEL are cash and deposits at the Bank of the Lao PDR, deposits at other banks, loans to customers, investments in financial – holding until maturity, investments in affiliated and joint venture companies, fixed assets and equipment, intangible fixed assets, deferral of Property Tax payment and other assets as follows:

Table 15: Assets in business operations

Assets	FYE 2016	FYE 2017	FYE 2018
Cash and Balance with Bank of the Lao PDR	5.680.936	5.815.021	5.334.246
Due from banks	2.950.093	3.235.883	3.828.669
Loans to customers	19.093.205	22.425.778	24.366.860
Financial assets - Held-for-trading	39	5	14
Financial investments - Available-for-sale	198.121	190.959	156.516
Financial investments - Held-to-maturity	2.553.110	2.574.671	3.652.772
Investments in joint ventures	551.449	541.730	462.296
Property and equipment	447.935	457.487	450.132
Intangible assets	243.521	247.600	246.601
Deferred tax assets	10.856	18.215	29.099
Other assets	294.009	378.764	466.088
Total Assets	32.023.274	35.886.113	38.993.293

Source: Banque Pour Le Commerce Extérieur Lao Public

## 7. Legal Disputes

Previously, the business operation of BCEL had no prosecution at any court or involved in any dispute which may affect the assets of BCEL or cause BCEL to have litigation or take legal action. Currently, BCEL has no litigation, dispute resolution, prosecution, criminal litigation or any dispute either true or may happen and neither a claim nor protection relating to a third party or witness.

The Court Certificate issued by People Court of Vientiane Capital, No. 06/PC.VTE, dated 01/04/2019 confirmed that there is no lawsuit pending in the court.

## 8. Total Equity of BCEL

Total Equity of BCEL in 2018 is 2.031.615 LAKm consists of chartered capital, the statutory reserves and other reserves, available-for-sale reserve, treasury shares, retained earnings, and total equity contributable to non-controlling interest as the following:



Table 16: Total Equity of BCEL

Descriptions	FYE 2018
Chartered capital	1.038.617
Statutory reserves and other reserves	440.874
Available-for-sale reserve	-
Treasury shares	(3.313)
Retained earnings	524.050
Total equity contributable to non-controlling interest	31.387
<b>TOTAL EQUITY</b>	<b>2.031.615</b>

Source: Banque Pour Le Commerce Extérieur Lao Public

## 8.1 Shareholder Structure

BCEL has a shareholder structure before and after its share offering as follows:

Table 17: Shareholder Structure

No	Shareholders	Before RO/PO		After RO/PO	
		Number of shares	%	Number of shares	%
1	Ministry of Finance	145.406.321	70%	105.938.921	51%
2	COFIBRED	20.772.359	10%	20.772.359	10%
3	General investor	41.544.620	20%	62.316.920	30%
4	Strategic Partner	-	0%	18.695.100	9%
	<b>Total</b>	207.723.300	100%	207.723.300	100%

Source: Banque Pour Le Commerce Extérieur Lao Public

## 9. Organizational Structure

The organizational structure of BCEL consists of:

- 1) Shareholders' Meeting;
- 2) Board of Directors;
- 3) Committee of the Board of Directors;
- 4) Directors;
- 5) Departments, Centers, Branches and Service Units;
- 6) Employees of BCEL.

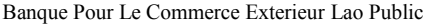


Figure 10: Organizational Structure



## **9.1 Shareholders' Meeting**

The shareholders' meeting is the highest organization of BCEL and all shareholders who are registered in the shareholders' book of BCEL are entitled to attend the meeting. The shareholder's meeting consists of two types, an ordinary shareholder's meeting and an extraordinary shareholders' meeting.

### **9.1.1 Ordinary Shareholders' Meeting**

Ordinary shareholder's meeting shall be convened within four (4) months after the end of the accounting year. Ordinary shareholder's meeting has the following rights and duties:

- To approve the change of the Articles of Association of BCEL as proposed by the Board of Directors;
- To appoint or remove the chairman, vice-chairman and members of the Board of Directors;
- To approve allowance of the Board of Directors' meeting and salary, pension, and other policies for BCEL's administrators and employees;
- To approve reports, business plans, and reports of the external auditors as recommended by the Board of Directors;
- To approve the proposed merger, the sale of a substantial part of the BCEL's assets or the dissolution of the Bank;
- To approve the distribution of dividends and the establishment of funds, as recommended by the Board of Directors;
- To exercise such other rights and duties as provided under the Articles.

### **9.1.2 Extraordinary Shareholders' Meeting**

The Extraordinary Shareholders' meeting may be held whenever necessary. The Board of Directors, Shareholders' Audit Committee or individual Shareholders or a group of Shareholders holding at least five percent (5%) of the total ordinary shares for a period of six (6) months or more are entitled to request to opening of an Extra Shareholders' Meeting, in the following situations:

- Financial report represents the instability of BCEL such as inadequacy rate of capital against risky assets is in a trend of decreasing or decreasing lower than the limit as defined by Bank of Lao PDR;
- When there is the number of members in the Board of Directors less than the number as defined by the law or less than the number as defined in the Law on Commercial Bank;
- In case there is a reason which proves that the administrators of BCEL severely violates this Articles of Association or relevant regulations, which causes losses to BCEL and shareholders;
- To convene a meeting as ordered by the court;
- Amendment and addition of content in this Articles of Association;
- Increase and decrease of the registered capital;
- Reorganization and dissolution (settlement) on BCEL and the appointment of settlers;

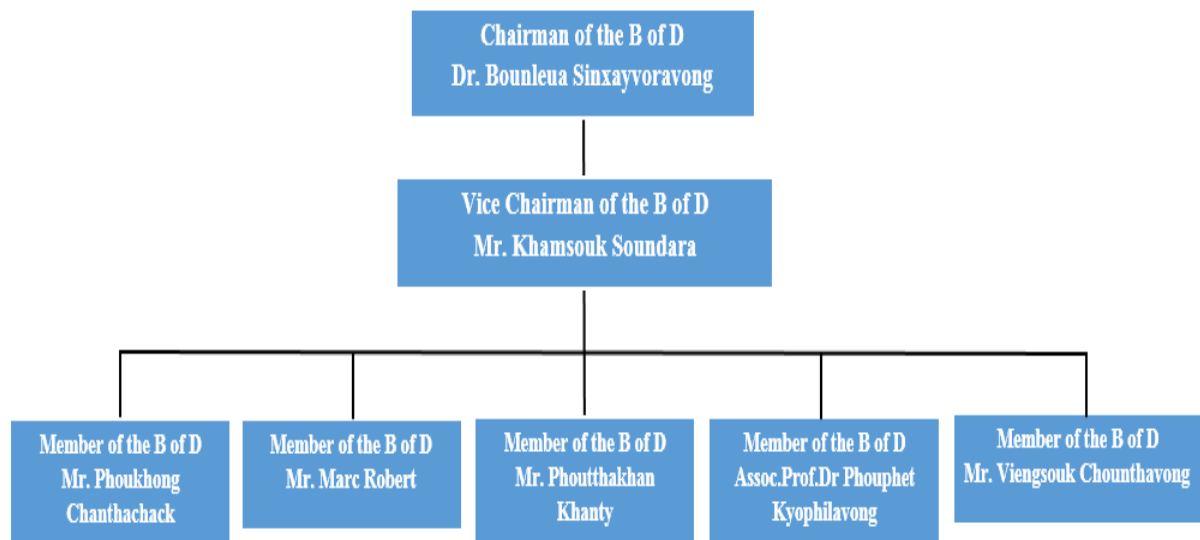
- Other cases as defined in this Articles of Association of BCEL as well as laws and regulations of Lao PDR.

All forms of meetings shall have minutes of the meeting in writing with signatures of all attendants. Video conference or meeting through other communication means as allowed by the Bank of Lao PDR, although it shall be recorded with voice and video. When it is necessary to make decisions on some issues, the chairman of the Board of Directors may deliver a letter to shareholders regarding voting without convening a meeting.

### 9.3 Board of Directors

Board of Directors of BCEL is composed of 7 members, of which 2 are independent members as following details:

Figure 11: Organization Structure of Board Directors of BCEL





**Dr. Bounleua Sinxayvoravong**  
**Chairman**



**Mr. Kamsouk Soundara**  
**Vice-Chairman**



**Mr. Phoukhong Chanthachack**  
**Member**



**Mr. Marc Robert**  
**Member**



**Mr. Phouthakhan Khanty**  
**Member**



**Assoc.Prof.Dr Phouphet Kyophilavong**  
**Member**



**Mr. Viengsouk Chounthavong**  
**Member**

**Brief Biography:**

Dr. Bounleua Sinxayvoravong  
Age: 53 years old, Nationality: Lao  
Date of Birth: 24/11/1966  
Position: Chairman of Board of Directors (BCEL)  
Highest Education: PhD  
Language: Lao, English  
Current Position: Director General Financial Policy  
and Legislation Department, Ministry of Finance.

**Dr. Bounleua Sinxayvoravong****Education Background:**

1990: Bachelor and Master of Physics and Geometry  
at Moscow University, former the Soviet Union.  
1997: Master of Business Administration,  
University of Thammasat, Thailand.  
2000: Master Degree in Economics at the National University of Australia, Australia.  
2004: PhD in Economics at the National University of Australia, Australia.

**Previous Work Experience:**

1991 - 1993: Professor at the National University of Laos.  
1993 - 1996: Finance Officer, Ministry of Finance.  
1996 - 1998: Deputy Director-General, Treasury Department, Ministry of Finance.  
2004 - 2005: Head of Finance Statistics Department, Monetary Policy Department, Ministry of Finance.  
2005 - 2007: Director of the Department of Economic Policy, Ministry of Finance.  
2007 - 2011: Deputy Director-General of Foreign Currency Department, Ministry of Finance.  
2010 - 2012: One of the Executive Directors of the Asian Development Bank in Afghanistan, Bangladesh, Busan, India, Laos, Tajikistan and Turkmenistan, Headquarters of Asia Development, Manila, Philippines.  
2013 - 2014: Director General, Monetary Policy Department, Ministry of Finance.  
2014 - 2016: Director-General, State Budget Department, Ministry of Finance.  
2016 - Present: Director-General, Financial Policy and Legislation Department, Ministry of Finance.

**Brief Biography:**

Mr. KhamSouk Soundara

Age: 74 years old, Nationality: Lao

Date of Birth: 03/06/1945

Position: Vice - Chairman of Board of Directors  
(BCEL)

Highest Education: Bachelor

Language: Lao, English and French

Current Position: Independent Director.



**Mr. KhamSouk Soundara**

**Education Background:**

1969: Graduated high school and Master Degree  
from Australia, New South Wales University.

1972: Training in Economics from the UN  
Economic Management Institute in Bangkok,  
Thailand.

1974: Intercontinental Training Center in Nagoya, Japan.

1985: Banking Corporation of India in Pama City, India.

1993: George Town University, Washington D.C, USA.

**Previous Work Experience:**

1970 - 1975: Working at the Development Bank.

1976 - 1989: Working at BCEL.

1990 - 1994 and 1997 - 2005: Bank of the Lao PDR.

1995 - 1996: Advisor to the Director of the International Monetary Fund Southeast Asia,  
Washington, USA.

2015: Finance - Banking Advisor for the Lanexang Minerals Company Limited (which is a  
subsidiary of Osiana Group, Melbourne, Australia).



**Brief Biography:**

Mr. Phoukhong Chanthachack  
Age 55 years old, Nationality: Lao  
Date of Birth: 17/06/1964  
Position: Member of Board of Directors (BCEL)  
Highest Education: Master Degree  
Language: Lao, English and Hungarian  
Current Position: Managing Director (BCEL).

**Education Background:**

1983 - 1988: Master Degree in Financial  
Economics from Hungary.  
2009: Higher Education in Politic Theory from  
Political - Governance School.

**Previous Work Experience:**

1988 - 1989: Technical Staff at the Ministry of Finance.  
1989 - 1990: Technical Staff, Credit Management Department, BCEL.  
1994: Head of Credit Management Division, BCEL.  
1995 - 1998: Head of Champasak Branch, BCEL.  
1998 - 1999: Head of Administration and Finance Division, BCEL.  
2000 - 2005: Head of Credit Management Division, BCEL.  
2005 - 2015: Deputy Managing Director, BCEL.  
2015 - 2015: Acting Managing Director, BCEL and a Member of the Board of Directors of  
Lao-Franco Bank.  
2016 - Present: Appointed and Managing Director of Headquarters, BCEL.

**Mr. Phoukhong Chanthachack**



**Brief Biography:**

Mr. Marc Robert  
Age 45 years old, Nationality: French  
Date of Birth 02/09/1973  
Position: Member of Board of Directors (BCEL)  
Highest Education: PhD  
Language: French, English  
Current Position: Member of Board of Directors  
COFIBRED Bank Representative, on behalf of  
strategic partner of BCEL.

**Mr. Marc Robert****Education Background:**

1992 - 1995: Bachelor of Economics and Finance  
from ESSEC Paris-Business School, economics,  
finance. France.  
1995 - 1996: Master of International Economics at the University of Sciences PO Paris,  
France.  
1997 - 2003: Doctorate in Economics at the University of California, USA.

**Previous Work Experience:**

2004 - 2005: French Director Advisor to the International Monetary Fund.  
2006 - 2009: Asian Administrator of DEXIA.  
2009 - 2011: Deputy Director of Planning, Strategic Division at DEXIA.  
2011 - 2013: Chief Operating Officer, Board of Directors at DEXIA CREDIT LOCAL.  
2013 - 2014: Chief Operating Officer, Board of Directors at SOCIETE DE FINANCEMENT  
LOCAL.  
2014 - Present: Head of Foreign Business, Chief Operating Officer, Member of the Board of  
Directors BRED BANQUE POPULAIRE, Paris.

**Brief Biography:**

Mr. Phoutthakhan Khanty  
Age 49 years old, Nationality: Lao  
Date of Birth 02/05/1970  
Position: Member of Board of Directors (BCEL)  
Highest Education: Master Degree  
Language: Lao, Vietnamese and Russian  
Current Position: Deputy Director of National  
Treasury, Ministry of Finance.

**Education Background:**

1989 - 1994: Master of Accounting and Auditing  
At the University of Dagestan, former the Soviet  
Union.  
2004 - 2007: Master of Finance - Bank of Hanoi  
Financial Institution, Vietnam.



**Mr. Phoutthakhan Khanty**

**Previous Work Experience:**

1994: State Accounting Staff, Accounting Department, Ministry of Finance.  
1995 - 1997: Cashier Technical Officer, Finance Department of Xaysomboun Special Zone.  
1998 - 2002: Head of the Treasury Department, Finance Department of Xaysomboun Special Zone.  
2002 - 2003: Head of Budget, Planning and Approval Office, Finance Department of Xaysomboun Special Zone.  
2007: Technical Staff, Accountant, National Treasury, Ministry of Finance.  
2007 - 2009: Deputy Director of Administration, National Treasury, Ministry of Finance.  
2010 - 2016: Head of Revenue Division, National Treasury, Ministry of Finance.  
2016 - Present: Deputy Treasury Secretary, Ministry of Finance.

**Brief Biography:**

Assoc.Prof.Dr Phouphet Kyophilavong  
Age 46 years old, Nationality: Lao  
Date of Birth 02/05/1974  
Position: Member of Board of Directors (BCEL)  
Highest Education: Doctoral Degree  
Language: Lao, English and Japanese  
Current Position: Associate Vice Dean, Faculty of  
Economics and Business Administration, National  
University.

**Assoc.Prof.Dr Phouphet Kyophilavong****Education Background:**

1994 - 1998: Bachelor of Bridge Studies at Osaka  
University, Japan.  
1998 - 2000: Master of Bridge Studies at Osaka University, Japan.  
2000 - 2003: Doctoral dissertation in Economics, University of Japan (Kobe), Japan.

**Previous Work Experience:**

2003 - 2004: Professor, Faculty of Economics and Business Administration, National  
University of Laos.  
2004 - 2006: Deputy Director of Research, Faculty of Economics and Business Administration,  
National University.  
2006 - 2008: Deputy Director of Economics, Faculty of Economics and Business  
Administration, National University of Laos.  
2008 - 2013: Head of Research, Faculty of Economics and Business Administration, National  
University of Laos.  
2013 - Present: Associate Vice Dean, Faculty of Economics and Business Administration,  
National University.

**Brief Biography:**

Mr. Viengsouk Chounthavong  
Age 55 years old, Nationality: Lao  
Date of Birth 15/08/1964  
Position: Member of Board of Directors (BCEL)  
Highest Education: Master Degree  
Language: Lao, English and Czech  
Current Position: Deputy Managing Director  
(BCEL).



**Mr. Viengsouk Chounthavong**

**Education Background:**

1982 - 1989: Bachelor of Commerce in Economics  
at the Higher School of Economics, Czech Republic.  
2017: A 45-Day Politics Theory from Political -  
Governance School.

**Previous Work Experience:**

1996 - 2000: Technical Staff, Credit Department, Champasak Branch, BCEL.  
2001 - 2002: Director of Service Unit, Champasak Branch, BCEL.  
2003 - 2005: Head of Credit Sector, Champasak Branch, BCEL.  
2005 - 2007: Deputy Branch Manager, Champasak Branch, BCEL  
2007 - 2010: Acting Director of Champasak Branch, BCEL.  
2010 - 2011: Acting Director of Saravan Branch, BCEL.  
2011 - 2015: Head of Champasak Branch, BCEL.  
2015 - 2018: Head of Credit Facility Management, BCEL Headquarters  
2019 - Present: Deputy Managing Director, BCEL Headquarters and Board of Directors of  
BCEL-KT Securities Company Limited.

Table 18: Board of Directors' Structure

No	Name and family name	Position
1.	Dr. Bounleua Sinxayvoravong	Director General of Monetary Policy Department/Chairman of the Board of Director
2	Mr. Kamsouk Soundara	Senior Officer (External Independent Person) as Vice President
3	Mr. Phoukhong Chanthachack	Managing Director (BCEL) as Member
4	Mr. Marc Robert	The representative of COFIBRED on behalf of strategic partner as Member
5	Mr. Phouthakhan Khanty	Deputy Director-General of National Treasury, Ministry of Finance as Member
6	Mr. Viengsouk Chounthavong	Head of Credit Management Division, acting on behalf of BCEL's staffs as Member
7	Assoc.Prof.Dr Phouphet Kyophilavong	Vice Dean, Faculty of Economics and Business Administration, the National University of Laos as Member

Source: Banque Pour Le Commerce Extérieur Lao Public

### 9.3.1 Rights and Duties of the Board of Directors

- To research, create and improve the strategic plan, directing operations plan, annual budget plan, risk management policies and annual business plans to propose to the shareholders' meeting for consideration and approval;
- To monitor, evaluate implementation of strategic plan, operational plan, annual budget plan, risk management policies and annual business operation plan;
- To consider and approve high-value investments, loans and lending;
- To monitor and evaluate high-value investments, related items and the acquisition and distribution of assets;
- To create mechanisms and risk management systems as well as monitoring and evaluation;
- Shall clearly separate roles and responsibilities between the Board of Directors and Directors of BCEL;
- To research and determine management policies, ensure the implementation of accounting and reporting systems and internal audits as required by relevant regulations;
- To expand and implement shareholders' resolutions with integrity, discretion, accountability and fairness to shareholders equally;

- To appoint the committees of Board of Directors of BCEL such as Audit Committee, Risk Management Committee, Remuneration Committee, Recruitment Committee and other committees where it is deemed necessary;
- To assign or delegate responsibilities to each board of directors' member and the secretary;
- To appoint or remove the director as recommended by the managing director of BCEL;
- To appoint or remove the deputy managing director as recommended by the managing director of BCEL;
- To appoint a board of directors' secretary to assume the duties assigned by the board of directors or committees of the board of directors;
- To research and consider remuneration of the Chairman, Vice-Chairman, Directors, Committees of Board of Directors, Managing Director and Deputy Managing Directors to propose a shareholder meeting for consideration and approval on the recommendation of the Compensation Committee on the basis of the highest interests of BCEL and shareholders;
- To propose sharing of net profits into treasuries, dividends, and employee policies to shareholder meetings for consideration and approval;
- To detect, monitor and research on resolving disputes related to the interests of BCEL;
- To present the annual report and financial report to the shareholders' meeting for consideration and approval;
- To provide clarification to queries on BCEL's activities in the shareholders' meeting;
- To report about BCEL's activities in the shareholders' meeting;
- To disclose the proportion of equity holdings of BCEL in other enterprises and proportion of shares owned by other enterprises holding in BCEL of more than five percent, including the number of shares that increased or decreased during the accounting year;
- To evaluate the performance of the board of directors;
- To disclose information to the public about the names of the Chairman, directors of the Board of Directors, each person related to attending board of directors' meetings and executive summary of the Board of Directors in the annual report;
- To monitor appropriate disclosure and communication with shareholders;
- To exercise such other rights and perform such other duties as provided by applicable law.

#### **9.4 Committees of the Board of Directors**

Committees of the Board of Directors include the following:

1. Management Committee;
2. Internal Audit Committee;
3. Risk Management Committee;
4. Remuneration Committee;
5. Recruitment Committee.

The organizational structure of the Board of Directors shall include:



- Each committee of the Board of Directors shall consist of at least three (3) persons in which at least one-third (1/3) shall be the independent members of the total members of the Board of Directors. Each committee's head of Board of Directors is a member of the Board of Directors or members of the Board of Directors who are independent members.
- The members of the Audit Committee shall consist of: Non-executive Board members shall be independent members and Board of Directors members, shall be members with knowledge, skills and experiences in accounting and auditing.

#### 9.4.1 Management Committee

Management Committee of BCEL is composed of 3 members as follows:

Table 19: Management Committee

No	Name & Family Name	Position
1	Mr. Phoukhong Chanthachack	Director of Board of Directors/Chairman
2	Dr Phouphet Kyophilavong	Director of Board of Directors/Vice-Chairman
3	Mr. Viengsouk Chounthavong	Director of Board of Directors/Member

Source: Banque Pour Le Commerce Extérieur Lao Public

##### 9.4.1.1 Rights and Duties of Management Committee

- To research and present the annual operational plan to the Board of Directors;
- To set the conditions and plans as references for the assessment of the bank's activities;
- To research, create and improve the BCEL's annual strategic plans, operation plan, budgets and business plans;
- To evaluate and monitor the implementation of strategic plan, operational plan, monthly, quarterly and annual budget plans;
- To research the roles and responsibilities between the Board of Directors and the Directors of BCEL to present to the Board of Directors;
- To research, monitor and resolve disputes related to the interests of BCEL to present the Board of Directors;
- To present the opening of branches, setting up a group company or investing in other businesses to the Board of Directors for consideration;
- To hold a meeting at least once every 3 months or as a meeting as required by the Task Force and the Board of Directors;
- To exercise such other rights and perform other duties as assigned by the Board of Directors or a meeting of shareholders.

#### 9.4.2 Internal Audit Committee

BCEL's internal audit committee is comprised of 3 members as follows:

Table 20: Internal Audit Committee

No	Name and Surname	Position
1	Mr. Phoutthakhan Khanty	Member of Board of Directors/Chairman
2	Mr. Khamsouk Soundara	Vice-Chairman of Board of Directors/Vice Chairman
3	Dr Phouphet Kyophilavong	Director of Board of Directors/Member

Source: Banque Pour Le Commerce Extérieur Lao Public

#### 9.4.2.1 Rights and Duties of Internal Audit Committee

1. Financial Statements and Disclosures:
  - To review the financial statements of BCEL for its completeness and accuracy in accordance with the financial reporting standards;
  - To ask the auditing company or auditor about any important issues that may affect the credibility of the BCEL report document;
  - To examine related items or items that may be of potential conflict of interest to enable the report to be carried out in accordance with the relevant regulations;
  - To inquire about BCEL items and disclosures in accordance with relevant regulations.
2. Internal Control
  - To ensure an effective internal control system and that internal auditors must conduct a complete system of internal controls at least once a year.
3. External Auditor
  - To ensure the independence and quality of the external auditors, as well as the independence and relationships with external auditors who will provide services to the BCEL;
  - To inquire into the key risk levels and inquire into how the internal auditors' risks are compared to those of external auditors;
  - To report its performance to the Board of Directors and shareholders' meetings;
  - Must attend all Board of Directors' meetings to comment on issues related to the acquisition, acquisition or distribution of assets, selection and determine the remuneration of external auditors;
  - To create a budget plan related to the audit program;
  - To provide comments on financial matters and other matters as proposed by the Board of Directors or the Directors;
  - To exercise such other rights and perform such other duties as assigned by the Board of Directors.
4. Internal Auditor



- To ensure independence for internal auditors;
- To direct the work of the Internal Audit Unit, but daily operations are subject to the supervision of the Managing Director;
- To regularly review internal inspection mechanisms and systems;
- To inquire of internal audit reports and secret meetings with those in charge of internal audit to inquire about any intervention of the directors and departments, which may affect the independence and discretion of the internal auditors;
- To inquiries and deliberate with the directors and the division heads on critical defects identified and remedies;
- To evaluate the performance of the Head of Internal Audit Division;
- To inquire of the Head of Internal Audit Division on the effective use of BCEL assets in compliance with the rules of the BCEL, Board of Directors' resolutions and shareholders' meetings.

#### 5. Compliance

- To examine the implementation of securities law, relevant laws and other related legislation;
- To ask the members of the Board of Directors and the directors of BCEL to be aware of any significant risks and operational risks.

#### 6. Performance evaluation

- To evaluate the annual performance of the Audit Committee;
- To disclosures to the annual report related to the Directory of the Directors of the BCEL to be aware of any significant risks and operational risks.

#### 7. Other Rights and Duties

- To consider and comment on the appointment and removal of the head of the Internal Audit Division before the Director considers the appointment and removal;
- To ask about the key risk levels and how the internal auditor's evaluations are relative to the external auditors' principles;
- To report its performance to the Board of Directors and shareholders' meetings;
- Must attend all Board meetings to comment on matters relating to, the acquisition or distribution of assets, the selection and remuneration of external auditors;
- To create a budget plan that deals with financial issues and other issues as proposed by the members of the Board of Directors or the Directors;
- To exercise such other rights and perform such other duties as assigned by the Board of Directors.

### 9.4.3 Risk Management Committee

BCEL's risk management committee is comprised of 3 members as follows:

Table 21: Risk Management Committee

No	Name and Surname	Position
1	Dr Phouphet Kyophilavong	Director of Board of Directors/Chairman
2	Mr. Phoutthakhan Khanty	Director of Board of Directors/Vice-Chairman
3	Mr. Phoukhong Chanthachack	Director of Board of Directors/Member

Source: Banque Pour Le Commerce Extérieur Lao Public

#### 9.4.3.1 Rights and Duties of Risk Management Committee

- To research risk management policies such as economic-finance risk management, marketing, capital, liquidity, credit, products, services, performance and more that may directly or indirectly affect the BCEL to submit to the Board for consideration;
- To review on risk management and risk management policies of the business group, including the controlling, monitoring and evaluation of the business groups;
- To develop its plan of action in line with the risk management services policy to ensure proper implementation, monitoring and evaluation of risk management;
- To review, amend, or update the effective risk management policy to reduce the potential risks to BCEL;
- To require information related to risk management and can open a meeting with internal stakeholders of BCEL;
- To summarize their performance report to the Audit Committee and the Board of Directors on a monthly or quarterly basis or as required;
- To disclosure of annual reports related to the risk management committee list, the number of meetings of the risk management committee, the number of meetings of each risk management committee, the risk assessment of the risk management committee, and the risk profile of the risk management committee.

#### 9.4.4 Remuneration Committee

BCEL's Remuneration Committee is comprised of 3 members as follows:

Table 22: Remuneration Committee

No	Name and Surname	Position
1	Mr. Khamsouk Soundara	Vice-Chairman of Board of Directors/Chairman
2	Mr. Phoukhong Chanthachack	Director of Board of Directors/Vice Chairman
3	Mr. Viengsouk Chounthavong	Director of Board of Directors/Member

Source: Banque Pour Le Commerce Extérieur Lao Public

#### 9.4.5.1 Rights and Duties of Remuneration Committee

- To define principles and modes of remuneration distribution;
- To consider the remuneration of the board of directors and the directors to present to the shareholders' meeting for approval;
- To consider the remuneration of the head of divisions and the deputy head of divisions to present to the board of directors for approval;
- To report the results of their activities to the board of directors and shareholders' meetings;
- To disclose information in annual reports related to the Compensation Committee List, the number of sessions of the Remuneration Committee, number of participations in the meeting and the results of the Remuneration Committee and the content of the Remuneration's activities in brief;
- To exercise other rights and duties as assigned by the Board of Director.

#### 9.4.5 Recruitment Committee

BCEL's Recruitment Committee is comprised of 3 members as follows:

Table 23: Recruitment Committee

No	Name and Surname	Position
1	Dr. Bounleua Sinxayvoravong	Chairman of the Board of Director/Chairman
2	Mr. Kamsouk Soundara	Vice-Chairman of Board of Directors/Vice-Chairman
3	Mr. Phoukhong Chanthachack	Director of Board of Directors/Member

Source: Banque Pour Le Commerce Extérieur Lao Public

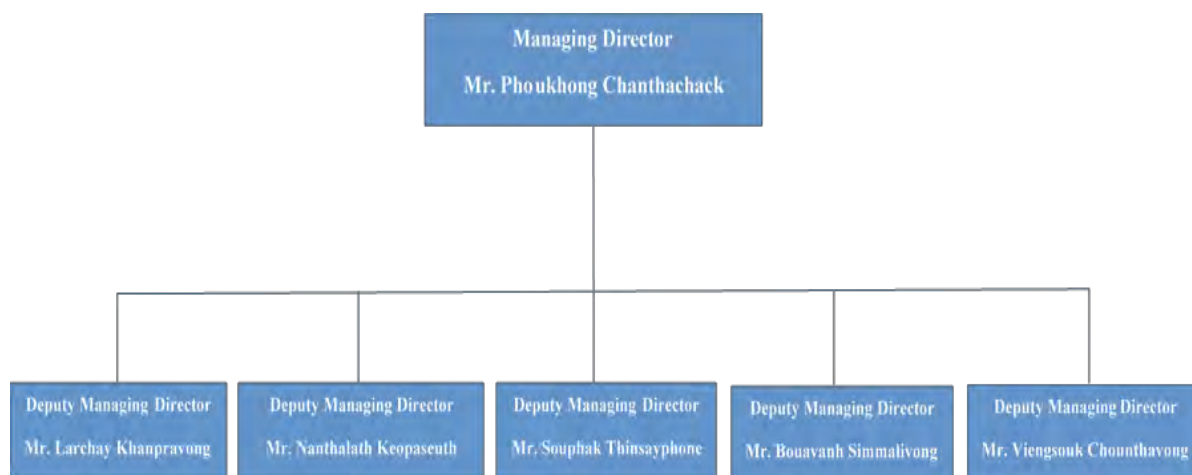
##### 9.4.5.1 Rights and Duties of Recruitment Committee

- To define the principles and procedures for the selection of personnel for the office of the board of directors and the managing director. Such principles and procedures shall be transparent and verifiable;
- To research the qualifications, knowledge, experience and suitability of the criteria as specified by the BCEL's regulation;
- To propose the name of the person selected for the board of directors to consider and present to the shareholders' meeting for consideration and approval;
- To Report its performance to the board of directors;
- To disclose information in the annual report related to the list of Recruitment Committee, the number of sessions of the Recruitment Committee, number of participations in the meeting and the results of the Recruitment Committee and the content of the Recruitment Committee's activities in brief;
- To exercise other rights and duties as assigned by the Board of Directors.

## 9.5 Directors

BCEL's Directors is comprised of 1 Managing Director and 6 Deputy Directors as follows:

Figure 12: Organization Structure of BCEL's Directors





**Mr. Phoukhong Chanthachack**  
**Managing Director**



**Mr. Larchay Khanpravong**  
**Deputy Managing Director**



**Mr. Nanthalath Keopaseuth**  
**Deputy Managing Director**



**Mr. Souphak Thinsayphone**  
**Deputy Managing Director**



**Mr. Bouavanh Simmalivong**  
**Deputy Managing Director**



**Mr. Viengsouk Chounthavong**  
**Deputy Managing Director**

**Brief Biography:**

Mr. Phoukhong Chanthachack  
Age 55 years old, Nationality: Lao  
Date of Birth: 17/06/1964  
Position: Member of Board of Directors (BCEL)  
Highest Education: Master Degree  
Language: Lao, English and Hungarian  
Current Position: Managing Director (BCEL).

**Education Background:**

1983 - 1988: Master Degree in Financial  
Economics from Hungary.  
2009: Higher Education in Politic Theory from  
Political - Governance School.

**Previous Work Experience:**

1988 - 1989: Technical Staff at the Ministry of Finance.  
1989 - 1990: Technical Staff, Credit Management Department, BCEL.  
1994: Head of Credit Management Division, BCEL.  
1995 - 1998: Head of Champasak Branch, BCEL.  
1998 - 1999: Head of Administration and Finance Division, BCEL.  
2000 - 2005: Head of Credit Management Division, BCEL.  
2005 - 2015: Deputy Managing Director, BCEL.  
2015 - 2015: Acting Managing Director, BCEL and a Member of the Board of Directors of  
Lao-Franco Bank.  
2016 - Present: Appointed and Managing Director of BCEL Headquarters.

**Brief Biography:**

Mr. Larchay Khanpravong  
Age 56 years old, Nationality: Lao  
Date of Birth 10/1/1963  
Position: Deputy Managing Director  
Highest Education: Master Degree  
Language: Lao, English, Russian and French.

**Education Background:**

1982 - 1988: Master of Economics in Finance and  
Credit at the National University of Dagestan,  
Former Soviet Union.  
2008: Preliminary of Political Theory.

**Previous Work Experience:**

1988 - 1988: Technical Staff, Monetary Policy Department, Bank of the Lao PDR.  
1988 - 1990: Technical Staff, Credit Division, BCEL.  
1991 - 1992: Technical Staff, L/C Division, BCEL.  
1992 - 1993: Deputy Division Head, L / C Division, BCEL.  
1993 - 2003: Head of L / C Division, BCEL.  
2004 - 2008: Deputy Division Head of Capital Management and Foreign Service, BCEL.  
2008 - 2010: Acting Division Head of Capital Management and Foreign Service, BCEL.  
2010 - 2014: Head of Capital Management and Foreign Service Division, BCEL.  
2010 - 2014: Board Member, BCEL-KT Securities Company.  
2011 - 2014: Member of Board of Directors, Lao-Vietnam Joint Venture Bank (LVB).  
2014 - 2015 President of the Board of Directors, Lao-Vietnam Insurance Company (LVI).  
2014 - Present: Deputy Managing Director of BCEL Headquarters.  
2015 - Present: Chairman, BCEL-KT Securities Company.



**Brief Biography:**

Mr. Nanthalath Keopaseuth  
Age 41 years old, Nationality: Lao  
Date of Birth 16/8/1978  
Position: Deputy Managing Director  
Highest Education: Master Degree  
Language: Lao, English and Chinese.

**Education Background:**

1996 - 2000: Bachelor Degree in English at National University of Laos, Lao PDR.  
2005 - 2006: Preparing English language at Vientiane College.  
2005 - 2007: Higher diploma in International Trade at Victoria University, Australia.  
2008 - 2010: Master of International Trade Policy, USA.

**Previous Work Experience:**

2000 - 2001: Technical Staff, Deposit Division, BCEL.  
2001 - 2001: Technical Staff, Accounting Division, BCEL.  
2001 - 2003: Technical Staff, Foreign Remittance Division, BCEL.  
2003 - 2007: Acting Deputy Head of Electronic & Card Center, BCEL.  
2010 - 2012: Acting Deputy Head of Electronic & Card Center, BCEL.  
2012 - 2014: Head of Electronic and Card Center, BCEL.  
2014 - Present: Deputy Managing Director of BCEL Headquarters.



**Brief Biography:**

Mr. Souphak Thinsayphone  
Age 51 years old, Nationality: Lao  
Date of Birth 20/8/1968  
Position: Deputy Managing Director  
Highest Education: Master Degree  
Language: Lao, Vietnamese and English.

**Education Background:**

1990 - 1995: Diploma in Banking and Credit at Hanoi University, Vietnam.  
2005 - 2007: Bachelor of Finance and Banking, joint course of the Banking Institutes of Lao PDR and Vietnam.  
2008 - 2010: Master of Finance and Banking, joint course of the Banking Institutes of Lao PDR and Vietnam.

**Previous Work Experience:**

1996 - 2000: Technical Staff, Credit Management Division, BCEL.  
2000 - 2003: Head of Credit Division, Oudomxay Branch, BCEL.  
2003 - 2008: Head of Oudomxay Branch, BCEL.  
2008 - 2014: Head of Xieng Khouang Branch, BCEL.  
2014 - 2015: Head of Vientiane Capital Branch, BCEL.  
2015 - Present: Deputy Managing Director, BCEL Headquarters.

**Brief Biography:**

Mr. Bouavanh Simmalivong  
Age 59 years old, Nationality: Lao  
Date of Birth 13/7/1960  
Position: Deputy Managing Director  
Highest Education: Master Degree  
Language: Lao, Vietnamese and English.

**Education Background:**

1983: Middle-Class Diploma of Political Theory.  
1991 - 1995: Higher Education Diploma in Budget  
at Vietnam Financial School.  
2008: Master Degree in Finance and Banking, a  
joint program between the Banking Institute of Lao  
PDR and Vietnam.

**Previous Work Experience:**

1984 - 1986: Technical Staff, Special Bank.  
1986 - 1988: Technical Staff, Vientiane Provincial Bank.  
1989 - 1990: Technical Staff, Material Supply Company, Vientiane Capital.  
1990 - 1999: Technical Staff, Credit Division, BCEL.  
1999 - 2003: Technical Staff, Credit and Administration Division, Lao-Viet Bank.  
2003 - 2005: Deputy Head of Hanoi Vietnam Branch, Lao-Viet Bank.  
2005 - 2016: Deputy Managing Director, Vientiane Capital, Lao-Viet Bank.  
2016 - Present: Deputy Managing Director, BCEL Headquarters.

**Brief Biography:**

Mr. Viengsouk Chounthavong  
Age 55 years old, Nationality: Lao  
Date of Birth 15/08/1964  
Position: Member of Board of Directors (BCEL)  
Highest Education: Master Degree  
Language: Lao, English and Czech  
Current Position: Deputy Managing Director (BCEL).

**Education Background:**

1982 - 1989: Bachelor of Commerce in Economics at  
the Higher School of Economics, Czech Republic  
2017: A 45-Day Politics Theory from Political -  
Governance School.

**Previous Work Experience:**

1996 - 2000: Technical Staff, Credit Department, Champasak Branch, BCEL.  
2001 - 2002: Director of Service Unit, Champasak Branch, BCEL.  
2003 - 2005: Head of Credit Sector, Champasak Branch, BCEL.  
2005 - 2007: Deputy Branch Manager, Champasak Branch, BCEL.  
2007 - 2010: Acting Director of Champasak Branch, BCEL.  
2010 - 2011: Acting Director of Saravan Branch, BCEL.  
2011 - 2015: Head of Champasak Branch, BCEL.  
2015 - 2018: Head of Credit Facility Management, BCEL Headquarters.  
2019 - Present: Deputy Managing Director, BCEL PUBLIC Head Office and Board of Directors  
of BCEL-KT Securities Company Limited.

Table 24: Directors

No	Name and Surname	Position
1	Mr. Phoukhong Chanthachack	General Managing Director
2	Mr. Larchay Khanpravong	Deputy Managing Director
3	Mr. Nanthalath Keopaseuth	Deputy Managing Director
4	Mr. Souphak Thinxayphone	Deputy Managing Director
5	Mr. Bouavanh Simalivong	Deputy Managing Director
6	Mr. Viengsouk Chounthavong	Deputy Managing Director

Source: Banque Pour Le Commerce Extérieur Lao Public, 2019.

### 9.5.1 General Managing Director

The General Managing Director responsible for routine operations in accordance with the rights and duties of the bank as defined in BCEL's Articles of Association. The General Managing Director is appointed or removed by the decision of the Board of Directors, two years duration and renewable. The General Managing Director can be a member of the Board of Directors or from a member of the Board of Directors, but shall not be the chairman or vice-chairman of the Board of Directors.

### 9.5.2 Rights and Duties of General Managing Director

- Has the role to be the representative and execute all documents on behalf of BCEL;
- Manage the daily operations of BCEL within the scope and duties defined in the articles of association or by assignment by the board of Directors;
- Create, propose or amend annual business plans to the Board of Directors for consideration and approval, then implement in practice;
- Consideration and recommend to the Board of Directors to consider the appointment or removal of a Deputy Director-General;
- Appoint, remove and recruit BCEL's employees from the level of the division head;
- Appoint a number of sub-committees at the directors' level for consideration and recommend for solving any task of BCEL;
- Supply information and clarify such issues that are of the interest to the Board of Directors;
- Strengthen and improve the management rules and propose to the Board of Directors for consideration and approval;
- Take full responsibility of all management tasks of BCEL to the Board of Directors;
- Propose the opening of branches, setting up a group company or investing in other business to the Board of Directors for consideration and approval;

- Consider and present to the Board of Directors for taking into consideration and approval on staff salary adjustments and any policy or procedure guidelines for committing or disciplining employees in accordance with the articles of association of the BCEL;
- Cooperate and supply information, documents and clarifications to the Internal Audit Committee and External Audit Committee;
- Report the activities of BCEL to the Board of Directors and other committees of the board of directors, supply and clarify required documents proposed by other concerned sectors; and
- To exercise other rights and duties as specified in the articles of association of BCEL.

## 9.6 Employees of BCEL

BCEL has created a variety of products and has expanded its branches on a continuous basis, which has resulted in the increased number of employees accordingly from 1.591 employees in 2016 to 1.900 employees in 2018 (increasing 309 employees in three years).

Table 25: Number of Employees from 2016-2018

2016	2017	2018
1.591	1.686	1.900

Source: Banque Pour Le Commerce Extérieur Lao Public

In 2018, BCEL had a total number of 1.900 employees; out of that, the number of employees from the position of director to employees assigned to units was 557 employees covering 30,37% of the total number of employees.

Table 26: Number of employees at each level of position in 2018

Level	Number	Percentage (%)
Directors	7	0,4
Chief of Divisions	93	4,9
Head of Units	297	15,6
Head of service units	153	8,1
Head of Working Group	27	1,4
Fully employed staff	856	45,1
Employees on a probation period	94	4,9
Technical Contractual Employees	195	10,3

Level	Number	Percentage (%)
Contractual employees	178	9,4
<b>Total</b>	<b>1.900</b>	<b>100</b>

Source: Banque Pour Le Commerce Extérieur Lao Public

Educational qualification of 90% of the BCEL's employees is from diploma to PhD. 63% of the employees are at the bachelor degree level and 14.3% of the employees are at the master degree level.

Table 27: Educational Qualification of the Employees

Educational Qualification	Number	Percentage (%)
PhD	3	0,2
Master degree	319	16,8
Postgraduate	11	0,6
Bachelor degree	1.201	63,2
Diploma	182	9,6
Intermediate	0	0,0
Primary	4	0,2
No qualification	2	0,1
Contractual employees	178	9,4
<b>Total</b>	<b>1.900</b>	<b>100</b>

Source: Banque Pour Le Commerce Extérieur Lao Public

In the age structure of the employees, BCEL has a large number of young and middle-aged employees, with a group of staff between 26-30 years and 31-35 years accounting for 35,4% and 30,5% of the total number of employees.

Table 28: Age of Employees

Age	Number	Percentage (%)
Younger than 25	163	8,6
26-30	673	35,4
31 - 35	580	30,5
36 - 40	189	9,9
41 - 45	159	8,4
46 - 50	94	4,9
51 - 55	32	1,7
56 - 60	10	0,5
<b>Total</b>	<b>1.900</b>	<b>100</b>

Source: Banque Pour Le Commerce Extérieur Lao Public

## 10. Internal Audit

In order to define the principles, methods, and procedures of the implementation and activities of auditing BCEL can be used in the internal management system to find and solve errors either with intention or without intention in implementing policies, rules, notices, instructions and procedures as defined from time to time correctly and in a timely manner.

This aim is to promote employees and managers at all levels to conduct the audit tasks and internal management on a regular basis in order to prevent problems which might occur and negatively affect the assets of BCEL.

A financial audit is an important tool and mechanism for managers in the assessment of operations and internal management. This is to promote effective management, transparency in operations, and prevention of problems and reduction of risks which may occur in banking operations. An audit is to support operations at all levels in order to perform tasks and activities in accordance with the laws, regulations and provisions. Therefore, BCEL defines the audit on three levels as follows:

Level 1: Technical officer who performs the actual task.

Level 2: Instructor shall check and revise the audit task in level 1. Audit in level 2 is divided into 3 levels:

- Level 1: refers to the head of units, management teams and sectors which are appointed to take responsibility for any task or any audit task.
- Level 2: refers to the head of divisions, centers and branches which take responsibility of the operation of the sectors and service units or take responsibility of audit tasks of



the sectors and service units under the responsibility of the divisions, centers and branches.

- Level 3: refers to the directors who take responsibility for giving instructions to the divisions, centers and branches of BCEL across the system.

Level 3: Internal audit shall conduct audit tasks based on the regulations, manuals and procedures of the tasks as defined from time to time. Audit in level 3 is divided into two levels:

- Level 1: refers to the director, head of divisions and all employees at the division of branch management.
- Level 2: refers to the director, head of divisions and all employees at the division of internal audit.

## 11. Relevant Activities

Pursuant to Decision, No. 0023 / LSX, dated 26/10/2016 on BCEL-Related Items, there is no such related item referred to the definition as defined in Article 7, Clause 8, financial assistance (except for normal activities such as banks and financial institutions). As a result, BCEL's transactions are excluded from the related items.

## 12. Financial Status and Operating Data

Financial Status and operating data of BCEL for the last three years are summarized as followings:

Table 29: Consolidated Statement of Financial Position

Unit: LAKm

Financial Summary	2016	2017	2018
Cash and balances with the BOL	5.680.936	5.815.021	5.334.246
Due from banks	2.950.093	3.235.883	3.828.669
Loans to customers	19.093.205	22.425.778	24.366.860
Financial assets – Held-for-trading	39	5	14
Financial investments – Available-for-sale	198.121	190.959	156.516
Financial investments – Held-to-maturity	2.553.110	2.574.671	3.652.772
Investments in joint ventures	551.449	541.730	462.296
Property and equipment	447.935	457.487	450.132
Intangible assets	243.521	247.600	246.601
Deferred tax assets	10.856	18.215	29.099
Other assets	294.009	378.764	466.088
<b>TOTAL ASSETS</b>	<b>32.023.274</b>	<b>35.886.113</b>	<b>38.993.293</b>
Due to banks and other financial institutions	3.526.229	3.275.546	3.413.129
Due to customers	25.402.421	28.403.531	29.915.142

Financial Summary	2016	2017	2018
Borrowings from other banks	1.640.776	2.145.402	3.349.266
Current tax liabilities	36.496	20.705	35.951
Deferred tax liabilities	9.834	13.576	5.272
Other liabilities	94.324	213.665	242.918
<b>TOTAL LIABILITIES</b>	<b>30.710.080</b>	<b>34.072.425</b>	<b>36.961.678</b>
Chartered capital	682.888	1.038.617	1.038.617
Statutory and other reserves	359.007	381.506	440.874
Available-for-sale reserve	7.385	1.661	-
Treasury shares	(1.010)	(1.316)	(3.313)
Retained earnings	230.992	361.658	524.050
<b>Total equity contributable to the parent</b>	<b>1.279.262</b>	<b>1.782.126</b>	<b>2.000.228</b>
Total equity contributable to non-controlling interest	33.932	31.562	31.387
<b>TOTAL EQUITY</b>	<b>1.313.194</b>	<b>1.813.688</b>	<b>2.031.615</b>

Source: Banque Pour Le Commerce Extérieur Lao Public

Table 30: Consolidated Income Statement

Unit: LAKm

Financial Summary	2016	2017	2018
Interest revenue calculated using the effective interest method	1.406.431	1.745.731	1.938.828
Interest expense calculated using the effective interest method	(858.596)	(887.891)	(1.000.577)
<b>Net interest and similar income</b>	<b>547.835</b>	<b>857.840</b>	<b>938.251</b>
Fee and commission income	193.844	200.288	261.637
Fee and commission expense	(15.411)	(21.071)	(22.017)
<b>Net fee and commission income</b>	<b>178.433</b>	<b>179.217</b>	<b>239.620</b>
Net trading income	47.270	43.853	49.719
Other operating income	14.994	20.500	21.892
<b>Total operating income</b>	<b>788.532</b>	<b>1.101.460</b>	<b>1.249.482</b>
Credit loss expense of loans to customers	(167.367)	(212.409)	(221.957)
(Additional)/reversal of impairment losses of financial investments	(10.985)	9.257	(29.412)
<b>NET OPERATING INCOME</b>	<b>610.180</b>	<b>898.308</b>	<b>998.113</b>
Personnel expenses	(240.203)	(340.848)	(334.693)

Financial Summary	2016	2017	2018
Depreciation and amortization	(70.553)	(73.871)	(72.363)
Other operating expenses	(99.621)	(136.118)	(156.134)
<b>Total operating expenses</b>	<b>(410.377)</b>	<b>(550.837)</b>	<b>(563.190)</b>
Share of (loss)/profit of joint ventures	26.413	16.551	(7.643)
<b>PROFIT BEFORE TAX</b>	<b>226.216</b>	<b>364.022</b>	<b>427.280</b>
Current profit tax expense	(49.928)	(85.395)	(124.762)
Deferred profit tax (expense)/income	(2.183)	1.715	18.420
<b>NET PROFIT FOR THE YEAR</b>	<b>174.105</b>	<b>280.342</b>	<b>320.938</b>
<b>Attributable to:</b>			
Equity holders of the parent	173.416	279.399	320.732
Non-controlling interest	689	943	206

Source: Banque Pour Le Commerce Extérieur Lao Public

Table 31: Consolidated Statement of Comprehensive Income

Unit: LAKm

Financial Summary	2016	2017	2018
<b>NET PROFIT FOR THE YEAR</b>	<b>174.105</b>	<b>280.342</b>	<b>320.938</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Change on fair value of available-for-sale financial assets	(33.427)	(7.924)	-
Change due to impairment of available-for-sale financial assets	-	-	(1.792)
Premeasurement loss on defined benefit plan	-	-	(1.411)
Profit tax relates to components of other comprehensive income	8.023	1.902	768
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>(25.404)</b>	<b>(6.022)</b>	<b>(2.435)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>148.701</b>	<b>274.320</b>	<b>318.503</b>
<b>Attributable to:</b>			
Equity holders of the parent	148.200	273.435	317.999
Non-controlling interest	501	885	504

Source: Banque Pour Le Commerce Extérieur Lao Public

Table 32: Consolidated Statement of Cash Flows

Unit: LAKm

Financial Summary	2016	2017	2018
<b>OPERATING ACTIVITIES</b>			
<b>Profit before tax</b>	<b>226.216</b>	<b>364.022</b>	<b>427.280</b>
<i>Adjustments for:</i>			
Depreciation and amortization charges	70.553	73.871	72.363
Expense for impairment losses	178.352	203.152	251.369
Expense for writing off assets under construction		18.640	-
Share of associate's profit under equity method	(26.413)	(16.551)	7.643
Defined post-employment benefit expense	-	67.655	24.134
Gain on disposal of fixed assets	(676)	-	-
Interest income	-	(1.745.731)	(1.938.828)
Interest expense	-	887.891	1.000.577
Dividend income	(11.060)	(10.705)	(11.630)
<b>Cash flows from operating profit before changing in operating assets and liabilities</b>	<b>436.972</b>	<b>(157.756)</b>	<b>(167.092)</b>
<i>Net changes in operating assets</i>			
Due from banks	(206.364)	(221.044)	(1.507.658)
Loans to customers	(8.406.559)	(3.421.495)	(1.982.178)
Financial investment - Held-for-trading	6.007	61	(9)
Financial investment - Available-for-sale	26.227	(733)	373
Financial investment - Held-to-maturity	(787.691)	5.840	280.969
Other assets	(7.296)	(41.470)	(15.986)
<i>Net changes in operating liabilities</i>			
Due to other banks and the BOL	2.000.161	253.290	1.299.350
Due to customers	4.091.859	2.935.623	1.449.278
Other liabilities	5.007	31.796	31.200
Interest received	-	1.604.746	1.688.472
Interest paid	-	(842.356)	(904.321)
Profit tax paid during the year	(46.875)	(94.285)	(102.880)

Financial Summary	2016	2017	2018
<b>Net cash flows (used in)/from operating activities</b>	<b>(2.888.552)</b>	<b>52.217</b>	<b>69.518</b>
<b>INVESTING ACTIVITIES</b>			
Purchase and construction of fixed assets	(170.304)	(89.451)	(120.340)
Proceeds from disposals of fixed assets	48.918	938	-
Dividends received	11.060	10.705	32.638
<b>Net cash flows from/ (used in) investing activities</b>	<b>(110.326)</b>	<b>(77.808)</b>	<b>(87.702)</b>
<b>FINANCING ACTIVITIES</b>			
Additional capital contribution	-	360.060	-
Transaction cost of issuing shares	-	(4.296)	-
Payment of dividend	(29.881)	(135.241)	(97.900)
<b>Net cash flows used in financial activities</b>	<b>(29.881)</b>	<b>220.523</b>	<b>(97.900)</b>
<b>Net change in cash and cash equivalents</b>	<b>(3.028.759)</b>	<b>194.932</b>	<b>(116.084)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>10.154.343</b>	<b>7.125.584</b>	<b>7.320.516</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>7.125.584</b>	<b>7.320.516</b>	<b>7.204.432</b>
<b>Represented by:</b>			
Cash and cash equivalents on hand	1.867.159	1.911.467	1.643.245
Demand deposits with the BOL	2.435.014	2.550.170	2.396.173
Current accounts with other banks	2.573.530	2.271.791	2.700.974
Term deposits due within 90 days	249.881	587.088	464.040
<b>Cash and cash equivalents</b>	<b>7.125.584</b>	<b>7.320.516</b>	<b>7.204.432</b>

Source: Banque Pour Le Commerce Extérieur Lao Public

Table 33: Selected Key Financial Ratios

Unit: Figure in %

Key Financial Ratios	2016	2017	2018
<b>Profitability Ratio</b>			
Interest income to interest earning assets	7,12%	6,57%	6,39%
Net Interest Margin	2,77%	3,23%	3,09%
Fee to Income	22,63%	16,27%	19,18%
Non-Interest Income to Total Income	30,52%	22,12%	24,91%

Key Financial Ratios	2016	2017	2018
Cost to Income	52,04%	50,01%	45,07%
Effective Tax rate	23,04%	22,99%	24,89%
Return on Equity	14,20%	18,25%	16,96%
Return on Assets	0,60%	0,82%	0,86%
<b>Liquidity Ratio</b>			
Gross Loans to Deposits Ratio	76,02%	79,96%	83,36%
<b>Capital Adequacy</b>			
Tier 1 capital	1.272.887	1.781.781	2.003.541
Total capital	724.761	1.240.798	1.541.245
Risk weighted assets	13.588.881	12.764.766	13.864.951
Equity to Asset	4,10%	5,05%	5,21%
Tier 1 Capital Ratio	9,37%	13,96%	14,45%
Capital Adequacy Ratio	5,33%	9,72%	11,12%

Source: Banque Pour Le Commerce Extérieur Lao Public

## 12.2 Results of Operations

The Bank's total operating income grew by 39.68% from LAKm 788.532 in FYE 2016 to LAKm 1.101.460 in FYE 2017 and by 13,44% to LAKm 1.249.482 in FYE 2018. In FYE 2018, net interest income rose by 9,37% (FYE 2017: rose by 56,59%) while non-interest income also rose by 33,70% (FYE 2017: rose by 0,44%) largely led by increase in net interest margin.

The Bank recorded a net profit of LAKm 320.938 (FYE 2017: LAKm 280.342). The improvement in net profit is on the back of the stable growth in net interest income and controlled cost management. Cost to income ratio recorded improvement during the year as a result of the Bank's strategic cost management efforts to drive efficiency and higher productivity. For FY 2018, asset quality will continue to remain as the Bank's key focus area through the Bank's well-disciplined and robust oversight mechanism. The Bank will also proactively manage its portfolio prudently and selectively within its risk appetite.

### 12.2.1 Operating income

As a financial services provider specialized in the banking sector, the Bank's principal sources of revenue are derived from the provision of banking services, by providing a financial solution to individual, corporate and business entities. The breakdown of the Bank's revenue as follows:

Table 34: Operating income

Unit: LAKm

	FYE 2016		FYE 2017		FYE 2018	
Net interest and similar income	547.835	69,48%	857.840	77,88%	938.251	75,09%
Net fee and commission income	178.433	22,63%	179.217	16,27%	239.620	19,18%
Net trading income	47.270	5,99%	43.853	3,98%	49.719	3,98%
Other operating income	14.994	1,90%	20.550	1,87%	21.892	1,75%
<b>Total operating income</b>	<b>788.532</b>	<b>100,00%</b>	<b>1.101.460</b>	<b>100,00%</b>	<b>1.249.482</b>	<b>100,00%</b>

Source: Banque Pour Le Commerce Extérieur Lao Public

### 12.2.2 Net interest and similar income

Net interest and similar income consisted of interest and similar income and expense. It is the largest revenue contributor and accounted for 69.48%, 77.88% and 75.09% of total operating income in FYE 2016, FYE 2017 and FYE 2018 respectively.

Net interest margin increased from 2.77% in FYE 2016 to 3.21% in FYE 2017 due to significant growth in loans to customers, which lead to higher interest and similar income being generated. Net interest margin decreased from 3.21% in FYE 2017 to 3.07% in FYE 2018 as a result of an increase in interest expense from due to other banks, where saw a shift of behavior for other banks and financial institutions by increasing their term deposits in BCEL, lead to higher interest payout.

Table 35: Interest revenue calculated using the effective interest method

Unit: LAKm

	FYE 2016		FYE 2017		FYE 2018	
Interest income from lending	1.252.157	89,03%	1.584.067	90,74%	1.722.144	88,82%
Interest income from deposits	14.344	1,02%	28.463	1,63%	51.199	2,64%
Interest income from investment securities	108.348	7,70%	132.364	7,58%	165.015	8,51%
Other interest income	31.582	2,25%	837	0,05%	470	0,02%
<b>Interest revenue calculated using the effective interest method</b>	<b>1.406.431</b>	<b>100,00%</b>	<b>1.745.731</b>	<b>100,00%</b>	<b>1.938.828</b>	<b>100,00%</b>

Source: Banque Pour Le Commerce Extérieur Lao Public



Interest revenue calculated using the effective interest method consisted of interest income from lending, deposits, investment securities and others. The Interest revenue calculated using the effective interest method in FYE 2018 were improved by 11,06% (FYE 2017: 24,12%). The income growth from FYE 2016 to FYE 2018 was mainly due to:

(i) Interest income from lending increased by 26,51% from LAKm 1.252.157 in FYE 2016 to LAKm 1.584.067 in FYE 2017 and by 8,72% to LAKm 1.722.144 in FYE 2018, accounted for 89,03%, 90,74% and 88,82% of total interest and similar income, respectively. Following by the bank's massive growth in lending business in FYE 2016, as a result of the Bank of Lao PDR's decision to lower its benchmark interest rate in July 2015 and ceilings imposed to commercial banks for its deposits and loan interest rate denominated in Lao Kip, the growth in lending business for the last 3 years had been slowed down. Interest income to interest-earning assets was dropped from 7,12 % in FYE 2016 to 6,53% in FYE 2017 and further dropped to 6,35% in FYE 2018.

(ii) Interest income from investment securities rose by 22,17% from LAKm 108.348 in FYE 2016 to LAKm 132.364 in FYE 2017 and by 24,67% to LAKm 165.015 in FYE 2018, accounted for 7,70%, 7,58% and 8,51% of total interest and similar income respectively.

Table 36: Interest expense calculated using the effective interest method

Unit: LAKm

	FYE 2016		FYE 2017		FYE 2018	
Interest expense from due to other banks	83.871	9,77%	114.866	12,94%	184.996	18,49%
Interest expense from customer deposits	774.725	90,23%	773.025	87,06%	815.581	81,51%
<b>Interest expense calculated using the effective interest method</b>	<b>858.596</b>	<b>100,00%</b>	<b>887.891</b>	<b>100,00%</b>	<b>1.000.577</b>	<b>100,00%</b>

Source: Banque Pour Le Commerce Extérieur Lao Public

Interest expense calculated using the effective interest method consisted of interest expense from due to other banks, customer deposits and others. Interest expense calculated using the effective interest method for FYE 2018 were LAKm 1.000.577, an increase of LAKm 112.686 compared to LAKm 887.891 in FYE 2017 and an increase of LAKm 29.295 compared to LAKm 858.596 in FYE 2016. This was principal as a result of an increase in interest expense from due to other banks, where saw a shift of behavior for other banks and financial institutions by increasing their term deposits in BCEL, lead to higher interest payout.

### 12.2.3 Net fee and commission income

Net fee and commission income comprise of all the incomes derived from traditional banking services such as settlement services, guarantee activities, treasury activities, agency services, advisory services, etc. In FYE 2018, net fee and commission income increased 33,70% to LAKm 239.620, as compared to LAKm 179.217 in FYE 2017, boosted by higher income from treasury activities. Net fees and commission income accounted for 22,63%, 16,27% and 19,18% of total operating income in FYE 2016, FYE 2017 and FYE 2018, respectively. The fee to income ratio decreased from 22,63% in FYE 2016 to 16,27% in FYE 2017 and further decreased to 19,18% in FYE 2018.

Despite decrease in proportion due to higher growth in the lending business, with its strong brand name, expertise and extensive network with many global banks, the Bank is one of the leading players of Lao banking sector in international payment and settlement business. With the bank's strategy to continue to expand more service units throughout the country and develop new banking services and products, the bank foresees a continuous growth in this income category.

### 12.2.4 Net trading income

Net trading income mainly consists of the net gain from foreign currencies trading and revaluation of monetary items. In FYE 2018, net trading income increased 13,38% to LAKm 49.719, as compared to LAKm 43.853 in FYE 2017.

### 12.2.5 Other operating income

This income includes dividend income, other income from financial services, sales of tangible fixed assets, recovery of the customers' debts written off and others. Other operating income accounted for 1,90%, 1,87% and 1,75% of total operating income in FYE 2016, FYE 2017 and FYE 2018, respectively. In FYE 2018, other operating income was LAKm 21.892, an increase of LAKm 1.342 as compared to LAKm 20.550 recorded by the Bank for the FYE 2017. This was principally derived from dividend income from available-for-sale financial investments and investments in joint ventures.

### 12.2.6 Operating expenses

The breakdown of the Bank's operating expenses is as follows:

Table 37: Operating expenses

Unit: LAKm

	FYE 2016		FYE 2017		FYE 2018	
Personal expenses	240.203	58,53%	340.848	61,88%	334.693	59,43%
Depreciation and amortization	70.553	17,19%	73.871	13,41%	72.363	12,85%

	FYE 2016		FYE 2017		FYE 2018	
Other operating expenses	99.621	24,28%	136.118	24,71%	156.134	27,72%
<b>Total operating expenses</b>	<b>410.377</b>	<b>100,00%</b>	<b>550.837</b>	<b>100,00%</b>	<b>563.190</b>	<b>100,00%</b>

Source: Banque Pour Le Commerce Extérieur Lao Public

Operating expenses primarily consist of personnel expenses, depreciation and amortization and other operating expenses. Operating expenses increased by 34,23% from LAKm 410.377 in FYE 2016 to LAKm 550.837 in FYE 2017 and by 2,24% to LAKm 563.190 in FYE 2018. The increase in FYE 2017 was mainly due to personnel expenses which increased from LAKm 240.203 to LAKm 340.848. The increase in personnel expenses was in line with the increase in the number of employees employed as a result of the expansion of the Bank's business. On the other hand, the increase in FYE 2018 was mainly due to other operating expenses, which increased from LAKm 136.118 to LAKm 156.134, mainly contributed by the increase in repair expense and maintenance and training, meeting and seminar expense, both expenses accounted for 65,26% of the increment in other operating expense.

Cost to income ratio was gradually reduced from 52,04% in FYE 2016 to 50,01% in FYE 2017 and further decreased to 45,07% in FYE 2018. The decline in cost to income ratio was mainly due to efficient cost management by the Bank. In conjunction with the growth in total operating income, the Bank foresees an improvement on this ratio.

Personnel expenses include salary expense, benefits and welfare, defined employee benefit plans and other staff costs. The total number of employees of the Bank was 1.621 as at 31 December 2016 and 1.716 as at 31 December 2017 to 1.920 as at 31 December 2018.

Depreciation charged out is mainly on buildings and improvements and office equipment.

Other operating expenses comprise fuel and travelling expenses, training and education expenses, telecommunication expenses, publication, marketing and promotion expenses, repair and maintenance expenses, materials, tools and equipment expenses, electricity and water supply, office rental, insurance fee for depositor protection fund and other general and administration expenses.

#### 12.2.7 Share of profit and loss of joint ventures

The share of profit and loss of joint ventures reflects the financial result of the Bank's joint ventures, i.e. Lao-Viet Joint Venture Bank, Banque Franco-Lao Limited, Lao China Bank and Lao-Viet Insurance Joint Venture Company.

In FYE 2018, BCEL reduced its shareholdings in Banque Franco-Lao Limited, by sold out 34.78% of its shareholdings (equivalent to 16% of the total shares of the Banque Franco-Lao Limited).

### 12.2.8 Profit before tax

Profit before tax increased by 60,92% from LAKm 226.216 in FYE 2016 to LAKm 364.022 in FYE 2017, and further increased by 17,38% from LAKm 364.022 in FYE 2017 to LAKm 427.280 in FYE 2018. The growth took effect following the significant increase in net interest and similar income since FYE 2015, which have a Compound Annual Growth Rate (FYE 2015 – FYE 2018) of 53,26%.

### 12.2.9 Tax expense

The taxation and effective tax rates of the Bank are as follows:

Table 38: The taxation and effective tax rates of Bank

Unit: LAKm

	2016	2017	2018
Taxation recognized in the consolidated income statement	52.111	83.680	106.342
Statutory tax rate (%)	24%	24%	24%
Effective tax rate (%)	23,04%	22,99%	24,89%

The Bank is subject to income tax at the applicable statutory tax rate in Lao PDR.

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

### 12.2.10 Profit after tax

Profit after tax increased by 61,02% from LAKm 174.105 in FYE 2016 to LAKm 280.342 in FYE 2017, and further increased by 14,48% to LAKm 320.938.

Return on equity (ROE) stood at 14,20%, 18,25% and 16,96% in FYE 2016, FYE 2017 and FYE 2018, respectively.

Return on assets (ROA) stood at 0,60%, 0,82% and 0,86% in FYE 2016, FYE 2017 and FYE 2018, respectively.

## 12.3 Report and Analysis of Financial Position

### 12.3.1 Assets Analysis

As at 31 December 2016, 2017 and 2018, the Bank had total assets of LAKm 32.023.274, LAKm 35.886.113 and LAKm 38.993.293, respectively. Among all these assets, “loans to

customers” are the largest asset group for three consecutive years, which accounted for 59,62%, 62,49% and 62,49% of the total assets, respectively. On the contrary, “cash and balances with the BOL” and “due to banks”, which mostly consisted of cash and cash equivalents items, its contribution to the total assets had been reduced from 26,95% to 23,50% of the total assets. Consequently, BCEL is moving toward more aggressive assets structure, in other words, the Bank is taking more risk, gearing its assets toward a riskier position to earn more interest income.

The gross loans to deposit ratio increased year by year, from 76,02% in FYE 2016 to 80,65% in FYE 2017, and further increased to 83,05% in FYE 2018. Although the ideal level of this ratio for a bank depends on various factors, based on the Bank’s analysis, a tradition and prudence indicate that the ideal ratio is between 60% and 80% for a state-owned commercial bank in Lao PDR. Therefore, this ratio for the Bank is considered reasonable.

Table 39: Asset Structure of the Bank

Unit: LAKm

Assets	FYE 2016	FYE 2017	FYE 2018
Cash and balances with the BOL	5.680.936	5.815.021	5.334.246
Due from banks	2.950.093	3.235.883	3.828.669
Loans to customers	19.093.205	22.425.778	24.366.860
Financial assets – Held-for-trading	39	5	14
Financial investments – Available-for-sale	198.121	190.959	156.516
Financial investments – Held-to-maturity	2.553.110	2.574.671	3.652.772
Investments in joint ventures	551.449	54.173	462.296
Property and equipment	447.935	457.487	450.132
Intangible assets	243.521	2.476	246.601
Deferred tax assets	10.856	18.215	29.099
Other assets	294.009	378.764	466.088
<b>TOTAL ASSETS</b>	<b>32.023.274</b>	<b>35.886.113</b>	<b>38.993.293</b>

Source: Banque Pour Le Commerce Extérieur Lao Public

### 12.3.1.1 Loans to customers

Loans to customers grew by 17,45% from LAKm 19.093.205 in FYE 2016 to LAKm 22.425.778 in FYE 2017 and by 8,66% to LAKm 24.366.860 in FYE 2018. The growth in loans is mainly contributed by industrial services companies' sectors, rose by 18,21%% from LAKm 9.796.735 in FYE 2016 to LAKm 11.580.391 in FYE 2017 and by 11,67% to LAKm 12.931.637 in FYE 2018. This growth is concurrent with the country policy to promote industrial sector development throughout the nationwide. The growth in loans to customers mostly contributed by loans denominated in LAK, as a result of the Bank of the Lao PDR's decision issued in 2016, to restrict commercial banks in Laos stop to provide loans in foreign currencies to businesses.

### 12.3.1.2 Cash and cash equivalents

The breakdown of cash and cash equivalent are as follows:

Table 40: Cash and cash equivalents

Unit: LAKm

	2016	2017	2018
Cash and cash equivalents on hand	1.867.159	1.911.467	1.643.245
Demand deposits with the BOL	2.435.014	2.550.170	2.396.173
Current accounts with other banks	2.573.530	2.271.791	2.700.974
Term deposits due within 90 days	249.881	587.088	464.040
<b>Total cash and cash equivalents</b>	<b>7.125.584</b>	<b>7.320.516</b>	<b>7.204.432</b>

Source: Banque Pour Le Commerce Extérieur Lao Public

Cash and cash equivalents were increased by 2,74% from LAKm 7.125.584 in FYE 2016 to LAKm 7.320.516 in FYE 2017 and decreased by 1,59% to LAKm 7.204.432 in FYE 2018. The increase in FYE 2017 was mainly due to cash flows generated from financing activities with an amount of LAKm 220.523. The increase was mainly due to the Bank obtained an additional capital contribution of LAKm 360.060 by fundraising through new shares offering in FYE 2017. The decrease in FYE 2018 was mainly due to cash flows used in investing activities amounting LAKm 120.340, on the purchase and construction of fixed assets.

### 12.3.1.3 Financial investment - held-to-maturity

Financial investment – held-to-maturity was increased by 0,84% from LAKm 2.553.110 in FYE 2016 to LAKm 2.574.671 in FYE 2017 and increased by 41,87% to LAKm 3.652.772 in FYE 2018. It was principally due to an increase in investment in bonds issued by the Ministry of Finance, from LAKm 417.762 in FYE 2017 to LAKm 1.737.433 in FYE 2018. In December

2018, the Government of the Lao PDR issued and listed its first batch of government bonds in the Lao Securities Exchange. These retail bonds do not only offer a very low-risk way to earn a guaranteed return on invested money, but also provide liquidity and potential for capital gain.

### 12.3.2 Liabilities Analysis

The Bank always maintains a very strong liabilities structure with “Customers deposits” made up of about 82,72%, 83,36% and 80,94% of total liabilities as at 31 December 2016, 2017 and 2018, respectively. The remaining comes from interbank liabilities (“due to banks” and “borrowings from other banks”). As one of the leading banks in Lao PDR, the Bank has a huge advantage to support its expansion in customer loans and other lending business.

#### 12.3.2.1 Due to customers

Due to customers grew by 11,81% from LAKm 25.402.421 in FYE 2016 to LAKm 28.403.531 in FYE 2017 and by 5,32% to LAKm 29.915.142 in FYE 2018. The breakdowns of customers’ deposits are as follows:

Table 41: Due to customers

Unit: LAKm

	2016		2017		2018	
Demand deposits	6.082.985	23,95%	6.237.693	21,96%	5.447.954	18,21%
Demand savings	9.341.554	36,77%	11.311.284	39,82%	13.092.788	43,77%
Term deposits	9.495.540	37,38%	10.572.743	37,22%	11.159.134	37,30%
Margin deposits	119.478	0,47%	173.659	0,61%	103.279	0,35%
Others	270.585	1,07%	108.152	0,38%	111.987	0,37%
Accrued interest	92.279	0,36%	-	0,00%	-	0,00%
<b>Total due to customers</b>	<b>25.402.421</b>	<b>100,00%</b>	<b>28.403.531</b>	<b>100,00%</b>	<b>29.915.142</b>	<b>100,00%</b>

Source: Banque Pour Le Commerce Extérieur Lao Public

The largest portion that forms the customer deposits in FYE 2016 is term deposits (37,88%) and demand savings in FYE 2017 and FYE 2018 (39,82% and 43,77% respectively). In 2016, the Bank of the Lao PDR imposed a restriction to commercial banks in Laos to stop providing loans in foreign currencies to businesses, with the intention to prevent dollarization in Laos and promote the use of the national currency. Such effort proved successful in increasing customer deposits in Lao Kip while maintaining adequate growth for customer deposits in foreign currencies.



### **12.3.2.2 Due to banks and borrowings from other banks**

Due to banks and borrowings from other banks grew by 4,91% from LAKm 5.167.005 in FYE 2016 to LAKm 5.420.948 in FYE 2017 and by 24,75% to LAKm 6.762.395 in FYE 2018. It is accounted for 16,83%, 15,91% and 18,30% of the total liabilities in FYE 2016, FYE 2017 and FYE 2018, respectively. The increase was mainly due to borrowings from the BOL. Borrowing from the BOL grew by 30,76% from LAKm 1.640.776 in FYE 2016 to LAKm 2.145.402 in FYE 2017 and further increased by 56,11% to LAKm 3.349.266 in FYE 2018. The purposes of borrowings are mainly for lending to government-backed projects.

### **12.3.3 Shareholder's Equity Analysis**

As at 31 December 2016, 2017 and 2018, the total shareholders' equity increased continuously from LAKm 1.313.194 or 4,10% of total assets to LAKm 1.813.688 or 5,05% of total assets and LAKm 2.031.615 or 5,21% of total assets, respectively. The registered capital for the bank is LAKm 682,888 as at 31 December 2016 but increased to LAKm 1.038.617 in 2017. The Bank's total shareholders' equity increased year over year, as well as its equity to asset ratio. These indicate that the Bank improved its capital management.

Tier 1 capital ratio increased gradually from 9,37% in FYE 2016 to 13,96% in FYE 2016 and 14,45% in FYE 2018. It was mainly contributed by an increase in registered capital and better assets management.

Capital adequacy ratio also increased gradually from 5,33% in FYE 2016 to 9,72% in FYE 2017 and 11,12% in FYE 2018 due to the same reason. The Bank's effort to meet its capital requirement as regulated in the BOL's regulation, where stated that the capital adequacy ratio of a bank must be no lower than 8%, had been paid out.

## **Part II. Information Relating to the Offering**

The following section outlines information relating to the shares of BCEL and ownership rights of the shareholders based on the BCEL's AOA and the relevant laws and regulations of Lao PDR.

### **1. Details of Offerings**

#### **1.1 Shares Offering**

Share offering 19% of BCEL, which the Ministry of Finance is the major shareholder of the BCEL, in order to restructure shareholders and aim to raise the liquidity of BCEL in the secondary market, which will issue shares to the public and strategic partners as follows:

##### **1.1.1 The Offering of 9% of the Shares to the Strategic Partner**

In order to promote business in the banking sector, the Ministry of Finance decided to offer its 9% of ordinary shares to a potential strategic partner, which is equivalent to 18.695.100 shares. The Ministry of Finance has initially set the following conditions for selecting the strategic partner:

- shall be any financial institution, especially those that do business in the banking sector;
- Shall be an internationally recognized organization with a wide presence in the region;
- Shall support and encourage the activities of the bank to grow its business in foreign countries through mutual cooperation;
- Shall support and encourage the activities of the bank in improving business efficiency through the exchange of mutual ideas.

##### **1.1.2 Ordinary Shares Offering to the Existing shareholders and Public 10%**

Ordinary Shares offering to the existing shareholders and public at 10% with the amount equals to 20.772.300 shares as follows:

Offering in the form of RO amount 4,154,500 shares with par value 5.450 Kip/share at the Ratio of ten existing shares per one new share. If the total number of RO shares is not sold, the remaining RO shares shall be sold in PO form.

The offering to the existing shareholders is the issuance of shares of the Underwriter Company or Company listed in Lao Security Exchange by giving the priority to the existing shareholder the right to buy shares of the company in proportion and proportionate methods according to the Shareholders' Meeting. Pursuant to BCEL Board of Directors' Meeting, No. 020 / BCEL 2019 dated 19 September 2019; Recorded Closing Date To determine the existing shareholders' rights to subscribe on October 04, 2019.

Offering in the form of PO amount 16.617.800 shares with par value 5.550 Kip/share. Shares dividing shall use the pre-booking method to obtain a pre-dividend (come first serve first) dividend. In the event of an incomplete sale of the shares, the underwriter shall buy all remaining shares.

The offering to the public is the issuance of shares which are not defined as the category or specific group of investors.

## **1.2 Total Equity of the Bank**

As at 31 December 2018 the total equity of BCEL was LAK 2.031.615 million and of which the chartered capital was LAK 1.038.617 million with the total 207.723.300 outstanding shares and the par value of each share is LAK 5.000 according to the newly issued enterprise registration certificate No. 0429/ORE dated 18 May 2018 by the Enterprise Registration Office of Ministry of Industry and Commerce.

## **1.3 Payment of Dividend**

BCEL has the policy to pay dividends to shareholders at a ratio of not less than 50 percent of the net profit of BCEL after deductions into the legal reserve and regulatory reserve in accordance with the company requirements.

Resolutions of the Shareholders Meeting 2015, which approved a policy to pay dividends to shareholders once a year by proposing to pay not less than 50 percent of the net profit of the bank after deductions into the legal reserve and regulatory reserve in accordance with BCEL requirements and for payment of dividends for that year.

However, the ratio of dividends which is not less than 50 percent of net profit may be changed depending on the consideration and approval of the shareholders meeting. Consideration of the aforementioned issue shall be based on the reality of economic circumstances in each period, cash flow, investment plans, conditions and terms of the contracts that BCEL are bound by, including legislation limits and along with the capital adequacy to ensure the growth of the bank in the future.

BCEL shall pay dividends in Kip currency, and shareholders will be exempt from income tax from such dividends.

## **1.4 Ordinary Shareholders Meeting**

According to the Law on Enterprises and Regulations of BCEL, the Board of Directors of BCEL shall convene to hold shareholders meeting at least once a year within four (4) months from the last day of the year. The Board of Directors of BCEL can also call an extraordinary shareholders meeting in the event that it is found necessary, such as an auditor position is vacant or more than half of the directors agree to call a shareholders meeting or shareholders sue in court and the court orders the bank to open a shareholders meeting and shall have shareholders that are at least equal to 20 percent of the total number of shares contributed and then make a proposal in writing indicating the objectives of the meeting. Upon receiving the proposal, the Board of Directors shall open extraordinary shareholders meeting within thirty (30) days from the date of receiving the proposal to open the meeting.

A Notice to open the meeting of shareholders shall be submitted directly or through appropriate communications to all shareholders of BCEL at least five (5) working days before the meeting date.

Shares of BCEL, that have been registered, shall comply with the Instruction on Organizing Shareholders Meeting of the bank listed in Lao Securities Exchange, No. 257/LSCO, date 02/03/2014 and to comply with the Guidelines of the Shareholders Meeting of BCEL that has been registered.

Under the guidance of the shareholders meeting in the bank that has been registered as mentioned above, when the Board of Directors opens the meeting, the meeting shall have the duty to consider and determine the issues to be presented to the shareholders meeting and requesting approval. Notification and documentation shall be delivered to the shareholders listed in shareholders registry book and shall give notice of fifteen (15) working days before the meeting date.

The quorum of the shareholders meeting of the bank shall be attended by at least 2 shareholders and shall have more than half of the total number of shares contributed.

### **1.5 Rights to Vote**

Generally, shareholders are entitled to vote by the principle of one vote per one share, the resolution of the shareholders meeting shall be approved only when there are a majority votes from the shareholders meeting. Specific resolutions shall be approved by the voting of at least two-thirds of the shareholders, or shareholder representatives who attend the meeting, and shall have a total of shares representing more than 80 percent of the total contributed shares. Issues that are required to vote for a resolution of the shareholders are as follows:

- ❖ To vote on the issues specified in the Law on Enterprises;
- ❖ To amend the Articles of Association and Incorporation of the company;
- ❖ Capital increase or decrease;
- ❖ Merger or dissolution of the company;
- ❖ Partial or total sale or transfer of the company to other persons;
- ❖ Purchase or acquisition of other enterprises.

In accordance with the Law on Enterprises, shareholders may be prohibited from voting in regards to issues related to himself or implicate direct benefits with the issues that are up for a vote for approval by determining shareholders with such conflict of interests, the meeting shall agree whether the rights of shareholders shall be restricted or not.

### **1.6 The Right To Subscribe For New Shares And Issuance of Common Shares for capital increase**

The Law on Enterprises states that in order to increase the capital of the company, such increase must be agreed on by shareholders. Shareholders have the right to purchase shares for a capital increase in accordance with the priority; Capital increase shall offer to the existing shareholders in accordance with the portion of shareholding of each shareholder. Any share for a capital increase that is not purchased within the time set forth or is waived by the existing shareholders, then such shares are able to be offered to the general shareholders.

Increase of the capital of the company shall be registered with the Ministry of Industry and Commerce within ten (10) working days from the date of payment required the share subscription fee. In addition, BCEL shall inform the public for acknowledgement of the

registration for capital increase at least once within ten (10) working days from the registration date onwards.

### **1.7 Disclosure Of Financial Reports**

The Law on Enterprises requires the Board of Directors to cooperate with external auditors by providing clarification regarding income sources, the accuracy of the figures and data in the financial report of the company before presenting to the meeting for consideration and approval shall be certified by auditors and approved by the shareholders meeting.

Furthermore, reporting and disclosure according to the Regulation, No. 007/LSC, dated 03/04/2014 determines that BCEL shall prepare and present an audited annual financial report and an audited quarterly financial report to the Lao Securities Commission Office. In addition, BCEL shall be in compliance with the other decisions issued by Lao Securities Exchange.

Under the Regulation on Reporting and Disclosure, No. 007/LSC, dated 03/04/2014, reporting and disclosure usually is on a quarterly, six months and annual basis.

Reporting and disclosure of the first quarter and the third quarter shall be reported within forty-five (45) days from the end of the first quarter and third quarter respectively. Quarterly reports should include a summarization of the business activities of BCEL for such quarter and a financial report that has been certified by the Finance Division, Internal Audit Division of the company and director.

Reporting and disclosure of six-month period shall be reported within sixty (60) days from the end of the second quarter. Quarterly reports should include a summarization of the business activities of BCEL for the first half-year and a financial report that has been audited by an external auditor certified by Lao Securities Commission Office and approved by the meeting of Board of Directors of BCEL.

Annual reporting and disclosure shall be reported within a hundred-twenty (120) days from the end of the accounting year. Annual reports should include a summarization of the business activities of BCEL and a financial report that has been audited by an external auditor certified by Lao Securities Commission Office and approved by the meeting of Board of Directors of BCEL.

### **1.8 Right for Settlement**

In the event of liquidation, the remaining assets, after complete payment to creditors, shall be divided amongst the shareholders in accordance with the respective order of priority and the number of share portions that shareholders are holding.

### **1.9 Repurchase of Company's Shares**

In accordance with the Law on Enterprises, BCEL shall not have the right to purchase its own shares.

## **1.10 Shareholders Registration**

The Registrar of BCEL shall record the names of the shareholders in the shareholders' registry book of the bank. Information about shareholders shall be in such a book and shall be deemed valid evidence for use as a reference to the rights held in the company's shares.

## **2. Limitations of Share Transfer**

Pursuant to Article 190 of Law on Enterprise (Amended) No. 46/NA, dated 26 December 2013 it is stated that the founder of the company is not allowed to transfer his or her shares within a period of 2 years after the date the company was officially registered as a public company. In the event that BCEL was listed in the Lao Securities Exchanges (LSX), according to the Regulation on Stock Market Listing in LSX No. 005/LSX, dated 26 June 2015 the majority shareholders are prohibited from transferring his or her shares for 6 months from listing date.

### **2.1 Limitations of Foreign Investors Shares Holding**

The Law of Lao PDR has restrictions on the number of shares foreign investors may acquire and hold. Pursuant to the (Amended) Regulation on Managing the Acquisition and Sales of Securities of Foreign Investors in Lao PDR, No. 005/SEC, dated 08/12/2015, states that foreign investors are entitled to hold the securities (type of share) of the security issuing company or listed company following the priority order as stipulated in Article 8 of regulations as follows:

- 1) As defined in the laws of the relevant sectors;
- 2) As defined by the Resolutions of the Shareholders' Meeting of the security issuing company or the listed company;
- 3) As instructed by the LSCO for each case;

Pursuant to the Decision on Increase of Foreign Investors Shares Holding of BECL No. 19/SECO dated 17/8/2017 domestic and foreign investors together can hold no more than 20% of the total shares. One foreign investor, either individual or entity, can hold no more than 2% of the total shares.

The holding of security (type of debenture), or other types of securities, must comply with the Resolutions of Shareholders' Meeting of the security issuing company or the listed company.

## **3. Pricing of the Offering Price**

Pricing of the offering price is used to calculate with the method of the average weight closing price is determined 30 days backward from the date of filing of the full and accurate share offering and calculate the discount rate of the share price to be offered from the Weighted Average Price within a 30-day period backwards not exceeding 10%.

Following is the formula for the weighted average price calculation:

$$\text{weighted average price} = \frac{\sum_{j=1}^n W_j \times P_j}{\sum_{j=1}^n W_j}$$

- $j$  means the day of calculation 1, 2, 3, ..... 30.
- $W$  means the stock volume on  $j$
- $P$  means average price on  $j$

Table 42: Weighted Average Price of BCEL within a 30-day period

Unit: LAK

No.	Date	Average Price of the day (P)	Transaction volume of the day (W)	Results of (P x W)
1	04-10-2019	5.775,00	1.400,00	8.085.000,00
2	03-10-2019	5.775,00	5.200,00	30.030.000,00
3	02-10-2019	5.800,00	21.900,00	127.020.000,00
4	01-10-2019	5.743,75	3.600,00	20.677.500,00
5	30-09-2019	5.700,00	16.100,00	91.770.000,00
6	27-09-2019	5.741,18	155.000,00	889.882.352,94
7	26-09-2019	5.741,18	81.100,00	465.609.411,76
8	25-09-2019	5.800,00	57.700,00	334.660.000,00
9	24-09-2019	5.881,25	33.000,00	194.081.250,00
10	23-09-2019	5.923,08	83.500,00	494.576.923,08
11	20-09-2019	5.950,00	69.100,00	411.145.000,00
12	19-09-2019	6.000,00	24.900,00	149.400.000,00
13	18-09-2019	5.988,46	73.800,00	441.948.461,54
14	17-09-2019	6.018,75	7.500,00	45.140.625,00
15	16-09-2019	6.000,00	11.900,00	71.400.000,00
16	13-09-2019	6.006,25	37.200,00	223.432.500,00
17	12-09-2019	6.011,54	209.700,00	1.260.619.615,38
18	11-09-2019	6.017,86	94.000,00	565.678.571,43
19	10-09-2019	6.022,22	10.100,00	60.824.444,44
20	09-09-2019	6.033,33	7.900,00	47.663.333,33
21	06-09-2019	6.033,33	200,00	1.206.666,67
22	05-09-2019	6.050,00	200,00	1.210.000,00
23	04-09-2019	6.000,00	3.100,00	18.600.000,00
24	03-09-2019	6.031,25	80.200,00	483.706.250,00
25	02-09-2019	6.066,67	4.600,00	27.906.666,67
26	30-08-2019	6.060,00	1.300,00	7.878.000,00
27	29-08-2019	6.075,00	6.000,00	36.450.000,00
28	28-08-2019	6.050,00	300,00	1.815.000,00





No.	Date	Average Price of the day (P)	Transaction volume of the day (W)	Results of (P x W)
29	27-08-2019	6.058,33	10.400,00	63.006.666,67
30	26-08-2019	6.050,00	44.700,00	270.435.000,00
<b>Total</b>			1.155.600,00	6.845.859.238,91
The Average Weight Closing Price			<b>5.924</b>	

Therefore, the average weight closing price of BCEL's shares is equalized to 5.924 LAK

Determination of the discount rate of the share price to be issued from the Weighted Average Price within a 30-day period after no more than ten percent (10%) shown in the table as follows:

Table 43: Pricing of the Offering Price

Unit: LAK

Form of Offering	Weighted Average Price	Discount Rate (%)	Offering Price
RO	5.924	8,00	5.450
PO	5.924	6,31	5.550

The offering price of RO and PO shares is the sum of all share transaction fees.

#### 4. Details on Underwriter

The underwriter or Lao-China Securities Company Limited (LCS) is the first cooperation capital market between Lao PDR and China. It was officially established with an initial registered capital of 100 billion Kip and LCS and officially opened on 16 November 2013 with the following core business:

- Securities exchange broker;
- Financial Advisor and underwriter for share offering;
- Stock sales representatives and other business as approved by LSCO.

LCS will support Lao companies to get access to the capital market in Laos, structure reform, and list in the Stock Exchanges to strengthen business, reduce financial costs while at the meantime improve the business level of the company.

LCS's vision is to "create mutual benefit". LCS emphasizes providing unique quality services, introducing modern financial management to the investors and connecting the investors with both domestic and international capital markets. It has a strong team of experienced domestic and international experts and it is an internationally well-known company.



Head Office : 6<sup>th</sup> Floor, LSX Building, Khamphaengmeuang Road,  
Ban Phonthan Nuea, Saysettha District, Vientiane Capital.

Tel : (856-21) 419210

Fax : (856-21) 419221

Call center : (856-21) 419210-1

Website : [www.lcs.com.la](http://www.lcs.com.la)

#### **4.1 Terms of guarantee**

BCEL appointed an issuer of shares to reserve and pay for the reserved shares in the amount of 39.467.400 whereas the underwriter will buy all remaining unsold shares with a par value of 5.000 per share in accordance with the firm commitment guarantee in accordance with the terms and conditions of the Guarantee Agreement for Shares Offering.

#### **4.2 Estimation cost for offering**

BCEL will pay a brokerage fee to the underwriter for guaranteeing the share offering. The broker shall receive an agent fee from the underwriter; the total cost for share offering, with the exclusion of the guarantee fee, to be paid by BCEL and is estimated to be approximately USD 500 million.

### **5. Share subscription and allocation**

Interested investors are able to receive a copy of Prospectus and subscription from the LCS head office located at 6th Floor, LSX Building, Khamphaengmeang Road, Ban Phonthan Nuea, Saysettha District, Vientiane Capital as stated in clause 4.2.1 between 8:30-15:30. The Offering to the Existing Shareholders (RO): during 28/10/2019 - 01/11/2019, and the Offering to General Shareholders (PO): 04/11/2019 - 29/11/2019 (Hereafter referred as Subscription period).

#### **5.1 How to Subscribe to Shares**

Share subscribers are able to take the Prospectus and share subscribing form with the underwriter for shares offering and share dealers within the offering period as stipulated in this Prospectus. Share subscribers shall fill in the information in the share subscribing form clearly:

Identity verification documents are comprising:

- For Lao Investor: Copy of ID Card;
- For Foreign Investor: Copy of Passport;
- Power of Attorney from the subscribe: In the event that the account owner;
- An investor like BCEL or institutes: Copy of the Enterprise Registration Certificate (ERC) and ID card or Passport of an authorized person.

The underwriters for shares offering and stock dealer agents that receive share subscriptions shall issue a certificate as evidence for share subscription to the subscriber; the underwriters for shares offering and stock dealer agents shall inform the result of share dividing after the termination date of the public offering.

### 5.1.1 Subscription Method

Investors, who intend to subscribe to shares, may deposit money into an account as stipulated in the share subscribing form to use for share subscribing.

Therefore, subscribers shall transfer the amount of money in accordance with the value of the share completely for subscribing shares before the termination date of the offering.

### 5.1.2 Representative Bank for Settlement

BCEL as a representative bank for settlement would like to inform potential investors that they can open a deposit account in Lao currency with BCEL as an account to support the money transfer for subscribing ordinary shares to change in the shareholder structure of BCEL, which you can contact at the details below:

Table 44: Representative Bank for Settlement

No.	List of Names	Location	Contact Detail
1	Banque Pour Le Commerce Extérieur Lao Public (Headquarters)	No. 01, Pangkham Road, XiengNgeun Village, Chanthabouly District, Vientiane Capital	Tel: (85621) 213200-1, (85621) 223243-4, (85621) 217899, (85621)222495 Fax: (85621) 213202, (85621) 223012, (85621) 214944 Email: bcelhovt@bcel.com.la, bcelhqv@bcel.com.la P.O. Box: 2925 Swift Code: COEBLALA
2	Champasak Branch	No. 11, Phatthanalakmuang Village, Pakse District, Champasak Province	Tel:(856-31) 213207 Fax: (856-31) 213206 P.O. Box: 789 Swift Code: COEBLALA
3	Phongsaly Branch	Route Phoufa, ChomMouang Village, Phongsaly District, Phongsaly Province	Tel: (856-88) 210224 Fax: (856-88) 210221 Email: bcelpsl@bcel.com.la Swift Code: COEBLALA
4	Luang Prabang Branch	Route Kaison , Phonpheng Village, Luang Prabang District, Luangphrabang Province	Tel: (856-71) 252814 Fax: (856-71) 260598 Email: bcellpb@bcel.com.la P.O. Box: 534 Swift Code: COEBLALA

5	Xayabouly Branch	Route Kaison, Simoaung Village, Xayabouly District, Xayabouly Province	Tel: (856-74) 260038 Fax: (856-74) 211318 Email: bcelxyb@bcel.com.la Swift Code: COEBLALA
6	Khammouane Branch	Route Vientiane, Chomthong Village, Thakhek District, Khammouane	Tel: (856-51) 212689, 212688, Fax: (856-51) 212685, 214409, Email: bcelkmn@bcel.com.la Swift Code: COEBLALA
7	Xiengkhouang Branch	Route No. 7 Xaysana, Phonsavan Tai Village, Paek District, Xiengkhouang	Tel: (856-61) 213297 Fax: (856-61) 213293 Email: bcelxkh@bcel.com.la Swift Code: COEBLALA
8	Dongdok Branch	Route No. 13 North, KhamHung Village, Xaythany District, Vientiane Capital	Tel: (856-21) 771495 Fax: (856-21) 771496 Email: bcelddb@bcel.com.la
9	Vientiane Capital Branch	Route ASEAN, Thongkhankham Village, Chanthabouly District, Vientiane Capital	Tel: (856-21) 213205, 219763, 219764 Fax: (856-21) 219765 Email: bcelvtc@bcel.com.la P.O Box: 2925 Swift Code: COEBLALA
10	Borikhamsay Branch	Route No. 13 South, Phonxaynue Village, Paksan District, Borikhamsay Province	Tel: (856-54) 280112 Fax: (856-54) 790918 Email: bcelblx@bcel.com.la Swift Code: COEBLALA
11	Bokeo Branch	Route SaiKang, YaiHuaysainue Village, Huaysai District, Bokeo Province	Tel: (856-84) 212170 Fax: (856-84) 212169 Email: bcelbok@bcel.com.la
12	Vang-Vieng Branch	Route Kang-Muang, Sawang village, Vangvieng District, Vientiane Province	Tel: (856-23) 511434 Fax: (856-23) 511433 Email: bcelvv@bcel.com.la Swift Code: COEBLALA
13	Savannakhet Branch	Route Lathsavongseuk, Sounantha Village, Kaisonephomvihan District, Savannakhet Province	Tel: (856-41) 212261 Fax: (856-41) 212723 Email: bcelsvn@bcel.com.la Swift Code: COEBLALA
14	Saravan Branch	Route No. 15A, NahLek Village, Saravan District, Saravan Province	Tel: (856-34) 212016 Fax: (856-34) 212037 Email: bcelslv@bcel.com.la Swift Code: COEBLALA
15	Luangnamtha	Route Luangnamtha, Phonxay	Tel: (856-86) 211316

	Branch	Village, Luangnamtha District, Luangnamtha Province	Fax: (856-86) 212334 Email: bcellnt@bcel.com.la Swift Code: COEBLALA
16	Huaphan Branch	Route Phathy, Phanxay Village, XamNue District, Huaphan Province	Tel: (856-64) 312178 Fax: (856-64) 312090 Email: bcelhpn@bcel.com.la
17	Attapeu Branch	Route No. 16I, Phonsawang Village, Samakhixay District, Attapue Province	Tel: (856-36) 210062-0, 211929 Fax: (856-36) 211939, 210063 Email: bcelatp@bcel.com.la
18	Oudomxay Branch	Route 13 North, Nahwannoy Village, Xay District, Oudomxay Province	Tel: (856-81) 211260 Fax: (856-81) 212234 Email: bcelodx@bcel.com.la Swift Code: COEBLALA
19	Xekong Branch	Route No. 16, Maihuamuang Village, Lamam District, Xekong Province	Tel: (856-38) 211689 Fax: (856-38) 211689 Email: bcelsek@bcel.com.la Swift Code: COEBLALA
20	Phonhong Branch	Route 13 North, Phonhong Village, Phonhong District, Vientiane Province	Tel: (856-23) 212171 Fax: (856-23) 212173 Swift Code: COEBLALA

Source: Banque Pour Le Commerce Extérieur Lao Public

## 5.2 Share Allocation

When the underwriters and stock dealer agents have conducted share subscriptions in accordance with the applicable procedures and regulations, the dividing of shares to investors shall be conducted, which is estimated to completed within five (5) working days, upon the completion of the term of public offering, in order to ensure the right and highest interests of BCEL and as well as investors, the underwriters for shares offering shall have the right to consider the share allocation to all or any investors by applying the method of first come first serve. However, if the underwriters for shares offering or stock dealer agents would like to reserve the right to refuse share subscriptions and share dividing offering as share subscription certificate, in the event that the underwriters for shares offering or stock dealer agents have considered and found that such share subscriptions have any issues, obstacles or restrictions in operation for the highest positive effect of this public offering. In the event that the offering of the shares has all been subscribed before the term set forth, the underwriters for shares offering shall be able to close the subscription period before the predetermined time set forth.

### 1. Refund of Subscription Payment

In pursuant to Article 19 of the Regulation on Share Offering, No. 018/LSCO, dated 27 July 2015, in the event that any subscriber does not receive share dividing, their deposit shall be returned, wholly or a portion of the remaining deposit, back to investors who subscribe for shares within five (5) working days from the date share offering is completed.

In the event that such schedule is exceeding the number of available shares to be offered, the underwriters for shares offering shall be responsible for returning the deposit wholly or a portion of the remaining deposit back to customers who subscribe for shares according to the deposit interest rate of representative bank of the underwriters for shares offering at that time.

Upon completion of the procedure for payment or returning the deposit, the underwriters for shares offering shall transfer the money raised from specific accounts for share subscription into a specific account for the money raised from the BCEL.

## **6. Delivery of Share**

The Share Registrar shall deposit the ordinary shares for a capital increase in the security trading account that the subscriber has opened with the Securities Companies which is a member of Securities Depository Center of Lao Securities Exchange as stated in the share subscriber's subscription certificate. However, shareholders of BCEL shall have the right to request the Securities Companies to issue shares possession certificate according to the relevant procedures.

### **6.1 Share Transfer**

Shares of a public company shall be transferred inside or outside and shares transferring shall be deemed complete only when the assignor has signed on the back of share certificate indicating the name of the assignee with the name and signature and indicates that the assignor has transferred such shares to the assignee.

Share transfers shall become effective when:

- BCEL has received the application request for transfer registration.
- External persons when BCEL has completed the registration of transferring, upon it considers that the transferring has complied with the procedures, BCEL shall complete its transfer registration within five (5) working days from the date received the application forms.

In the event of an incorrect transfer, BCEL shall inform the applicant for acknowledgement within five (5) working days from the date of receiving the application forms and to amend such mistake.

The method for defining and requesting a change to a new share certificate is as stipulated in the Articles of Association of BCEL. However, shares transfer shall comply with the regulations of LSX, since such shares are issued for trading in LSX.

### **6.2 Transaction Fee**

Pursuant to the LSCO Decision No. 0025/SECO, dated 26/10/2016, Article 19 Rights and Obligation of Recipient, section 4 Transaction fee payment and Article 24 Transaction Fee which explains each category of transaction fee which is elaborated in the Decision on Stock Transaction Fee at Lao Stock Exchanges No. 10/SECO, dated 27/4/2017, Article 1 states the fees are as follows:

Table 45: Transaction Fee

Fee Collecting Agency	By Contract	By the Court verdict	By request	By heritage
Government's Tax	0,30%	0,30%	0,30%	0,00%
LSCO Fee	0,08%	0,08%	0,08%	0,04%
Lao Security Exchange Fee	0,30%	0,30%	0,30%	0,15%
Brokerage Fee	0,30%	0,30%	0,30%	0,15%
Compensation Fund's Fee	0,02%	0,02%	0,02%	0,01%
<b>Total</b>	<b>1,00%</b>	<b>1,00%</b>	<b>1,00%</b>	<b>0,35%</b>



### Part III. Certification of Accuracy of the Lao Prospectus

#### 1. Certification of Accuracy by the Bank

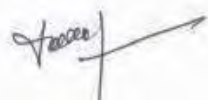
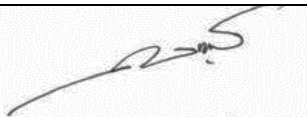

We have cautiously reviewed the information contained within the Lao Prospectus in the capacity of the General Managing Director and certify that such information is accurate and complete.

IN WITNESS WHEREOF, we certify that all of the information in the documents is certified true and correct and constitute a facsimile of the same set. We hereby authorized Mr. Phoukhong Chanthachack, the General Managing Director of the Banque pour le Commerce Extérieur Lao Public, to initial every page of the documents. If any documents do not contain the initials of Mr. Phoukhong Chanthachack, we will deem that such documents are not the information that we have certified.


#### Signatures of the Board of Directors of Banque pour le Commerce Extérieur Lao Public

No.	Name	Position	Signature
1	Dr. Bounleua SINXAYVOLAVONG	Director-General of Department of Fiscal Policy and Regulation, Ministry of Finance/Chairman	
2	Mr. Kamsouk SUNDARA	BCEL Senior Officer (External Independent Director)/Vice Chairman.	
3	Mr. Phoukhong CHANTHACHACK	General Managing Director/Member	
4	Mr. Marc ROBERT	The representative of COFIBRED/Member	
5	Mr. Phouthakhan KHANTI	Deputy Director of National Treasury, Ministry of Finance/Member	
6	Mr. Viengsouk CHUNTHAVONG	Chief of Credit Management Division, BCEL/Member	
7	Mr. Phouphet KYOPHILAVONG Ph.D.	Vice Dean of Faculty of Economics and Management, NUOL/Member	

### Signatures of the Internal Audit Committee

No.	Name	Position	Signature
1	Mr. Phouthakhan KHANTI	Head of Internal Audit Committee	
2	Mr. Kamsouk SUNDARA	Deputy Head of Internal Audit Committee	
3	Mr. Phouphet KYOPHILAVONG Ph.D.	Member	

### Signatures of the Administration and Finance Division



No.	Name	Position	Signature
1	Mrs. Phousengthong ANOULACKHAM	Chief of Accounting Division	

## 2. Certification of Accuracy of the Financial Advisor

This Prospectus is part of the application documents of the Banque Pour le Commerce Extérieur Lao Public prepared by the Banque Pour le Commerce Extérieur Lao Public and Lao-China Securities Company Limited under the Underwriter Agreement to carry out Public Offering of 19% shares held by the Ministry of Finance of Lao PDR.

I, hereby certify that the entire information including the analysis, estimations, and sentences that appear in this Prospectus are true and correct and are based on the information provided by the Banque Pour le Commerce Extérieur Lao Public.

### Lao-China Securities Company Limited

No.	Name	Position	Signature
1	Mr. Bounthavy SIDAVONG	Deputy Director	 



Bounthavy SIDAVONG

### 3. Certification of Accuracy of the Underwriter's Information

This Prospectus is part of the application documents of the Banque Pour le Commerce Extérieur Lao Public prepared by the Banque Pour le Commerce Extérieur Lao Public and Lao-China Securities Company Limited under the Underwriter Agreement to carry out Public Offering of 19% shares held by the Ministry of Finance of Lao PDR.

I, hereby certify that the entire information including the analysis, estimations, and sentences that appear in this Prospectus are true and correct and are based on the information provided by the Banque Pour le Commerce Extérieur Lao Public.

#### Lao-China Securities Company Limited

No.	Name	Position	Signature
1	Mr. Bounthavy SIDAVONG	Deputy Director	 

Bounthavy SIDAVONG

**Appendix 1   Financial Statements**

**Appendix 2   Subscription Form**

# **Banque Pour Le Commerce Exterieur Lao Public**

Special Purpose Consolidated Financial Statements

31 December 2018



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# Banque Pour Le Commerce Extérieur Lao Public

## GENERAL INFORMATION

### THE BANK

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

#### *Establishment and Operations*

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

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

On 17 August 2017, Lao Securities Commission Office approved the Bank to recapitalize by both Rights offering (which resulted in 68,047,300 shares) and Public offering (which resulted in 3,098,400 shares) in Lao Securities Exchange in order to increase its charter capital. The Bank received the new Banking Business License No. 21/BOL, dated 13 September 2017 issued by Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified that the Bank successfully increased its charter capital amount LAK 355,728,500,000 (equivalent to 71,145,700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest amended Business License No. 0889/ERO dated 15 September 2017 issued by Ministry of Industry and Commerce.

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

<i>Shareholders</i>	<i>Number of shares</i>	<i>%</i>
The Government	145,406,321	70%
Strategic partners	20,772,359	10%
Local investors (including employees of the Bank) and other foreign investors	41,544,620	20%
	<b>207,723,300</b>	<b>100%</b>

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

#### *Charter Capital*

The Bank's charter capital as at 31 December 2018 is LAKm 1,038,617 (31 December 2017: LAKm 1,038,617).

#### *Location and Network*

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 31 December 2018, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, twenty (20) main branches, ninety-three (93) services units, and fifteen (15) exchange units all over Lao PDR.

# Banque Pour Le Commerce Extérieur Lao Public

## GENERAL INFORMATION (continued)

### THE BANK (continued)

#### ***Subsidiary***

As at 31 December 2018, the Bank has one (01) subsidiary as follows:

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

#### ***Joint ventures***

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

<i>Name</i>	<i>Established in accordance with Business License No.</i>	<i>Business Sector</i>	<i>% owned by the Bank</i>
Lao Viet Joint Venture Bank	732/ERO dated 29 August 2016 by the Ministry of Industry and Commerce	Banking & Finance	25%
Banque Franco - Lao Limited	0495/ERO dated 07 June 2018 by the Ministry of Industry and Commerce	Banking & Finance	30%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commerce	Insurance	35%
Lao China Bank Company Limited	041/ERM dated 27 January 2014 by the Department of Enterprise Register and Management of Lao PDR	Banking & Finance	49%

## BOARD OF DIRECTORS

Members of the Board of Directors during the year ended 31 December 2018 and at the date of this report are as follows:

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

# Banque Pour Le Commerce Exterieur Lao Public

## GENERAL INFORMATION (continued)

### MANAGEMENT

Members of the Management during the year ended 31 December 2018 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Phoukhong Chanthachack	General Managing Director	15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	06 June 2008
Mr. Lachay Khanpravong	Deputy Managing Director	30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	23 November 2015
Mr. Souphak Thinsayphone	Deputy Managing Director	23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	1 November 2016

### LEGAL REPRESENTATIVE

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

### AUDITORS

The auditors of the Bank are Ernst & Young Lao Company Limited.

Reference: 60790273/196316338-IFRS/CS

## INDEPENDENT AUDITORS' REPORT

**To: Management of Banque Pour Le Commerce Extérieur Lao Public;  
Bank of the Lao PDR; and  
Laos Securities Commission Office**

### *Qualified Opinion*

We have audited the special purpose consolidated financial statements ("the consolidated financial statements") of Banque Pour Le Commerce Extérieur Lao Public ("the Bank") and its subsidiary, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements of the Bank and its subsidiary for the year ended 31 December 2018 are prepared, in all material respects, in accordance with the accounting policies as described in Note 6 to the consolidated financial statements to meet the reporting requirements of Bank of the Lao PDR and the Laos Securities Commission Office.

### *Basis for Qualified Opinion*

The consolidated financial statements do not disclose information relating to fair value measurements required by IFRS 13: "Fair value measurement" and financial risk management required by IFRS 7: "Financial Instruments: Disclosures".

The Bank did not record post-employment benefit for their employees since 2012 until 2017. In 2017, the Bank corrected this error by recording the cumulative post-employment benefit liability up to 31 December 2017 of LAKm 59.458 to personnel expenses of 2017. This obligation should have been recorded on a retrospective basis. Had the Bank made such adjustments correctly, the impact to the consolidated financial statements would have been as follows:

- ▶ Personnel expense for the year 2017 would have decreased by LAKm 59.458;
- ▶ Deferred tax income for the year 2017 would have decreased by LAKm 14.270; and
- ▶ Retained earnings as at 1 January 2017 would have decreased by LAKm 45.188.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Lao PDR, and we have fulfilled our other ethical responsibilities in accordance these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



### ***Emphasis of Matter – Basis of Accounting and Restriction on Use***

We draw attention to Note 2 to the consolidated financial statements, which describes the basis of preparation, under which the accounting policies used and disclosures made (hereinafter referred to as "Special purpose framework") are not intended to, and do not, comply with all the requirements of International Financial Reporting Standards as the accounting policies for recognition and measurement of financial instruments are based on IAS 39 *Financial instruments: Recognition and Measurement* instead of IFRS 9 - *Financial Instruments*. The consolidated financial statements are prepared solely for the use of the Bank to meet the reporting requirements of Bank of the Lao PDR and the Laos Securities Commission Office. As a result, the consolidated financial statements may not be suitable for another purpose. Our auditor's report is intended solely for the information and use of the Bank and these regulators, and should not be used by other parties. Our opinion is not modified in respect of this matter.

### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b><i>Areas of focus</i></b>	<b><i>How our audit addressed the risk factors</i></b>
<p><b><i>Special purpose framework conversion process</i></b></p> <p>The Bank operates in Laos and maintains its underlying books and records in accordance with the Accounting Law of the Lao PDR, and regulations stipulated by Bank of the Lao PDR ("LAS").</p> <p>The Bank's special purpose consolidated financial statements are prepared by posting the required adjustments to the underlying books and records, based on the accounting policies set out in Note 6.</p> <p>Identification of all required GAAP differences, and calculation of the required adjustments, requires the Bank's management to exercise judgement.</p>	<p>Our procedures, in respect of the Bank's special purpose framework conversion process, included:</p> <ul style="list-style-type: none"> <li>▶ We assessed, and challenged, the Bank's selection and application of accounting policies under special purpose framework;</li> <li>▶ We formed expectations of differences between the Bank's LAS and special purpose consolidated financial statements and compared to those prepared by the Bank;</li> <li>▶ We used tools to evaluate the completeness and accuracy of disclosures made by the Bank; and</li> <li>▶ We involved IFRS pre-issuance reviewer in our procedures to assess compliance with the disclosure requirements of special purpose framework.</li> </ul>

**Key audit matters** (continued)

<b>Areas of focus</b>	<b>How our audit addressed the risk factors</b>
<p><b><i>Allowance for impairment of loans to customers (Note 18 – Allowance for impairment losses of loans to customers)</i></b></p> <p>The provision for impairment of loans is a significant balance and carries a high degree of estimation uncertainty. The Bank's management is required to exercise judgement in identifying evidence of impairment and calculating the impairment amounts.</p> <p>In order to calculate the impairment provision, the Bank has developed models and makes certain assumptions including, but not limited to: collateral valuation, forecast future cash flows, and the financial condition of the borrower.</p> <p>Given the materiality of this balance, and the degree of judgement required of the Bank's management, and the inherent subjectivity of the assumptions selected, we considered this to be a significant item for our audit.</p>	<p>We understood, and tested, the design and operating effectiveness of key controls in relation to:</p> <ul style="list-style-type: none"> <li>▶ loan origination and recognition;</li> <li>▶ loan credit grading and credit monitoring;</li> <li>▶ segmentation of the portfolio into exposures of similar risk characteristics;</li> <li>▶ calculation of the loan loss provision; and</li> <li>▶ IT general controls including manage change, manage access and operations control on data, IT applications and operating systems.</li> </ul> <p>For a sample of loans which had impairment provisions calculated on an individual basis, we:</p> <ul style="list-style-type: none"> <li>▶ assessed and challenged management assumptions in respect of forecast cash and collateral recoverable amounts and</li> <li>▶ assessed the impact of loan restructures as applicable</li> </ul> <p>For loan loss allowances calculated on a collective basis, we performed the followings:</p> <ul style="list-style-type: none"> <li>▶ tested the completeness and accuracy of data used in models</li> <li>▶ tested the arithmetical accuracy of the Bank's models</li> <li>▶ evaluated and challenged the appropriateness of assumptions including historical loss rate, and</li> <li>▶ compared, where available, data and assumptions made by the Bank to external benchmarks.</li> </ul> <p>Finally, we assessed the completeness and accuracy of financial statement disclosures relating to loan loss provisions to assess compliance with disclosure requirements.</p>



### ***Responsibilities of the Bank's Management for the Consolidated Financial Statements***

The Bank's management is responsible for the preparation of the consolidated financial statements in accordance with the accounting policies as described in Note 6 to the consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the Bank and its subsidiary to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.





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We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Ernst &amp; Young Lao Co., Ltd.

Trinh Hoang Anh  
Partner  
Audit Practising Registration  
Certificate No. LCPAA/2-1-00001

Vientiane, Lao PDR  
29 April 2019

# Banque Pour Le Commerce Extérieur Lao Public

## CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2018

	Notes	2018 LAKm	2017 LAKm
Interest revenue calculated using the effective interest method	8	1.938.828	1.745.731
Interest expense calculated using the effective interest method	9	(1.000.577)	(887.891)
<b>Net interest and similar income</b>		<b>938.251</b>	<b>857.840</b>
Fee and commission income		261.637	200.288
Fee and commission expense		(22.017)	(21.071)
<b>Net fee and commission income</b>	<b>10</b>	<b>239.620</b>	<b>179.217</b>
Net trading income	11	49.719	43.853
Other operating income	12	21.892	20.550
<b>Operating income</b>		<b>1.249.482</b>	<b>1.101.460</b>
Credit loss expense of loans to customers	19	(221.957)	(212.409)
Impairment losses of financial investments	13	(29.412)	9.257
<b>NET OPERATING INCOME</b>		<b>998.113</b>	<b>898.308</b>
Personnel expenses	14	(334.693)	(340.848)
Depreciation and amortization	23, 24	(72.363)	(73.871)
Other operating expenses	15	(156.134)	(136.118)
<b>TOTAL OPERATING EXPENSES</b>		<b>(563.190)</b>	<b>(550.837)</b>
Share of (loss)/profit of joint ventures	22	(7.643)	16.551
<b>PROFIT BEFORE TAX</b>		<b>427.280</b>	<b>364.022</b>
Current profit tax expense	29.3	(124.762)	(85.395)
Deferred profit tax income	29.4	18.420	1.715
<b>NET PROFIT FOR THE YEAR</b>		<b>320.938</b>	<b>280.342</b>
<b>Attributable to:</b>			
Equity holders of the parent		320.732	279.399
Non-controlling interest		206	943
<b>Earnings per share (LAK)</b>	<b>40</b>	<b>1.544</b>	<b>1.797</b>

Prepared by:

Approved by:

Approved by:



Mrs. Phousengthong  
Anoulakkham  
Chief of Accounting Department



Mr. Kongsack Souphonesy  
Chief of Internal Audit Department



Mr. Lachay Khanpravong  
Deputy Managing Director

Vientiane, Lao PDR

26 April 2019

# Banque Pour Le Commerce Extérieur Lao Public

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2018

	Notes	2018 LAKm	2017 LAKm
<b>NET PROFIT FOR THE YEAR</b>		<b>320.938</b>	<b>280.342</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Change on fair value of available-for-sale financial assets		-	(7.924)
Change due to impairment of available-for-sale financial assets		(1.792)	-
Remeasurement loss on defined benefit plan		(1.411)	-
Profit tax related to components of other comprehensive income	29.4	768	1.902
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b>(2.435)</b>	<b>(6.022)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b>318.503</b>	<b>274.320</b>
<b>Attributable to:</b>			
Equity holders of the parent		317.999	273.435
Non-controlling interest		504	885

Prepared by:



Mrs. Phousengthong  
Anoulakham  
Chief of Accounting Department

Approved by:



Mr. Kongsack Souphonsy  
Chief of Internal Audit  
Department

Approved by:



Mr. Lachay Khanpravong  
Deputy Managing Director

Vientiane, Lao PDR

26 April 2019



# Banque Pour Le Commerce Extérieur Lao Public

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
as at 31 December 2018

	Notes	31 December 2018 LAKm	31 December 2017 LAKm
<b>ASSETS</b>			
Cash and balances with Bank of the Lao PDR	16	5.334.246	5.815.021
Due from banks	17	3.828.669	3.235.883
Loans to customers	18	24.366.860	22.425.778
Financial assets - Held-for-trading		14	5
Financial investments - Available-for-sale	20	156.516	190.959
Financial investments - Held-to-maturity	21	3.652.772	2.574.671
Investments in joint ventures	22	462.296	541.730
Property and equipment	23	450.132	457.487
Intangible assets	24	246.601	247.600
Deferred tax assets	29.4	29.099	18.215
Other assets	25	466.088	378.764
<b>TOTAL ASSETS</b>		<b>38.993.293</b>	<b>35.886.113</b>
<b>LIABILITIES</b>			
Due to banks and other financial institutions	26	3.413.129	3.275.546
Due to customers	27	29.915.142	28.403.531
Borrowings from other banks	28	3.349.266	2.145.402
Current tax liabilities	29.2	35.951	20.705
Deferred tax liabilities	29.4	5.272	13.576
Other liabilities	30	242.918	213.665
<b>TOTAL LIABILITIES</b>		<b>36.961.678</b>	<b>34.072.425</b>
<b>EQUITY</b>			
Chartered capital		1.038.617	1.038.617
Statutory reserves and other reserves	32	440.874	381.506
Available-for-sale reserve	33	-	1.661
Treasury shares		(3.313)	(1.316)
Retained earnings		524.050	361.658
<b>Total equity contributable to the parent</b>		<b>2.000.228</b>	<b>1.782.126</b>
Total equity contributable to non-controlling interest		31.387	31.562
<b>TOTAL EQUITY</b>		<b>2.031.615</b>	<b>1.813.688</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>38.993.293</b>	<b>35.886.113</b>

Prepared by:



Mrs. Phousengthong  
Anoulakkham  
Chief of Accounting Department

Approved by:



Mr. Kongsack Souphonhavy  
Chief of Internal Audit  
Department

Approved by:



Mr. Lachay Khanpravong  
Deputy Managing Director

Vientiane, Lao PDR

26 April 2019

# Banque Pour Le Commerce Extérieur Lao Public

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2018

	Charter capital LAKm	Statutory reserves and other reserves LAKm	Treasury shares LAKm	Available- for-sale reserve LAKm	Retained earnings LAKm	Non- controlling interest LAKm	Total LAKm
<b>Balances as at 31 December 2017</b>	<b>1.038.617</b>	<b>381.506</b>	<b>(1.316)</b>	<b>1.661</b>	<b>361.658</b>	<b>31.562</b>	<b>1.813.688</b>
Dividend paid out to shareholders for 2017	-	-	-	-	(97.900)	(679)	(98.579)
Appropriation to reserve for the year 2017	-	59.368	-	-	(59.368)	-	-
Net profit for the year 2018	-	-	-	-	320.732	206	320.938
Net increase of treasury share	-	-	(1.997)	-	-	-	(1.997)
Other comprehensive income for the year 2018	-	-	-	(1.661)	(1.072)	298	(2.435)
<i>in which:</i>							
- remeasurement loss on defined benefit plans	-	-	-	-	(1.411)	-	(1.411)
- change due to impairment of available-for-sale financial assets	-	-	-	(2.184)	-	392	(1.792)
- profit tax related to components of other comprehensive income	-	-	-	523	339	(94)	768
<b>Balances as at 31 December 2018</b>	<b>1.038.617</b>	<b>440.874</b>	<b>(3.313)</b>	<b>-</b>	<b>524.050</b>	<b>31.387</b>	<b>2.031.615</b>

# Banque Pour Le Commerce Extérieur Lao Public

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2018

	Chartered capital LAKm	Statutory reserves and other reserves LAKm	Treasury shares LAKm	Available- for-sale reserve LAKm	Retained earnings LAKm	Non- controlling interest LAKm	Total LAKm
<b>Balances as at 31 December 2016</b>	<b>682.888</b>	<b>359.007</b>	<b>(1.010)</b>	<b>7.385</b>	<b>230.992</b>	<b>33.932</b>	<b>1.313.194</b>
Dividend paid out to shareholders for 2016	-	-	-	-	(83.778)	(1.463)	(85.241)
Appropriation to reserve for the year 2016	-	35.130	-	-	(35.130)	-	-
Advance dividend payment to MOF for the year 2017	-	-	-	-	(50.000)	-	(50.000)
Additional capital injection	355.729	-	-	-	-	-	355.729
Net profit for the year 2017	-	-	-	-	279.399	943	280.342
Reversal of capital supplement reserve	-	(12.275)	-	-	12.275	-	-
Net increase of treasury share	-	-	(306)	-	-	-	(306)
Share of Non-controlling interest	-	(391)	-	240	1.943	(1.792)	-
Reversal of tax payable accrued from prior year based on tax inspection results	-	-	-	-	5.957	-	5.957
Others	-	35	-	-	-	-	35
Other comprehensive income for the year 2017	-	-	-	(5.964)	-	(58)	(6.022)
<i>in which:</i>							
- change on fair value of available-for-sale financial assets	-	-	-	(7.848)	-	(76)	(7.924)
- profit tax related to components of other comprehensive income	-	-	-	1.884	-	18	1.902
<b>Balances as at 31 December 2017</b>	<b>1.038.617</b>	<b>381.506</b>	<b>(1.316)</b>	<b>1.661</b>	<b>361.658</b>	<b>31.562</b>	<b>1.813.688</b>

Prepared by:

*Sans*

Mrs. Phousengthong Anoulakkham  
Chief of Accounting Department

Vientiane, Lao PDR

26 April 2019

Approved by:

*Mr. Kongsack Souphonesy*

Mr. Kongsack Souphonesy  
Chief of Internal Audit Department

Approved by:



Mr. Kongsack Souphonesy  
Deputy Managing Director



# Banque Pour Le Commerce Extérieur Lao Public

CONSOLIDATED STATEMENT OF CASH FLOWS  
as at 31 December 2018 and for the year then ended

	Notes	2018 LAKm	2017 LAKm
<b>OPERATING ACTIVITIES</b>			
<b>Profit before tax</b>		<b>427.280</b>	<b>364.022</b>
<i>Adjustments for:</i>			
Depreciation and amortization charges	23, 24	72.363	73.871
Expense for impairment losses	13, 19	251.369	203.152
Expense for writing off assets under construction	15	-	18.640
Share of associate's profit under equity method	22	7.643	(16.551)
Defined post-employment benefit expense	30	24.134	67.655
Interest income	8	(1.938.828)	(1.745.731)
Interest expense	9	1.000.577	887.891
Dividend income	12	(11.630)	(10.705)
<b>Cash flows from operating profit before changing in operating assets and liabilities</b>		<b>(167.092)</b>	<b>(157.756)</b>
<i>Net changes in operating assets:</i>			
Due from banks		(1.507.658)	(221.044)
Loans to customers		(1.982.178)	(3.421.495)
Financial investment - Held-for-trading		(9)	61
Financial investment - Available-for-sale		373	(733)
Financial investment - Held-to-maturity		280.969	5.840
Other assets		(15.986)	(41.470)
<i>Net changes in operating liabilities:</i>			
Due to other banks and the BOL		1.299.350	253.290
Due to customers		1.449.278	2.935.623
Other liabilities		31.200	31.796
Interest received		1.688.472	1.604.746
Interest paid		(904.321)	(842.356)
Profit tax paid during the year	29.3	(102.880)	(94.285)
<b>Net cash flows from operating activities</b>		<b>69.518</b>	<b>52.217</b>
<b>INVESTING ACTIVITIES</b>			
Purchase and construction of fixed assets		(120.340)	(89.451)
Proceeds from disposals of fixed assets		-	938
Dividends received		32.638	10.705
<b>Net cash flows used in investing activities</b>		<b>(87.702)</b>	<b>(77.808)</b>
<b>FINANCING ACTIVITIES</b>			
Payment of dividends		(97.900)	(135.241)
Additional capital contribution		-	360.060
Transaction cost of issuing shares		-	(4.296)
<b>Net cash (used in)/from financing activities</b>		<b>(97.900)</b>	<b>220.523</b>
<b>Net change in cash and cash equivalents</b>		<b>(116.084)</b>	<b>194.932</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>7.320.516</b>	<b>7.125.584</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>34</b>	<b>7.204.432</b>	<b>7.320.516</b>

Prepared by:



Mrs. Phousengthong  
Anoulakkham  
Chief of Accounting Department

Approved by:



Mr. Kongsack Souphonesy  
Chief of Internal Audit  
Department

Approved by:



Mr. Lachay Khanpravong  
Deputy Managing Director

Vientiane, Lao PDR  
26 April 2019



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
as at 31 December 2018 and for the year then ended

## 1. CORPORATE INFORMATION

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

### *Establishment and Operations*

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

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

On 17 August 2017, Lao Securities Commission Office approved the Bank to recapitalize by both Rights offering (which resulted in 68,047,300 shares) and Public offering (which resulted in 3,098,400 shares) in Lao Securities Exchange in order to increase its charter capital. The Bank received the new Established Banking Business License No. 21/BOL, dated 13 September 2017 issued by Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified the Bank successfully increased its charter capital amount LAK 355,728,500,000 (71,145,700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest amended Business License No. 0889/ERO dated 15 September 2017 issued by Ministry of Industry and Commerce.

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

<i>Shareholders</i>	<i>Number of shares</i>	<i>%</i>
The Government	145,406,321	70%
Strategic partners	20,772,359	10%
Local investors (including employees of the Bank) and other foreign investors	41,544,620	20%
	<b>207,723,300</b>	<b>100%</b>

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

### *Charter Capital*

The Bank's chartered capital as at 31 December 2018 is LAKm 1,038,617 (31 December 2017: LAKm 1,038,617).

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

## 1. CORPORATE INFORMATION (continued)

### **Location and Network**

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 31 December 2018, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, twenty (20) main branches, ninety-three (93) services units, and fifteen (15) exchange units all over Lao PDR.

### **Subsidiary**

As at 31 December 2018, the Bank has one (01) subsidiary as follows:

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

### **Joint ventures**

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

<i>Name</i>	<i>Established in accordance with Business License No.</i>	<i>Business Sector</i>	<i>% owned by the Bank</i>
Lao Viet Joint Venture Bank	732/ERO dated 29 August 2016 by the Ministry of Industry and Commerce	Banking & Finance	25%
Banque Franco - Lao Limited	0495/ERO dated 07 June 2018 by the Ministry of Industry and Commerce	Banking & Finance	30%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commerce	Insurance	35%
Lao China Bank Company Limited	041/ERM dated 27 January 2014 by the Department of Enterprise Register and Management of Lao PDR	Banking & Finance	49%

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

## 1. CORPORATE INFORMATION (continued)

### **Board of Directors**

Members of the Board of Directors during the year ended 31 December 2018 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Dr. Bounleua Sinxayvoravong	Chairman	Reappointed on 27 April 2018
Mr. Kamsouk Sundara	Vice Chairman	Reappointed on 27 April 2018
Mr. Phoukhong Chanthachack	Member	Reappointed on 27 April 2018
Mr. Marc Robert	Member	Reappointed on 27 April 2018
Mr. Phouthakhan Khanty	Member	Appointed on 27 April 2018
Associate Professor, Dr. Phouphet Kyophilavong	Member	Appointed on 27 April 2018
Mr. Viengsouk Chounthavong	Member	Appointed on 27 April 2018
Mr. Viengxay Chanthavisouk	Member	Appointed on 9 April 2015 Resigned on 27 April 2018
Mr. Phansana Khounnouvong	Member	Appointed on 9 April 2015 Resigned on 27 April 2018
Ms. Khanthaly Vongxayarath	Member	Appointed on 9 April 2015 Resigned on 27 April 2018

### **Management**

Members of the Management during the year ended 31 December 2018 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Phoukhong Chanthachack	General Managing Director	15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	6 June 2008
Mr. Lachay Khanpravong	Deputy Managing Director	30 September 2014
Mr. Nanthath Keopaseuth	Deputy Managing Director	30 September 2014
Mr. Kamsian Mingbouppha	Deputy Managing Director	23 November 2015
Mr. Souphak Thinsayphone	Deputy Managing Director	23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	1 November 2016

### **Employees**

Total number of employees of the Bank and its subsidiary as at 31 December 2018 is 1.920 persons (as at 31 December 2017: 1.716 persons).

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

## 2. BASIS OF PREPARATION

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

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

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

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

The Bank also prepared and issued its special purpose separate financial statements in accordance with the accounting policies as described in Note 5 to the special purpose separate financial statements on 10 April 2019.

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

## 3. PRESENTATION OF FINANCIAL STATEMENTS

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

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

## 4. BASIS OF CONSOLIDATION

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

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

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

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

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

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

## 5. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

### 5.1 *New and amended standards and interpretations*

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

### 5.2 *IFRS 15 Revenue from Contracts with Customers*

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



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

## 5. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### 5.3 *Presentation of net interest income*

With effect from 1 January 2018, paragraph 82(a) of IAS 1 requires interest income/expense calculated using the effective interest rate (EIR) method to be presented separately from interest income/expense calculated using other methods. The Bank does not have other interest income/expense other than those calculated using the EIR method. Therefore, the Bank does not include an additional line of "Other interest income/expense" on the face of the interest income. The change in presentation does not impact on the 2017 comparatives.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 6.1 *Foreign currency translation*

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

### 6.2 *Financial instruments - initial recognition and subsequent measurement*

#### 6.2.1 *Date of recognition*

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

#### 6.2.2 *Initial measurement of financial instruments*

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

#### 6.2.3 *Financial assets or financial liabilities held for trading*

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

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 6.2.4 *The effective interest rate method*

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

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

#### 6.2.5 *'Day 1' profit or loss*

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

#### 6.2.6 *Available for sale financial investments*

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

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

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

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



## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 6.2.7 *Held-to-maturity financial investments*

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

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

#### 6.2.8 *Due from banks and loans and advances to customers*

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

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

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

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

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

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

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 6.2.9 *Due to other banks and customers and other borrowed funds*

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

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

#### 6.2.10 *Reclassification of financial assets*

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

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

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

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

### 6.3 *De-recognition of financial assets and financial liabilities*

#### 6.3.1 *Financial assets*

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

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

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

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 6.3.1 *Financial assets (continued)*

Pass-through arrangements are transactions when the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when certain conditions are met. At 31 December 2018, the Bank does not have financial assets which are subject to such arrangements.

A transfer only qualifies for derecognition if either:

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

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

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

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

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

#### 6.3.2 *Financial liabilities*

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

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.4 *Impairment of financial assets*

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

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

#### 6.4.1 *Financial assets carried at amortized cost*

##### *Specific impairment losses*

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

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

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

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

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



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.4 Impairment of financial assets (continued)

#### 6.4.1 Financial assets carried at amortized cost (continued)

##### *Collective impairment model*

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

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

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

#### 6.4.2 Impairment of available for sale investments

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

#### 6.4.3 Collateral valuation

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

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

#### 6.4.4 Collateral repossessed

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.5 *Offsetting financial instruments*

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

### 6.6 *Investment in joint ventures*

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

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

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

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

### 6.7 *Leasing*

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

#### *Bank as a lessee*

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.8 *Recognition of income and expenses*

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

#### 6.8.1 *Interest and similar income and expense*

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

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

#### 6.8.2 *Fees and commission income*

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

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

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

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

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

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



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.8 Recognition of income and expenses (continued)

#### 6.8.3 Dividend income

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

#### 6.8.4 Net trading income

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

### 6.9 Cash and cash equivalents

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

### 6.10 Property and equipment

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

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

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

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

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.11 *Intangible assets*

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

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

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

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

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

► Software	2 - 5 years
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The land use rights of the Bank was not amortized as land use rights have indefinite term and was granted by the Government of Lao PDR.

### 6.12 *Impairment of non-financial assets*

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

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

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.13 *Financial guarantees*

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

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

### 6.14 *Employee benefits*

#### *Post-employment benefits*

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

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

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

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

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

The Bank recognises the following changes in the net defined benefit obligation under 'Personnel expenses' in the consolidated income statement:

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

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.14 *Employee benefits (continued)*

#### *Termination benefits*

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

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 31 December 2018, no employee of the Bank was dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the consolidated financial statements.

### 6.15 *Provisions*

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

### 6.16 *Profit tax*

#### *Current tax*

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.16 Profit tax (continued)

#### *Deferred tax*

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

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

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

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

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

### 6.17 Fiduciary assets

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

### 6.18 Equity reserves

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

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



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.19 Standards issued but not yet effective

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

#### *IFRS 16 Leases*

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

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Bank does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

#### *IFRIC Interpretation 23 Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- ▶ whether an entity considers uncertain tax treatments separately,
- ▶ the assumptions an entity makes about the examination of tax treatments by taxation authorities,
- ▶ how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and
- ▶ how an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Bank will apply the interpretation from its effective date and is currently evaluating its impact.

#### *Annual Improvements 2015-2017 Cycle (issued in December 2017)*

#### *IAS 12 Income Taxes*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The Bank will apply the amendments from their effective date and is currently evaluating its impact.



## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.19 Standards issued but not yet effective (continued)

#### *IAS 23 Borrowing Costs*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. The Bank will apply the amendments from their effective date and is currently evaluating its impact.

## 7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

### 7.1 *Going concern*

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

### 7.2 *Effective Interest Rate (EIR) method*

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

## 7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

### 7.3 *Impairment losses on loans and advances*

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

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

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

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

### 7.4 *Impairment of available-for-sale investments*

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

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

### 7.5 *Deferred tax assets*

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 8. INTEREST AND SIMILAR INCOME

	2018 LAKm	2017 LAKm
<b>Interest income calculated using the effective interest method from:</b>		
Lending to customers	1.722.144	1.584.067
Deposits at other banks	51.199	28.463
Investment securities	165.015	132.364
Other activities	470	837
	<b>1.938.828</b>	<b>1.745.731</b>

## 9. INTEREST AND SIMILAR EXPENSE

	2018 LAKm	2017 LAKm
<b>Interest expense calculated using the effective interest method for:</b>		
Due to other banks	184.996	114.866
Customer deposits	815.581	773.025
	<b>1.000.577</b>	<b>887.891</b>

## 10. NET FEES AND COMMISSION INCOME

	2018 LAKm	2017 LAKm
<b>Fees and commission income from:</b>		
Settlement services	157.223	132.449
Treasury activities	86.808	59.423
Other activities	17.606	8.416
	<b>261.637</b>	<b>200.288</b>
<b>Fees and commission expense for:</b>		
Settlement services	(20.396)	(18.144)
Treasury activities	(1.621)	(2.927)
	<b>(22.017)</b>	<b>(21.071)</b>
<b>Net fees and commission income</b>	<b>239.620</b>	<b>179.217</b>

## 11. NET TRADING INCOME

	2018 LAKm	2017 LAKm
Net gain from foreign currencies trading and revaluation of monetary items	49.719	43.855
Changes in fair value of held-for-trading financial assets	-	(2)
	<b>49.719</b>	<b>43.853</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 12. OTHER OPERATING INCOME

	2018 LAKm	2017 LAKm
Dividend income	11.630	10.705
Gain from sale of investment in joint ventures	2.734	-
Income from sale of fixed assets	-	1.210
Recovery of bad debts written off	4.879	7.722
Others	2.649	913
	<b>21.892</b>	<b>20.550</b>

## 13. IMPAIRMENT LOSSES OF FINANCIAL INVESTMENTS

	2018 LAKm	2017 LAKm
Impairment loss for Available-for-sale investments (Note 20)	(31.887)	-
Reversal of impairment loss for Held-to-maturity investments (Note 21)	2.475	9.257
	<b>(29.412)</b>	<b>9.257</b>

## 14. PERSONNEL EXPENSES

	2018 LAKm	2017 LAKm
Salary expense	149.274	137.506
Benefits and welfare	154.228	129.868
Defined employee benefit plans	24.134	67.655
Other staff costs	7.057	5.819
	<b>334.693</b>	<b>340.848</b>

## 15. OTHER OPERATING EXPENSES

	2018 LAKm	2017 LAKm
Repair and maintenance	23.277	16.517
Publication, marketing and promotion	8.343	7.768
Office rental	8.490	6.162
Telecommunication	7.662	6.326
Training, meeting and seminar	17.087	10.784
Insurance fee for depositor protection fund	27.038	24.503
Tax and other duties	162	215
Insurance expense	6.230	3.381
Utility	8.342	8.245
Fuel expense	2.276	1.768
Stationaries and office materials	16.966	13.751
Consulting and financial service fees	5.958	2.770
Construction in progress written off	-	18.640
Cash loss expense	4.011	2.231
Others	20.292	13.057
	<b>156.134</b>	<b>136.118</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

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

	31 December 2018 LAKm	31 December 2017 LAKm
Cash on hand in LAK	961.728	1.120.706
Cash on hand in foreign currencies ("FC")	681.517	790.761
Balances with the BOL		
- Compulsory deposit (*)	1.294.828	1.353.384
- Demand deposit	2.396.173	2.550.170
	<b>5.334.246</b>	<b>5.815.021</b>

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

(\*) Under regulations of the BOL, the Bank is required to maintain certain reserves with the BOL in the form of compulsory deposits, which are computed at 5,00% for LAK and 10,00% for foreign currencies, on a bi-weekly basis, (2017: 5,00% and 10,00%) of customer deposits having original maturities of less than 12 months. During the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

## 17. DUE FROM BANKS

	31 December 2018 LAKm	31 December 2017 LAKm
<b>Current and saving accounts</b>	<b>2.700.974</b>	<b>2.271.791</b>
- In LAK	3.681	9.064
- In foreign currencies	2.697.293	2.262.727
<b>Term deposits</b>	<b>1.127.695</b>	<b>964.092</b>
- In LAK	381.380	648.662
- In foreign currencies	746.315	315.430
	<b>3.828.669</b>	<b>3.235.883</b>

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

	2018 % per annum	2017 % per annum
Demand deposits	0,00% - 0,80%	0,00% - 0,80%
Saving deposits	0,00% - 0,80%	0,00% - 0,80%
Term deposits	0,85% - 4,00%	0,80% - 4,00%

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 18. LOANS TO CUSTOMERS

	31 December 2018 LAKm	31 December 2017 LAKm
Gross loans	24.845.276	22.906.791
In which:		
Loans funded by borrowing from BOL (Note 28)	2.063.243	1.685.999
Less: Allowance for impairment losses (Note 19)	(478.416)	(481.013)
	<b>24.366.860</b>	<b>22.425.778</b>

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

	2018 Interest rates % per annum	2017 Interest rates % per annum
Loans denominated in LAK	6,00% - 16,00%	6,00% - 16,00%
Loans denominated in USD	4,00% - 16,00%	2,00% - 16,00%
Loans denominated in THB	6,00% - 11,50%	6,00% - 11,00%

Analysis of loan portfolio by currency:

	31 December 2018 LAKm	31 December 2017 LAKm
Loans denominated in LAK	10.988.474	9.643.486
Loans denominated in USD	10.842.780	10.250.311
Loans denominated in THB	3.014.022	3.012.994
	<b>24.845.276</b>	<b>22.906.791</b>

Analysis of loan portfolio by original maturity:

	31 December 2018 LAKm	31 December 2017 LAKm
Short-term loans	1.825.034	3.070.119
Medium-term loans	14.431.801	13.098.525
Long-term loans	8.588.441	6.738.147
	<b>24.845.276</b>	<b>22.906.791</b>

Analysis of loan portfolio by industrial sectors of customers:

	31 December 2018		31 December 2017	
	LAKm	%	LAKm	%
Industrial services companies	12.931.637	52,05%	11.580.391	50,55%
Construction companies	3.374.610	13,58%	3.498.825	15,27%
Technical instruments enterprises	85.352	0,34%	92.241	0,40%
Agricultural & forestry	74.248	0,30%	58.225	0,25%
Trading companies	4.336.508	17,45%	4.232.838	18,48%
Transportation companies	688.078	2,77%	661.632	2,89%
Services companies	2.875.026	11,57%	2.417.529	10,55%
Handicrafts	3.456	0,01%	3.073	0,01%
Others	476.361	1,92%	362.037	1,58%
	<b>24.845.276</b>	<b>100%</b>	<b>22.906.791</b>	<b>100%</b>



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2018

## 19. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in allowance for impairment losses of loans to customers during the year ended 31 December 2018 are as follows:

	2018 LAKm	2017 LAKm
<b>Balance as at 1 January</b>	481.013	339.579
Net change during the year	221.957	212.409
Bad debts written-off	(232.259)	(76.987)
Foreign exchange differences	7.705	6.012
<b>Balance as at 31 December</b>	<b>478.416</b>	<b>481.013</b>

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

	31 December 2018		31 December 2017	
	Outstanding balance LAKm	Impairment LAKm	Outstanding balance LAKm	Impairment LAKm
Individually impaired	1.859.522	291.960	2.190.692	351.320
Collectively impaired	22.478.847	186.456	20.395.592	129.693
	<b>24.338.369</b>	<b>478.416</b>	<b>22.586.284</b>	<b>481.013</b>

## 20. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	31 December 2018 LAKm	31 December 2017 LAKm
Listed shares of EDL-Generation Public Company (*)	156.516	190.197
CIMB - Principal Global Total Return Fund	-	762
	<b>156.516</b>	<b>190.959</b>

(\*) As at 31 December 2018, the shares have been impaired by an amount of LAKm 31.887 below its cost of LAKm 188.403.

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 21. FINANCIAL INVESTMENTS – HELD-TO-MATURITY

	31 December 2018 LAKm	31 December 2017 LAKm
Amortized cost of Treasury bills issued by the Ministry of Finance	1.916.549	2.160.594
Amortized cost of bonds issued by the Ministry of Finance	1.737.433	417.762
	<b>3.653.982</b>	<b>2.578.356</b>
Impairment losses for investments in Held-to-maturity securities (*)	<b>(1.210)</b>	<b>(3.685)</b>
- Impairment losses for Treasury bills issued by the Ministry of Finance	-	(188)
- Impairment losses for bonds issued by the Ministry of Finance	(1.210)	(3.497)
	<b>3.652.772</b>	<b>2.574.671</b>

Changes in allowance for impairment losses of held-to-maturity financial investments during the year ended 31 December 2018 are as follows:

	2018 LAKm	2017 LAKm
Balance as at 1 January	<b>(3.685)</b>	<b>(12.942)</b>
Net impairment losses reversed in the year	2.475	9.257
Balance as at 31 December	<b>(1.210)</b>	<b>(3.685)</b>

### 21.1. Treasury bills issued by the Ministry of Finance

Term	Issue date	Maturity date	Face value	Amortized cost	Cur: LAKm Interest rate per annum (nominal)
1 year	16-Feb-18	16-Feb-19	300.000	313.027	5,00%
1 year	9-Mar-18	9-Mar-19	73.000	75.956	5,00%
1 year	6-Apr-18	6-Apr-19	350.000	362.814	5,00%
1 year	13-Apr-18	13-Apr-19	100.000	103.564	5,00%
1 year	27-Apr-18	27-Apr-19	20.000	20.674	5,00%
1 year	18-May-18	18-May-19	10.000	10.308	5,00%
1 year	25-May-18	25-May-19	58.000	59.731	5,00%
1 year	15-Jun-18	15-Jun-19	300.000	308.087	5,00%
1 year	16-Nov-18	16-Nov-19	300.000	301.810	5,00%
1 year	17-Dec-18	16-Dec-19	150.000	150.297	5,30%
1 year	21-Dec-18	21-Dec-19	210.000	210.281	5,00%
			<b>1.871.000</b>	<b>1.916.549</b>	

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

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

### 21.2. Bonds issued by the Ministry of Finance

	31 December 2018 LAKm	31 December 2017 LAKm
Capitalization bonds	70.600	68.944
Other bonds	1.666.833	348.818
	<b>1.737.433</b>	<b>417.762</b>

#### 21.2.1 Capitalization bonds

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

Term	Issue date	Maturity date	Face value LAKm	Amortized cost LAKm	Interest rate per annum (nominal)
5 years	1 March 2014	1 March 2019	68.600	70.600	4,00%
			<b>68.600</b>	<b>70.600</b>	

#### 21.2.1 Other bonds

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

	Face value LAKm	Amortized cost LAKm
Within 1 year	129.537	132.742
1 to 5 years	735.929	680.192
Over 5 years	755.634	853.899
	<b>1.621.100</b>	<b>1.666.833</b>

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

	2018 % per annum	2017 % per annum
Within 1 year	3,00 - 5,30%	N/A
1 to 5 years	3,00 - 6,95%	3,00 - 5,50%
Over 5 years	4,00 - 4,80%	N/A

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 22. INVESTMENTS IN JOINT VENTURES (continued)

	2018 LAKm	2017 LAKm
<b>Balance as at 1 January</b>	541.730	551.449
Net share of (loss)/profit in the year under equity method	(7.643)	16.551
Less:		
Sale of joint venture's share	(52.266)	-
Dividends received during the year	(19.525)	(26.270)
<b>Balance as at 31 December</b>	<b>462.296</b>	<b>541.730</b>

	31 December 2018			31 December 2017		
	Cost in USD	Cost in LAKm equiv.	Carrying value in LAKm	% owned by the Bank	Cost in USD	Cost in LAKm Equiv.
<b>Investments in other financial institutions</b>						
Lao Viet Joint Venture Bank	24.500.000	197.839	228.359	25%	24.500.000	197.839
Banque Franco - Lao Limited	N/A	90.000	64.053	30%	N/A	138.000
Lao China Bank	N/A	147.000	158.179	49%	N/A	147.000
<b>Investments in local economic entities</b>						
Lao-Viet Insurance Joint Venture Company	1.050.000	9.168	11.705	35%	1.050.000	8.784
		<b>444.007</b>	<b>462.296</b>			<b>491.623</b>
						<b>541.730</b>

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 22. INVESTMENTS IN JOINT VENTURES (continued)

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

Lao-Viet Insurance Joint Venture Company ("LVI") is incorporated as a joint venture company in Lao PDR providing insurance services under the Investment License No. 077/08/FIMC issued by the Foreign Investment Management Committee on 09 June 2008. It is a joint venture with BIDV Insurance Joint Stock Corporation and Lao Viet Joint Venture Bank. As at 31 December 2018, the total contributed capital of the Bank in this company was USD 1.050.000, equivalent to LAKm 9.168.

Lao China Bank Company Limited ("LCNB") is incorporated in Lao PDR and engages in the provision of banking services. It is a joint venture with Fudian Bank China, a state-owned commercial bank incorporated in China. The joint venture bank was granted the Banking Business Licence on 20 January 2014 by Bank of the Lao PDR. The legal capital of LCNB was LAKm 300.000 and had been fully contributed by partners as at 31 December 2018.

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 23. PROPERTY AND EQUIPMENT

	<i>Buildings &amp; improvements</i> LAKm	<i>Office equipment</i> LAKm	<i>Furniture &amp; fixtures</i> LAKm	<i>Motor vehicles</i> LAKm	<i>Total</i> LAKm
<b>Cost:</b>					
As at 1 January 2018	477.166	128.158	38.874	19.940	664.138
Additions	3.081	52.072	5.017	2.367	62.537
Write-offs	(3.784)	(28.339)	(2.681)	(2.537)	(37.341)
Disposals	-	(5)	-	-	(5)
As at 31 December 2018	476.463	151.886	41.210	19.770	689.329
<b>Accumulated depreciation:</b>					
As at 1 January 2018	112.365	62.442	23.369	8.475	206.651
Charge for the year	26.536	28.841	5.535	4.061	64.973
Write-offs	(3.630)	(23.631)	(2.626)	(2.537)	(32.424)
Disposals	-	(3)	-	-	(3)
As at 31 December 2018	135.271	67.649	26.278	9.999	239.197
<b>Net book value:</b>					
As at 1 January 2018	364.801	65.716	15.505	11.465	457.487
As at 31 December 2018	341.192	84.237	14.932	9.771	450.132

## 24. INTANGIBLE ASSETS

	<i>Land use rights</i> LAKm	<i>Software</i> LAKm	<i>Total</i> LAKm
<b>Cost:</b>			
As at 1 January 2018	234.555	65.643	300.198
Additions	6.064	327	6.391
Write-offs	-	(49.129)	(49.129)
As at 31 December 2018	240.619	16.841	257.460
<b>Accumulated amortization:</b>			
As at 1 January 2018	-	52.598	52.598
Charge for the year	-	7.390	7.390
Write-offs	-	(49.129)	(49.129)
As at 31 December 2018	-	10.859	10.859
<b>Net book value:</b>			
As at 1 January 2018	234.555	13.045	247.600
As at 31 December 2018	240.619	5.982	246.601



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 25. OTHER ASSETS

	31 December 2018 LAKm	31 December 2017 LAKm
Assets available for sale	255.438	216.228
Stationeries and other tools	8.558	7.520
Checks in collection	6.671	19.179
Construction in progress and fixed assets in transit (*)	65.079	30.666
Prepaid expenses to be allocated	62.065	41.320
Advance payment for other operations	27.553	26.283
Advance payment to suppliers	34.589	10.906
Others	6.135	26.662
	<b>466.088</b>	<b>378.764</b>

(\*): Movement of construction in progress and fixed assets in transit for the year ended 31 December 2018 is as follows:

	Land use rights LAKm	Buildings & improvements LAKm	Other LAKm	Total LAKm
As at 1 January 2018	3.474	6.762	20.430	30.666
Additions	3.131	52.928	59.167	115.226
Transferred to fixed assets	(6.064)	(4.385)	(53.365)	(63.814)
Transferred to other assets	-	(16.675)	(324)	(16.999)
As at 31 December 2018	<b>541</b>	<b>38.630</b>	<b>25.908</b>	<b>65.079</b>

## 26. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2018 LAKm	31 December 2017 LAKm
<b>Demand deposits</b>	<b>2.517.029</b>	<b>2.567.425</b>
- In LAK	800.136	1.231.231
- In foreign currencies	1.716.893	1.336.194
<b>Saving deposits</b>	<b>119.495</b>	<b>142.141</b>
- In LAK	21.954	37.773
- In foreign currencies	97.541	104.368
<b>Term deposits</b>	<b>754.543</b>	<b>551.839</b>
- In LAK	195.581	52.721
- In foreign currencies	558.962	499.118
<b>Others</b>	<b>22.062</b>	<b>14.141</b>
- In LAK	9.009	8.483
- In foreign currencies	13.053	5.658
	<b>3.413.129</b>	<b>3.275.546</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

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

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

	2018 % per annum	2017 % per annum
Demand deposits	No interest	No interest
Saving deposits	No interest	No interest
Term deposits	0,00% - 5,52%	0,00% - 6,00%

## 27. DUE TO CUSTOMERS

	31 December 2018 LAKm	31 December 2017 LAKm
<b>Demand deposits</b>	<b>5.447.954</b>	<b>6.237.693</b>
Demand deposits in LAK	2.141.221	2.286.496
Demand deposits in FC	3.306.733	3.951.197
<b>Demand savings</b>	<b>13.092.788</b>	<b>11.311.284</b>
Demand saving deposits in LAK	5.788.652	4.935.833
Demand saving deposits in FC	7.304.136	6.375.451
<b>Term deposits</b>	<b>11.159.134</b>	<b>10.572.743</b>
Term deposits in LAK	6.671.234	6.215.911
Term deposits in FC	4.487.900	4.356.832
<b>Margin deposits</b>	<b>103.279</b>	<b>173.659</b>
Margin deposits in LAK	33.629	17.454
Margin deposits in FC	69.650	156.205
<b>Other payables to customers</b>	<b>111.987</b>	<b>108.152</b>
	<b>29.915.142</b>	<b>28.403.531</b>

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

	2018 % per annum	2017 % per annum
Demand deposits	No interest	No interest
Saving deposits in LAK	1,25% - 1,89%	1,25% - 1,91%
Saving deposits in USD	0,90% - 1,15%	0,90% - 1,15%
Saving deposits in THB	0,45% - 0,90%	0,45% - 0,90%
Term deposits in LAK	3,16% - 6,90%	2,00% - 7,04%
Term deposits in USD	1,65% - 6,65%	1,05% - 6,65%
Term deposits in THB	1,40% - 6,40%	0,60% - 6,40%

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 28. BORROWINGS FROM OTHER BANKS

	31 December 2018 LAKm	31 December 2017 LAKm
Borrowings from the BOL	2.063.243	1.685.999
Borrowings from foreign banks	1.286.023	459.403
	<b>3.349.266</b>	<b>2.145.402</b>

Borrowings from the BOL as at 31 December 2018 include:

- ▶ USD 3.942.856 long-term borrowing (original borrowing amount was USD 9.200.000 with interest rate of 0,25% per annum) for the purpose of investment in Banque Franco – Lao Limited. The loan's principal is paid annually from 2010 to 2023. Interest is paid semi-annually.
- ▶ USD 99.854.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,50% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 1 January 2016 to 27 August 2025. Interest is paid semi-annually.
- ▶ USD 99.900.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,30% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 3 May 2016 to 3 May 2026. Interest is paid semi-annually.
- ▶ LAKm 300.000 one-year borrowing with interest rate of 10% per annum for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal and interest are paid at maturity date on 21 December 2019.

Borrowing from foreign banks and other financial institutions as at 31 December 2018 includes a USD 148.300.000 4-years borrowing with interest rate of 4% + 3M LIBOR for the purpose of providing credit to certain domestic projects. The loan's principal is paid annually and interest is paid quarterly.

## 29. TAXATION

### 29.1 Profit tax expense

Major components of tax expense are as follows:

	2018 LAKm	2017 LAKm
Current profit tax expense	124.762	85.395
Deferred profit tax expense	(18.420)	(1.715)
	<b>106.342</b>	<b>83.680</b>

### 29.2 Tax payables

	31 December 2018 LAKm	31 December 2017 LAKm
Profit Tax payable	31.422	9.540
Value Added Tax payable	4.529	11.165
	<b>35.951</b>	<b>20.705</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 29. TAXATION (continued)

### 29.3 Current Profit tax

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

The calculations of Profit taxes ("PT") for the years 2018 and 2017 are as follows:

	2018 LAKm	2017 LAKm
<b>Consolidated profit before tax in accordance with special purpose framework</b>	<b>427.280</b>	<b>364.022</b>
<i>Adjustments for:</i>		
- Difference between carrying value of bonds under LAS and their amortized cost under special purpose framework	(3.647)	(12.332)
- Difference between allowance for impairment losses of loans to banks and customers under LAS and under special purpose framework	31.729	(36.415)
- Difference between allowance for post-employment benefits under LAS and under special purpose framework	21.425	65.149
- Difference between impairment loss expense of investments under LAS and under special purpose framework	27.246	(9.257)
- Non-taxable profit arising from consolidation adjustments	35.569	13.211
- Non-taxable income	(34.734)	(40.468)
- Non-deductible expenses	14.977	11.855
- Other adjustments	-	46
<b>Taxable profit under LAS</b>	<b>519.845</b>	<b>355.811</b>
<i>in which:</i>		
- Taxable profit of the parent bank	516.754	352.046
- Taxable profit of the subsidiary	3.091	3.765
PT expense of the parent bank at rate of 24% (2017: 24%)	124.020	84.491
PT expense of the subsidiary at rate of 24% (2017: 24%)	742	904
<b>Consolidated PT expense in the year</b>	<b>124.762</b>	<b>85.395</b>
PT payable at the beginning of the year	9.540	24.431
PT paid in the year	(102.880)	(94.285)
Additional tax liability for previous years	-	(5.957)
Other adjustment	-	(44)
<b>PT payable at the end of the year</b>	<b>31.422</b>	<b>9.540</b>

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 29. TAXATION (Continued)

### 29.4 Deferred tax assets/(liabilities)

	Statement of financial position		Income statement		Statement of comprehensive income	
	31 December 2018	31 December 2017	2018	2017	2018	2017
	LAKm	LAKm	LAKm	LAKm	LAKm	LAKm
Deferred tax assets	29.099	18.215	11.144	7.298	(260)	61
Deferred tax liabilities	(5.272)	(13.576)	7.276	(5.583)	1.028	1.841
<b>Net deferred tax credited/(charged) to the consolidated income statement</b>			<b>18.420</b>	<b>1.715</b>		
<b>Net deferred tax credited to the consolidated statement of comprehensive income</b>					<b>768</b>	<b>1.902</b>

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

	31 December 2018 LAKm	31 December 2017 LAKm
Deductible temporary differences	121.247	75.895
<i>In which:</i>		
<i>Difference between carrying value of bonds under LAS and their amortized cost under special purpose framework</i>	2.331	5.978
<i>Difference in impairment expense of investments under LAS and under special purpose framework</i>	30.931	3.685
<i>Changes in fair value of available for sale financial instruments of BCEL KT under LAS and under special purpose framework</i>	-	1.083
<i>Difference in allowance for post-employment benefits under LAS and under special purpose framework</i>	87.985	65.149
<b>Deferred tax assets (at tax rate 24%)</b>	<b>29.099</b>	<b>18.215</b>
Taxable temporary differences	(21.965)	(56.570)
<i>In which:</i>		
<i>Difference in allowance for impairment losses of loans to customers under LAS and under special purpose framework</i>	(21.965)	(53.694)
<i>Changes in fair value of available for sale financial instruments of BCEL under LAS and under special purpose framework</i>	-	(2.876)
<b>Deferred tax liabilities (at tax rate 24%)</b>	<b>(5.272)</b>	<b>(13.576)</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 30. OTHER LIABILITIES

	31 December 2018 LAKm	31 December 2017 LAKm
Payables to employees	86.612	66.730
Payable to suppliers	22.101	20.440
Defined post-employment benefit plan (*)	87.985	65.149
Others	46.220	61.346
	<b>242.918</b>	<b>213.665</b>

(\*) *Defined post-employment benefit plan*

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

	2018 LAKm	2017 LAKm
As at 1 January	65.149	-
Past service cost	-	59.458
Current service cost	18.875	4.298
Interest cost	5.259	3.899
Actuarial changes arising from changes in financial assumption	1.411	-
Benefits paid	(2.709)	(2.506)
<b>As at 31 December</b>	<b>87.985</b>	<b>65.149</b>

Net benefit expense (recognised in profit or loss):

	2018 LAKm	2017 LAKm
Past service cost	-	59.458
Current service cost	18.875	4.298
Interest cost	5.259	3.899
	<b>24.134</b>	<b>67.655</b>

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

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



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 30. OTHER LIABILITIES (continued)

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

	2018 %	2017 %
Discount rate	5,00 - 8,47	5,00 - 8,77
Future salary increases	1,03	0,91
Employee turnover rate	0,00	0,00

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

	2018 LAKm	2017 LAKm
Discount rate		
increase 50 basis points	(7.301)	(5.935)
decrease 50 basis points	8.340	6.844
Future salary increase		
increase 50 basis points	(6.001)	(4.877)
decrease 50 basis points	5.517	4.458

## 31. CHARTER CAPITAL

There is no change in charter capital during the year 2018.

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 32. STATUTORY RESERVES

	<i>Regulatory reserve fund LAKm</i>	<i>Business expansion fund LAKm</i>	<i>Total LAKm</i>
As at 1 January 2018	100.823	280.683	381.506
Appropriation to reserves for the year 2017 from 2017 LAS profit of the Bank	29.584	29.584	59.168
Appropriation to reserves for the year 2017 from the 2017 LAS profit of the subsidiary	100	100	200
<b>As at 31 December 2018</b>	<b>130.507</b>	<b>310.367</b>	<b>440.874</b>

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

- ▶ Regulatory reserve fund
- ▶ Business expansion fund and other funds

In accordance with the Regulation on capital adequacy No.1/BOL dated 28 August 2001 by the Governor of Bank of the Lao PDR and other relevant guidance, commercial banks are required to appropriate at least 5% of profit after tax each year, after deducting retained losses, to regulatory reserve fund, until such fund reaches 10% of Tier-1 capital. Based on this requirement, management will decide the exact percentage of each year. The Business expansion fund and other funds shall be created upon decision of the Board of Directors.

## 33. AVAILABLE-FOR-SALE RESERVE

	<i>2018 LAKm</i>	<i>2017 LAKm</i>
Opening balance	1.661	7.385
Change in fair value of available-for-sale investments	-	(7.848)
Change due to impairment of available-for-sale investments	(2.184)	-
Profit tax related to net loss on available-for- sale financial assets	523	1.884
Share of Non-controlling interest	-	240
	<b>-</b>	<b>1.661</b>

## 34. ADDITIONAL CASH FLOW INFORMATION

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

	<i>31 December 2018 LAKm</i>	<i>31 December 2017 LAKm</i>
Cash and cash equivalents on hand	1.643.245	1.911.467
Demand deposits with the BOL	2.396.173	2.550.170
Current accounts with other banks	2.700.974	2.271.791
Term deposits due within 90 days	464.040	587.088
	<b>7.204.432</b>	<b>7.320.516</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 35. CONTINGENT LIABILITIES AND COMMITMENTS

	31 December 2018 LAKm	31 December 2017 LAKm
Financial letter of guarantees	255.094	312.618
At sight letters of credit	39.978	242.997
Deferred payment letters of credit	162.423	195.651
Credit limit given to customers	3.349.575	3.488.189
Credit limit given to other banks	548	548
	<b>3.807.618</b>	<b>4.240.003</b>

### *Financial guarantees*

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

### *Un-drawn commitments to lend*

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

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

### *Lease commitments*

As at 31 December 2018, the Bank did not enter into any lease contracts as either lessor or lessee which results in future cash inflows and/or outflows.

## 36. RELATED PARTY DISCLOSURES

### *Transactions with key management personnel of the Bank*

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

	2018 LAKm	2017 LAKm
Salaries	1.557	1.716
Bonus	499	297
Responsibility allowance	1.000	1.223
Other benefits	1.001	-
	<b>4.057</b>	<b>3.236</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 36. RELATED PARTY DISCLOSURES (continued)

Significant transactions with other related parties during the year 2018 are as follows:

<i>Related party</i>	<i>Note</i>	<i>Transactions</i>	<i>Income LAKm</i>	<i>Expense LAKm</i>
Bank of the Lao PDR ("BOL")	(i)	Interest expense from borrowing from the BOL	-	92.409
The Ministry of Finance of the Lao PDR ("MOF")	(ii)	Interest income from investment in MOF's bonds	172.489	-
<i>Related party</i>	<i>Note</i>	<i>Transactions</i>	<i>Increase LAKm</i>	<i>Decrease LAKm</i>
Bank of the Lao PDR	(i)	Net change in borrowings from the BOL	377.244	-
		Net change in deposits at BOL	-	(210.272)
		Net change in deposits from BOL	6.346	-
The Ministry of Finance of Lao PDR	(ii)	Net change in investment in MOF's bonds	1.071.978	-
Lao Viet Joint Venture Bank ("LVB")	(iii)	Net change in deposits at LVB	790.698	-
		Net change in deposits from LVB	47.515	-
Banque Franco – Lao Company Limited ("BFL")	(iii)	Net change in deposits at BFL	10.873	-
		Net change in deposits from BFL	1.521	-
Lao China Bank Co., Ltd ("LCNB")	(iii)	Net change in deposits at LCNB	-	(33.655)

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

<i>Related party</i>	<i>Note</i>	<i>Transactions</i>	<i>Receivable LAKm</i>	<i>Payable LAKm</i>
Bank of the Lao PDR	(i)	Borrowings from the BOL	-	2.063.243
		BCEL's demand deposits at BOL	2.396.172	6.346
		BCEL's compulsory deposits at BOL	1.294.828	-
The Ministry of Finance of the Lao PDR	(ii)	Investment in MOF's bonds	3.656.312	-
Lao Viet Joint Venture Bank	(iii)	Current accounts	1.024.067	194.817
Banque Franco – Lao Company Limited	(iii)	Current accounts	873	7.970
	(iii)	Term deposit	10.000	10.246
Lao China Bank Co.Ltd	(iii)	Current accounts	-	5.587
(i) Direct controller				
(ii) Direct owner				
(iii) Joint venture				

## 37. RISK MANAGEMENT POLICIES

### *Introduction*

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

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

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

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

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

### *Risk management structure*

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

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

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



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 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 the BOL and other detailed guidance. The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements by the BOL. The Bank recognizes the need to maintain effectiveness of assets and liabilities management to balance its profit and capital adequacy.

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

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

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

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

	<i>31 December 2018</i> <i>LAKm</i>	<i>31 December 2017</i> <i>LAKm</i>
Tier 1 capital	2.003.541	1.781.781
Tier 2 capital	-	747
Total capital	2.003.541	1.782.528
Less: Deductions from capital (Investments in other entities)	(462.296)	(541.730)
<b>Capital for CAR calculation (A)</b>	<b>1.541.245</b>	<b>1.240.798</b>
Risk weighted balance sheet items	11.984.241	10.592.015
Risk weighted off balance sheet items	1.880.710	2.172.751
<b>Total risk weighted assets (B)</b>	<b>13.864.951</b>	<b>12.764.766</b>
<b>Capital Adequacy Ratio (A/B)</b>	<b>11,12%</b>	<b>9,72%</b>

## 39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 40. EARNINGS PER SHARE

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

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

	2018	2017
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	320.732	279.399
Weighted average number of ordinary shares for basic earnings per share (shares)	207.723.300	155.514.275
Face value per share (LAK)	5.000	5.000
Earnings per share (LAK)	1.544	1.797

## 41. EVENTS AFTER THE REPORTING DATE

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

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

	31 December 2018 LAK	31 December 2017 LAK
USD	8.538,00	8.277,00
EUR	9.753,00	9.870,00
THB	265,48	253,97
GBP	10.702,00	10.947,00
JPY	75,80	72,09
AUD	5.966,00	6.350,00
CNY	1.229,00	1.257,00

Prepared by:



Mrs. Phousengthong  
Anoulakkham  
Chief of Accounting Department

Approved by:



Mr. Kongsack Souphonhavy  
Chief of Internal Audit  
Department

Approved by:



Mr. Lachay Khanpravong  
Deputy Managing Director

Vientiane, Lao PDR

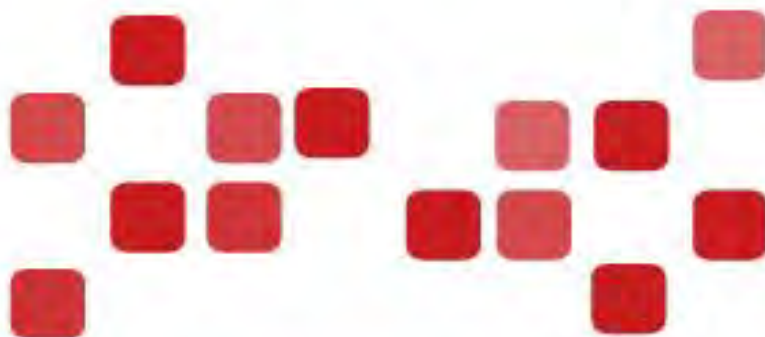
26 April 2019



Banque Pour Le Commerce Extérieur Lao Public

Report on BCEL's Business Performance

for the first 6 months of 2019



# **Report on BCEL's Business Performance for the first 6 months of 2019**

## **I. Overview**

### **1. Vision**

BCEL has adopted the new vision to achieve the goals and objectives to “become a strong, modern and moving toward international stand bank”.

### **2. Mission**

To achieve the vision to become a strong, modern and moving toward international stand bank, the important missions of BCEL are to develop the strong Corporate Governance by emphasizing on adjusting the business operation to be suitable for the changes of the new era; adopting the creation of the strong risk management culture and to be in consistent with Basel II principles; raising the effectiveness of business operation; building and developing the capacity of Information Technology System be functional, accurate and real-time and meeting international stand on reporting; applying advanced technology and improving the knowledge and expertise of the staff to the regional and international stands.

- **Business operation target for 2019.**

To continue implementing the long-term strategic plan of BCEL in order to prepare for the improvement of service and the development of corporate governance in 2019, the major work plan is to extend the 6 Core plans (maintained); 32 big projects and 273 working plans. This year, the 143 specific plans are adopted for some sections' work implementation.

- **❖ The projects of each work plan are:**

- The development of the Corporate Governance to achieve international stand: 3 Projects and 4 work plans.
- Create the Risk Management System and the implementation of Basel II includes 4 Projects and 22 work plans.
- Create the information technology system for management: 6 Projects, 40 work plans.
- The development and management of IT System: 4 Projects and 47 work plans.
- The administration and development on Human Resources including 4 Projects and 57 work plans.
- Develop the administration on Finance, moving toward modernization and the capacity on better business operation: 10 projects and 103 work plans.

A part from the mentioned projects, the bank also has the project to support the small projects such as the project to report on CG to request for the improvement toward CG standards, the research on having BCEL's representative office in overseas, the selling of 19% of BCEL's shares held by the MOF, the project to continue Loan Origination System (LOS), the small project for Basel II, the project related to accounting in adopting of IFRS9, the project to develop new

products, construction projects and etc. An increase and decrease of the number of projects will be based on the implementation plan of the projects in the previous year.

## **II. Financial Status and Business Operation**

### **1. Global Business and National Economy**

- **International and National Economy**
  - World economy grew at the slow pace at the rate of 3,2% and the inflation rate was at 3,6%. Crude oil price decreased slightly from 60,14 USD per barrel to 53,2 USD to barrel, the inflation shall grew slightly due to the expected increase of the world crude oil price and the continued war in middle East.
  - Chinese economy growth slowly at the level of 6,2% from 6,3% last year and the Chinese economy shall continue the slow growth pace due to the trade war between China and US as well as between Japan and South Korea.
  - Vietnamese Economy: Quarter 2 grew for 6,8%, the major sector was agriculture.
  - Thai economy is estimated to be less than the expectation. The exportation decreased, especially for industrial products (electronic items and rubber transformed products), which was the indirect impact from the trade war between China and the US As well as the increased tension between regional and international level.

- **Lao Macroeconomy in 06 month/2019 and its outlook**

For the first 6 months of 2019, Lao economy continued the growth at a slow pace owing to the slowdown of agricultural sector affected by drought, the widespread of Africa swine fever and pests. Nevertheless, service sector and industry sectors (Construction and hydro-power) contributed the continuous economic growth.

The inflation rate increased from 2,18 in June 2018 to 2,48 June 2019 due to higher goods prices imported from Thailand lead by depreciation of Lao Kip against Thai Baht. In early 2018, LAK devalued against USD for 0,3%/month while 0,5%/month against Thai Baht on average. As of 2018, LAK devalued against USD for 0,4% and 3,4% against Thai Baht. The mismatch between black market's FX rates and the commercial banks was 1,7% on the average for USD and 0,4% on the average for Thai Baht. According to the report from the World Bank, the LAK devaluation led to an increase in value of the foreign currency deposit in commercial banks.

According to the government's prediction, Lao economy in 2019 is estimated to grow at 6,7% which is higher than previous year. However, the growth may reach only 6,3 to 6,5%. This is because of the uncertain regional and global economy, including a number of challenges influencing Lao economic growth such as natural disasters, fiscal deficit, low levels of foreign reserves and fluctuation of exchange rates.

for Lao economic

### **2. Outstanding Business Performance of BCEL in brief.**

For the first six months 2019, BCEL has implemented the outstanding works as follows: separated the Credit Divisions into 3 Divisions including Credit Operation Division, Credit Sale Division and Credit Management Division and the establishment of the Legal Section. The bank

started the opening of the service over the weekend at 2 units which were ITEC Service Unit and Morning Market Service Unit; Completed the Smart VAT Phase II Project at the Friendship Bridge 1; the Project of Land Tax Payment; launched BCEL Master Card Products; signed the contract on selecting the advisors for the project of selling 19% shares held by the MOF.

BCEL was able to complete the Annual General Shareholders Meeting for 2018 and disclosed the financial reports of the Bank's Business Performance for the year 2018 (audited) and the Q1 2019 report (unaudited) and paid the dividend of 991 LAK/share. BCEL held the Business Review Meeting overall the bank's network for 2 times and issued the agreement on the approval of the business plan for 2019.

Moreover, the bank also set ready the server system and the place to store the information from the Basel II Project particularly LOS system, improve database to prepare for recording of BCEL's products to be more correct, accurate and centralize. BCEL has fully become a member of AMEX (American Express) and signed the contract with non-depositing taking microfinance, Subthavy.

BCEL also received the ICT award as the first runner up in the third Lao ITC Award, received 3 wards from Asian Banking and Finance magazine in Singapore including 1. Financial Inclusion Initiative of the year – Laos, 2. Mobile Banking Initiative of the year –Laos and 3. Corporate Social Responsibility Program of the year – Silver medal.

### **3. Important Financial Information of BCEL**

In the first six months of the year 2019, BCEL paid attention to implement the business plans which approved by the Annual General Shareholders Meeting. BCEL was able to complete its consolidated Financial statement in accordance with the international standard (audited), key important figures are as follows:

- **Total Assets:** 42.970.566 million Kip, equal to 100,53% of the annual plan, compare the same period of last year equal to 118,37%
- **Total Liabilities:** 40.891.433 million Kip, equal to 101,62% of the annual plan, compare the same period of last year equal to 118,87%
- **Total capital:** 2.079.133 million Kip, equal to 83,09% of the annual plan, compare the same period of last year equal to 109,29%
- **Total Deposit:** 36.134.694 million Kip, equal to 101,13% of the annual plan, compare the same period of last year equal to 114,57%
- **Total Loan:** 26.039.186 million Kip, equal to 100,81% of the annual plan, compare the same period of last year equal to 119,88%
- **Profit/Loss:** Profit before tax: 330.356 million Kip, equal to 58,47% compare the same period of last year equal to 118,03%

### **III. General Information and some important information of BCEL**

- **Location and Network**

The Bank's Head Office is located at No.01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane, Lao P.D.R. 31 December 2018, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, twenty (20) main branches, ninety-three (93) services units, and fifteen (15) exchange units all over Lao P.D.R.

- **Contact information**

- Tel (+856-21) 213200 or 1555
- Fax (+856-21) 213202
- E-mail: [bcelhqv@bcel.com.la](mailto:bcelhqv@bcel.com.la)
- Website: [www.bcel.com.la](http://www.bcel.com.la)

- **Briefly background of BCEL**

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

The Bank was established from the equitization of Banque Pour Le Commerce Extérieur Lao which had been established in accordance with the Banking Business License No. 129/BOL dated 01 November 1989. On 23 December 2010, the Bank successfully undertook its Initial Public Offering. On 10 January 2011, the Bank was equitized and renamed into Banque Pour Le Commerce Extérieur Lao Public under the Enterprise Registration No.0061 dated on 10 January 2011 issued by the Department of Enterprise Registration and Management, Ministry of Industry and Commerce of the Lao P.D.R. Ministry of Finance representing the Government holds 80% of the shares.

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

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

On 17th of August, 2017, BCEL increased its chartered capital by right offering and public offering in the Lao Securities Exchange. The Bank received new Banking Business License No. 21/BOL. Dated 13 September 2017, issued by Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified that the bank successfully increased its chartered capital amount of 355.728.500.000 LAK (71.145.700 shares) in accordance with the Listing certification No.01/LSX, Dated 15 September 2017 and the bank received the latest amended business license No.0429/ERO, dated 18 May 2018, issued by Ministry of Industry and Commerce.



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

### **Charter Capital**

The charter capital as of 30 June 2019 is LAKm 1.038.617 (as of 31 Dec 2017: LAKm 1.038.617).

## **IV. Organizational Structure: Board of Directors, Executive Management and the activities of the committees to the BOD.**

### **1. The structure of BCEL's Board of Directors and their curriculum vitae**

#### **1.1. Board of Directors of BCEL consists of 7 Members**

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

#### **1.2. Briefly Background of Board of Directors**

- Dr. Bounleua Sinxayvoravong as Chairman



- Date of Birth: 24/11/1966
- Nationality: Lao
- Languages: Lao, English
- Designation: Director General of Fiscal Policy and Legal Department, Ministry of Finance
- Education background: Doctorate Degree in Economics, Master in Economics at Australian National University, Australia, Master of Business Administration at Thammasat University

Thailand, Bachelor and Master of Science in Physics and Mathematics at Moscow Pedagogical University, Russia.

➤ Mr. Khamsouk Sundara, as vice Chairman



- Date of Birth: 03/06/1945
- Nationality: Lao
- Languages: Lao, English and French
- Designation: Independent member of BCEL's board of Director
- Education background: George Town University, Washington D.C, USA Indian Institute for Bank Management, Puna, India and Bachelor of Arts Degree, from University of New South Wales.

➤ Assoc.Prof. Dr. Phouphet Kyophilavong, as Member



- Date of Birth: 05/02/1974
- Nationality: Lao
- Languages: Lao, English and Japanese
- Designation: Vice-Dean of the Faculty of Economics and Business Management National University of Laos
- Education background: PhD in economics from Kobe University, Master and Bachelor degree in Civil Engineering at Osaka University, Japan.

➤ **Mr. Phoutthakhan Khanty, as Member**



- Date of Birth: 02/05/1970
- Nationality: Lao
- Languages: Lao, Vietnamese and Russia
- Designation: Deputy Director General of National Treasury Ministry of Finance
- Education background: Master Degree from Financial Institution, Hanoi, Vietnam and Bachelor Degree at Dagestan State University Russia

➤ **Mr. Phoukhong Chanthachack, as Member**



- Date of Birth: 17/06/1964
- Nationality: Lao
- Languages: Lao, English and Hungarian.
- Designation: BCEL General Managing Director
- Education background: Certificate of Political Theory from the national Academy of politics and public Administration, and Master's Degree in Economics from Karl Marx University of Economic and Sciences, Hungary.

➤ **Mr. Marc ROBERT as Member**



- Date of Birth: 02 /09/1973
- Nationality: French
- Languages: French, English
- Designation: Member of the Board of Directors of COFIBRED, Representative of COFIBRED in the Board of Directors of BCEL.
- Education background: University of California, Davis PhD, economics, USA, Master Degree International Economics at Sciences PO Paris, French, Business school, economics, finance from ESSEC Paris-Business School, economics, finance, French.

➤ **Mr. Viengsouk CHOUNTHAVONG as Member**



- Date of Birth: 15/08/1964
- Nationality: Lao
- Languages: Lao, English and Czech
- Designation: Deputy Managing Director of BCEL
- Education background: Attained 45 days Political Theory Training at Political Theory School and Master Degree in International Economy from Czech Republic.

**2. Executive Management**

**2.1 Executive Management of BCEL consist of 6 members**

- Mr. Phoukhong Chanthachack, General Managing Director
- Mr. Lachay Khanpravong, Deputy Managing Director of BCEL
- Mr. Nanthalath Keopaseuth, Deputy Managing Director of BCEL
- Mr. Souphak Thinxayphone, Deputy Managing Director of BCEL
- Mr. Boauvanh Simmalyvong, Deputy Managing Director of BCEL
- Mr. ViengSouk Chounthavong, Deputy Managing Director of BCE

## 2.2 The structure of BCEL's Executive Management



Mr. Phoukhong Chanthachack  
General Managing Director



Mr. Lachay Khanpravong,  
Deputy Managing Director



Mr. Nanthalath Keopaseuth,  
Deputy Managing Director



Mr. Souphak Thinxayphone,  
Deputy Managing Director



Mr. Boauvanh Simmalyvong  
Deputy Managing Director



Mr. Viengsouk Chounthavong  
Deputy Managing Director

## 3. The activities of BCEL's Board committee

### 3.1 The Meeting of Board's committee

**Board's committee held their meetings for 3 times to perform their activities as follows**

- Approved the Financial Statement for the year 2018 in accordance with LAS and IFRS
- Approved the dividend payment of the year 2018 for 991 LAK/share
- Approved the annual plans of the year 2019
- Approved the joint-venture investment to establish the LAP net company
- Approved the Credit management policy, SME policy and the amended version for employee benefit policy
- Followed up and reported on the progress of credit customer projects which related to hydro power. Those cases shall be reported Board of Director regularly and the approval of the loans shall be considered under the Board's authorization.
- Approved for the resignation of the deputy managing director of BCEL for 1 person due to the health condition and approved for staff promotion and placement within the division, center and branches nationwide.

### **3.2 Risk Management Committee.**

Risk Management Committee has focused on advising the research and setting of the regulations and policies on risk management. The committee also considered the policies and regulations related to the risk management work such as:

- Closely monitor the classification of risk management level, liquidity risk, operational risk as well as internal and external frauds in each period.
- Monitor the main risks of the organization which there are 14 risk indicators.
- Research on policies and the right limits on the loan approval to be taken into the approval process at BOD's level according to the process.
- Follow up on the progress of the operation projects which are under the Basel II project.
- Research on the analysis of the Lao Macro Economy which may have risk that impact on the business operation of the bank.

### **3.3. Remuneration Committee**

The Committee has been emphasizing on considering policies and regulations focusing on benefits of BCEL and shareholders. The Committee has considered policies and regulations for proposing to BOD such as:

- Updated recruitment rules 2019
- Updated employee remuneration rule 2019
- Employee pension scheme.

### **3.4. Corporate Governance Committee**

- The Committee has closely monitored and supported business operation and approved the audited financial report of BCEL 2018 according to the Lao Standards and International Financial Reporting Standards.
- The Committee has approved 2019 plan, other essential issues for proposing to BOD and ordinary shareholders meeting respectively.
- The Committee has monitored and supervised the work of treasury, liquidity management, the use of funds and foreign currency management from time to time.
- The Committee has closely monitored the efficiency of credit administration, corporate customer management, NPL resolution. Moreover, the Committee has guided relevant divisions in order to draft a policy on long term loan approval of BCEL and has approved a policy on loan for SME.
- The Committee has monitored Human-Resources work such as recruitment, human resources development and cost, and considered on creating a curriculum for in-house employee training in order to support the increasing of divisions.



- The Committee has monitored the establishment of Legal Division, split roles and responsibilities of Credit Administration Division into 3 new credit divisions, along with guided 3 new credit divisions to create a guideline for the responsibilities and update sub-committees in accordance with the changes.
- The Committee has observed new core banking changing.
- The Committee has monitored the sale of 19% of BCEL's shares held by the Ministry of Finance and BASEL 2 projects from time to time.

### 3.5. Nomination Committee.

The Committee has considered on the appointment and allocation position of executive level employees within BCEL in according with the condition of divisions and workforces within BCEL Head Office and branches from time to time in order to propose to BOD in processing and proceed step by step.

## V. Corporate Social Responsibility.

### 1. BCEL's Tax Payment

BCEL has followed the law on tax and the bank has paid taxes to the government for the first 6 months of 2019 in the amount of 64.187,77 million LAK, which the details are as follows:

LAKm			
No	Details	First 6 months 2019	2018
1	Profit Tax	43.000,00	121.994,81
2	Value added Tax	1.949,44	2.606,88
3	Staff Salary's tax	18.960,53	28.927,83
4	Consumer Tax	-	11,65
5	Non-resident corporate tax	277,80	401,35
<b>Total</b>		<b>64.187,77</b>	<b>153.942,52</b>

### 2. Corporate Social Responsibility.

Along with the business operation and other activities of the bank for the first 6 months, the management and staff of BCEL have also actively participated in the work of corporate social responsibility or CSR which is the bank's core value that is addressed on our long-term strategic plan from 2016-2020. The previous outstanding events are as follows:

- The applying of BCEL's potential in modern technology to develop the platform for helping the community such as OneHeart which is a tool and the central to receive the donated fund from the society as well as convenient for the donors to donate. For the

- The support for the community: in the previous year, the staff of BCEL participated in blood donation, planting, recycling (using two pages of paper and using less ink used printers) and city cleaning campaigns on the national important occasions. Blood donation for the first 6 months was 3 times events and 49 staff of BCEL participated.
- BCEL contributed and supported the society in various areas such as education and sport, support the victims from natural disaster, national events and others by supporting events in fund or equipment, the total value was more than 784 mil LAK.

**General Managing Director**



**Phoukhong CHANTHACHACK**

# **Banque Pour Le Commerce Extérieur Lao Public**

Special purpose interim consolidated financial statements

as at and for the six-month period ended 30 June 2019

# Banque Pour Le Commerce Extérieur Lao Public

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# Banque Pour Le Commerce Extérieur Lao Public

## GENERAL INFORMATION

### THE BANK

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

#### *Establishment and Operations*

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

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

On 17 August 2017, Lao Securities Commission Office approved the Bank to recapitalize by both Rights offering (which resulted in 68,047,300 shares) and Public offering (which resulted in 3,098,400 shares) in Lao Securities Exchange in order to increase its charter capital. The Bank received the new Banking Business License No. 21/BOL, dated 13 September 2017 issued by the Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified that the Bank successfully increased its charter capital by an amount of LAK 355,728,500,000 (equivalent to 71,145,700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest amended Business License No. 0429/ERO dated 18 May 2018 issued by Ministry of Industry and Commerce.

The shareholding structure of the Bank as at 30 June 2019 is as follows:

<i>Shareholders</i>	<i>Number of shares</i>	<i>%</i>
The Government	145,406,321	70%
Strategic partners	20,772,359	10%
Local investors (including employees of the Bank) and other foreign investors	41,544,620	20%
	<b>207,723,300</b>	<b>100%</b>

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

#### *Charter Capital*

The charter capital as at 30 June 2019 is LAKm 1,038,617 (31 December 2018: LAKm 1,038,617).

#### *Location and Network*

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 30 June 2019, the Bank has one (01) Head Office, one (1) subsidiary, five (5) joint ventures, twenty (20) main branches, ninety-three (93) services units, and sixteen (16) exchange units all over Lao PDR.

# Banque Pour Le Commerce Extérieur Lao Public

## GENERAL INFORMATION (continued)

### THE BANK (continued)

#### Subsidiary

As at 30 June 2019, the Bank has one (01) subsidiary as follows:

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

#### Joint ventures

As at 30 June 2019, the Bank has five (05) joint ventures as follows:

<i>Name</i>	<i>Business License No.</i>	<i>Business Sector</i>	<i>% owned by the Bank</i>
Lao Viet Joint Venture Bank	732/ERO dated 29 August 2016 by the Ministry of Industry and Commerce	Banking & Finance	25%
Banque Franco - Lao Limited	0495/ERO dated 7 June 2018 by the Ministry of Industry and Commerce	Banking & Finance	30%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commerce	Insurance	35%
Lao China Bank Company Limited	041/ERM dated 27 January 2014 by the Department of Enterprise Register and Management of Lao PDR	Banking & Finance	49%
Lao National Payment Network Company Limited	0349/ERO granted by the Department of Enterprise Registration and Management of the Ministry of Industry and Commerce of the Lao PDR on 12 March 2019	Settlement transaction management (Electronic)	20%

## BOARD OF DIRECTORS

Members of the Board of Directors during the six-month period ended 30 June 2019 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Bounleua Sinxayvoravong	Chairman	Reappointed on 27 April 2018
Mr. Khamsouk Sundara	Vice Chairman	Reappointed on 27 April 2018
Mr. Phoukhong Chanthachack	Member	Reappointed on 27 April 2018
Mr. Marc Robert	Member	Reappointed on 27 April 2018
Mr. Phouthakhan Khanty	Member	Appointed on 27 April 2018
Associate Professor, Dr. Phouphet Kyophilavong	Member	Appointed on 27 April 2018
Mr. Viengsouk Chounthavong	Member	Appointed on 27 April 2018



# Banque Pour Le Commerce Exterieur Lao Public

## GENERAL INFORMATION (continued)

### BOARD OF MANAGEMENT

Members of the Board of Management during the six-month period ended 30 June 2019 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/resignation</i>
Mr. Phoukhong Chanthachack	General Managing Director	Appointed 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed 06 June 2008 Resigned 01 April 2019
Mr. Lachay Khanpravong	Deputy Managing Director	Appointed 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointed 30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	Appointed 23 November 2015 Resigned 26 April 2019
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointed 23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	Appointed 01 November 2016
Mr. Viengsouk Chounthavong	Deputy Managing Director	Appointed 18 February 2019

### LEGAL REPRESENTATIVE

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

### AUDITORS

The auditors of the Bank are Ernst & Young Lao Co., Ltd.

Reference: 60790273/21199783-HY-IFRS CONSO

## **REPORT ON REVIEW OF SPECIAL PURPOSE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**To: Management of Banque Pour Le Commerce Extérieur Lao Public;  
Bank of the Lao PDR; and  
Laos Securities Commission Office**

### ***Introduction***

We have reviewed the accompanying special purpose interim consolidated financial statements (“the interim consolidated financial statements”) of Banque Pour Le Commerce Extérieur Lao Public (“the Bank”) and its subsidiary, which comprise the interim consolidated balance sheet as at 30 June 2019, and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated cash flow statement for the six-month period then ended and a summary of significant accounting policies and other explanatory information. The Bank’s management is responsible for the preparation of these interim consolidated financial statements in accordance with the accounting policies as described in Note 5 and Note 6 to the interim consolidated financial statements and for such internal control as management determines is necessary to enable the preparation and presentation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

### ***Scope of review***

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Basis for Qualified Conclusion***

The interim consolidated financial statements do not disclose information relating to fair value measurements required by IFRS 13: “Fair value measurement” and financial risk management required by IFRS 7: “Financial Instruments: Disclosures”. It is not possible to determine the effects on the financial statements of the Bank’s failure to make these disclosures.

### ***Qualified Conclusion***

Based on our review, with the exception of the matter as described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements of the Bank and its subsidiary for the six-month period ended 30 June 2019 are not prepared, in all material respects, in accordance with the accounting policies as described in Note 5 and Note 6 to the interim consolidated financial statements to meet the reporting requirements of Bank of the Lao PDR and the Laos Securities Commission Office.

***Emphasis of Matter – Basis of Accounting and Restriction on Use***

We draw attention to Note 2 to the interim consolidated financial statements, which describes the basis of preparation, under which the accounting policies used and disclosures made are not intended to, and do not, comply with all the requirements of International Financial Reporting Standards as the accounting policies for recognition and measurement of financial instruments are based on IAS 39 Financial instruments: Recognition and Measurement instead of IFRS 9 - Financial instruments. The interim consolidated financial statements are prepared solely for the use of the Bank to meet the reporting requirements of Bank of the Lao PDR and the Laos Securities Commission Office. As a result, the interim consolidated financial statements may not be suitable for another purpose. Our auditor's report is intended solely for the information and use of the Bank and these regulators, and should not be used by other parties.

**Ernst & Young Lao Co., Ltd.:**



Saman Wijaya Bandara  
Partner  
Audit Practising Registration  
Certificate No. 014/LCPAA-APT-2019

Vientiane, Lao PDR

6 September 2019



# Banque Pour Le Commerce Extérieur Lao Public

INTERIM CONSOLIDATED INCOME STATEMENT  
for the six-month period ended 30 June 2019

	Notes	For the six-month period ended 30 June 2019 LAKm	For the six-month period ended 30 June 2018 LAKm
Interest revenue calculation using the effective interest method	8	1.079.169	924.896
Interest expense calculation using effective interest method	9	(577.693)	(471.602)
<b>Net interest and similar income</b>		<b>501.476</b>	<b>453.294</b>
Fee and commission income	10	121.378	119.974
Fee and commission expense	10	(13.948)	(11.346)
<b>Net fee and commission income</b>	<b>10</b>	<b>107.430</b>	<b>108.628</b>
Net gain from dealing in foreign currencies	11	19.070	28.990
Net loss from dealing derivatives	12	(1.204)	-
Other operating income	13	71.803	14.615
<b>Total operating income</b>		<b>698.575</b>	<b>605.527</b>
Credit loss expense of loans to customers	20	(122.631)	(30.716)
(Additional)/Reversal of impairment losses of financial investments	14	(1.938)	(10.735)
<b>NET OPERATING INCOME</b>		<b>574.006</b>	<b>564.076</b>
Personnel expenses	15	(153.970)	(188.085)
Depreciation and amortization	24, 25	(35.708)	(36.947)
Depreciation of right-of-use assets		(2.562)	-
Other operating expenses	16	(75.599)	(68.610)
<b>Total operating expenses</b>		<b>(267.839)</b>	<b>(293.642)</b>
Share of profit and loss of joint ventures	23	24.189	9.468
<b>PROFIT BEFORE TAX</b>		<b>330.356</b>	<b>279.902</b>
Current profit tax expense	30.1	(54.326)	(86.051)
Deferred profit tax income	30.1	(18.275)	8.411
<b>PROFIT FOR THE PERIOD</b>		<b>257.755</b>	<b>202.262</b>
<b>Attributable to:</b>			
Equity holders of the parent		256.993	201.851
Non-controlling interest		762	411
<b>Earnings per share (LAK)</b>	<b>40</b>	<b>1.237</b>	<b>973</b>

Prepared by:



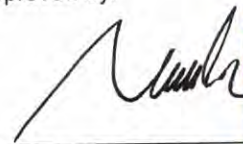
Mrs. Phousengthong Anoulakkham  
Chief of Accounting Department

Approved by:



Mr. Kongsack Souphonesy  
Chief of Internal Audit  
Department

Approved by:



Mr. Phoukhong Chanthachai  
General Managing Director



Vientiane, Lao PDR

6 September 2019

# Banque Pour Le Commerce Extérieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
for the six-month period ended 30 June 2019

	Notes	For the six-month period ended 30 June 2019 LAKm	For the six-month period ended 30 June 2018 LAKm
<b>NET PROFIT FOR THE PERIOD</b>		<b>257.755</b>	<b>202.262</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in fair value of available-for-sale financial assets		-	(19.813)
Profit tax related to components of other comprehensive income		-	4.755
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>-</b>	<b>(15.058)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>257.755</b>	<b>187.204</b>
<b>Attributable to:</b>			
Equity holders of the parent		256.993	186.793
Non-controlling interest		762	411

Prepared by:



Mrs. Phousengthong Anoulakham  
Chief of Accounting Department

Approved by:



Mr. Kongsack Souphonesy  
Chief of Internal Audit  
Department

Approved by:



Mr. Phoukhong Chanthachack  
General Managing Director



Vientiane, Lao PDR

6 September 2019

# Banque Pour Le Commerce Extérieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
for the six-month period ended 30 June 2019

	Notes	30 June 2019 LAKm	31 December 2018 LAKm
<b>ASSETS</b>			
Cash and balances with Bank of the Lao PDR	17	7.492.271	5.334.246
Due from banks	18	3.933.505	3.828.669
Loans to customers	19	26.116.143	24.366.860
Financial assets - Held-for-trading	16		14
Financial investments - Available-for-sale	21	154.138	156.516
Financial investments - Held-to-maturity	22	3.601.766	3.652.772
Investments in joint ventures	23	488.525	462.296
Property and equipment	24	452.575	450.132
Right of use assets	5.2	44.060	-
Intangible assets	25	245.732	246.601
Deferred tax assets	30.4	9.439	29.099
Other assets	26	432.396	466.088
<b>TOTAL ASSETS</b>		<b>42.970.566</b>	<b>38.993.293</b>
<b>LIABILITIES</b>			
Due to banks and other financial institutions	27	4.444.828	3.413.129
Due to customers	28	32.124.052	29.915.142
Borrowings from other banks	29	4.105.683	3.349.266
Lease liabilities	5.2	8.715	-
Current tax liabilities	30.2	27.993	35.951
Deferred tax liabilities	30.4	2.525	5.272
Other liabilities	31	177.637	242.918
<b>TOTAL LIABILITIES</b>		<b>40.891.433</b>	<b>36.961.678</b>
<b>EQUITY</b>			
Charter capital	32	1.038.617	1.038.617
Statutory and other reserves	33	605.747	440.874
Treasury shares		(3.313)	(3.313)
Retained earnings		406.549	524.050
<b>Total equity attributable to equity holders of the parent</b>		<b>2.047.600</b>	<b>2.000.228</b>
Non-controlling interest		31.533	31.387
<b>TOTAL EQUITY</b>		<b>2.079.133</b>	<b>2.031.615</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>42.970.566</b>	<b>38.993.293</b>

Prepared by:

Approved by:

Approved by:



Mrs. Phousengthong Anoulakkham  
Chief of Accounting Department



Mr. Kongsack Souphonesy  
Chief of Internal Audit  
Department



Mr. Phoukhong Chanthachack  
General Managing Director



Vientiane, Lao PDR

6 September 2019



# Banque Pour Le Commerce Extérieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
for the six-month period ended 30 June 2019

	Chartered capital LAKm	Statutory and other reserves LAKm	Treasury share LAKm	Retained earnings LAKm	Non- controlling interest LAKm	Total LAKm
<b>Balances as at 31 December 2018</b>	<b>1.038.617</b>	<b>440.874</b>	<b>(3.313)</b>	<b>524.050</b>	<b>31.387</b>	<b>2.031.615</b>
Effect of adopting IFRS 16 as at 1 January 2019 (Note 5.2)	-	-	-	(4.311)	-	(4.311)
Dividend paid out to shareholders for the year 2018	-	-	-	(205.310)	(616)	(205.926)
Net profit for the period	-	-	-	256.993	762	257.755
Appropriation to reserve for the year 2018	-	164.873	-	(164.873)	-	-
<b>Balances as at 30 June 2019</b>	<b>1.038.617</b>	<b>605.747</b>	<b>(3.313)</b>	<b>406.549</b>	<b>31.533</b>	<b>2.079.133</b>

Prepared by:



Mrs. Phousengthong Anoulakkham  
Chief of Accounting Department

Approved by:



Mr. Kongsack Souphonesy  
Chief of Internal Audit Department

Approved by:



Mr. Phoukhong Chanthachack  
General Managing Director



Vientiane, Lao PDR

6 September 2019

# Banque Pour Le Commerce Extérieur Lao Public

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS for the six-month period ended 30 June 2019

		For the six-month period ended 30 June 2019 LAKm	For the six-month period ended 30 June 2018 LAKm
	Notes		
<b>OPERATING ACTIVITIES</b>			
<b>Profit before tax</b>		<b>330.356</b>	<b>279.902</b>
<i>Adjustments for:</i>			
Depreciation and amortization charges	24, 25	35.708	36.947
Depreciation of right-of-use assets	5.2	2.562	-
Adjustments for OB under IFRS 16		(4.311)	-
Expense for impairment losses	20	122.631	30.716
Changes in provision for impairment loss on investment securities	14	1.938	10.735
Share of associate's profit under equity method	23	(24.189)	(9.468)
Defined post-employment benefit expense	31	3.664	31.801
Interest income		(1.079.169)	(924.896)
Interest expense		577.693	471.602
Dividend income	13	(6.198)	(7.031)
<b>Cash flows from operating profit before changing in operating assets and liabilities</b>		<b>(39.315)</b>	<b>79.692</b>
<i>Changes in operating assets</i>			
Due from banks		(390.089)	(216.605)
Loans to customers		(1.693.293)	(584.306)
Financial investment - Held-for-trading		(2)	(1)
Financial investment - Available-for-sale		-	5.864
Financial investment - Held-to-maturity		12.244	280.132
Other assets		(23.903)	(46.826)
<i>Changes in operating liabilities</i>			
Due to other banks and the BOL		1.754.731	211.407
Due to customers		2.181.177	(5.995)
Other liabilities		(67.172)	(9.595)
Interest received		959.168	900.950
Interest paid		(511.998)	(419.419)
Profit tax paid during the period	30.3	(60.614)	(22.459)
<b>Net cash flows from operating activities</b>		<b>2.120.934</b>	<b>13.455</b>
<b>INVESTING ACTIVITIES</b>			
Purchase and construction of fixed assets		(64.154)	(68.108)
Proceeds from disposals of fixed assets		22.085	241
Dividends received	13	6.198	7.031
Proceed from settlement of joint venture's shares		-	55.000
Payment for joint venture investment		(2.040)	-
<b>Net cash flows used in investing activities</b>		<b>(37.911)</b>	<b>(5.836)</b>
<b>FINANCING ACTIVITIES</b>			
Payment of dividend		(205.926)	(98.440)
<b>Net cash flows used in financing activities</b>		<b>(205.926)</b>	<b>(98.440)</b>

# Banque Pour Le Commerce Extérieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)  
for the six-month period ended 30 June 2019

		For the six-month period ended 30 June 2019 LAKm	For the six-month period ended 30 June 2018 LAKm
	Notes		
Net decrease/(increase) in cash and cash equivalents		1.877.097	(90.821)
Cash and cash equivalents at the beginning of the period		7.204.432	7.320.516
Cash and cash equivalents at the end of the period	34	9.081.529	7.229.695

Prepared by:

Approved by:

Approved by:



Mrs. Phousengthong Anoulakkham  
Chief of Accounting Department



Mr. Kongsack Souphonesy  
Chief of Internal Audit  
Department



Mr. Phoukhong Chanthachack  
General Managing Director



Vientiane, Lao PDR

6 September 2019

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 1. CORPORATE INFORMATION

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

### *Establishment and Operations*

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

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

On 17 August 2017, Lao Securities Commission Office approved the Bank to recapitalize by both Rights offering (which resulted in 68,047,300 shares) and Public offering (which resulted in 3,098,400 shares) in Lao Securities Exchange in order to increase its charter capital. The Bank received the new Banking Business License No. 21/BOL, dated 13 September 2017 issued by Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified the Bank successfully increased its charter capital by an amount of LAK 355,728,500,000 (equivalent to 71,145,700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest amended Business License No. 0429/ERO dated 18 May 2018 issued by Ministry of Industry and Commerce

The shareholding structure of the Bank as at 30 June 2019 is as follows:

<i>Shareholders</i>	<i>Number of shares</i>	<i>%</i>
The Government	145,406,321	70%
Strategic partners	20,772,359	10%
Local investors (including employees of the Bank) and other foreign investors	41,544,620	20%
	<b>207,723,300</b>	<b>100%</b>

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

### *Charter Capital*

The charter capital as at 30 June 2019 is LAKm 1,038,617 (31 December 2018: LAKm 1,038,617).

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 1. CORPORATE INFORMATION (continued)

### **Location and Network**

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 30 June 2019, the Bank has one (01) Head Office, one (1) subsidiary, five (5) joint ventures, twenty (20) main branches, ninety-three (93) services units, and sixteen (16) exchange units all over Lao PDR.

### **Subsidiary**

As at 30 June 2019, the Bank has one (01) subsidiary as follows:

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

### **Joint ventures**

As at 30 June 2019, the Bank has five (05) joint ventures as follows:

<i>Name</i>	<i>Business License No.</i>	<i>Business Sector</i>	<i>% owned by the Bank</i>
Lao Viet Joint Venture Bank	732/ERO dated 29 August 2016 by the Ministry of Industry and Commerce	Banking & Finance	25%
Banque Franco - Lao Limited	0495/ERO dated 07 June 2018 by the Ministry of Industry and Commerce	Banking & Finance	30%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commerce	Insurance	35%
Lao China Bank Company Limited	041/ERM dated 27 January 2014 by the Department of Enterprise Register and Management of Lao PDR	Banking & Finance	49%
Lao National Payment Network Company Limited	0349/ERO granted by the Department of Enterprise Registration and Management of the Ministry of Industry and Commerce of the Lao PDR on 12 March 2019	Transaction settlement management (Electronic)	20%

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 1. CORPORATE INFORMATION (continued)

### **Board of Directors**

Members of the Board of Directors during the six-month period ended 30 June 2019 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Bounleua Sinxayvoravong	Chairman	Reappointed on 27 April 2018
Mr. Kamsouk Sundara	Vice Chairman	Reappointed on 27 April 2018
Mr. Phoukhong Chanthachack	Member	Reappointed on 27 April 2018
Mr. Marc Robert	Member	Reappointed on 27 April 2018
Mr. Phouthakhan Khanty	Member	Appointed on 27 April 2018
Associate Professor, Dr. Phouphet Kyophilavong	Member	Appointed on 27 April 2018
Mr. Viengsouk Chounthavong	Member	Appointed on 27 April 2018

### **Board of Management**

Members of the Board of Management during the six-month period ended 30 June 2019 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/resignation</i>
Mr. Phoukhong Chanthachack	General Managing Director	Appointed 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed 06 June 2008 Resigned 01 April 2019
Mr. Lachay Khanpravong	Deputy Managing Director	Appointed 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointed 30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	Appointed 23 November 2015 Resigned 26 April 2019
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointed 23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	Appointed 01 November 2016
Mr. Viengsouk Chounthavong	Deputy Managing Director	Appointed 18 February 2019

### **Employees**

Total number of employees of the Bank and subsidiary as at 30 June 2019 is 1.989 persons (as at 31 December 2018: 1.920 persons).



# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 2. BASIS OF PREPARATION

The interim consolidated financial statements are prepared solely for the use of the Bank to meet the requirements of Bank of Lao PDR and the Laos Securities Commission Office. These interim consolidated financial statements are prepared in accordance with the accounting policies as described in Note 5 and Note 6. These accounting policies are primarily based on the International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standard Board. However, this is not a complete set of general purpose financial statements prepared in accordance with IFRS as the Bank follows the guidance stipulated in Official Letter No. 1659/BOL dated 14 December 2018 by Bank of the Lao PDR and Official Letter No. 19/LSCO dated 23 November 2018 by the Laos Securities Commission Office following which the accounting policies for recognition and measurement of financial instruments are based on IAS 39: “Financial instruments: Recognition and Measurement” instead of IFRS 9: “Financial instruments”

Accordingly, the accompanying interim consolidated financial statements are not intended to be prepared in accordance with IFRS (“special purpose interim consolidated financial statements”).

The special purpose interim consolidated financial statements are prepared solely for the use of the Bank.

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

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

The Bank also prepared and issued its special purpose interim separate financial statements in accordance with the accounting policies as described in Note 5 and Note 6 to the special purpose interim separate financial statements on 30 June 2019.

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

## 3. PRESENTATION OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 4. BASIS OF CONSOLIDATION

The interim consolidated financial statements comprise the interim financial statements of the Bank and its subsidiary (collectively referred to as the “Group”) as at 30 June 2019. Subsidiary is the investee that the Bank has control over. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 5. CHANGE IN ACCOUNT POLICIES AND DISCLOSURES

### 5.1 *New and amended standards and interpretations*

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019 as described below. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### 5.2 *IFRS 16 Leases*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Bank elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Bank also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follow:

	<u>LAKm</u>
<b>Asset</b>	
Right of use assets	41.695
Prepayments	(38.381)
Deferred tax assets	1.362
<b>Total assets</b>	<u><b>4.676</b></u>
<b>Liabilities</b>	
Lease liabilities	8.987
<b>Total liabilities</b>	<u><b>8.987</b></u>
Total adjustment on equity:	
<b>Retained earnings</b>	<u><b>(4.311)</b></u>

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 5. CHANGE IN ACCOUNT POLICIES AND DISCLOSURES (continued)

### 5.2 IFRS 16 Leases (continued)

#### *a) Nature of the effect of adoption of IFRS 16*

The Bank has lease contracts for various items of plant. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Bank; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively. Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Bank.

#### ► *Leases previously classified as finance leases*

The Bank did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

The Bank recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Bank also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 5. CHANGE IN ACCOUNT POLICIES AND DISCLOSURES (continued)

### 5.2 IFRS 16 Leases (continued)

#### a) Nature of the effect of adoption of IFRS 16 (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	<u>LAKm</u>
<b>Operating lease commitments as at 31 December 2018</b>	<b>13.710</b>
Weighted average incremental borrowing rate as at 1 January 2019	5,59%
Discounted operating lease commitments at 1 January 2019	9.000
<b>Less:</b>	
Commitments relating to short-term lease	-
Commitments relating to leases of low-value assets	<u>(13)</u>
<b>Lease liabilities as at 1 January 2019</b>	<b><u>8.987</u></b>

#### b) Summary of new accounting policies

Set out below are the new accounting policies of the Bank upon adoption of IFRS 16, which have been applied from the date of initial application:

##### • Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

##### • Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 5. CHANGE IN ACCOUNT POLICIES AND DISCLOSURES (continued)

### 5.2 IFRS 16 Leases (continued)

#### *b) Summary of new accounting policies (continued)*

##### *Short-term leases and leases of low-value assets*

The Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### *• Significant judgement in determining the lease term of contracts with renewal options*

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has the option, under some of its leases to lease the assets for additional terms of three to five years. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Bank included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Bank has a policy of leasing motor vehicles for not more than five years and, hence, not exercising any renewal options.

#### *c) Amounts recognised in the statement of financial position and profit or loss*

Set out below, are the carrying amounts of the Bank's right-of-use assets and lease liabilities and the movements during the period:

	<i>Right of use assets</i>	<i>Lease liabilities</i>
	<i>LAKm</i>	<i>LAKm</i>
<b>As at 1 January 2019</b>	<b>41.695</b>	<b>8.987</b>
Addition	4.927	4.927
Depreciation expense	(2.562)	-
Interest expense	-	214
Payments	-	(5.413)
<b>As at 30 June 2019</b>	<b>44.060</b>	<b>8.715</b>

*The Bank recognised rent expense from lease of low-value assets of LAKm 13 for the six-month period ended 30 June 2019*



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 5. CHANGE IN ACCOUNT POLICIES AND DISCLOSURES (continued)

### 5.3 *Post-employment benefits*

In 2019, the Bank's policy on Post-employment benefits was changed to the new policy as disclosed in Note 6.14.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 6.1 *Foreign currency translation*

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK on 30 June 2019 and 31 December 2018 as presented in Note 42). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance date are recognized in the interim consolidated income statement.

### 6.2 *Financial instruments - initial recognition and subsequent measurement*

#### 6.2.1 *Date of recognition*

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

#### 6.2.2 *Initial measurement of financial instruments*

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

#### 6.2.3 *Financial assets or financial liabilities held for trading*

Financial assets or financial liabilities held-for-trading are recorded in the interim consolidated statement of financial position at fair value. Changes in fair value are recognized in "Net gain/(loss) on securities and foreign currencies trading". Interest and dividend income are also recorded in "Net gain/(loss) from securities and foreign currencies trading" according to the terms of the contract, or when the right to the payment has been established. Included in this classification are equity securities which have been acquired principally for the purpose of selling or repurchasing in the near term

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 6.2.4 *The effective interest rate method*

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

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

#### 6.2.5 *'Day 1' profit or loss*

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

#### 6.2.6 *Available for sale financial investments*

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

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

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

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 6.2.7 *Held-to-maturity financial investments*

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

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

#### 6.2.8 *Due from banks and loans and advances to customers*

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

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

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

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

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

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 6.2.9 *Due to other banks and customers and other borrowed funds*

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

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

#### 6.2.10 *Reclassification of financial assets*

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

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

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

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

### 6.3 *De-recognition of financial assets and financial liabilities*

#### 6.3.1 *Financial assets*

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

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

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 6.3.1 *Financial assets* (continued)

Pass-through arrangements are transactions when the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when certain conditions are met. As at 30 June 2019, the Bank does not have financial assets which are subject to such arrangements.

A transfer only qualifies for derecognition if either:

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

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

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

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

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

#### 6.3.2 *Financial liabilities*

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

### 6.4 *Impairment of financial assets*

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.4 *Impairment of financial assets* (continued)

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

#### 6.4.1 *Financial assets carried at amortized cost*

##### *Specific impairment losses*

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

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

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

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

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

##### *Collective impairment model*

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

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



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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.4 *Impairment of financial assets* (continued)

#### 6.4.1 *Financial assets carried at amortized cost* (continued)

##### *Collective impairment model* (continued)

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

#### 6.4.2 *Impairment of available for sale investments*

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

#### 6.4.3 *Collateral valuation*

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

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

#### 6.4.4 *Collateral repossessed*

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

### 6.5 *Offsetting financial instruments*

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.6 *Investment in joint ventures*

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

The Bank recognizes its interest in the joint ventures using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint ventures is included in the carrying amount of the investment and is not tested for impairment separately.

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

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

### 6.7 *Recognition of income and expenses*

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

#### 6.7.1 *Interest and similar income and expense*

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

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.7 Recognition of income and expenses (continued)

#### 6.7.2 Fees and commission income

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not typically include multiple performance obligations, as explained further in 6.7.2.1 and 6.7.2.2 below. When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time (unless otherwise specified in 6.7.2.1 and 6.7.2.2 below). The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

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

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

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

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

#### 6.7.3 Dividend income

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

#### 6.7.4 Net trading income

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

### 6.8 Cash and cash equivalents

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.9 *Property and equipment*

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

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

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

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

### 6.10 *Intangible assets*

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

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

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

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

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

► Software	2 - 5 years
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The land use rights of the Bank was not amortized as land use rights have indefinite term and was granted by the Government of Lao PDR.

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.11 *Impairment of non-financial assets*

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

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

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

### 6.12 *Derivative financial instruments*

#### *Swap*

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with other counterparties (customers and financial institutions) in which the Bank either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap (included within foreign exchange contracts), the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross settled.

Credit default swaps are contractual agreements between two parties to make payments with respect to defined credit events, based on specified notional amounts. The Bank purchases credit default swaps in order to mitigate the risk of default by the counterparty on the underlying security referenced by the swap. *IFRS 7.31.*

Irrespective of whether settled through clearing houses or directly with the counterparties, most swaps are fully collateralised and require daily margin settlement. The practice significantly reduces the Bank's credit risk, but requires more diligent liquidity management than if the positions were not collateralized.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.13 *Financial guarantees*

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

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

### 6.14 *Employee benefits*

#### *Post-employment benefits*

The Bank operates a defined benefit pension plan which post-employment benefits are paid to retired employees of the Bank at the time of retirement by the amount equal to (Latest Basic Salary + Wage + 25% of allowance (If have) + 25% of other benefits) x 1,5 x working years.

The fund for Post-employment benefits comes from:

- ▶ The retirement reserve contributed by the employees, for which the Bank withholds a certain monthly amount from employees' salary (5,50%) of the amount (Equal to Basic Salary + Wage + 25% of allowance + 25% of other benefits);
- ▶ And the Bank contribution by monthly, which is equal to 6% of the amount (Equal to Basic Salary + Wage + 25% of allowance + 25% of other benefits);

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

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

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

The Bank recognises the following changes in the net defined benefit obligation under 'Personnel expenses' in the consolidated income statement:

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



# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.14 *Employee benefits* (continued)

#### *Termination benefits*

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

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 30 June 2019, there is no employee of the Bank who was dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the interim consolidated financial statements.

### 6.15 *Provisions*

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

### 6.16 *Profit tax*

#### *Current tax*

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

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

#### *Deferred tax*

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.16 *Profit tax (continued)*

#### *Deferred tax (continued)*

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

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

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

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

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

### 6.17 *Fiduciary assets*

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

### 6.18 *Equity reserves*

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

- Statutory reserves which are created in accordance with prevailing regulations of Lao PDR, as stated in Note 33; and

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

### 7.1 *Going concern*

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

### 7.2 *Effective Interest Rate method*

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

### 7.3 *Impairment losses on loans and advances*

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

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

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

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

### 7.4 *Impairment of available-for-sale investments*

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

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

### 7.5 *Deferred tax assets*

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 8. INTEREST AND SIMILAR INCOME

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
<b>Interest income calculated using the effective interest method from:</b>		
Lending to customers	960.957	827.316
Deposits at other banks	35.517	24.743
Investment securities	82.610	72.563
Other interest income and similar income	85	274
	<b>1.079.169</b>	<b>924.896</b>

## 9. INTEREST AND SIMILAR EXPENSE

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
<b>Interest expense calculated using the effective interest method from:</b>		
Due to other banks	145.752	67.245
Customer deposits	431.941	404.357
	<b>577.693</b>	<b>471.602</b>

## 10. NET FEES AND COMMISSION INCOME

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
<b>Fees and commission income from:</b>		
Settlement services	86.922	77.262
Credit activities	23.244	37.539
Other activities	11.212	5.173
	<b>121.378</b>	<b>119.974</b>
<b>Fees and commission expense for:</b>		
Settlement services	(11.993)	(10.008)
Other activities	(1.955)	(1.338)
	<b>(13.948)</b>	<b>(11.346)</b>
<b>Net fees and commission income</b>	<b>107.430</b>	<b>108.628</b>

## 11. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
Gains from dealing in foreign currencies	2.521.935	2.523.044
Losses from dealing in foreign currencies	(2.502.865)	(2.494.054)
	<b>19.070</b>	<b>28.990</b>

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 12. NET LOSS FROM DEALING DERIVATIVES

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
Gain from Derivatives	1.518	-
Loss from Derivatives	(2.722)	-
	<b>(1.204)</b>	<b>-</b>

## 13. OTHER OPERATING INCOME

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
Dividend income from investment securities	6.198	7.031
Income from sale of tangible fixed assets	244	-
Recovery of the bad debts written off	10.556	3.275
Gain from selling joint venture's share	-	2.734
Past service cost for amendment of defined benefit plans	25.874	-
Others (*)	28.931	1.575
	<b>71.803</b>	<b>14.615</b>

(\*) Including amount 32.008 LAKm reversal of employees' salary expense withheld and contributed by the Bank due to amendment of the post-employees benefit plan 2019.

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

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
Reversal of impairment losses for held-to-maturity securities (Note 22)	440	(10.735)
Additional of impairment losses for available-for-sale securities	(2.378)	-
	<b>(1.938)</b>	<b>(10.735)</b>

## 15. PERSONNEL EXPENSES

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
Salary and wages	71.415	64.472
Allowances and other staff benefits	74.937	87.517
Post-employment benefits (Note 31)	3.664	32.645
Other staff costs	3.954	3.451
	<b>153.970</b>	<b>188.085</b>



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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 16. OTHER OPERATING EXPENSES

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
Repair and maintenance	10.466	9.506
Publication, marketing and promotion	5.478	3.308
Office rental	-	4.874
Telecommunication	4.115	3.644
Training, meeting and seminar	7.798	7.006
Insurance fee for depositor protection fund	14.642	13.346
Tax and other duties	112	108
Insurance expense	4.880	1.732
Utility	4.610	3.837
Fuel expense	1.142	1.056
Stationary and office materials	7.263	9.177
Consulting and financial service fees	4.507	1.010
Provision for cash loss	-	2.494
Financial cost on lease liabilities	214	-
Others	10.372	7.510
	<b>75.599</b>	<b>68.610</b>

## 17. CASH AND BALANCES WITH THE BANK OF LAO PDR

	<i>30 June 2019 LAKm</i>	<i>31 December 2018 LAKm</i>
Cash on hand in LAK	1.190.359	961.728
Cash on hand in foreign currencies ("FC")	811.606	681.517
Balances with the BOL		
- Compulsory deposit	1.290.251	1.294.828
- Demand deposit	4.200.055	2.396.173
	<b>7.492.271</b>	<b>5.334.246</b>

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

Under regulations of the BOL, the Bank is required to maintain certain reserves with the BOL in the form of compulsory deposits, which are computed at 5,00% for LAK and 10,00% for foreign currencies, on a bi-weekly basis, (2018: 5,00% and 10,00%) of customer deposits having original maturities of less than 12 months. During the period, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 18. DUE FROM BANKS

	30 June 2019 LAKm	31 December 2018 LAKm
<b>Current and saving accounts</b>	<b>2.879.509</b>	<b>2.700.974</b>
- In LAK	6.871	3.681
- In foreign currencies	2.872.638	2.697.293
<b>Term deposits</b>	<b>1.053.996</b>	<b>1.127.695</b>
- In LAK	257.801	381.380
- In foreign currencies	796.195	746.315
	<b>3.933.505</b>	<b>3.828.669</b>

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

	For the six-month period ended 30 June 2019 % per annum	For the year ended 31 December 2018 % per annum
Demand deposits	0,00% - 3,10%	0,00% - 0,80%
Saving deposits	0,00% - 0,80%	0,00% - 0,80%
Term deposits	0,50% - 4,95%	0,85% - 4,00%

## 19. LOANS TO CUSTOMERS

	30 June 2019 LAKm	31 December 2018 LAKm
Gross loans to customers	26.697.520	24.845.276
In which:		
<i>Loans funded by borrowings from BOL (see Note 29.1)</i>	<i>2.055.888</i>	<i>2.063.243</i>
Less: Allowance for impairment losses (see Note 20)	(581.377)	(478.416)
	<b>26.116.143</b>	<b>24.366.860</b>

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

	For the six-month period ended 30 June 2019 % per annum	For the year ended 31/12/2018 % per annum
Loans denominated in LAK	6,00% - 16,00%	6,00% - 16,00%
Loans denominated in USD	4,00% - 16,00%	4,00% - 16,00%
Loans denominated in THB	6,00% - 10,00%	6,00% - 11,50%

*Analysis of loan portfolio by currency:*

	30 June 2019 LAKm	31 December 2018 LAKm
Loans denominated in LAK	11.849.009	10.988.474
Loans denominated in USD	11.607.083	10.842.780
Loans denominated in THB	3.241.428	3.014.022
	<b>26.697.520</b>	<b>24.845.276</b>

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 19. LOANS TO CUSTOMERS (continued)

*Analysis of loan portfolio by original maturity:*

	30 June 2019 LAKm	31 December 2018 LAKm
Short-term loans	1.649.408	1.825.034
Medium-term loans	15.388.071	14.431.801
Long-term loans	9.660.041	8.588.441
	<b>26.697.520</b>	<b>24.845.276</b>

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

	30 June 2019		31 December 2018	
	LAKm	%	LAKm	%
Industrial services companies	13.914.798	52,12%	12.931.637	52,05%
Construction companies	3.933.583	14,73%	3.374.610	13,58%
Technical instruments enterprises	91.961	0,34%	85.352	0,34%
Agricultural & forestry	73.826	0,28%	74.248	0,30%
Trading companies	4.272.564	16,00%	4.336.508	17,45%
Transportation companies	702.468	2,63%	688.078	2,77%
Services companies	3.401.126	12,74%	2.875.026	11,57%
Handicrafts	3.294	0,01%	3.456	0,01%
Others	303.900	1,14%	476.361	1,92%
	<b>26.697.520</b>	<b>100%</b>	<b>24.845.276</b>	<b>100%</b>

## 20. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in the allowance for impairment losses of loans to customers during the six-month ended 30 June 2019 as follows:

	<i>For the six-month period ended 30 June 2019 LAKm</i>
<b>Balance as at 1 January 2019</b>	<b>478.416</b>
Net change during the period	122.631
Non-performing loans written-off	(26.097)
Foreign exchange differences	6.427
<b>Balance as at 30 June 2019</b>	<b>581.377</b>

Break down of allowance for impairment losses of loans to customers as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019		31 December 2018	
	Outstanding balance LAKm	Impairment LAKm	Outstanding balance LAKm	Impairment LAKm
Individually impaired	3.401.055	248.246	1.859.522	291.960
Collectively impaired	22.638.131	333.131	22.478.847	186.456
	<b>26.039.186</b>	<b>581.377</b>	<b>24.338.369</b>	<b>478.416</b>

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 21. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	30 June 2019 LAKm	31 December 2018 LAKm
Listed shares of EDL-Generation Public Company	154.138	156.516
	<b>154.138</b>	<b>156.516</b>

As at 30 June 2019, the shares have been impaired by an amount of LAKm 34.265 below its cost of LAKm 188.043.

## 22. FINANCIAL INVESTMENTS - HELD TO MATURITY

	30 June 2019 LAKm	31 December 2018 LAKm
Amortized cost of Treasury bills issued by the Ministry of Finance	1.561.577	1.916.549
Amortized cost of bonds issued by the Ministry of Finance	2.040.959	1.737.433
	<b>3.602.536</b>	<b>3.653.982</b>
Impairment losses for investments in Held-to-maturity securities (*)	(770)	(1.210)
- Impairment losses for bonds issued by the Ministry of Finance	(770)	(1.210)
	<b>3.601.766</b>	<b>3.652.772</b>

(\*): The net change in impairment losses of LAKm 440 for the six-month ended 30 June 2019 is recorded in the interim consolidated income statement as reversal of impairment loss for held-to-maturity securities (Note 14).

### 22.1. Treasury bills issued by the Ministry of Finance

Details of the treasury bills as at 30 June 2019 are as follows:

Term	Issue date	Maturity date	Face value LAKm	Amortized cost LAKm	Interest rate per annum (nominal)
1 Year	16-Nov-18	16-Nov-19	300.000	309.201	5,00%
1 Year	17-Dec-18	16-Dec-19	150.000	154.208	5,30%
1 Year	21-Dec-18	21-Dec-19	210.000	215.431	5,00%
1 Year	22-Feb-19	22-Feb-20	300.000	305.177	5,00%
1 Year	7-Mar-19	7-Mar-20	73.000	74.128	5,00%
1 Year	22-Mar-19	22-Mar-20	68.600	69.521	5,00%
1 Year	5-Apr-19	4-Apr-20	150.000	151.831	5,30%
1 Year	12-Apr-19	12-Apr-20	50.000	50.529	5,00%
1 Year	26-Apr-19	26-Apr-20	20.000	20.174	5,00%
1 Year	31-May-19	31-May-20	68.000	68.272	5,00%
1 Year	14-Jun-19	14-Jun-20	100.000	100.214	5,00%
1 Year	28-Jun-19	28-Jun-20	42.880	42.891	5,00%
			<b>1.532.480</b>	<b>1.561.577</b>	

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 22. FINANCIAL INVESTMENTS – HELD-TO-MATURITY (continued)

### 22.2. Bonds issued by the Ministry of Finance

	30 June 2019 LAKm	31 December 2018 LAKm
Capitalization bonds	-	70.600
Other bonds	2.040.959	1.666.833
	<b>2.040.959</b>	<b>1.737.433</b>

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

	Face value LAKm	Amortized cost LAKm
Within 1 year	72.136	71.850
1 to 5 years	1.187.049	1.202.642
Over 5 years	755.634	766.467
	<b>2.014.819</b>	<b>2.040.959</b>

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

	For the six-month period ended 30 June 2019 % per annum	For the year ended 31 December 2018 % per annum
Within 1 year	3,00 - 5,30%	3,00 - 5,30%
1 to 5 years	3,00 - 6,95%	3,00 - 6,95%
Over 5 years	4,00 - 4,80%	4,00 - 4,80%

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 23. INVESTMENTS IN JOINT VENTURES

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the year ended 31 Dec 2018 LAKm</i>
<b>Balance at the beginning of the period</b>	<b>462.296</b>	<b>541.730</b>
Net share of profit/(loss) in the period under equity method	24.189	(7.643)
Sale of joint venture's share	-	(52.266)
Invest in Jointventure	2.040	-
Less: Dividends received during the period	-	(19.525)
<b>Balance at the end of the period</b>	<b>488.525</b>	<b>462.296</b>

	<i>30 June 2019</i>			<i>31 December 2018</i>		
	<i>Cost in LAKm equiv.</i>	<i>Carrying value in LAKm</i>	<i>% owned by the Bank</i>	<i>Cost in LAKm Equiv.</i>	<i>Carrying Value in LAKm</i>	<i>% owned by the Bank</i>
<b>Investments in other financial institutions</b>						
Lao Viet Joint Venture Bank	197.839	231.022	25%	197.839	228.359	25%
Banque Franco - Lao Limited	90.000	81.811	30%	90.000	64.053	30%
Lao China Bank Company Limited	147.000	161.819	49%	147.000	158.179	49%
<b>Investments in local economic entities</b>						
Lao-Viet Insurance Joint Venture Company	9.168	11.795	35%	9.168	11.705	35%
Lao National Payment Network Company Limited	2.040	2.078	20%	-	-	0%
	<b>446.047</b>	<b>488.525</b>		<b>444.007</b>	<b>462.296</b>	

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



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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 23. INVESTMENTS IN JOINT VENTURES (continued)

- Lao-Viet Insurance Joint Venture Company (“LVI”) is incorporated as a joint venture company in the Lao PDR providing insurance services under the Investment License No. 077/08/FIMC issued by the Foreign Investment Management Committee on 09 June 2008. It is a joint venture with BIDV Insurance Joint Stock Corporation and Lao Viet Joint Venture Bank. LVI’s legal capital is USD 3,000,000 and has been fully contributed by partners on 17 July 2008. In 2013, the Bank has contributed additional capital of USD 180,000 on 02 September 2013. As at 30 June 2019, the total contributed capital of the Bank in this company was USD 1,050,000, equivalent to LAKm 9,168.
- Lao China Bank Company Limited (“LCNB”) is incorporated in the Lao PDR and engages in the provision of banking services. It is a joint venture with Fudian Bank China, a state-owned commercial bank incorporated in China. The joint venture bank was granted the Banking Business Licence on 20 January 2014 by the Bank of Lao PDR. The legal capital of LCNB was LAKm 300,000 and had been fully contributed by partners as at 30 June 2019.
- Banque Franco - Lao Limited (“BFL”) is incorporated in the Lao PDR with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with Cofibred Company Frances De La Bred which is a state-owned bank incorporated in Paris, France. The joint venture was granted the temporary banking license on 01 October 2009 and a permanent license on 16 July 2010 by the Bank of Lao PDR. The legal capital of BFL was USD 20 million which was later revised to USD 37 million in accordance with the President’s decree issued on 24 September 2009 and letter No. 01/BOL dated 28 January 2010 from BOL.
- Lao National Payment Network Company Limited (LAPNet) is incorporated in the Lao PDR under the Business License No. 0349 granted by the Department of Enterprise Registration and Management of the Ministry of Industry and Commerce of the Lao PDR on 12 March 2019 and engages in the provision of financial services. It is an association among the Bank of Lao PDR, Union Pay International, Lao Development Bank, Agriculture Promotion Bank, Joint Development Bank, and Lao-Viet Bank. The legal capital was LAKm 34,000. As 30 June 2019, the total contributed capital of the Bank in this company was LAKm 2,040.

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 24. PROPERTY AND EQUIPMENT

Movements of property and equipment for the period are as follows:

	<i>Buildings &amp; improvements LAKm</i>	<i>Office equipment LAKm</i>	<i>Furniture &amp; fixtures LAKm</i>	<i>Motor vehicles LAKm</i>	<i>Total LAKm</i>
<b>Cost:</b>					
As at 1 January 2019	476.463	151.886	41.210	19.770	689.329
Additions	18.228	20.681	2.191	38	41.138
Disposals	(7.623)	(15.849)	(2.193)	(634)	(26.299)
Written-off	-	-	-	(14)	(14)
As at 30 June 2019	<u>487.068</u>	<u>156.718</u>	<u>41.208</u>	<u>19.160</u>	<u>704.154</u>
<b>Accumulated depreciation:</b>					
As at 1 January 2019	135.271	67.649	26.278	9.999	239.197
Charge for the period	13.379	15.743	2.900	1.970	33.992
Disposals	(3.863)	(15.001)	(2.098)	(634)	(21.596)
Written-off	-	-	-	(14)	(14)
As at 30 June 2019	<u>144.787</u>	<u>68.391</u>	<u>27.080</u>	<u>11.321</u>	<u>251.579</u>
<b>Net book value:</b>					
As at 1 January 2019	<u>341.192</u>	<u>84.237</u>	<u>14.932</u>	<u>9.771</u>	<u>450.132</u>
As at 30 June 2019	<u>342.281</u>	<u>88.327</u>	<u>14.128</u>	<u>7.839</u>	<u>452.575</u>

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 25. INTANGIBLE ASSETS

Movements in intangible assets during the period are as follows:

	<i>Land use rights LAKm</i>	<i>Computer software LAKm</i>	<i>Total LAKm</i>
<b>Cost:</b>			
As at 1 January 2019	240.619	16.841	257.460
Transferred from CIP and fixed assets in transit	14.071	4.158	18.229
Written off	(17.381)	(2.383)	(19.764)
As at 30 June 2019	237.309	18.616	255.925
<b>Accumulated amortization:</b>			
As at 1 January 2019	-	10.859	10.859
Charge for the period	-	1.716	1.716
Written off	-	(2.382)	(2.382)
As at 30 June 2019	-	10.193	10.193
<b>Net book value:</b>			
As at 1 January 2019	240.619	5.982	246.601
As at 30 June 2019	237.309	8.423	245.732

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 26. OTHER ASSETS

	30 June 2019	31 December 2018
	LAKm	LAKm
Assets waiting for sale	249.255	255.438
Stationeries and other tools	6.050	8.558
Cheques in collection	17.691	6.671
Construction in progress and fixed assets in transit (*)	60.014	65.079
Prepaid expenses to be allocated	41.135	62.065
Advance payment for other operations	31.034	27.553
Advance payment for suppliers	14.411	34.589
Other receivables	12.806	6.135
	<b>432.396</b>	<b>466.088</b>

(\*): Movement of construction in progress and fixed assets in transit for the six-month ended 30 June 2019 is as follows:

	Land use rights LAKm	Buildings & improvements LAKm	Other LAKm	Total LAKm
As at 1 January 2019	541	38.630	25.908	65.079
Additions	17.381	22.962	22.251	62.594
Transferred to fixed assets	(14.071)	(19.081)	(24.655)	(57.807)
Transfer to other assets	-	(4.395)	-	(4.395)
Written off	(3.851)	(181)	(1.425)	(5.457)
<b>As at 30 June 2019</b>	<b>-</b>	<b>37.935</b>	<b>22.079</b>	<b>60.014</b>

## 27. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2019	31 December 2018
	LAKm	LAKm
<b>Demand deposits</b>	<b>3.684.539</b>	<b>2.517.029</b>
- In LAK	1.512.821	800.136
- In foreign currencies	2.171.718	1.716.893
<b>Saving deposits</b>	<b>176.745</b>	<b>119.495</b>
- In LAK	41.620	21.954
- In foreign currencies	135.125	97.541
<b>Term deposits</b>	<b>564.421</b>	<b>754.543</b>
- In LAK	177.602	195.581
- In foreign currencies	386.819	558.962
<b>Others</b>	<b>19.123</b>	<b>22.062</b>
- In LAK	11.966	9.009
- In foreign currencies	7.157	13.053
	<b>4.444.828</b>	<b>3.413.129</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 27. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)

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

	<i>For the six-month period ended 30 June 2019 % per annum</i>	<i>For the year ended 31 December 2018 % per annum</i>
Demand deposits	0,00% - 3,00%	No interest
Saving deposits	No interest	No interest
Term deposits	0,00% - 5,55%	0,00% - 5,52%

## 28. DUE TO CUSTOMERS

	<i>30 June 2019 LAKm</i>	<i>31 December 2018 LAKm</i>
<b>Demand deposits</b>	<b>4.995.812</b>	<b>5.447.954</b>
Demand deposits in LAK	2.132.267	2.141.221
Demand deposits in FC	2.863.545	3.306.733
<b>Demand savings</b>	<b>14.726.279</b>	<b>13.092.788</b>
Demand saving deposits in LAK	7.019.896	5.788.652
Demand saving deposits in FC	7.706.383	7.304.136
<b>Term deposits</b>	<b>12.183.469</b>	<b>11.159.134</b>
Term deposits in LAK	7.062.006	6.671.234
Term deposits in FC	5.121.463	4.487.900
<b>Margin deposits</b>	<b>79.527</b>	<b>103.279</b>
Margin deposits in LAK	20.396	33.629
Margin deposits in FC	59.131	69.650
<b>Other payables to customers</b>	<b>138.965</b>	<b>111.987</b>
	<b>32.124.052</b>	<b>29.915.142</b>

Saving deposits from customers denominated in LAK, USD and THB bear interest at rate ranging of 1,25% – 1,89%, 0,90% - 1,15% and 0,45% – 0,90% per annum respectively.

Fixed term deposits in LAK, USD, THB have terms of 3, 6, 9, 12 months and more than 1 year and are subject to interest rates ranging of 3,16% – 6,90%, 1,65% - 6,65 % and 1,40% – 6,40% per annum respectively.

## 29. BORROWINGS FROM OTHER BANKS

	<i>30 June 2019 LAKm</i>	<i>31 December 2018 LAKm</i>
Borrowings from the BOL ( <i>Note 29.1</i> )	2.095.087	2.063.243
Borrowings from foreign banks ( <i>Note 29.2</i> )	2.010.596	1.286.023
	<b>4.105.683</b>	<b>3.349.266</b>

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 29. BORROWINGS FROM OTHER BANKS (continued)

### 29.1. Borrowings from the BOL

Borrowings from the BOL as at 30 June 2019 include:

- (i) USD 3.285.713 long-term borrowing (original borrowing amount was USD 9.200.000 with interest rate of 0,25% per annum) for the purpose of investment in Banque Franco – Lao Limited. The loan's principal is paid annually from 2010 to 2023. Interest is paid semi-annually.
- (ii) USD 99.854.000 long-term borrowing with interest rate of 5,50% per annum for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 2019 to 2025. Interest is paid quarterly.
- (iii) USD 99.900.000 long-term borrowing with interest rate of 5,30% per annum for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 2020 to 2026. Interest is paid quarterly.
- (iv) LAKm 300.000 one-year borrowing with interest of 10% per annum for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal and interest are paid at maturity date on 21 December 2019.

### 29.2. Borrowings from foreign banks

Borrowings from foreign banks as at 30 June 2019 include:

- (i) USD 80.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 5,50% per annum. The loan's principal and interest are paid at maturity date.
- (ii) USD 148.300.000 4-years borrowing from Cathay United Bank with interest rate of 4% + 3M LIBOR for the purpose of providing credit to certain domestic projects. The loan's principal is paid annually and interest is paid quarterly.

## 30. TAXATION

### 30.1 Profit tax expense

Major components of tax expense are as follows:

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
Current profit tax expense	54.326	86.051
Deferred profit tax income/(expense)	18.275	(8.411)
	<b>72.601</b>	<b>77.640</b>

### 30.2 Tax payables

	<i>30 June 2019 LAKm</i>	<i>31 December 2018 LAKm</i>
Profit Tax payable	25.134	31.422
Value Added Tax payable	2.103	4.529
Other payable	756	-
	<b>27.993</b>	<b>35.951</b>

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 30. TAXATION (continued)

### 30.3 Current Profit tax

The Bank and its subsidiary are obliged to pay profit tax accordance with the Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016.

Accordingly, the Bank is subject to the tax rate of 24% for the six-month ended 30 June 2019 (2018: 24%). The subsidiary is subject to the tax rate of 24% for the six-month ended 30 June 2019 (2018: 24%).

The calculations of Profit taxes ("PT") for the six-month periods ended 30 June 2019 and 30 June 2018 are as follows:

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
<b>Consolidated profit before tax under IFRS</b>	<b>330.356</b>	<b>279.902</b>
<i>Adjustments for:</i>		
- Difference between carrying value under LAS and amortized cost under IFRS of bonds	(1.157)	(3.760)
- Difference between carrying value under LAS and amortized cost under IFRS of loans to customer	(7.347)	-
- Difference in allowance for impairment losses between LAS and IFRS of loans to customers	20.210	51.672
- Difference in retirement benefits	(56.276)	31.801
- Difference in available-for-sale reserve	-	(16.299)
- Difference in impairment loss expense of investment between LAS and IFRS	(30.161)	20.481
- Difference in lease contracts under IFRS 16	(1.421)	-
- Non-taxable profit arising from consolidation adjustments	(22.161)	1.848
- Other adjustment	30	-
<b>Profit before tax in accordance with LAS</b>	<b>232.073</b>	<b>365.645</b>
<i>Increase/(Decrease):</i>		
- Income exempted from PT	(8.181)	(14.079)
- Income from cash loss collection	(542)	-
- Non-deductible expenses	3.009	7.003
<b>Taxable profit under LAS</b>	<b>226.358</b>	<b>358.569</b>
- Taxable profit of the parent bank	223.887	357.249
- Taxable profit of the subsidiary	2.471	1.320
PT expense of the parent bank at rate of 24% (2017: 24%)	53.733	85.734
PT expense of the subsidiary at rate of 24% (2017: 24%)	593	317
<b>Consolidated PT expense in the period</b>	<b>54.326</b>	<b>86.051</b>
PT payable at the beginning of the period	31.422	9.540
PT paid in the period	(60.614)	(22.459)
<b>PT payable at the end of the period</b>	<b>25.134</b>	<b>73.132</b>

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



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 30. TAXATION (continued)

### 30.4 Deferred tax assets/(liabilities)

	<i>Deferred tax assets (tax rate of 24%) LAKm</i>	<i>Deferred tax liabilities (tax rate of 24%) LAKm</i>	<i>Net deferred tax assets/ (liabilities) LAKm</i>
<b>As at 1 January 2019</b>	29.099	(5.272)	23.827
Effect of adopting IFRS 16 as at 1 January 2019	1.362	-	1.362
<b>Change during the period due to:</b>			
Changes in temporary difference between taxable profit under LAS and taxable profit under special purpose framework	(21.022)	2.747	(18.274)
<b>As at 30 June 2019</b>	<b>9.439</b>	<b>(2.525)</b>	<b>6.915</b>

	<i>Statement of financial position</i>		<i>Income statement</i>		<i>Statement of comprehensive income</i>	
	<i>30 June 2019 LAKm</i>	<i>31 December 2018 LAKm</i>	<i>For the 6-month period ended 30 June 2019 LAKm</i>	<i>For the 6-month period ended 30 June 2018 LAKm</i>	<i>For the 6-month period ended 30 June 2019 LAKm</i>	<i>For the 6- month period ended 30 June 2018 LAKm</i>
Deferred tax assets	8.077	29.099	(21.002)	(3.990)	-	4.065
Effect of adopting IFRS 16 as at 1 January 2019	1.362	-	-	-	-	-
Deferred tax liabilities	(2.525)	(5.272)	2.747	12.401	-	690
<b>Net deferred tax credited to the consolidated income statement</b>			<b>(18.275)</b>	<b>8.411</b>		
<b>Net deferred tax credited to the consolidated statement of comprehensive income</b>					<b>-</b>	<b>4.755</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 30. TAXATION (continued)

### 30.4 Deferred tax assets/(liabilities) (continued)

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

	30 June 2019 LAKm	31 December 2018 LAKm
Deductible temporary differences	39.326	121.247
<i>In which:</i>		
<i>Effect of adopting IFRS 16</i>		
<i>as at 1 January 2019</i>	5.673	-
<i>Difference between carrying value</i>		
<i>of bonds under LAS and their</i>		
<i>amortized cost under special</i>		
<i>purpose framework</i>	1.174	2.331
<i>Difference in impairment expense of</i>		
<i>investments under LAS and under</i>		
<i>special purpose framework</i>	770	30.931
<i>Difference in allowance for post-</i>		
<i>employment benefits under LAS and</i>		
<i>under special purpose framework</i>	31.709	87.985
<b>Deferred tax assets (at tax rate 24%)</b>	<b>9.439</b>	<b>29.099</b>
Taxable temporary differences	(10.523)	(21.965)
<i>In which:</i>		
<i>Difference in allowance for</i>		
<i>impairment losses of loans to</i>		
<i>customers under LAS and under</i>		
<i>special purpose framework</i>	(1.755)	-
<i>Difference between carrying value of</i>		
<i>loan to customers under LAS and</i>		
<i>their amortized cost under special</i>		
<i>purpose framework</i>	(7.347)	(21.965)
<i>Difference in lease contracts under</i>		
<i>IFRS 16</i>	(1.421)	-
<b>Deferred tax liabilities (at tax rate 24%)</b>	<b>(2.525)</b>	<b>(5.272)</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 31. OTHER LIABILITIES

	30 June 2019 LAKm	31 December 2018 LAKm
Payables to employees	39.212	86.612
Payable to suppliers	25.883	22.101
Defined post-employment benefit plan (*)	63.717	87.985
Others	48.825	46.220
	<b>177.637</b>	<b>242.918</b>

(\*) *Defined post-employment benefit plan*

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

	For the six-month period ended 30 June 2019 LAKm	For the year ended 31 December 2018 LAKm
Opening balance	87.985	65.149
Past service cost	(25.874)	-
Current service cost	1.738	18.875
Interest cost	1.926	5.259
Actuarial changes arising from changes in financial assumption	-	1.411
Benefits paid	(2.058)	(2.709)
<b>Ending balance</b>	<b>63.717</b>	<b>87.985</b>

Net benefit expense (recognised in profit or loss):

	For the period ended 30 June 2019 LAKm	31 December 2018 LAKm
Current service cost	1.738	18.875
Interest cost	1.926	5.259
	<b>3.664</b>	<b>24.134</b>

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

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 31. OTHER LIABILITIES (continued)

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

	30 June 2019 %	31 December 2018 %
Discount rate	5,00 - 8,62	5,00 - 8,47
Future salary increases	0,79	1,03
Employee turnover rate	0,00	0,00

A quantitative sensitivity analysis for significant assumptions as at 30 June is, as shown below:

	30 June 2019 LAKm	31 December 2018 LAKm
Discount rate		
increase 50 basis points	(7.432)	(7.301)
decrease 50 basis points	6.803	8.340
Future salary		
increase 50 basis points	(581)	(6.001)
decrease 50 basis points	581	5.517

## 32. CHARTER CAPITAL

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

## 33. STATUTORY RESERVES AND OTHER RESERVES

	Regulatory reserve fund LAKm	Business expansion fund LAKm	Total LAKm
As at 1 January 2019	130.507	310.367	440.874
Appropriations to reserves from LAS profit of BCEL Bank	41.218	123.655	164.873
<b>As at 30 June 2019</b>	<b>171.725</b>	<b>434.022</b>	<b>605.747</b>

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

- ▶ Regulatory reserve fund
- ▶ Business expansion fund and other funds

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 34. ADDITIONAL CASH FLOW INFORMATION

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

	30 June 2019 LAKm	31 December 2018 LAKm
Cash and cash equivalents on hand	2.001.965	1.643.245
Demand deposits with the BOL	4.200.055	2.396.173
Current accounts with other banks	2.879.509	2.700.974
Term deposits due within 3 months	-	464.040
	<b>9.081.529</b>	<b>7.204.432</b>

## 35. CONTINGENT LIABILITIES AND COMMITMENTS

	30 June 2019 LAKm	31 December 2018 LAKm
Financial letter of guarantees	246.894	255.094
At sight letters of credit	158.695	39.978
Deferred payment letters of credit	117.442	162.423
Credit limit given to customer	3.169.264	3.349.575
Credit limit given to other banks	548	548
	<b>3.692.843</b>	<b>3.807.618</b>

### *Letter of credit and bank guarantees*

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

### *Un-drawn commitments to lend*

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

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

### *Lease commitments*

As at 30 June 2019, the Bank did not enter into any lease contracts as either lessor or lessee which results in future cash inflows and/or outflows.

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 36. RELATED PARTY DISCLOSURES

### *Transactions with key management personnel of the Bank*

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

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
Salaries	788	756
Bonus	518	499
Responsibility allowance	523	541
Other benefits	48	1.001
	<b>1.877</b>	<b>2.797</b>

Significant transactions with other related parties during the period 30 June 2019 are as follows:

<i>Related party</i>	<i>Note</i>	<i>Transactions</i>	<i>Income LAKm</i>	<i>Expense LAKm</i>
The Bank of Lao PDR	(i)	Interest expense from borrowing from BOL	-	61.710
The Ministry of Finance of Lao PDR	(ii)	Interest income from investment in MOF's bonds	81.453	-
<i>Related party</i>	<i>Note</i>	<i>Transactions</i>	<i>Increase LAKm</i>	<i>Decrease LAKm</i>
Bank of the Lao PDR	(i)	Net change in borrowings from the BOL	31.844	-
		Net change in deposits at BOL	1.774.666	-
		Net change in deposits from BOL	384	-
The Ministry of Finance of Lao PDR	(ii)	Net change in investment in MOF's bonds	-	(12.401)
Lao Viet Joint Venture Bank ("LVB")	(iii)	Net change in deposits at LVB	-	(522.663)
		Net change in deposits from LVB	428.327	-
Banque Franco – Lao Company Limited ("BFL")	(iii)	Net change in deposits at BFL	27	-
		Net change in deposits from BFL	7.863	-
Lao China Bank Co., Ltd ("LCNB")	(iii)	Net change in deposits at LCNB	4.263	-

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 36. RELATED PARTY DISCLOSURES (continued)

Significant balances with other related parties as at 30 June 2019 are as follows:

<i>Related party</i>	<i>Note</i>	<i>Transactions</i>	<i>Receivable LAKm</i>	<i>Payable LAKm</i>
Bank of the Lao PDR	(i)	Borrowings and accrued interest from the BOL	-	2.095.087
		BCEL's demand deposits at the BOL	4.200.054	6.730
		BCEL's compulsory deposits at the BOL	1.290.251	-
The Ministry of Finance of the Lao PDR	(ii)	Investment in MOF's bonds (at amortized cost)	3.547.299	-
		Accrued interest	56.410	-
Lao Viet Joint Venture Bank	(iii)	Current accounts	473.641	611.037
Banque Franco – Lao Company Limited	(iii)	Current accounts	900	15.700
		Term deposit	10.000	10.378
Lao China Bank Co.Ltd	(iii)	Current accounts	-	9.842
<i>(i) Direct controller</i>				
<i>(ii) Direct owner</i>				
<i>(iii) Joint venture</i>				



# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 37. RISK MANAGEMENT POLICIES

### *Introduction*

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

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

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

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

### *Risk management structure*

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

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

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

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 38. CAPITAL MANAGEMENT

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

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

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

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

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

	<i>Interim separated financial statement</i>		<i>Interim consolidated financial statements</i>	
	<i>30 June 2019</i>	<i>31 December 2018</i>	<i>30 June 2019</i>	<i>31 December 2018</i>
	<i>LAKm</i>	<i>LAKm</i>	<i>LAKm</i>	<i>LAKm</i>
Tier 1 capital	2.007.712	1.984.510	2.050.913	2.003.541
Tier 2 capital	-	-	-	-
<b>Total capital</b>	<b>2.007.712</b>	<b>1.984.510</b>	<b>2.050.913</b>	<b>2.003.541</b>
Less: Deductions from capital (Investments in other entities)	(516.047)	(514.007)	(488.525)	(462.296)
<b>Capital for CAR calculation (A)</b>	<b>1.491.655</b>	<b>1.470.503</b>	<b>1.562.388</b>	<b>1.541.245</b>
Risk weighted balance sheet items	12.656.740	11.939.639	12.683.191	11.984.241
Risk weighted off balance sheet items	1.702.106	1.880.710	1.702.106	1.880.710
<b>Total risk weighted assets (B)</b>	<b>14.358.846</b>	<b>13.814.394</b>	<b>14.385.296</b>	<b>13.864.951</b>
<b>Capital Adequacy Ratio (A/B)</b>	<b>10,39%</b>	<b>10,64%</b>	<b>10,86%</b>	<b>11,12%</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

## 40. EARNINGS PER SHARE

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

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

	<u>30 June 2019</u>	<u>30 June 2018</u>
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	256.993	201.851
Weighted average number of ordinary shares for basic earnings per share (shares)	207.723.300	207.527.508
Face value per share (LAK)	5.000	5.000
Earnings per share (LAK)	1.237	973

## 41. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 30 June 2019 that requires adjustment or disclosure in the interim consolidated financial statements of the Bank.

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

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

	30 June 2019 LAK	31 December 2018 LAK
USD	8.648,00	8.538,00
EUR	9.822,00	9.753,00
THB	285,41	265,48
GBP	10.822,00	10.702,00
JPY	79,17	75,80
AUD	5.950,00	5.966,00
CNY	1.246,00	1.229,00

Prepared by:



Mrs. Phousengthong Anoulakham  
Chief of Accounting Department

Approved by:



Mr. Kongsack Souphonesy  
Chief of Internal Audit  
Department

Approved by:



Mr. Phoukhong Chanthachack  
General Managing Director



Vientiane, Lao PDR

6 September 2019

# **Banque Pour Le Commerce Extérieur Lao Public**

Special purpose interim separate financial statements

as at and for the six-month period ended 30 June 2019

# Banque Pour Le Commerce Exterieur Lao Public

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# Banque Pour Le Commerce Extérieur Lao Public

## GENERAL INFORMATION

### THE BANK

Banque Pour Le Commerce Extérieur Lao Public (herein referred to as “the Bank”) is a joint-stock bank incorporated and registered in the Lao People’s Democratic Republic (“Lao PDR”).

#### *Establishment and Operations*

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

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

On 17 August 2017, Lao Securities Commission Office approved the Bank to recapitalize by both Rights offering (which resulted in 68,047,300 shares) and Public offering (which resulted in 3,098,400 shares) in Lao Securities Exchange in order to increase its charter capital. The Bank received the new Banking Business License No. 21/BOL, dated 13 September 2017 issued by the Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified that the Bank successfully increased its charter capital by an amount of LAK 355,728,500,000 (equivalent to 71,145,700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest amended Business License No. 0429/ERO dated 18 May 2018 issued by Ministry of Industry and Commerce.

The shareholding structure of the Bank as at 30 June 2019 is as follows:

<i>Shareholders</i>	<i>Number of shares</i>	<i>%</i>
The Government	145,406,321	70%
Strategic partners	20,772,359	10%
Local investors (including employees of the Bank) and other foreign investors	41,544,620	20%
	<b>207,723,300</b>	<b>100%</b>

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

#### *Charter Capital*

The charter capital as at 30 June 2019 is LAKm 1,038,617 (31 December 2018: LAKm 1,038,617).

#### *Location and Network*

The Bank’s Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 30 June 2019, the Bank has one (01) Head Office, one (1) subsidiary, five (5) joint ventures, twenty (20) main branches, ninety-three (93) services units, and sixteen (16) exchange units all over Lao PDR.



# Banque Pour Le Commerce Extérieur Lao Public

## GENERAL INFORMATION (continued)

### THE BANK (continued)

#### Subsidiary

As at 30 June 2019 the Bank has one (01) subsidiary as follows:

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

#### Joint ventures

As at 30 June 2019, the Bank has five (05) joint ventures as follows:

<i>Name</i>	<i>Established in accordance with Business License No.</i>	<i>Business Sector</i>	<i>% owned by the Bank</i>
Lao Viet Joint Venture Bank	732/ERO dated 29 August 2016 by the Ministry of Industry and Commerce	Banking & Finance	25%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of Lao PDR	Banking & Finance	30%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commerce	Insurance	35%
Lao China Bank Company Limited	041/ERM dated 27 January 2014 by the Department of Enterprise Register and Management of Lao PDR	Banking & Finance	49%
Lao National Payment Network Company Limited	0349/ERO granted by the Department of Enterprise Registration and Management of the Ministry of Industry and Commerce of the Lao PDR on 12 March 2019	Settlement transaction management (Electronic)	20%

## BOARD OF DIRECTORS

Members of the Board of Directors during the six-month period ended 30 June 2019 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Bounleua Sinxayvoravong	Chairman	Reappointed on 27 April 2018
Mr. Kamsouk Sundara	Vice Chairman	Reappointed on 27 April 2018
Mr. Phoukhong Chanthachack	Member	Reappointed on 27 April 2018
Mr. Marc Robert	Member	Reappointed on 27 April 2018
Mr. Phouthakhan Khanty	Member	Appointed on 27 April 2018
Associate Professor, Dr. Phouphet Kyophilavong	Member	Appointed on 27 April 2018
Mr. Viengsouk Chounthavong	Member	Appointed on 27 April 2018

# Banque Pour Le Commerce Exterieur Lao Public

## GENERAL INFORMATION (continued)

### BOARD OF MANAGEMENT

Members of the Board of Management during the six-month period ended 30 June 2019 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/resignation</i>
Mr. Phoukhong Chanthachack	General Managing Director	Appointed 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed 06 June 2008 Resigned 01 April 2019
Mr. Lachay Khanpravong	Deputy Managing Director	Appointed 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointed 30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	Appointed 23 November 2015 Resigned 26 April 2019
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointed 23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	Appointed 01 November 2016
Mr. Viengsouk Chounthavong	Deputy Managing Director	Appointed 18 February 2019

### LEGAL REPRESENTATIVE

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

### AUDITORS

The auditors of the Bank are Ernst & Young Lao Co., Ltd.

Reference: 60790273/21199783-HY-IFRS

## **REPORT ON REVIEW OF SPECIAL PURPOSE INTERIM SEPARATE FINANCIAL STATEMENTS**

**To: Management of Banque Pour Le Commerce Extérieur Lao Public;  
Bank of the Lao PDR; and  
Laos Securities Commission Office**

### ***Introduction***

We have reviewed the accompanying special purpose interim separate financial statements ("interim separate financial statements") of Banque Pour Le Commerce Extérieur Lao Public ("the Bank"), which comprise the interim separate balance sheet as at 30 June 2019, and the related interim separate income statement, interim separate statement of comprehensive income, interim separate statement of changes in equity and interim separate cash flow statement for the six-month period then ended and a summary of significant accounting policies and other explanatory information. The Bank's management is responsible for the preparation of these interim separate financial statements in accordance with the accounting policies as described in Note 5 and Note 6 to the interim separate financial statements and for such internal control as management determines is necessary to enable the preparation and presentation of interim separate financial statements that are free from material misstatement, whether due to fraud or error. Our responsibility is to express a conclusion on these interim separate financial statements based on our review.

### ***Scope of review***

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Basis for Qualified Conclusion***

The interim separate financial statements do not disclose information relating to fair value measurements required by IFRS 13: "Fair value measurement" and financial risk management required by IFRS 7: "Financial Instruments: Disclosures". It is not possible to determine the effects on the interim separate financial statements of the Bank's failure to make these disclosures.

### ***Qualified Conclusion***

Based on our review, with the exception of the matter as described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim separate financial statements of the Bank for the six-month period ended 30 June 2019 are not prepared, in all material respects, in accordance with the accounting policies as described in Note 5 and Note 6 to the interim separate financial statements to meet the reporting requirements of the Bank of Lao PDR and the Laos Securities Commission Office.

### ***Emphasis of Matters***

We draw attention to Note 2 to the interim separate financial statements, which describes the basis of preparation, under which the accounting policies used and disclosures made are not intended to, and on basis of accounting do not, comply with all the requirements of International Financial Reporting Standards as the accounting policies for recognition and measurement of financial instruments are based on IAS 39 Financial instruments: Recognition and Measurement instead of IFRS 9 - Financial instruments. The interim separate financial statements are prepared solely for the use of the Bank to meet the reporting requirements of the Bank of Lao PDR and the Laos Securities Commission Office. As a result, the interim separate financial statements may not be suitable for another purpose. Our auditor's report is intended solely for the information and use of the Bank and these regulators, and should not be used by other parties.

We draw attention to Note 3 the interim separate financial statements which states that the Bank prepared the interim consolidated financial statements of the Bank and its subsidiary for the six-month period ended 30 June 2019 in accordance with the accounting policies as described in Note 5 and Note 6 to the interim consolidated financial statements. We have reviewed and expressed a qualified conclusion on these interim consolidated financial statements in our review report dated 6 September 2019 with regards to the Bank's failure to disclose information relating to fair value measurements required by IFRS 13: "Fair value measurement" and financial risk management required by IFRS 7: "Financial Instruments: Disclosures".

Our review conclusion on the interim separate financial statements is not modified in respect of these matters.

**Ernst & Young Lao Co., Ltd.:**



Saman Wijaya Bandara  
Partner  
Audit Practising Registration  
Certificate No. 014/LCPAA-APT-2019

Vientiane, Lao PDR

6 September 2019



# Banque Pour Le Commerce Extérieur Lao Public

## INTERIM SEPARATE INCOME STATEMENT for the six-month period ended 30 June 2019

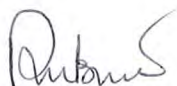
	Notes	For the six-month period ended 30 June 2019 LAKm	For the six-month period ended 30 June 2018 LAKm
Interest and similar income	8	1.075.642	921.302
Interest and similar expense	8	(577.693)	(471.602)
<b>Net interest and similar income</b>	<b>8</b>	<b>497.949</b>	<b>449.700</b>
Fee and commission income	9	119.991	119.827
Fee and commission expense	9	(13.948)	(10.972)
<b>Net fee and commission income</b>	<b>9</b>	<b>106.043</b>	<b>108.855</b>
Net gain from dealing in foreign currencies	10	19.070	28.990
Net loss from dealing derivatives	11	(1.204)	-
Other operating income	12	73.029	25.558
<b>Operating income</b>		<b>694.887</b>	<b>613.103</b>
Credit loss expense of loans to customers	19	(122.631)	(30.716)
Additional of impairment losses of financial investments	13	(1.861)	(10.735)
<b>NET OPERATING INCOME</b>		<b>570.395</b>	<b>571.652</b>
Personnel expenses	14	(152.676)	(186.722)
Depreciation and amortization	23, 24	(35.521)	(36.765)
Depreciation of right-of-use assets	5.2	(2.358)	-
Other operating expenses	15	(74.859)	(68.103)
<b>TOTAL OPERATING EXPENSES</b>		<b>(265.414)</b>	<b>(291.590)</b>
<b>PROFIT BEFORE TAX</b>		<b>304.981</b>	<b>280.062</b>
Current profit tax expense	29.1	(53.733)	(85.734)
Deferred profit tax (expense)/income	29.1	(18.268)	8.411
<b>NET PROFIT FOR THE PERIOD</b>		<b>232.980</b>	<b>202.739</b>
<b>Earnings per share (LAK)</b>	<b>36</b>	<b>1.122</b>	<b>976</b>

Prepared by:



Mrs. Phousengthong Anoulakkham  
Chief of Accounting Department

Approved by:



Ms. Phetsamone Somsana  
Deputy Chief of Internal  
Audit Department



Approved by:



Mr. Phoukhong Chanthachack  
General Managing Director

Vientiane, Lao PDR

6 September 2019

# Banque Pour Le Commerce Exterieur Lao Public

## INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME for the six-month period ended 30 June 2019

		<i>For the six-month period ended 30 June 2019</i>	<i>For the six-month period ended 30 June 2018</i>
	<i>Notes</i>	<i>LAKm</i>	<i>LAKm</i>
<b>NET PROFIT FOR THE PERIOD</b>		<b>232.980</b>	<b>202.739</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Change in fair value of available-for-sale financial assets		-	(19.174)
Profit tax related to components of other comprehensive income		-	4.601
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>-</b>	<b>(14.573)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>232.980</b>	<b>188.166</b>

Prepared by:



Mrs. Phousengthong Anoulakkham  
Chief of Accounting Department

Approved by:



Ms. Phetsamone Somsana  
Deputy Chief of Internal  
Audit Department



Approved by:



Mr. Phoukhong Chanthachack  
General Managing Director

Vientiane, Lao PDR

6 September 2019

# Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION  
as at 30 June 2019


	Notes	30 June 2019 LAKm	31 December 2018 LAKm
<b>ASSETS</b>			
Cash and balances with the Bank of Lao PDR	16	7.492.265	5.334.240
Due from banks	17	3.839.183	3.733.419
Loans to customers	18	26.116.143	24.366.860
Financial investments - Available-for-sale	20	149.182	151.483
Financial investments - Held-to-maturity	21	3.601.766	3.652.772
Investments in subsidiary and joint ventures	22	516.047	514.007
Property and equipment	23	451.855	449.238
Right-of-use assets	5.2	43.472	-
Intangible assets	24	245.694	246.596
Deferred tax assets	29.4	9.316	29.099
Other assets	25	431.251	464.931
<b>TOTAL ASSETS</b>		<b>42.896.174</b>	<b>38.942.645</b>
<b>LIABILITIES</b>			
Due to banks and other financial institutions	26	4.446.163	3.413.129
Due to customers	27	32.124.052	29.915.142
Borrowings from other banks	28	4.105.683	3.349.266
Lease liabilities	5.2	8.069	-
Current tax liabilities	29.2	27.862	35.793
Deferred tax liabilities	29.4	2.518	5.272
Other liabilities	30	174.115	239.533
<b>TOTAL LIABILITIES</b>		<b>40.888.462</b>	<b>36.958.135</b>
<b>EQUITY</b>			
Charter capital	31	1.038.617	1.038.617
Statutory reserves and other reserves	32	604.423	439.550
Retained earnings		364.672	506.343
<b>TOTAL EQUITY</b>		<b>2.007.712</b>	<b>1.984.510</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>42.896.174</b>	<b>38.942.645</b>

Prepared by:

Approved by:



Mrs. Phousengthong Anoulakkham  
Chief of Accounting Department



Ms. Phetsamone Somsana  
Deputy Chief of Internal  
Audit Department



Approved by:



Mr. Phoukhong Chanthachack  
General Managing Director

Vientiane, Lao PDR

6 September 2019



# Banque Pour Le Commerce Extérieur Lao Public

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY  
for the six-month period ended 30 June 2019

	Charter capital LAKm	Statutory reserves LAKm	Retained earnings LAKm	Total LAKm
<b>Balance as at 31 December 2018</b>	<b>1.038.617</b>	<b>439.550</b>	<b>506.343</b>	<b>1.984.510</b>
Effect of adopting IFRS 16 as at 1 January 2019 (Note 5.2)	-	-	(3.923)	(3.923)
Appropriation for dividend paid out to shareholders for the year 2018	-	-	(205.855)	(205.855)
Appropriation to reserve for the year 2018	-	164.873	(164.873)	-
Net profit for the period	-	-	232.980	233.980
<b>Balances as at 30 June 2019</b>	<b>1.038.617</b>	<b>604.423</b>	<b>364.672</b>	<b>2.007.712</b>

Prepared by:



Mrs. Phousengthong Anoulakkham  
Chief of Accounting Department

Approved by:



Ms. Phetsamone Somsana  
Deputy Chief of Internal Audit Department



Approved by:



Mr. Phoukhong Chanthachack  
General Managing Director

Vientiane, Lao PDR

6 September 2019

# Banque Pour Le Commerce Exterieur Lao Public

## INTERIM SEPARATE STATEMENT OF CASH FLOWS for the six-month period ended 30 June 2019

		<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
<b>OPERATING ACTIVITIES</b>	<i>Notes</i>		
<b>Profit before tax</b>		<b>304.981</b>	<b>280.062</b>
<i>Adjustments for:</i>			
Depreciation and amortization charges	23, 24	35.521	36.765
Depreciation of right-of-use assets		2.358	-
Adjustments for OB under IFRS 16		(3.923)	-
Expense for impairment losses	19	122.631	30.716
Changes in provision for impairment loss on investment securities	13	1.861	10.735
Defined post-employment benefit expense	14	3.664	31.801
Dividend income	12	(7.429)	(13.710)
<b>Cash flows from operating profit before changing in operating assets and liabilities</b>		<b>459.664</b>	<b>376.369</b>
<i>Changes in operating assets</i>			
Net change in balances with other banks		(385.601)	(224.619)
Net change in loans to customers		(1.852.244)	(602.236)
Financial investment - Held-to-maturity		51.446	275.725
Financial investment - Available-for-sale		-	5.365
Net change in other assets		(23.000)	(39.183)
<i>Changes in operating liabilities</i>			
Net change in due to other banks		1.789.451	228.674
Net change in due to customers		2.208.910	14.475
Net change in other liabilities		(67.955)	(2.251)
Tax paid during the period	29.3	(59.994)	(22.247)
<b>Net cash flows from operating activities</b>		<b>2.120.677</b>	<b>10.072</b>
<b>INVESTING ACTIVITIES</b>			
Purchase and construction of fixed assets		(64.108)	(68.109)
Proceeds from disposals of fixed assets		22.085	238
Dividends received		7.429	13.710
Payment for joint venture investment		(2.040)	-
Proceed from settlement of joint venture's shares		-	55.000
<b>Net cash flows (used in)/from investing activities</b>		<b>(36.634)</b>	<b>839</b>

# Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF CASH FLOWS (continued)  
for the six-month period ended 30 June 2019


		For the six-month period ended 30 June 2019 LAKm	For the six-month period ended 30 June 2018 LAKm
<b>OPERATING ACTIVITIES</b>	Notes		
<b>FINANCING ACTIVITIES</b>			
Payment of dividends		(205.855)	(97.900)
<b>Net cash flows used in financing activities</b>		<b>(205.855)</b>	<b>(97.900)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>1.879.188</b>	<b>(86.989)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>7.201.769</b>	<b>7.315.158</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>33</b>	<b>9.080.957</b>	<b>7.228.169</b>
<b>Non-cash activities:</b>			
Loan settlements by receiving triangle bonds from Ministry of Finance		-	(1.391.007)

Prepared by:

Approved by:



Mrs. Phousengthong Anoulakham  
Chief of Accounting Department



Ms. Phetsamone Somsana  
Deputy Chief of Internal Audit  
Department



Mr. Phoukhong  
Chanthachack  
General Managing Director

Vientiane, Lao PDR

6 September 2019

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS  
as at and for the six-month period then ended 30 June 2019

## 1. CORPORATE INFORMATION

Banque Pour Le Commerce Extérieur Lao Public (“the Bank”) is a joint-stock bank incorporated and registered in the Lao People’s Democratic Republic.

### ***Establishment and Operations***

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

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

On 17 August 2017, Lao Securities Commission Office approved the Bank to recapitalize by both Rights offering (which resulted in 68,047,300 shares) and Public offering (which resulted in 3,098,400 shares) in Lao Securities Exchange in order to increase its charter capital. The Bank received the new Banking Business License No. 21/BOL, dated 13 September 2017 issued by Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified the Bank successfully increased its charter capital by an amount of LAK 355,728,500,000 (71,145,700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest amended Business License No. 0429/ERO dated 18 May 2018 issued by Ministry of Industry and Commerce.

The shareholding structure of the Bank as at 30 June 2019 is as follows:

<i>Shareholders</i>	<i>Number of shares</i>	<i>%</i>
The Government	145,406,321	70%
Strategic partners	20,772,359	10%
Local investors (including employees of the Bank) and other foreign investors	41,544,620	20%
	<b>207,723,300</b>	<b>100%</b>

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

### ***Charter Capital***

The charter capital as at 30 June 2019 is LAKm 1,038,617 (31 December 2018: LAKm 1,038,617).

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 1. CORPORATE INFORMATION (continued)

### **Location and Network**

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 30 June 2019, the Bank has one (01) Head Office, one (1) subsidiary, five (5) joint ventures, twenty (20) main branches, ninety-three (93) services units, and sixteen (16) exchange units all over Lao PDR.

### **Subsidiary**

As at 30 June 2019, the Bank has one (01) subsidiary as follows:

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

### **Joint ventures**

As at 30 June 2019, the Bank has five (05) joint ventures as follows:

<i>Name</i>	<i>Business License No.</i>	<i>Business Sector</i>	<i>% owned by the Bank</i>
Lao Viet Joint Venture Bank	732/ERO dated 29 August 2016 by the Ministry of Industry and Commerce	Banking & Finance	25%
Banque Franco - Lao Limited	0495/ERO dated 07 June 2018 by the Ministry of Industry and Commerce	Banking & Finance	30%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commerce	Insurance	35%
Lao China Bank Company Limited	041/ERM dated 27 January 2014 by the Department of Enterprise Register and Management of Lao PDR	Banking & Finance	49%
Lao National Payment Network Company Limited	0349/ERO granted by the Department of Enterprise Registration and Management of the Ministry of Industry and Commerce of the Lao PDR on 12 March 2019	Transaction settlement management (Electronic)	20%

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 1. CORPORATE INFORMATION (continued)

### **Board of Directors**

Members of the Board of Directors during the six-month period ended 30 June 2019 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Bounleua Sinxayvoravong	Chairman	Reappointed on 27 April 2018
Mr. Khamsouk Sundara	Vice Chairman	Reappointed on 27 April 2018
Mr. Phoukhong Chanthachack	Member	Reappointed on 27 April 2018
Mr. Marc Robert	Member	Reappointed on 27 April 2018
Mr. Phouthakhan Khanty	Member	Appointed on 27 April 2018
Associate Professor, Dr. Phouphet Kyophilavong	Member	Appointed on 27 April 2018
Mr. Viengsouk Chounthavong	Member	Appointed on 27 April 2018

### **Board of Management**

Members of the Board of Management during the six-month period ended 30 June 2019 and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/resignation</i>
Mr. Phoukhong Chanthachack	General Managing Director	Appointed 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed 06 June 2008 Resigned 01 April 2019
Mr. Lachay Khanpravong	Deputy Managing Director	Appointed 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointed 30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	Appointed 23 November 2015 Resigned 26 April 2019
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointed 23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	Appointed 01 November 2016
Mr. Viengsouk Chounthavong	Deputy Managing Director	Appointed 18 February 2019

### **Employees**

Total number of employees of the Bank as at 30 June 2019 is 1.969 persons (as at 31 December 2018: 1.900 persons).

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 2. BASIS OF PREPARATION

The interim separate financial statements are prepared solely for the use of the Bank to meet the requirements of Bank of the Lao PDR and the Laos Securities Commission Office. These interim separate financial statements are prepared in accordance with the accounting policies as described in Note 5 and Note 6. These accounting policies are primarily based on the International Financial Reporting Standards ("IFRS") as issued by International Accounting Standard Board. However, this is not a complete set of general purpose financial statements prepared in accordance with IFRS as the Bank follows the guidance stipulated in Official Letter No. 1659/BOL dated 14 December 2018 by Bank of the Lao PDR and Official Letter No. 19/LSCO dated 23 November 2018 by the Laos Securities Commission Office following which the accounting policies for recognition and measurement of financial instruments are based on IAS 39: "Financial instruments: Recognition and Measurement" instead of IFRS 9: "Financial instruments".

Accordingly, the accompanying interim separate financial statements are not intended to be prepared in accordance with IFRS ("the special purpose interim separate financial statements").

The special purpose interim separate financial statements are prepared solely for the use of the Bank.

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

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

## 3. PURPOSE OF PREPARING THE INTERIM SEPARATE FINANCIAL STATEMENTS

The Bank has prepared and issued the interim separate financial statements in accordance with the accounting policies as described in Note 5 and Note 6 to the interim separate financial statements to meet statutory reporting requirements. In addition, the Bank has also prepared its consolidated financial statements for the six-month period ended 30 June 2019.

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 six-month period ended 30 June 2019 in order to obtain full information on the interim consolidated financial position, interim consolidated results of operations and interim consolidated cash flows of the Bank and its subsidiary.

## 4. PRESENTATION OF THE INTERIM SEPARATE FINANCIAL STATEMENTS

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

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



# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 5. CHANGE IN ACCOUNT POLICIES AND DISCLOSURES

### 5.1 *New and amended standards and interpretations*

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019 as described below. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### 5.2 *IFRS 16 Leases*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Bank elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Bank also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follow:

	<i>LAKm</i>
<b>Asset</b>	
Right of use assets	40.903
Prepayments	(37.948)
Deferred tax assets	1.239
<b>Total assets</b>	<b>4.194</b>
<b>Liabilities</b>	
Lease liabilities	8.117
<b>Total liabilities</b>	<b>8.117</b>
Total adjustment on equity:	
<b>Retained earnings</b>	<b>(3.923)</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 5. CHANGE IN ACCOUNT POLICIES AND DISCLOSURES (continued)

### 5.2 IFRS 16 Leases (continued)

#### *a) Nature of the effect of adoption of IFRS 16*

The Bank has lease contracts for various items of plant. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Bank; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively. Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Bank.

#### ► *Leases previously classified as finance leases*

The Bank did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

The Bank recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Bank also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 5. CHANGE IN ACCOUNT POLICIES AND DISCLOSURES (continued)

### 5.2 IFRS 16 Leases (continued)

#### a) Nature of the effect of adoption of IFRS 16 (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	<i>LAKm</i>
<b>Operating lease commitments as at 31 December 2018</b>	<b>12.851</b>
Weighted average incremental borrowing rate as at 1 January 2019	5.59%
Discounted operating lease commitments at 1 January 2019	8.130
<b>Less:</b>	
Commitments relating to short-term lease	-
Commitments relating to leases of low-value assets	(13)
<b>Lease liabilities as at 1 January 2019</b>	<b>8.117</b>

#### b) Summary of new accounting policies

Set out below are the new accounting policies of the Bank upon adoption of IFRS 16, which have been applied from the date of initial application:

##### • Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

##### • Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 5. CHANGE IN ACCOUNT POLICIES AND DISCLOSURES (continued)

### 5.2 IFRS 16 Leases (continued)

#### *b) Summary of new accounting policies (continued)*

##### • *Short-term leases and leases of low-value assets*

The Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### • *Significant judgement in determining the lease term of contracts with renewal options*

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has the option, under some of its leases to lease the assets for additional terms of three to five years. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Bank included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Bank has a policy of leasing motor vehicles for not more than five years and, hence, not exercising any renewal options.

#### *c) Amounts recognised in the statement of financial position and profit or loss*

Set out below, are the carrying amounts of the Bank's right-of-use assets and lease liabilities and the movements during the period:

	<i>Right of use assets</i>	<i>Lease liabilities</i>
	<i>LAKm</i>	<i>LAKm</i>
<b>As at 1 January 2019</b>	<b>40.903</b>	<b>8.117</b>
Addition	4.927	4.927
Depreciation expense	(2.358)	-
Interest expense	-	214
Payments	-	(5.189)
<b>As at 30 June 2019</b>	<b>43.472</b>	<b>8.069</b>

*The Bank recognised rent expense from lease of low-value assets of LAKm 13 for the six-month period ended 30 June 2019*

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 5. CHANGE IN ACCOUNT POLICIES AND DISCLOSURES (continued)

### 5.3 *Post-employment benefits*

In 2019, the Bank's policy on Post-employment benefits was changed to the new policy as disclosed in Note 6.15.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 6.1 *Foreign currency translation*

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK on 30 June 2019 and 31 December 2018 as presented in Note 41). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance date are recognized in the interim separate income statement.

### 6.2 *Financial instruments - initial recognition and subsequent measurement*

#### 6.2.1 *Date of recognition*

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

#### 6.2.2 *Initial measurement of financial instruments*

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

#### 6.2.3 *The effective interest rate method*

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

- ▶ 6.2.6 for 'Held-to-maturity financial investments'
- ▶ 6.2.7 for 'Due from banks and loans and advances to customers'
- ▶ 6.2.8 for 'Due to other banks and customers and other borrowed funds'
- ▶ 6.4 for 'Impairment of financial assets'
- ▶ 6.8 for 'Recognition of income and expenses'

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 6.2.4 *'Day 1' profit or loss*

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

#### 6.2.5 *Available for sale financial investments*

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

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

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

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

#### 6.2.6 *Held-to-maturity financial investments*

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the EIR. Periodically, held-to-maturity securities are subject to review for impairment. Allowance for impairment of these securities is made when there has been a significant or prolonged decline 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.

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 6.2.7 *Due from banks and loans and advances to customers*

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

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

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

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

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

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

#### 6.2.8 *Due to other banks and customers and other borrowed funds*

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

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



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 6.2.9 *Reclassification of financial assets*

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

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

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

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

### 6.3 *De-recognition of financial assets and financial liabilities*

#### 6.3.1 *Financial assets*

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

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

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

Pass-through arrangements are transactions when the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when certain conditions are met. As at 30 June 2019, the Bank does not have financial assets which are subject to such arrangements.

A transfer only qualifies for derecognition if either:

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

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 6.3.1 *Financial assets* (continued)

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

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

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

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

#### 6.3.2 *Financial liabilities*

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

### 6.4 *Impairment of financial assets*

The Bank 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.

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.4 Impairment of financial assets (continued)

#### 6.4.1 Financial assets carried at amortized cost

##### *Specific impairment losses*

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

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

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

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

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

##### *Collective impairment model*

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

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

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.4 *Impairment of financial assets* (continued)

#### 6.4.2 *Impairment of available for sale investments*

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

#### 6.4.3 *Collateral valuation*

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

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

#### 6.4.4 *Collateral repossessed*

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

### 6.5 *Offsetting financial instruments*

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

### 6.6 *Investment in subsidiaries*

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

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

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.7 *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.

### 6.8 *Recognition of income and expense*

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

#### 6.8.1 *Interest and similar income and expense*

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

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

#### 6.8.2 *Fees and commission income*

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

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

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.8 *Recognition of income and expense* (continued)

#### 6.8.2 *Fees and commission income* (continued)

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

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

#### 6.8.3 *Dividend income*

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

#### 6.8.4 *Net trading income*

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.9 *Cash and cash equivalents*

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

### 6.10 *Property and equipment*

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

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

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

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



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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.11 *Intangible assets*

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

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

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

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

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

► Software	2 - 5 years
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The land use rights of the Bank was not amortized as land use rights have indefinite term and was granted by the Government of Lao PDR.

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.12 *Impairment of non-financial assets*

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

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

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

### 6.13 *Derivative financial instruments*

#### *Swap*

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with other counterparties (customers and financial institutions) in which the Bank either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap (included within foreign exchange contracts), the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross settled.

Credit default swaps are contractual agreements between two parties to make payments with respect to defined credit events, based on specified notional amounts. The Bank purchases credit default swaps in order to mitigate the risk of default by the counterparty on the underlying security referenced by the swap. *IFRS 7.31*.

Irrespective of whether settled through clearing houses or directly with the counterparties, most swaps are fully collateralised and require daily margin settlement. The practice significantly reduces the Bank's credit risk, but requires more diligent liquidity management than if the positions were not collateralised.

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.14 *Financial guarantees*

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

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

### 6.15 *Employee benefits*

#### *Post-employment benefits*

Post-employment benefits are paid to retired employees of the Bank at the time of retirement by the amount equal to (Latest Basic Salary + Wage + 25% of allowance (If have) + 25% of other benefits) x 1,5 x working years.

The fund for Post-employment benefits comes from:

- (i) the retirement reserve contributed by the employees, for which the Bank withholds a certain monthly amount from employees' salary (5,5%) of the amount (Equal to Basic Salary + Wage + 25% of allowance + 25% of other benefits);
- (ii) and the Bank contribution by monthly, which is equal to 6% of the amount (Equal to Basic Salary + Wage + 25% of allowance + 25% of other benefits).

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.15 *Employee benefits* (continued)

#### *Post-employment benefits* (continued)

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

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

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

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

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

#### *Termination benefits*

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

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 30 June 2019, there is no employee of the Bank who was dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the interim separate financial statements.

### 6.16 *Provisions*

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.17 Profit tax

#### *Current tax*

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

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

#### *Deferred tax*

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

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

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

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

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

### 6.18 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.

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6.19 *Equity reserves*

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

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

## 7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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## 7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

### 7.1 *Going concern*

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

### 7.2 *Effective Interest Rate method*

The Bank's EIR methodology, as explained in Note 6.2.3, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to other fee income/expense that are integral parts of the instrument.

### 7.3 *Impairment losses on loans and advances*

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

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

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

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

### 7.4 *Impairment of available-for-sale investments*

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

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

### 7.5 *Deferred tax assets*

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



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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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## 8. NET INTEREST AND SIMILAR INCOME

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
<b>Interest income calculated using the effective interest method from:</b>		
Lending to customers	960.957	827.316
Deposits at other banks	31.990	21.149
Investment securities	82.610	72.563
Other activities	85	274
	<b>1.075.642</b>	<b>921.302</b>
<b>Interest expense calculated using the effective interest method for:</b>		
Due to banks	145.752	67.245
Customer deposits	431.941	404.357
	<b>577.693</b>	<b>471.602</b>
<b>Net interest and similar income</b>	<b>497.949</b>	<b>449.700</b>

## 9. NET FEE AND COMMISSION INCOME

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
<b>Fee and commission income from:</b>		
Settlement services	86.922	77.262
Treasury activities	23.244	37.539
Other activities	9.825	5.026
	<b>119.991</b>	<b>119.827</b>
<b>Fee and commission expense for:</b>		
Settlement services	(11.993)	(10.008)
Treasury activities	(1.955)	(964)
	<b>(13.948)</b>	<b>(10.972)</b>
<b>Net fee and commission income</b>	<b>106.043</b>	<b>108.855</b>

## 10. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
Gains from dealing in foreign currencies	2.521.935	2.523.044
Losses from dealing in foreign currencies	(2.502.865)	(2.494.054)
	<b>19.070</b>	<b>28.990</b>

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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## 11. NET LOSS FROM DEALING DERIVATIVES

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
Gain from Derivatives	1.518	-
Loss from Derivatives	(2.722)	-
	<b>(1.204)</b>	<b>-</b>

## 12. OTHER OPERATING INCOME

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
Dividend income	7.429	13.710
Recovery of bad debts written-off	10.556	3.275
Gain from selling joint venture's share	-	7.000
Gain on sale of fixed assets	244	-
Past service cost from amendment of post-employment defined benefit plans	25.874	-
Others (*)	28.926	1.573
	<b>73.029</b>	<b>25.558</b>

(\*) Including amount 32.008 LAKm reversal of employees' salary expense withheld and contributed by the Bank due to amendment of the post-employees benefit plan 2019.

## 13. IMPAIRMENT LOSSES OF FINANCIAL INVESTMENTS

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
Impairment loss for Available-for-sale investments	(2.301)	-
Reversal of impairment loss for Held-to-maturity investments (Note 21)	440	(10.735)
	<b>(1.861)</b>	<b>(10.735)</b>

## 14. PERSONNEL EXPENSES

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
Salary and wages	70.391	63.489
Allowances and other staff benefits	74.802	87.277
Post-employment benefits (Note 30)	3.664	32.645
Other staff costs	3.819	3.311
	<b>152.676</b>	<b>186.722</b>

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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## 15. OTHER OPERATING EXPENSES

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
Repair and maintenance	10.449	9.479
Publication, marketing and promotion	5.465	3.296
Office rental	-	4.576
Telecommunication	4.115	3.624
Training, meeting and seminar	7.798	7.006
Insurance fee for depositor protection fund	14.642	13.346
Tax and other duties	112	108
Insurance expense	4.880	1.731
Utility	4.557	3.804
Fuel expense	1.142	1.044
Stationary and office materials	7.263	9.098
Consulting and financial service fees	4.742	980
Provision for cash loss	-	2.494
Financial cost on lease liabilities	214	-
Others	9.480	7.517
	<b>74.859</b>	<b>68.103</b>

## 16. CASH AND BALANCES WITH THE BANK OF LAO PDR

	<i>30 June 2019 LAKm</i>	<i>31 December 2018 LAKm</i>
Cash on hand in LAK	1.190.354	961.723
Cash on hand in foreign currencies ("FC")	811.606	681.517
Balances with the BOL:		
- Compulsory deposit	1.290.251	1.294.828
- Demand deposit	4.200.054	2.396.172
	<b>7.492.265</b>	<b>5.334.240</b>

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

Under regulations of the BOL, the Bank is required to maintain certain reserves with the BOL in the form of compulsory deposits, which are computed at 5,00% for LAK and 10,00% for foreign currencies (2018: 5,00% and 10,00%), on a bi-monthly basis, of customer deposits having original maturities of less than 12 months. During the period, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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## 17. DUE FROM BANKS

	30 June 2019 LAKm	31 December 2018 LAKm
<b>Current and saving accounts</b>	<b>2.877.943</b>	<b>2.698.317</b>
- In LAK	5.305	1.229
- In foreign currencies	2.872.638	2.697.088
<b>Term deposits</b>	<b>961.240</b>	<b>1.035.102</b>
- In LAK	165.045	291.068
- In foreign currencies	796.195	744.034
	<b>3.839.183</b>	<b>3.733.419</b>

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

	For the six-month period ended 30 June 2019 % per annum	For the year ended 31 December 2018 % per annum
Demand deposits	0,00% - 3,10%	0,00% - 0,80%
Saving deposits	0,00% - 0,80%	0,00% - 0,80%
Term deposits	0,50% - 4,95%	0,85% - 4,00%

## 18. LOANS TO CUSTOMERS

	30 June 2019 LAKm	31 December 2018 LAKm
Gross loans	26.697.520	24.845.276
In which:		
Loans funded by borrowing from BOL (see Note 28.1)	2.055.888	2.063.243
Less: Allowance for impairment losses (see Note 19)	(581.377)	(478.416)
	<b>26.116.143</b>	<b>24.366.860</b>

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

	For the six-month period ended 30 June 2019 % per annum	For the year ended 31 December 2018 % per annum
Loans denominated in LAK	6,00% - 16,00%	6,00% - 16,00%
Loans denominated in USD	4,00% - 16,00%	4,00% - 16,00%
Loans denominated in THB	6,00% - 10,00%	6,00% - 11,50%

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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## 18. LOANS TO CUSTOMERS (continued)

*Analysis of loan portfolio by currency:*

	30 June 2019 LAKm	31 December 2018 LAKm
Loans denominated in LAK	11.849.009	10.988.474
Loans denominated in USD	11.607.083	10.842.780
Loans denominated in THB	3.241.428	3.014.022
	<b>26.697.520</b>	<b>24.845.276</b>

*Analysis of loan portfolio by original maturity:*

	30 June 2019 LAKm	31 December 2018 LAKm
Short-term loans	1.649.408	1.825.034
Medium-term loans	15.388.071	14.431.801
Long-term loans	9.660.041	8.588.441
	<b>26.697.520</b>	<b>24.845.276</b>

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

	30 June 2019		31 December 2018	
	LAKm	%	LAKm	%
Industrial services companies	13.914.798	52,12%	12.931.637	52,05%
Construction companies	3.933.583	14,73%	3.374.610	13,58%
Technical instruments enterprises	91.961	0,34%	85.352	0,34%
Agricultural & forestry	73.826	0,28%	74.248	0,30%
Trading companies	4.272.564	16,00%	4.336.508	17,45%
Transportation companies	702.468	2,63%	688.078	2,77%
Services companies	3.401.126	12,74%	2.875.026	11,57%
Handicrafts	3.294	0,01%	3.456	0,01%
Others	303.900	1,14%	476.361	1,92%
	<b>26.697.520</b>	<b>100%</b>	<b>24.845.276</b>	<b>100%</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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## 19. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in the allowance for impairment losses of loans to customers during the six-month period ended 30 June 2019 are as follows:

	<i>Allowance for impairment of loans to customers LAKm</i>
<b>Balance as at 1 January 2019</b>	<b>478.416</b>
Net change during the period	122.631
Non-performing loans written-off	(26.097)
Foreign exchange differences	6.427
<b>Balance as at 30 June 2019</b>	<b>581.377</b>

Break down of allowance for impairment losses of loans to customers as at 30 June 2019 and 31 December 2018 are as follows:

	<i>30 June 2019</i>		<i>31 December 2018</i>	
	<i>Outstanding balance LAKm</i>	<i>Impairment LAKm</i>	<i>Outstanding balance LAKm</i>	<i>Impairment LAKm</i>
Individually impaired	3.401.055	248.246	1.859.522	291.960
Collectively impaired	22.638.131	333.131	22.478.847	186.456
	<b>26.039.186</b>	<b>581.377</b>	<b>24.338.369</b>	<b>478.416</b>

## 20. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	<i>30 June 2019 LAKm</i>	<i>31 December 2018 LAKm</i>
Listed shares of EDL-Generation Public Company	149.182	151.483
	<b>149.182</b>	<b>151.483</b>

## 21. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

	<i>30 June 2019 LAKm</i>	<i>31 December 2018 LAKm</i>
Amortized cost of Treasury bills issued by the Ministry of Finance	1.561.577	1.916.549
Amortized cost of Bonds issued by the Ministry of Finance	2.040.959	1.737.433
	<b>3.602.536</b>	<b>3.653.982</b>
Impairment losses for investments in Held-to-maturity securities (*)	<b>(770)</b>	<b>(1.210)</b>
<i>Impairment losses for Bonds issued by the Ministry of Finance</i>	<i>(770)</i>	<i>(1.210)</i>
	<b>3.601.766</b>	<b>3.652.772</b>

(\*): The net change in impairment losses of LAKm 440 for the six-month ended 30 June 2019 is recorded in the interim separate income statement as reversal of impairment loss for held-to-maturity securities (Note 13).

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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## 21. FINANCIAL INVESTMENTS - HELD-TO-MATURITY (continued)

### 21.1 Treasury bills issued by the Ministry of Finance

Details of the treasury bills as at 30 June 2019 are as follows:

<i>Term</i>	<i>Issue date</i>	<i>Maturity date</i>	<i>Face value LAKm</i>	<i>Amortized cost LAKm</i>	<i>Interest rate per annum (nominal)</i>
1 year	16-Nov-18	16-Nov-19	300.000	309.201	5,00%
1 year	17-Dec-18	16-Dec-19	150.000	154.208	5,30%
1 year	21-Dec-18	21-Dec-19	210.000	215.431	5,00%
1 year	22-Feb-19	22-Feb-20	300.000	305.177	5,00%
1 year	7-Mar-19	7-Mar-20	73.000	74.128	5,00%
1 year	22-Mar-19	22-Mar-20	68.600	69.521	5,00%
1 year	5-Apr-19	4-Apr-20	150.000	151.831	5,30%
1 year	12-Apr-19	12-Apr-20	50.000	50.529	5,00%
1 year	26-Apr-19	26-Apr-20	20.000	20.174	5,00%
1 year	31-May-19	31-May-20	68.000	68.272	5,00%
1 year	14-Jun-19	14-Jun-20	100.000	100.214	5,00%
1 year	28-Jun-19	28-Jun-20	42.880	42.891	5,00%
			<b>1.532.480</b>	<b>1.561.577</b>	

### 21.2 Bonds issued by the Ministry of Finance

	<i>30 June 2019 LAKm</i>	<i>31 December 2018 LAKm</i>
Capitalization bonds	-	70.600
Other bonds	2.040.959	1.666.833
	<b>2.040.959</b>	<b>1.737.433</b>

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

	<i>Face value LAKm</i>	<i>Amortized cost LAKm</i>
Within 1 year	72.136	71.850
1 to 5 years	1.187.049	1.202.642
Over 5 years	755.634	766.467
	<b>2.014.819</b>	<b>2.040.959</b>



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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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## 21. FINANCIAL INVESTMENTS - HELD-TO-MATURITY (continued)

### 21.2 Bonds issued by the Ministry of Finance (continued)

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

	<i>For the six-month period ended 30 June 2019 % per annum</i>	<i>For the year ended 31 December 2018 % per annum</i>
Within 1 year	3,00 - 5,30%	3,00 - 5,30%
1 to 5 years	3,00 - 6,95%	3,00 - 6,95%
Over 5 years	4,00 - 4,80%	4,00 - 4,80%

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

## 22. INVESTMENTS IN SUBSIDIARY AND JOINT VENTURES

	<i>30/06/2019</i>		<i>31/12/2018</i>	
	<i>Book value LAKm</i>	<i>Ownership %</i>	<i>Book value LAKm</i>	<i>Ownership %</i>
<b>Investment in subsidiaries</b>				
BCEL – Krung Thai Securities Company Limited	70.000	70%	70.000	70%
<b>Investment in joint ventures</b>				
Lao Viet Joint Venture Bank	197.839	25%	197.839	25%
Lao-Viet Insurance Joint Venture Company	9.168	35%	9.168	35%
Lao China Bank Company Limited	147.000	49%	147.000	49%
Banque Franco - Lao Limited	90.000	30%	90.000	30%
Lao National Payment Network Company Limited	2.040	20%	-	-
	<b>516.047</b>		<b>514.007</b>	

- BCEL - Krung Thai Securities Company Limited is incorporated in the Lao PDR under the Business License No. 180-10 granted by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao PDR on 14 December 2010. The company's principal activities are to provide brokerage services, proprietary trading, finance and securities investment advisory services, custody services, underwriting for share issues and other value added services.
- Lao Viet Joint Venture Bank ("LVB") is incorporated in the Lao PDR with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with the Bank for Investment and Development of Vietnam, a state-owned commercial bank incorporated in the Socialist Republic of Vietnam. The joint venture was granted the banking license on 31 March 2000 by the Bank of Lao PDR for a year of 30 years. In 2015, LVB increased its contributed capital to LAK 791.357.560.000. The Bank's ownership rate in LVB after the capital increase is 25% in accordance with Investment License No. 004-15/KH-DDT4 issued by Ministry of Planning and Investment on 24 August 2015, equivalent to LAK 197.839.390.000.

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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## 22. INVESTMENTS IN SUBSIDIARY AND JOINT VENTURES (continued)

- Lao-Viet Insurance Joint Venture Company (“LVI”) is incorporated as a joint venture company in the Lao PDR providing insurance services under the Investment License No. 077/08/FIMC issued by the Foreign Investment Management Committee on 09 June 2008. It is a joint venture with BIDV Insurance Joint Stock Corporation and Lao Viet Joint Venture Bank. LVI’s legal capital is USD 3.000.000 and has been fully contributed by partners on 17 July 2008. In 2013, the Bank has contributed additional capital of USD 180.000 on 02 September 2013. As at 30 June 2019, the total contributed capital of the Bank in this company was USD 1.050.000, equivalent to LAKm 9.168.
- Lao China Bank Company Limited (“LCNB”) is incorporated in the Lao PDR and engages in the provision of banking services. It is a joint venture with Fudian Bank China, a state-owned commercial bank incorporated in China. The joint venture bank was granted the Banking Business Licence on 20 January 2014 by the Bank of Lao PDR. The legal capital of LCNB was LAKm 300.000 and had been fully contributed by partners as at 30 June 2019.
- Banque Franco - Lao Limited (“BFL”) is incorporated in the Lao PDR with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with Cofibred Company Frances De La Bred which is a state-owned bank incorporated in Paris, France. The joint venture was granted the temporary banking license on 01 October 2009 and a permanent license on 16 July 2010 by the Bank of Lao PDR. The legal capital of BFL was USD 20 million which was later revised to USD 37 million in accordance with the President’s decree issued on 24 September 2009 and letter No. 01/BOL dated 28 January 2010 from BOL.
- Lao National Payment Network Company Limited (LAPNet) is incorporated in the Lao PDR under the Business License No. 0349 granted by the Department of Enterprise Registration and Management of the Ministry of Industry and Commerce of the Lao PDR on 12 March 2019 and engages in the provision of financial services. It is an association among the Bank of Lao PDR, Union Pay International, Lao Development Bank, Agriculture Promotion Bank, Joint Development Bank, and Lao-Viet Bank. The legal capital was LAKm 34.000. As 30 June 2019, the total contributed capital of the Bank in this company was LAKm 2.040.

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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## 23. PROPERTY AND EQUIPMENT

Movements of property and equipment for the six-month period ended 30 June 2019 are as follows:

	<i>Buildings &amp; improvements LAKm</i>	<i>Office equipment LAKm</i>	<i>Furniture &amp; fixtures LAKm</i>	<i>Motor vehicles LAKm</i>	<i>Total LAKm</i>
<b>Cost:</b>					
As at 1 January 2019	474.933	151.886	39.575	19.756	686.150
Additions	18.228	20.677	2.191	38	41.134
Disposals	(7.623)	(15.849)	(2.193)	(634)	(26.299)
As at 30 June 2019	485.538	156.714	39.573	19.160	700.985
<b>Accumulated depreciation:</b>					
As at 1 January 2019	134.055	67.446	25.426	9.985	236.912
Charge for the period	13.304	15.640	2.900	1.970	33.814
Disposals	(3.863)	(15.001)	(2.098)	(634)	(21.596)
As at 30 June 2019	143.496	68.085	26.228	11.321	249.130
<b>Net book value:</b>					
As at 1 January 2019	340.878	84.440	14.149	9.771	449.238
As at 30 June 2019	342.042	88.629	13.345	7.839	451.855

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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## 24. INTANGIBLE ASSETS

Movements of intangible assets during the six-month period ended 30 June 2019 are as follows:

	<i>Land use rights LAKm</i>	<i>Software LAKm</i>	<i>Total LAKm</i>
<b>Cost:</b>			
As at 1 January 2019	240.619	16.505	257.124
Transferred from CIP and fixed assets in transit	14.071	4.116	18.187
Written off	(17.381)	(2.383)	(19.764)
As at 30 June 2019	237.309	18.238	255.547
<b>Accumulated amortization:</b>			
As at 1 January 2019	-	10.528	10.528
Charge for the period	-	1.707	1.707
Written off	-	(2.382)	(2.382)
As at 30 June 2019	-	9.853	9.853
<b>Net book value:</b>			
As at 1 January 2019	240.619	5.977	246.596
As at 30 June 2019	237.309	8.385	245.694

## 25. OTHER ASSETS

	<i>30 June 2019 LAKm</i>	<i>31 December 2018 LAKm</i>
Assets waiting for sale	249.255	255.438
Stationeries and other tools	6.050	8.558
Cheques in collection	17.691	6.671
Construction in progress and fixed assets in transit (*)	60.014	65.079
Prepaid expenses to be allocated	40.896	61.557
Advance payment for other operations	30.709	27.233
Advance payment to suppliers	14.326	34.565
Others	12.310	5.830
	<b>431.251</b>	<b>464.931</b>

(\*): Movement of construction in progress and fixed assets in transit for the six-month ended 30 June 2019 is as follows:

	<i>Land use rights LAKm</i>	<i>Buildings &amp; improvements LAKm</i>	<i>Other LAKm</i>	<i>Total LAKm</i>
As at 1 January 2019	541	38.630	25.908	65.079
Additions	17.381	22.962	22.251	62.594
Transferred to fixed assets	(14.071)	(19.081)	(24.655)	(57.807)
Transfer to other assets	-	(4.395)	-	(4.395)
Written off	(3.851)	(181)	(1.425)	(5.457)
<b>As at 30 June 2019</b>	<b>-</b>	<b>37.935</b>	<b>22.079</b>	<b>60.014</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 26. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2019 LAKm	31 December 2018 LAKm
<b>Demand deposits</b>	<b>3.685.874</b>	<b>2.517.029</b>
- In LAK	1.513.957	800.136
- In foreign currencies	2.171.917	1.716.893
<b>Saving deposits</b>	<b>176.745</b>	<b>119.495</b>
- In LAK	41.620	21.954
- In foreign currencies	135.125	97.541
<b>Term deposits</b>	<b>564.421</b>	<b>754.543</b>
- In LAK	177.602	195.581
- In foreign currencies	386.819	558.962
<b>Others</b>	<b>19.123</b>	<b>22.062</b>
- In LAK	11.966	9.009
- In foreign currencies	7.157	13.053
	<b>4.446.163</b>	<b>3.413.129</b>

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

	For the six-month period ended 30/06/2019 % per annum	For the year ended 31/12/2018 % per annum
Demand deposits	0,00% - 3,00%	No interest
Saving deposits	No interest	No interest
Term deposits	0,00% - 5,55%	0,00% - 5,52%

## 27. DUE TO CUSTOMERS

	30 June 2019 LAKm	31 December 2018 LAKm
<b>Demand deposits</b>	<b>4.995.812</b>	<b>5.447.954</b>
Demand deposits in LAK	2.132.267	2.141.221
Demand deposits in FC	2.863.545	3.306.733
<b>Demand savings</b>	<b>14.726.279</b>	<b>13.092.788</b>
Demand saving deposits in LAK	7.019.896	5.788.652
Demand saving deposits in FC	7.706.383	7.304.136
<b>Term deposits</b>	<b>12.183.469</b>	<b>11.159.134</b>
Term deposits in LAK	7.062.006	6.671.234
Term deposits in FC	5.121.463	4.487.900
<b>Margin deposits</b>	<b>79.527</b>	<b>103.279</b>
Margin deposits in LAK	20.396	33.629
Margin deposits in FC	59.131	69.650
<b>Others</b>	<b>138.965</b>	<b>111.987</b>
	<b>32.124.052</b>	<b>29.915.142</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 27. DUE TO CUSTOMERS (continued)

Saving deposits from customers denominated in LAK, USD and THB bear interest at rate ranging of 1,25% – 1,89%, 0,90% - 1,15% and 0,45% – 0,90% per annum respectively.

Fixed term deposits in LAK, USD, THB have terms of 3, 6, 9, 12 months and more than 1 year and are subject to interest rates ranging of 3,16% – 6,90%, 1,65% - 6,65 % and 1,40% – 6,40% per annum respectively.

## 28. BORROWINGS FROM OTHER BANKS

	30 June 2019 LAKm	31 December 2018 LAKm
Borrowings from the BOL	2.095.087	2.063.243
Borrowings from foreign banks	2.010.596	1.286.023
	<b>4.105.683</b>	<b>3.349.266</b>

### 28.1. Borrowings from the BOL

Borrowings from the BOL as at 30 June 2019 include:

- (i) USD 3.285.713 long-term borrowing (original borrowing amount was USD 9.200.000 with interest rate of 0,25% per annum) for the purpose of investment in Banque Franco – Lao Limited. The loan's principal is paid annually from 2010 to 2023. Interest is paid semi-annually.
- (ii) USD 99.854.000 long-term borrowing with interest rate of 5,50% per annum for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 2019 to 2025. Interest is paid quarterly.
- (iii) USD 99.900.000 long-term borrowing with interest rate of 5,30% per annum for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 2020 to 2026. Interest is paid quarterly.
- (iv) LAKm 300.000 one-year borrowing with interest of 10% per annum for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal and interest are paid at maturity date on 21 December 2019.

### 28.2. Borrowings from foreign banks

Borrowings from foreign banks as at 30 June 2019 include:

- (i) USD 80.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 5,50% per annum. The loan's principal and interest are paid at maturity date.
- (ii) USD 148.300.000 4-years borrowing from Cathay United Bank with interest rate of 4% + 3M LIBOR for the purpose of providing credit to certain domestic projects. The loan's principal is paid annually and interest is paid quarterly.

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 29. TAXATION

### 29.1 Profit tax expense

Major components of tax expense are as follows:

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
Current profit tax expense	53.733	85.734
Deferred profit tax expense/(income)	18.268	(8.411)
<b>Total tax expense for the period</b>	<b>72.001</b>	<b>77.323</b>

### 29.2 Tax payables

	<i>30 June 2019 LAKm</i>	<i>31 December 2018 LAKm</i>
Profit Tax payable	25.003	31.264
Value Added Tax payable	2.103	4.529
Personal income tax	756	-
	<b>27.862</b>	<b>35.793</b>



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 29. TAXATION

### 29.3 Current Profit Tax ("PT")

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

The calculations of Profit taxes for the six-month period ended 30 June 2019 and 30 June 2018 are as follows:

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
<b>Profit before tax in accordance with IFRS</b>	<b>304.981</b>	<b>280.062</b>
<i>Adjustments for:</i>		
- Difference between carrying value under LAS and amortized cost under IFRS of Bonds	(1.157)	(3.760)
- Difference between carrying value under LAS and amortized cost under IFRS of loans to customer	(7.347)	-
- Difference in allowance for impairment losses between LAS and IFRS of loans to banks and customers	20.210	51.672
- Difference in retirement benefits	(56.276)	31.801
- Difference in available-for-sale reserve	-	(16.299)
- Difference in impairment expense of investment between LAS and IFRS	(30.161)	20.481
- Difference in lease contracts under IFRS 16	(1.390)	-
<b>Profit before tax in accordance with LAS</b>	<b>228.860</b>	<b>363.957</b>
<i>Increase/(Decrease):</i>		
- Income exempted from PT (dividend income)	(7.429)	(13.710)
- Income from cash loss collection	(542)	-
- Non-deductible expenses	2.998	7.002
<b>Taxable profit under LAS</b>	<b>223.887</b>	<b>357.249</b>
<b>PT expense at rate of 24%</b>	<b>53.733</b>	<b>85.734</b>
Payable at the beginning of the period	31.264	9.491
Tax paid in the period	(59.994)	(22.247)
<b>PT payable at the end of the period</b>	<b>25.003</b>	<b>72.978</b>

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.

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 29. TAXATION (continued)

### 29.4 Deferred tax assets/(liabilities)

	Deferred tax assets (tax rate of 24%) LAKm	Deferred tax liabilities (tax rate of 24%) LAKm	Net deferred tax assets/ (liabilities) LAKm
<b>As at 1 January 2019</b>	29.099	(5.272)	23.827
Effect of adopting IFRS 16 as at 1 January 2019	1.239	-	1.239
<b>Change during the period due to:</b>			
Changes in temporary difference between taxable profit under LAS and taxable profit under special purpose framework	(21.022)	2.754	(18.268)
<b>As at 30 June 2019</b>	<b>9.316</b>	<b>(2.518)</b>	<b>6.798</b>

	Statement of financial position		Income statement		Statement of comprehensive income	
	31					
	30 June 2019 LAKm	December 2018 LAKm	2019 LAKm	2018 LAKm	2019 LAKm	2018 LAKm
Deferred tax assets	8.077	29.099	(21.022)	11.144	-	-
Effect of adopting IFRS 16 as at 1 January 2019	1.239	-	-	-	-	-
Deferred tax liabilities	(2.518)	(5.272)	2.754	7.276	-	1.028
<b>Net deferred tax credited/(charged) to the consolidated income statement</b>			<b>(18.268)</b>	<b>18.420</b>		
<b>Net deferred tax credited to the consolidated statement of comprehensive income</b>					<b>-</b>	<b>1.028</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 29. TAXATION (continued)

### 29.4 Deferred tax assets/(liabilities) (continued)

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

	30 June 2019 LAKm	31 December 2018 LAKm
Deductible temporary differences	38.815	121.247
<i>In which:</i>		
<i>Effect of adopting IFRS 16 as at 1 January 2019</i>	5.162	-
<i>Difference between carrying value of bonds under LAS and their amortized cost under special purpose framework</i>	1.174	2.331
<i>Difference in impairment expense of investments under LAS and under special purpose framework</i>	770	30.931
<i>Difference in allowance for post-employment benefits under LAS and under special purpose framework</i>	31.709	87.985
<b>Deferred tax assets (at tax rate 24%)</b>	<b>9.316</b>	<b>29.099</b>
Taxable temporary differences	(10.492)	(21.965)
<i>In which:</i>		
<i>Difference in allowance for impairment losses of loans to customers under LAS and under special purpose framework</i>	(1.755)	-
<i>Difference between carrying value of loan to customers under LAS and their amortized cost under special purpose framework</i>	(7.347)	(21.965)
<i>Difference in lease contracts under IFRS 16</i>	(1.390)	-
<b>Deferred tax liabilities (at tax rate 24%)</b>	<b>(2.517)</b>	<b>(5.272)</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 30. OTHER LIABILITIES

	30 June 2019 LAKm	31 December 2018 LAKm
Payables to employees	39.212	86.612
Payable to suppliers	25.156	21.513
Defined post-employment benefit plan (*)	63.717	87.985
Others	46.030	43.423
	<b>174.115</b>	<b>239.533</b>

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

	For the six-month period ended 30 June 2019 LAKm	For the year ended 31 December 2018 LAKm
Opening balance	87.985	65.149
Past service cost	(25.874)	-
Current service cost	1.738	18.875
Interest cost	1.926	5.259
Actuarial changes arising from changes in financial assumption	-	1.411
Benefits paid	(2.058)	(2.709)
<b>Ending balance</b>	<b>63.717</b>	<b>87.985</b>

Net benefit expense (recognised in profit or loss):

	For the six-month period ended 30 June 2019 LAKm	For the year ended 31 December 2018 LAKm
Current service cost	1.738	18.875
Interest cost	1.926	5.259
	<b>3.664</b>	<b>24.134</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 30. OTHER LIABILITIES (continued)

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

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

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

	<i>30 June 2019</i>	<i>31 December 2018</i>
	<i>%</i>	<i>%</i>
Discount rate	5,00 - 8,62	5,00 - 8,47
Future salary increases	0,79	1,03
Employee turnover rate	0,00	0,00

A quantitative sensitivity analysis for significant assumptions as at 30 June is, as shown below:

	<i>30 June 2019</i>	<i>31 December 2018</i>
	<i>LAKm</i>	<i>LAKm</i>
Discount rate		
increase 50 basis points	(7.432)	(7.301)
decrease 50 basis points	6.803	8.340
Future salary		
increase 50 basis points	(581)	(6.001)
decrease 50 basis points	581	5.517

## 31. CHARTER CAPITAL

There has been no change to paid-up capital during the six-month period then ended 30 June 2019.

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 32. STATUTORY RESERVES AND OTHER RESERVES

	<i>Regulatory reserve fund LAKm</i>	<i>Business expansion fund LAKm</i>	<i>Total LAKm</i>
<b>As at 1 January 2019</b>	129.674	309.876	439.550
Appropriation to reserves for the year 2018	41.218	123.655	164.873
<b>As at 30 June 2019</b>	<b>170.892</b>	<b>433.531</b>	<b>604.423</b>

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

- ▶ Regulatory reserve fund
- ▶ Business expansion fund and other funds

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

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

## 33. ADDITIONAL CASH FLOW INFORMATION

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

	<i>30 June 2019 LAKm</i>	<i>31 December 2018 LAKm</i>
Cash and cash equivalents on hand	2.001.960	1.643.240
Demand deposits with the BOL	4.200.054	2.396.172
Current accounts with other banks	2.877.943	2.698.317
Term deposits due within 3 months	-	464.040
	<b>9.079.957</b>	<b>7.201.769</b>

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 34. CONTINGENT LIABILITIES AND COMMITMENTS

	30 June 2019 LAKm	31 December 2018 LAKm
Bank guarantees	246.894	255.094
At sight letters of credit	158.695	39.978
Deferred payment letters of credit	117.442	162.423
Credit limit given to customers	3.169.264	3.349.575
Credit limit given to other banks	548	548
	<b>3.692.843</b>	<b>3.807.618</b>

### *Letter of credit and bank guarantees*

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

### *Un-drawn commitments to lend*

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

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

### *Lease commitments*

As at 30 June 2019, the Bank did not entered into any lease contracts as either lessor or lessee which results in future cash inflows and/or outflows.



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 35. RELATED PARTY DISCLOSURES

### *Transactions with key management personnel of the Bank*

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

	<i>For the six-month period ended 30 June 2019 LAKm</i>	<i>For the six-month period ended 30 June 2018 LAKm</i>
Salaries	788	756
Bonus	518	499
Responsibility allowance	523	541
Other benefits	48	1.001
	<b>1.877</b>	<b>2.797</b>

Significant transactions with other related parties during the period 30 June 2019 are as follows:

<i>Related party</i>	<i>Note</i>	<i>Transactions</i>	<i>Income LAKm</i>	<i>Expense LAKm</i>
The Bank of Lao PDR	(i)	Interest expense from borrowing from BOL	-	61.710
The Ministry of Finance of Lao PDR	(ii)	Interest income from investment in MOF's bonds	81.453	-
<i>Related party</i>	<i>Note</i>	<i>Transactions</i>	<i>Increase LAKm</i>	<i>Decrease LAKm</i>
Bank of the Lao PDR	(i)	Net change in borrowings from the BOL	31.844	-
		Net change in deposits at BOL	1.774.666	-
		Net change in deposits from BOL	384	-
The Ministry of Finance of Lao PDR	(ii)	Net change in investment in MOF's bonds	-	(12.401)
BCEL - Krung Thai Securities Company Limited ("BCEL – KT")	(iii)	Net change in deposits at BCEL - KT	-	(347)
Lao Viet Joint Venture Bank ("LVB")	(iv)	Net change in deposits at LVB	-	(522.663)
		Net change in deposits from LVB	428.327	-
Banque Franco – Lao Company Limited ("BFL")	(iv)	Net change in deposits at BFL	27	-
		Net change in deposits from BFL	7.863	-
Lao China Bank Co., Ltd ("LCNB")	(iv)	Net change in deposits at LCNB	4.263	-

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 35. RELATED PARTY DISCLOSURES (continued)

Significant balances with other related parties as at 30 June 2019 are as follows:

<i>Related party</i>	<i>Note</i>	<i>Transactions</i>	<i>Receivable LAKm</i>	<i>Payable LAKm</i>
Bank of the Lao PDR	(i)	Borrowings and accrued interest from the BOL	-	2.095.087
		BCEL's demand deposits at the BOL	4.200.054	6.730
		BCEL's compulsory deposits at the BOL	1.290.251	-
The Ministry of Finance of the Lao PDR	(ii)	Investment in MOF's bonds (at amortized cost)	3.547.299	-
		Accrued interest	56.410	-
BCEL - Krung Thai Securities Company Limited	(iii)	Saving accounts	-	1.335
		Current account	-	39,169
Lao Viet Joint Venture Bank	(iv)	Current accounts	473.641	611.037
Banque Franco – Lao Company Limited	(iv)	Current accounts	900	15.700
		Term deposit	10.000	10.378
Lao China Bank Co.Ltd	(iv)	Current accounts	-	9.842
<i>(i) Direct controller</i>				
<i>(ii) Direct owner</i>				
<i>(iii) Subsidiary</i>				
<i>(iv) Joint venture</i>				

## 36. EARNINGS PER SHARE

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

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

	<i>For the six-month period ended 30 June 2019</i>	<i>For the six-month period ended 30 June 2018</i>
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	232.980	202.739
Weighted average number of ordinary shares for basic earnings per share (shares)	207.723.300	207.723.300
Face value per share (LAK)	5.000	5.000
Earnings per share (LAK)	1.122	976

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 37. RISK MANAGEMENT POLICIES

### *Introduction*

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

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

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

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

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

### *Risk management structure*

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

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

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 38. CAPITAL MANAGEMENT

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

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

- ▶ Tier 1 capital, which includes charter capital, regulatory reserve fund, business expansion fund and other funds, and retained earnings;
- ▶ Tier 2 capital, which is equal to 45% of revaluation reserves; and lower option between 1,25% of total risk weighted balance sheet items and outstanding balance of general provision during the period.

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

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

	30 June 2019 LAKm	31 December 2018 LAKm
Tier 1 capital	2.007.712	1.984.510
Tier 2 capital	-	-
<b>Total capital</b>	<b>2.007.712</b>	<b>1.984.510</b>
Less: Deductions from capital (Investments in other entities)	(516.047)	(514.007)
<b>Capital for CAR calculation (A)</b>	<b>1.491.655</b>	<b>1.470.503</b>
Risk weighted balance sheet items	12.656.740	11.939.639
Risk weighted off balance sheet items	1.702.106	1.880.710
<b>Total risk weighted assets (B)</b>	<b>14.358.846</b>	<b>13.814.394</b>
<b>Capital Adequacy Ratio (A/B)</b>	<b>10,39%</b>	<b>10,64%</b>

## 39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2019

## 40. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 30 June 2019 that requires adjustment or disclosure in the interim separate financial statements of the Bank.

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

	30 June 2019	31 December 2018
	LAK	LAK
USD	8.648,00	8.538,00
EUR	9.822,00	9.753,00
THB	285,41	265,48
GBP	10.822,00	10.702,00
JPY	79,17	75,80
AUD	5.950,00	5.966,00
CNY	1.246,00	1.229,00

Prepared by:

Approved by:



Mrs. Phousengthong Anoulakkham  
Chief of Accounting Department



Ms. Phetsamone Somsana  
Deputy Chief of Internal  
Audit Department



Approved by:



Mr. Phoukhong Chanthachack  
General Managing Director

Vientiane, Lao PDR

6 September 2019

## Subscription Form for Right Offering of Banque Pour Le Commerce Extérieur Lao Public Company (BCEL)

**Right Offering (RO) for the existing shareholders of 4,154,500 Ordinary Shares, Par Value of 5,000 LAK, the Offering Price of RO 5.450 LAK per Share**

(The qualified subscribed quantity is rounded down to the nearest number at the hundred unit, the remaining allocation quantity less than a hundred unit will be voided)

Subscription Date:            /            / 2019

Subscription No. \_\_\_\_\_

Name and Surname (English)

Securities Acc. No. \_\_\_\_\_

Holding Quantity	Allocation Quantity	Offering Price (Kip)	Subscription Amount (Kip)
		5.450	

( ) ID Card    ( ) Alien Card    ( ) Passport    ( ) Company Registration Certificate No. \_\_\_\_\_

**Subscriber please clearly fill in the spaces below**

Nationality                      Date of Birth                      /                      /                      Occupation

Address

Telephone No. \_\_\_\_\_ Mobile No. \_\_\_\_\_ E-Mail: \_\_\_\_\_

WhatsApp: [WhatsApp](#) WeChat: [WeChat](#)

**Hereby subscribe for and request allotment of new ordinary shares of BCEL for RO as follows:**

Subscription details	No. of share subscribed	Offering Price(LAK)	Amount (LAK)	Amount in words
( ) To subscribe in full entitlement		5.450		
( ) To subscribe some part of entitlement		5.450		
<b>Total Subscription</b>				

Made payable to Bank: Banque Pour Le Commerce Extérieur Lao Public Company Bank (BCEL) as the following accounts:

Acc. Name: **LCS(BCEL 19% FOR SHARE SUBSCRIPTION)** Acc. No.: **010-11-00-01703014001** Currency: **LAK** Amount: **LAK**

**BCEL Address: No. 1, Pangkham Street, VTE, LAO PDR. SWIFT Code : COEBLALA**

If the shares are allotted to me/us, I/we hereby agree to the underwriter to issue a share certificate in the name of "Settlement and Depository Department" for the allotted shares and arrange further to \_\_\_\_\_ Securities Company Limited to deposit the said Shares with Lao Securities Depository Center for my/our securities trading account name \_\_\_\_\_ no. \_\_\_\_\_ (Name of the subscriber must be the same as the name of the securities trading account)

If I/we have not been allotted the Share or have been allotted lower than the subscribed amount, I/we agree to have the payment or excess payment returned to me/us by deposit into my/our account as the following information.

☐ Deposit to my/our account at Bank Branch Acc. No

(**Note:** Bank charges or any other expense will be deducted from the refund amount to the subscriber).

I/We hereby undertake to subscribe the above ordinary shares as allocated to me/us and shall not cancel this offering subscription including acceptance of fund return in the case that my/our subscription is to be refused because of incompleteness of document as required by the Company or any other reasons.

Signature 

(\_\_\_\_\_)

**\*\* Please be aware that there is risk involved in stock investment and make sure you have thoroughly studied all information before deciding on the share subscription. \*\***

>>> For officer uses only >>>	Checker: _____ _____/_____/_____	Input: _____ _____/_____/_____
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**Subscription Receipt for Right Offering (RO) of New Ordinary Shares of BCEL (Please subscriber completes this portion)**

Subscription Date:        /        /2019

Subscription No. \_\_\_\_\_

Evidence of subscription fund payment from (name of subscriber) \_\_\_\_\_ for the subscription of new ordinary shares of BCEL from Right Offering with \_\_\_\_\_ shares at the offering price of **5.450** LAK, Amount: \_\_\_\_\_ LAK, Payment Date: \_\_\_\_\_ / \_\_\_\_\_ /2019 has been submitted and duly received.

If the shares are allotted to me/us, I/we hereby agree to the underwriter to issue a shareholding certificate in the name of “Lao Securities Depository Center” for the allotted shares and arrange further to \_\_\_\_\_ Securities Company Limited, my/our securities trading account no. \_\_\_\_\_.

Authorized Officer: \_\_\_\_\_



Subscription Form for Public Offering of Banque Pour Le Commerce Extérieur Lao Public Company (BCEL)

Public Offering (PO) of 16.617.800 Ordinary Shares with Par Value of 5.000 LAK

Offering Price of PO 5.550 LAK per Share

(Minimum subscription requirement is one (01) lot, with each lot equal to one hundred (100) shares)

Subscription Date: \_\_\_\_/\_\_\_\_/2019 Subscription No. \_\_\_\_\_

Name and Surname (English) \_\_\_\_\_ Securities Acc. No. \_\_\_\_\_

( ) ID Card ( ) Alien Card ( ) Passport ( ) Company Registration Certificate No. \_\_\_\_\_

Subscriber please clearly fill in the spaces below

Nationality \_\_\_\_\_ Date of Birth \_\_\_\_/\_\_\_\_/\_\_\_\_ Occupation \_\_\_\_\_

Address \_\_\_\_\_

Telephone No. \_\_\_\_\_ Mobile No. \_\_\_\_\_ E-Mail: \_\_\_\_\_

WhatsApp: \_\_\_\_\_ WeChat: \_\_\_\_\_

Hereby subscribe for and request allotment of ordinary shares of BCEL for PO as follows:

No. of Shares subscribed	Offering Price (LAK)	Amount (LAK)	Amount in words
	5.550		

Made payable to Bank: Banque Pour Le Commerce Extérieur Lao Public Company Bank (BCEL) as the following accounts:

Acc. Name: LCS(BCEL 19% FOR SHARE SUBSCRIPTION) Acc. No: 010-11-00-01703014001 Currency: LAK Amount: \_\_\_\_\_ LAK

BCEL Address: No. 1, Pangkham Street, VTE, LAO PDR. SWIFT Code : COEBLALA

If the shares are allotted to me/us, I/we hereby agree to the underwriter to issue a share certificate in the name of “Settlement and Depository Department” for the allotted shares and arrange further to \_\_\_\_\_ Securities Company Limited to deposit the said Shares with Lao Securities Depository Center for my/our securities trading account name \_\_\_\_\_ No. \_\_\_\_\_ (Name of the subscriber must be the same as the name of the securities trading account)

If I/we have not been allotted the Share or have been allotted lower than the subscribed amount, I/we agree to have the payment or excess payment returned to me/us by deposit into my/our account as the following information.

☐ Deposit to my/our account at Bank \_\_\_\_\_ Branch \_\_\_\_\_ Acc. No \_\_\_\_\_

(Note: Bank charges or any other expense will be deducted from the refund amount to the subscriber).

I/We hereby undertake to subscribe the above ordinary shares as allocated to me/us and shall not cancel this offering subscription including acceptance of fund return in the case that my/our subscription is to be refused because of incompleteness of document as required by the Company or any other reasons.

Signature \_\_\_\_\_  
( \_\_\_\_\_ )

\*\* Please be aware that there is risk involved in stock investment and make sure you have thoroughly studied all information before deciding on the share subscription. \*\*

>>> For officer uses only >>>	Checker: _____ ____/____/____	Input: _____ ____/____/____
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Subscription Receipt for Public Offering (PO) of New Ordinary Shares of BCEL (Subscriber please also fill out this portion)

Subscription Date: \_\_\_\_/\_\_\_\_/2019 Subscription No. \_\_\_\_\_

Evidence of subscription fund payment from (name of subscriber) \_\_\_\_\_ for the subscription of new ordinary shares of BCEL from Public Offering with \_\_\_\_\_ shares at the offering price of 5.550 LAK, Amount: \_\_\_\_\_ LAK, Payment Date: \_\_\_\_/\_\_\_\_/2019 has been submitted and duly received.

If the shares are allotted to me/us, I/we hereby agree to the underwriter to issue a shareholding certificate in the name of “Lao Securities Depository Center” for the allotted shares and arrange further to \_\_\_\_\_ Securities Company Limited, my/our securities trading account no. \_\_\_\_\_.

Authorized Officer: \_\_\_\_\_  
( \_\_\_\_\_ )