



ທະນາຄານການຄ້າຕ່າງປະເທດລາວ ມະຫາຊົນ
BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC

PROSPECTUS

Banque Pour Le Commerce Exterieur Lao Public (BCEL)

Additional Shares Issuance: 71,145,700 shares, Par Value 5,000 LAK/share

Right Offering Volume (RO) 68,288,600 shares, Offering price 5,050 LAK/share
Every 2 shares get 1 share **(2:1)**

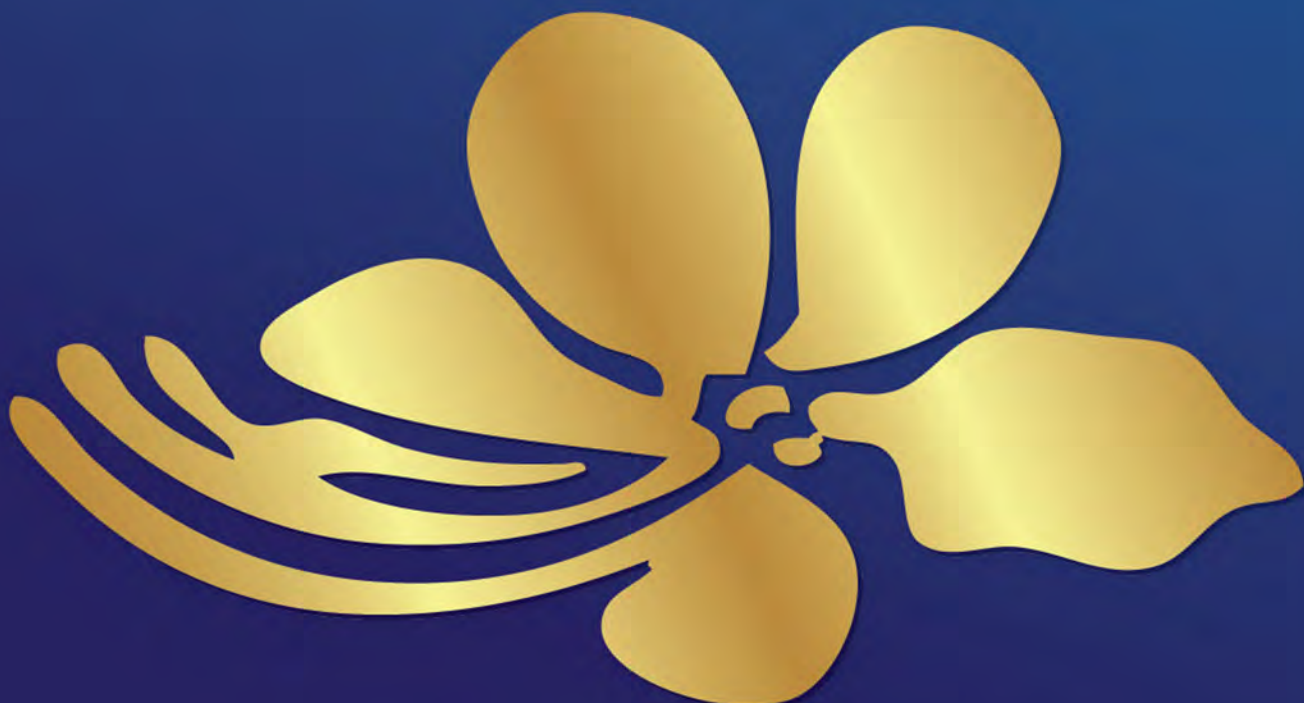
Public Offering Volume (PO) 2,857,100 shares, Offering price 5,300 LAK/share

Subscription date:

(RO) 28 - 30/8/ 2017

(PO) 31/8 - 1/9/ 2017

8:30 AM - 3:30 PM





PROSPECTUS



Banque Pour Le Commerce Extérieur Lao Public (BCEL)

(Registered in the Lao People's Democratic Republic ("Lao PDR") as a public company with limited liability)

BCEL Share Offering for Capital Increase

Ordinary Shares 71,145,700 shares, Par Value 5,000 Kip/share

Offering Price To Existing Shareholders

Amount 68,288,600 shares, Par Value 5,050 Kip/share

(Ratio of two existing shares per one new share 2:1)

Offering to General Shareholders

Amount 2,857,100 shares, Par Value 5,300 Kip/share

For Ordinary Shares offering to the Existing Shareholders (RO) and General Shareholders (PO) inside Lao PDR and International

Subscription Period:

Between 08.30 am – 3.30 pm

Offering to the Existing Shareholders (RO): during 28-30/08/2017

Offering to General Shareholders (PO): during 31/08 – 01/09/2017

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 for capital increase, 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 for capital increase 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 for capital increase 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 to invest in the offered 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 for capital increase to the public in the form of a RO: Right Offering and 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 of this prospectus do not certify the appropriateness or sufficiency of the information regarding securities issuance in another countries. The investors shall carefully read this Lao version prospectus before deciding to invest in this ordinary shares for capital increase.

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 investment in the ordinary shares for capital increase, the investors should consider the risks involved. Please read the sections titled “**Risk Factors**” prior to decide in investing.

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



Securities Intermediary Institute

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



Contents

EXECUTIVE SUMMARY.....	9
PART 1: BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC	14
1. BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC	14
3. RISK FACTORS.....	19
4. CURRENT BUSINESS.....	24
5. ASSETS USED IN DOING BUSINESS	30
6. FUTURE PROJECTS.....	30
7. LEGAL DISPUTES	32
8. CAPITAL STRUCTURE	33
9. ORGANIZATIONAL STRUCTURE	34
10. INTERNAL AUDIT.....	43
11. RELEVANT ACTIVITIES	43
12. FINANCIAL STATUS AND OPERATING DATA.....	45
PART 2 INFORMATION RELATING TO THE OFFERING	57
1. DETAILS OF OFFERING	57
2. LIMITATIONS OF SHARE TRANSFER AND LIMITATIONS OF FOREIGN INVESTORS SHARES HOLDING	57
3. PRICING OF THE OFFERING PRICE	57
4. DETAILS ON UNDERWRITER FOR PUBLIC OFFERING AND SHARE DEALER AGENT	58
5. TERMS OF THE GUARANTEE	60
6. ESTIMATION COST FOR PUBLIC OFFERING	60
7. PROCEDURES TO TAKE THE PROSPECTUS AND SHARE RESERVATION FORM.....	60
8. HOW TO SUBSCRIBE FOR SHARES	61
9. SUBSCRIPTION METHOD.....	61
10. OVER-SUBSCRIPTION	61
11. REFUND OF SUBSCRIPTION PAYMENT.....	61
12. DIVIDING COMMON SHARE FOR CAPITAL INCREASE.....	62
13. DELIVERY OF SHARE	62
14. SHARE TRANSFER.....	62
15. PAYMENT OF DIVIDEND.....	63
16. ORDINARY SHAREHOLDERS MEETING.....	63
17. RIGHTS TO VOTE	64
18. THE RIGHT TO SUBSCRIBE FOR NEW SHARES AND ISSUANCE OF COMMON SHARES FOR CAPITAL INCREASE.....	64
19. DISCLOSURE OF FINANCIAL REPORTS.....	64
20. RIGHT FOR SETTLEMENT.....	65
21. REPURCHASE OF COMPANY'S SHARES.....	65
22. SHAREHOLDERS REGISTRATION.....	65
PART 3: CERTIFICATION OF THE ACCURACY OF THE LAO PROSPECTUS.....	66
I. CERTIFICATION OF ACCURACY BY THE BANK.....	66
II. CERTIFICATION OF ACCURACY OF THE FINANCIAL ADVISOR'S INFORMATION	69



III. CERTIFICATION OF ACCURACY OF THE UNDERWRITER’S INFORMATION	70
APPENDIX 1 FINANCIAL STATEMENTS	71
APPENDIX 2 SUBSCRIPTION FORM	71

List of Table

Table 1: List of Shareholders	10
Table 2: Board of Directors.....	11
Table 3: Directors.....	11
Table 4: Overall Businesses Financial Status	11
Table 5: Profits/Losses	12
Table 6: Net Profits and Losses	12
Table 7: Cash Flow	12
Table 8: Profitability Ratios	13
Table 9: Background	15
Table 10: International Awards Received.....	16
Table 11: Affiliated Company	18
Table 12: Joint Venture Companies.....	18
Table 13: Debt Classification and Minimum Reserved Ratio	20
Table 14: Assets used in doing business	30
Table 15: Assets	33
Table 16: Capital Structure	33
Table 17: Shareholder Structure.....	34
Table 18: Structure of Inspection Committee of the Board of Directors.....	36
Table 19: Structure of Board of Directors.....	36
Table 20: Board Management Committee	38
Table 21: Internal Audit Committee	39
Table 22: Risk Management Committee	40
Table 23: Board Management Committee	40
Table 24: Number of Employee from 2014 three	41
Table 25: Number of employees at each level of position in 2016.....	42
Table 26: Educational Qualification of the Employees	42
Table 27: Age of Employees.....	42
Table 28: Important Balances Relating to Relevant Parties.....	44
Table 29: Assets for the Past Three Years	45
Table 30: Consolidate Income Statement	45
Table 31: Consolidated Statement of Comprehensive Income	46
Table 32: Consolidated Statement of Cash Flow	46
Table 33: Selected Key Financial Ratios	48
Table 34: Total Operating Income	49
Table 35: Operating Expenses	51
Table 36: Taxation and effective tax rates	52
Table 37: Cash and Cash Equivalents	54
Table 38: Due to Customers.....	55



List of Figure

Figure 1: Deposits	25
Figure 2: Loans	25
Figure 3: Number of ATM Cards.....	26
Figure 4: Number of ATM Machines	26
Figure 5: Numbers of VISA CREDIT Cards	27
Figure 6: Numbers of VISA DEBIT Cards.....	27
Figure 7: Number of i-Bank Consumers.....	28
Figure 9: Numbers of SMS BANKING Users.....	29
Figure 10: Organizational Structure.....	34



Definitions:

Terms	Definitions
BCEL	BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC
BOL	Bank of the Lao PDR
MOF	Ministry of Finance
LAK	Lao Kip
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
EDC	Electronic Data Capture
ATM	Automated Teller Machine
E&Y	Ernst & YoungLao Limited
SME	Small and Medium Enterprises
VISA	Visa International Service Association
ROE	Return on Equity
ROA	Return on Assets



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 Share Offering

Banque Pour Le Commerce Extérieur Lao Public (“The Bank or BCEL”) is established by fund contributions of Banque Pour Le Commerce Extérieur Lao Co., Ltd under the Bank Establishment License, No. 129/BOL, dated 01 November 1989 issued by Bank of the Lao PDR and Bank Operation License (the Latest Amended), No. 4284/BOL, dated 11 November 2010 issued by Bank of Lao PDR. 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 and has approved and amended 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. As mentioned to date, the Government, represented by 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 affiliate bank of BRED Bank, which is the biggest bank in the region of the bank association under BanquePopulaire Group, which is a cooperation group of French banks. Total purchasing cost is 150,235,349,000 LAK and has been fully contributed by COFIBRED.

❖ Risk Factors

- Uncertain circumstances of the global and domestic economy
- Credit risks
- Marketing risks
- Business changes lead by IT development
- Regulatory changes
- Other related risks

❖ Information related to shares offering

➤ Ordinary shares offers to the Existing Shareholders (RO)

Ordinary shares offering to the existing shareholders (RO) in the ratio of two (2) existing shares per one (1) new share, in the amount of 68,288,600 shares, with par value 5,050 LAK per share.

The remaining ordinary shares resulting from not exercising the right for subscription of the existing shareholders shall be divided among the other share subscribers more than the portion that the existing shareholders has received by dividing and using the average weight method or other appropriate methods.

➤ Ordinary shares offering to the General Shareholders (PO)

Ordinary shares offering to the general shareholders (PO) in the amount of 2,857,100 shares with a par value 5,300 LAK per share, shares dividing shall apply the method of subscription prior to receiving share dividing (first come, first serve) or an average weight as appropriate.

❖ Share Offering for Capital Increase

The capital increase with a total value of 360 billion Kip is a plan for funding in order to increase the capital approved by the Ordinary Meeting of Shareholders of BCEL 2012 which was held on 29/03/2013 onward. After the target was defined, over the period of time, BCEL has researched and prepared the readiness of documents, technical capabilities, personnel and closely coordinated with high level officials and the sectors related to the aforementioned capital increase ensuring to reach the target by the time set forth. When the capital increase is completed, BCEL shall be able to reach the target of capital adequacy according to the Regulation issued by Bank of Lao PDR and shall serve as an important background for applying the Principle of Basel II in the future, as well as to strengthen capital adequacy in order to raise the capacity to compete, support the growth of the banking businesses, issuing of new products, and developing modernized services of BCEL with international standards.

❖ 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 company upon deductions for the legal reserve and other 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 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

- Name and Shareholders Equity Ratio

Table 1: List of Shareholders

No	Shareholders	Before RO/PO		After RO/PO	
		No. of Shares	%	No. of Shares	%
1	Ministry of Finance	95,604,321	70%	145,187,821	70%
2	COFIBRED	13,657,759	10%	20,741,159	10%
3	General Investors	27,315,520	20%	41,482,220	20%
Total		136,577,600	100%	207,411,200	100%
Registered Capital		682,888,000,000		1,037,056,000,000	

Source: Banque Pour Le Commerce Extérieur Lao Public

- Board of Directors and Directors

Table 2: Board of Directors

No	Name & Family Name	Position
1	Dr. Bounleua Sinxayvolavong	Chairman
2	Mr. Khamsouk Sundara	Vice Chairman/Independent Member
3	Mr. Phoukhong Chanthachack	General Managing Director/Member
4	Mr. Phansana Khounnouvong	Deputy Managing Director/Member
5	Mrs. Khanthaly Vongxayalath	Deputy Managing Director/Member
6	Mr. Viengxay Chanthavisouk	Chief of Branch Management Division/Member
7	Mr. Marc Robert	Representative of COFIBRED /Non-Independent 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. Phansana Khounnouvong	Deputy Managing Director
3	Mr. Larchay Khanpravong	Deputy Managing Director
4	Mr. Nanthalath Keopaseuth	Deputy Managing Director
5	Mr. Khamsien Mingboupha	Deputy Managing Director
6	Mr. Souphak Thinsayphone	Deputy Managing Director
7	Mr. Bouavanh Simmalivong	Deputy Managing Director

Source: Banque Pour Le Commerce Extérieur Lao Public

❖ Performance Outcome and Financial Ratio in Past 3 Years (2014 – 2016)

Performance Outcome of all BCEL's businesses in past 3 years is as follows:

Table 4: Overall Businesses Financial Status

Overall Businesses Financial Status (Million LAK)	2016	2015	2014
Total Aseets	32,023,274	25,776,860	23,489,159
Total Liabilities	30,710,080	24,579,789	22,338,468
Registered Capital	682,888	682,888	682,888
Total Capital of the Bank	1,279,262	1,163,828	1,117,789
Total Capital from Uncontrolled Interest	33,932	33,243	32,902
Total Capital	1,313,194	1,197,071	1,150,691
Total Liabilities and Capital	32,023,274	25,776,860	23,489,159

Source: Banque Pour Le Commerce Extérieur Lao Public

Table 5: Profits/Losses

Profit/Loss (Million LAK)	2016	2015	2014
Interest incomes and similar incomes	547,835	260,640	314,145
Net incomes from Fees and Service Fees	178,433	158,234	131,279
Net income from operations	610,180	481,633	470,155
Total expenses from operations	(410,377)	(382,869)	(357,168)
Profit before tax	226,216	147,089	156,133
Net Profit within a Year	174,105	124,712	133,308

Source: Banque Pour Le Commerce Extérieur Lao Public

Table 6: Net Profits and Losses

Net Profit / Loss (Million LAK)	2016	2015	2014
Net profit at year	174,105	124,712	133,328
Income outside business within period after deducting tax	(25,404)	(31,081)	26,429
Gross Income outside business within period after deducting tax	148,701	93,631	159,757

Source: Banque Pour Le Commerce Extérieur Lao Public

Table 7: Cash Flow

Cash Flow (Million LAK)	2016	2015	2014
Profit prior to tax	226,216	147,089	156,133
Net cash flow from operation	(2,888,552)	(28,984)	5,990,076
Net Cash Flow from from investment activities	(110,326)	166,135	(232,208)
Net Cash Flow from from financial activities	(29,881)	(55,534)	(40,567)
Decrease/increase in net cash or cash equivalent	(3,028,759)	81,617	5,717,301
Annual cash and cash equivalent	10,154,343	10,081,167	4,362,709
Cash and cash equivalent at year end	7,125,584	10,154,343	10,081,167

Source: Banque Pour Le Commerce Extérieur Lao Public

➤ Total Assets

As on 31 December 2014, 2015 and 2016, the Bank has total assets of 23,489,159 Million LAK, 25,776,860 Million LAK and 32,023,274 Million LAK respectively. In such assets “Loan to Customers” is the biggest amount of assets in three years continuously that covered 40.97%, 42.11% and 59.62% of total assets respectively. On the opposite, “Cash and Gross Deposits with Bank of the Lao PDR” and “Payable Debts to the Bank” which are mainly comprised of cash and cash equivalent components decreased by 21.87% and 21.84% each year. By that reason, BCEL has concise policies towards assets structure or on the other hand, the Bank shall bear more risks by transforming assets to risky assets for obtaining more interests.

➤ Total Liabilities

Over time, the Bank maintains debt structures consisting of “Deposits from Customers” that covers 85.51%, 86.70% and 82.72% of total assets on 31 December 2014, 2015 and 2016 respectively. The remainings are from debts with banks (“Payable debts to banks” and “Loan from other banks”) and other related debts. As one of the leading banks in Lao PDR, the Bank has substantial advantages on extending loans to customers and other lending businesses.

➤ Portion of Shareholders

As on 31 December 2014, 2015 and 2016, capital of total shareholders has continuously increased from 1,150,691 Million LAK or equivalent to 4.09% of total assets to 1,313,194 Million LAK or equivalent to 4.10% of total assets respectively. The Bank’s registered capital was 682,888 Million LAK. On 31 December 2014, 2015 and 2016, even though the Bank’s registered capital was increased each year, but the portion against assets decreased. These indicated that the Bank’s debt portion against capital is higher, which indicated that liquidity risk is high. To minimize such risk, there shall be an increase of the registered capital from the original registered capital amount to approximately 1,037,056 Million LAK, upon securities offering that shall cause the portion of shareholders to increase from the original registered capital amount to 1,667,362 Million LAK or equivalent to 5.21% of total assets.

Key financial ratios of BCEL of all businesses in past 3 years are as follows:

Table 8: Profitability Ratios

Profitability Ratios	%	2016	2015	2014
Income Interest to Assets Revenue Interest	%	7.12%	7.33%	7.73%
Net Interest Different	%	2.77%	1.78%	2.42%
Fees to Income	%	22.63%	26.63%	23.79%
Non-Interest Income to Overall Income	%	30.52%	56.14%	43.07%
Principal to Income	%	52.04%	64.43%	64.72%
Tax Ratio	%	23.04%	15.21%	14.61%
Return on Equity	%	14.20%	10.90%	12.17%
Return on Assets	%	0.60%	0.50%	0.66%
AssetsQuality				
Non-Performanced Loan (NPLs) Million LAK		269,795	289,067	297,735
Total NPLs to Loans	%	1.40%	2.62%	3.06%
Risk from Borrowing	%	125.87%	92.97%	66.94%
Liquidty Ratio				
Overall Loan Ratio to Deposits	%	76.02%	51.88%	50.99%
Capital Adequacy				
Tier 1 (Million LAK)		1,272,887	1,132,051	1,117,789
Total Capital (Million LAK)		724,761	591,510	583,359
Risk Assets (Million LAK)		13,588,881	10,549,190	7,321,330
Equity Portion to Assets	%	4.10%	4.64%	4.90%
Tier 1 Capital Ratio	%	9.37%	10.73%	15.27%
Capital AdequacyRatio	%	5.33%	5.61%	7.97%

Source : Banque Pour Le Commerce Extérieur Lao Public

**Part 1: 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	:	ທະນາຄານ ການຄ້າຕ່າງປະເທດລາວ ມະຫາຊົນ (ທຄຕລ)
English Name	:	BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC(BCEL)
Establish Date	:	01 November 1989
Business type	:	Finance and Insurance Services
Registered Capital Paid	:	682,888,000,000 LAK
Value Set	:	5,000 LAK/Share
Shares Offering to Sell	:	71,145,700 Shares
Shares Offering to existing shareholders	:	68,288,600 Shares
Price offered to existing shareholders	:	5,050 LAK/Share
Shares Offering to General Shareholders	:	2,857,100 Shares
Price offered to General Shareholders	:	5,300 LAK/Share
Head Office	:	1 st 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 Backgroud of Banque Pour Le Commerce Extérieur Lao Public

Banque Pour Le Commerce Extérieur Lao Public (BCEL) is established, by capital contributed of Banque Pour Le Commerce Extérieur Lao, under Bank Establishment License, No. 129/BOL, dated 01/11/1989 issued by Bank of the Lao PDR and Bank Operation License (Latest Amended), No. 4284/BOL, dated 11/11/2010 issued by Bank of the Lao PDR. On 23/12/2010, the bank completed the Initial Public Offering (IPO). The bank has changed its status from “Company Limited” to “Banque Pour Le Commerce Extérieur Lao Public” by receiving the approval and amended enterprise registration certificate, No. 0061/ERO, dated 10/01/2011 issued by the Department of Registration and Enterprise Management, Ministry of Industry and Commerce, Lao PDR. On such date, the Government, represented by Ministry of Finance, is the biggest shareholder that holds 80% of the total shares.

On 15/07/2011, the Ministry of Finance sold its 10% of ordinary shares (equivalent to 13,657,759 shares) to strategic business partner 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.

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

Table 9: Background

Year	Descriptions
1975	After the country was liberated and established as Lao People's Democratic Republic on 2 December 1975, the bank 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-reliantly 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, operations and is 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 bank and legal entity 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 KTZMICO Security Company of Thailand to establish BCEL-KT Security Company.
2013	Ordinary meeting of shareholders 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.
2016	Currently, the bank has 1 Head Office, 1 affiliate company, 4 Joint Venture Companies, 19 Main Branches, 77 Service Units and 15 Exchange Units across the country.

Source: Banque Pour Le Commerce Extérieur Lao Public

At the present, the main activities of bank are providing financial services, including capital mobilization and deposits for short, medium and long terms for organizations and individuals; loans for short, medium, long terms and advances for organizations and individuals in accordance with their purposes and abilities to provide the capital of the bank; foreign exchange services, international trade services, discount of commercial papers, bonds and other valuable documents and provide other banking services approved by Bank of Lao PDR.

1.3 Previous Achievements

Over the last decade, Banque Pour Le Commerce Extérieur Lao Public has actively contributed to the development 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 10th year anniversary of the Lao-Viet Bank establishment date (22/06/1999 – 22/06/2009). On the occasion of the 20th year anniversary of business operations, BCEL received one Liberty Medal Class III, in addition, BCEL also received awards the following awards:

Table 10: 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 Award For Quality & Best Trade Name 2013”	From Asian Banking & Finance Magazine
	“Lao Domestic Project Finance Bank Of The Year”	From Asian Banking & Finance Magazine
	“Lao Domestic Technology And Operation 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 & 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 – Lao PDR”	From Asian Banking & Finance Magazine
	“Best Internet Bank – Laos PDR”	From Global Banking & Finance Review, London, UK

Source: Banque Pour Le Commerce Extérieur Lao Public

1.4 Related Companies

As of 31 December 2016, the bank has 1 Affiliated Company and 4 Joint Venture Companies.

- Affiliated Company

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

Table 11: Affiliated Company

Name	Enterprise Registration Certificate	Sector	%
BCEL-KT Security Company	No. 180 – 10, dated 14/12/2010 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

By the end of 2016, BCEL had entered into a joint venture with a foreign investor to establish 3 Joint Venture Banks and 1 Insurance Company, such as: Lao-Viet Bank, Banque Franco-Lao, Lao-China Bank Limited and Lao-Viet Insurance Company.

Table 12: 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 Sector, Lao PDR	Banking-Finance	49%

Source: Banque Pour Le Commerce Extérieur Lao Public

2. The Objective of Using Funds From Share Offering

The capital increase is worth 360 billion LAK in total, which is the plan of increasing capital approved by BCEL shareholders' meeting 2012 on 29th March 2013. After the targets were set out, BCEL had previously conducted research and prepared documents, techniques, personnel and coordinated with the relevant authorities and sectors to ensure the achievement of goals in the given period. After the completion of capital increase, BCEL will reach the sufficiency of the capital as defined by Bank of Lao PDR and the important foundation of applying the principle of BASEL II in the future and strengthen capital to raise the competition capacity in the market, handle the growth of banking business, improve and expand service networks including the development of products with modernized and international standards.

3. Risk Factors

Investment in shares involves risk. Therefore, investors shall consider the information in this Prospectus carefully, especially risk factors prior to making a decision on investing in common shares of the Bank. Those risk factors mentioned in this Prospectus may 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 business operation of the Bank and could also be a risk factor to the Bank in the future. The key factor 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.

The increasing of interest rates of United State of America last year indicates it is likely to increase more in the future, as well as an appreciation of USD currency will cause the cost of funding to rise, especially in emerging markets and an increase of interest rates of the United State of America may affect the flow of funds from various countries into the United States which could result in an appreciation of the US Dollar; in total, all of these factors could cause the cost of funding to increase. Additionally, the slowdown of the Chinese economy will also affect overall global economics.

Domestic factors of the Lao economy directly impact the Bank, such as the determination of BOL's interest rate is likely to decrease, which will directly effect the Bank's funding, as well as demand for cash of people is still high, reduction of investments in infrastructure and delays in the disbursement of the State budget that caused investment sectors to experience a shortage of funds, which in turn caused a delay in payments. At the same time, the determination of management systems for financial institutions of the BOL is likely to tighten up compliance with the criteria of international organizations which Laos is a member.

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 of reserve fund for credit risks against the credit list of BCEL is in compliance with the Decision of Bank of Lao PDR, No. 324/BoL, dated 19 April 2011, as in the following details:

Table 13: Debt Classification and Minimum Reserved Ratio

Classified Debt	Day of Pending Payment	Minimum Reserved Ratio
Normal or Pass	< 30	0.5%-1%
Watch or Special Mention	$30 \leq 90$	3%
Substandard	$90 \leq 180$	20%
Doubtful	$180 \leq 360$	50%
Loss	≥ 360	100%

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 favourable. In addition, BCEL is also upgrading its business operations, especially the credit section to comply with current relevant legislations and some regulations that may be changed 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 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.

- Risk Factor on Concentration of Large Debtors

Risk factors on the concentration of large debtors means 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. Risk management on concentration of large debtors, the bank shall diversify the risk into many different clusters 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.

- Risk Factor on Concentration of Economic Sector

Risk factor on concentration of 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 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 risk factor on concentration of economic sectors, BCEL has paid attention in 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 effect 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, that 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.

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 Business Changes in 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 installed software in the management of centralized computer 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.

Therefore, 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.

3.5 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:

3.5.1 Basel II Principle

The Basel II Principle shall be emphasized on capital adequacy to the risk assets. In regards to the risks to 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.

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:

$$CAR = [(Capital\ Tier\ 1 + Capital\ Tier\ 2 / \text{sum of asset multiply result with total risk weight}] \times 100 \geq 8\%.$$

3.5.2 Implementation of International Accounting Standards

The Bank shall be in compliance with the International Financial Reporting Standard or IFRS which can cause difficulties and delay the issuance of the financial report of BCEL, due to regulations and some accounting policies are not consistent with IFRS, such as the report of transactions relating to the credit.

However, at the present, Banque Pour Le Commerce Extérieur Lao Public is able to create the international financial report by itself and disclose it to the public in a timely manner.

3.5.3 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 institute 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 is 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 is ongoing improvement and development of regulations, policies and manuals.

3.5.4 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 utilise the capital for other benefit generation as well. The main liquidity risks of the Bank comprises: 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 secretariate to such committee. The secretariate division shall administer and monitor such activities daily. In addition, there is also continual development of the reporting system.

3.6 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 effecting business operations of the Bank. Thus, BCEL shall pay attention in 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 standardised 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.

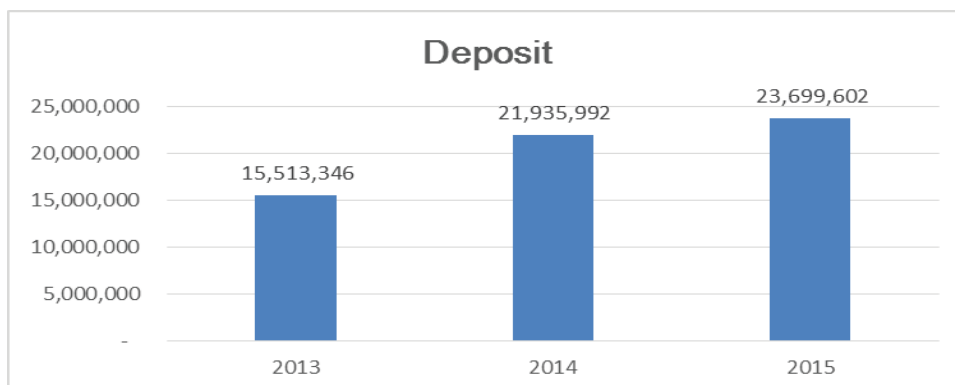
4. Current Business

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 has allowed 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 Deposit

In 2013, BCEL had deposits in the amount of 15,513 billion LAK, deposit growth continues to increase based on economic conditions in each period. The raising of capital by BCEL has been comprised of various channels, especially deposits in 2014 that rose to 21,935 billion LAK, increasing by 41% as compared with 2013 and 2015 increased by 8% as compared with 2014, the reasons of such increases are due to major increase in customers, which caused deposits to increase as well.

Figure 1: Deposits

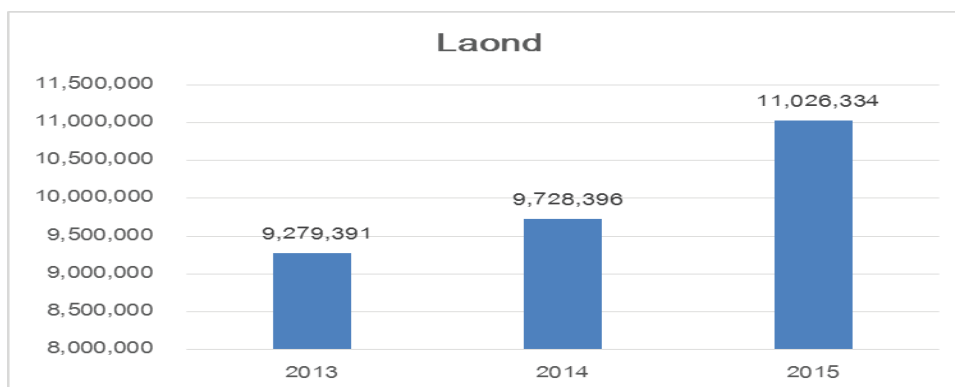


Source: Banque Pour Le Commerce Extérieur Lao Public

4.2 Loans

In 2013, BCEL had loans totaling 9.279 billion LAK. The majority of loan expansion was based on economic conditions in each period; which was mostly for the construction sectors. In 2014, loans were increased up to more than 9.728 billion LAK, increasing by 5% as compared to 2013, due to economic fluctuation conditions at such period which affected debt collections and lending. In 2015, the bank had loans totaling 11.026 billion LAK, increasing by 13% as compared to 2014.

Figure 2: Loans



Source: Banque Pour Le Commerce Extérieur Lao Public

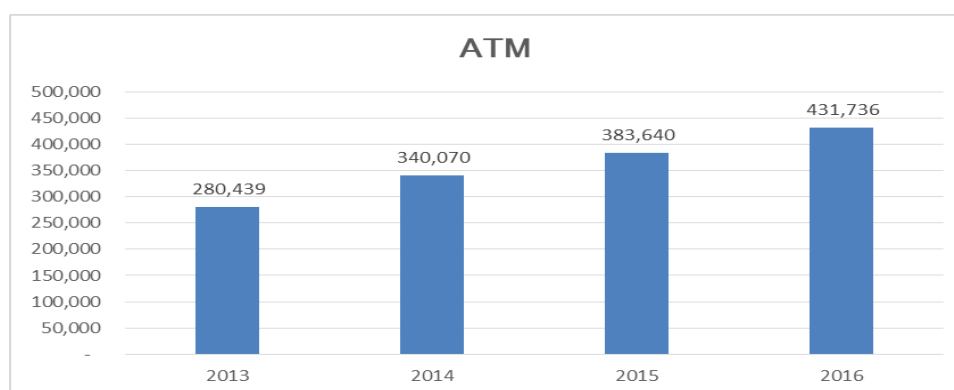
4.3 ATM Cards

ATM's of Banque Pour Le Commerce Extérieur Lao Public are popularly used by the general public, because BCEL has branches and service units in all provinces across the country; for this reason ATM card use is widespread. 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 of 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 2013, the total

number of BCEL ATM cards was 280,439 and in 2014 it increased to 340,070 cards, expanding by 59,631 cards; representing a 21% increase as compared to 2013. In 2015 the number of cards expanded by 43,570 cards, representing a growth rate increase of 13% as compared to 2014. In 2016 BCEL extended the amount of cards by 48,096, up 13% as compared to the growth rate of 2015, which the form and characteristics of ATM cards are as follows:

Figure 3: Number of ATM Cards

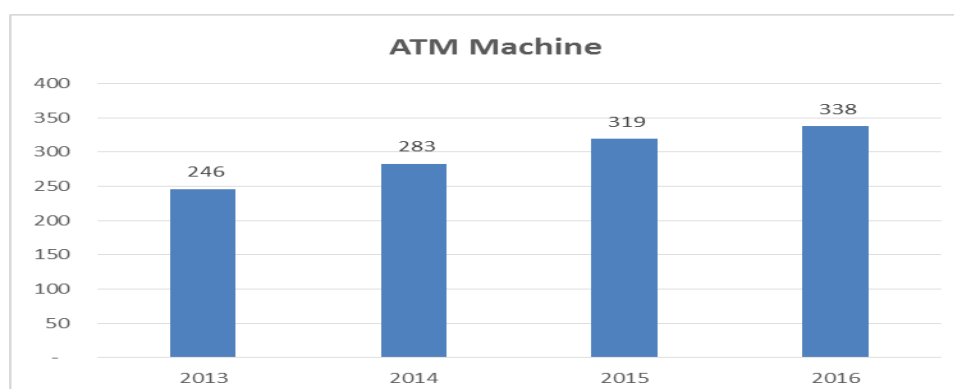


Source: Banque Pour Le Commerce Extérieur Lao Public

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 2013, there were a total of 246 ATM machines installed across the country; in 2014, the number of ATM machines installed increased by 37 machines, which represents an increase of 35% as compared to 2013. In 2015, the number of ATM machines installed was increased by 36 machines, which represented a 13% increase as compared to 2014. In 2016, the number of ATM machines installed increased by 19 machines, which represented an increase of 6% as compared to 2015. In 2016, the total number of BCEL ATM machines was 338 machines across the country.

Figure 4: Number of ATM Machines



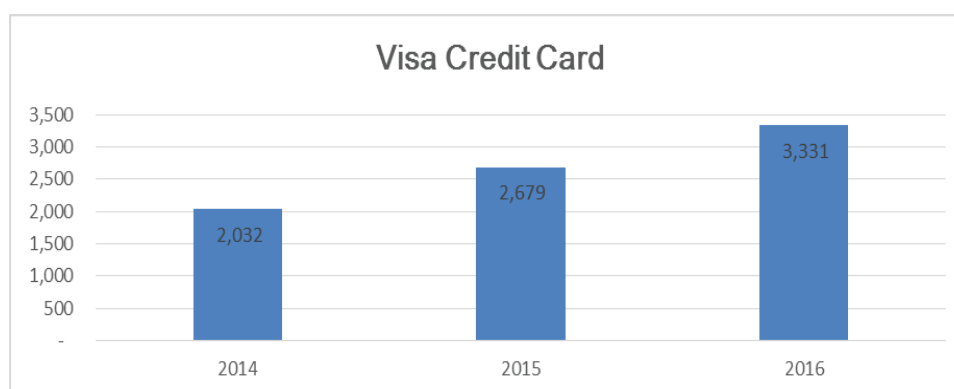
Source: Banque Pour Le Commerce Extérieur Lao Public

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 2014, BCEL was able to provide 586 additional cards, representing a 41% growth rate as compared to 2013. In 2015 BCEL was able to further issue 647 additional cards, representing a rate of growth of 32% compared to 2014. In 2016 an additional 652 cards were issued, which represented a 24% increase as compared to 2015.

Figure 5: Numbers of VISA CREDIT Cards



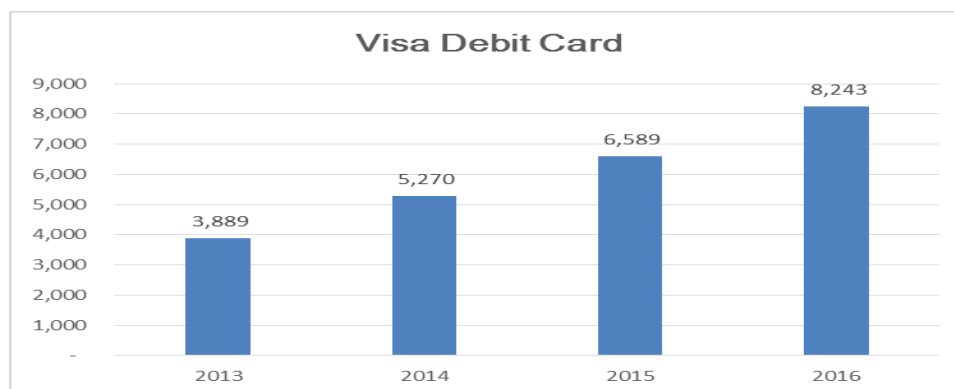
Source: Banque Pour Le Commerce Extérieur Lao Public

4.6 BCEL VISA DEBIT Cards

Based on the potential of BCEL as stated above, use of VISA DEBIT cards is popular among BCEL customers across the country, because it is easy to make withdrawals both domestically and internationally.

According to the Figure below, the growth of the VISA DEBIT Cards is also providing a service which is popular with society. In 2014 debit card use was increased by an additional 1,381 cards, representing an increase of 36% as compared to 2013. In 2015 the number of the cards increased by 1,319 cards, representing an increase of 25% as compared to 2014 (in 2015, there was no significant growth of VISA DEBIT Cards due to a temporary halt of printing cards during the 3rd quarter of the year for upgrading the cards and the Bank started reprinting the cards in early 2016). However, in 2016 VISA DEBIT cards continued to grow with 1,654 additional cards issued, representing an increase of 25% as compared to 2015.

Figure 6: Numbers of VISA DEBIT Cards

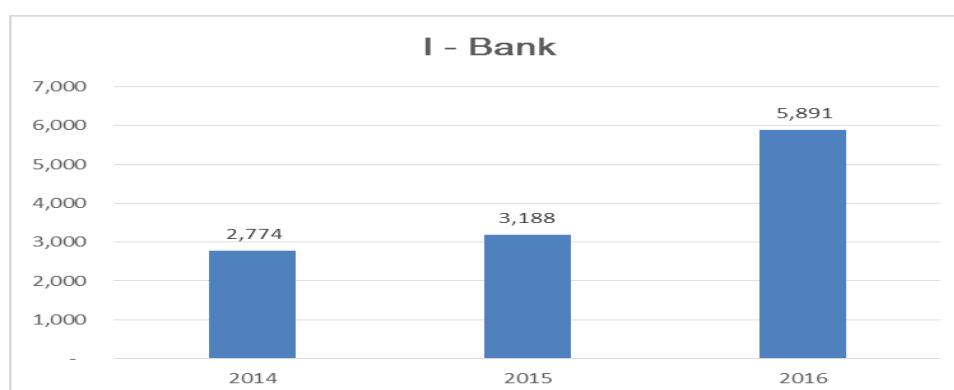


Source: Banque Pour Le Commerce Extérieur Lao Public

4.7 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 2013, there were 2,269 users. In 2014 i-Bank services expanded with 505 additional users, representing an increase of 22% as compared to 2013. In 2014 the number expanded with 414 additional users, representing an increase of 15% as compared to 2015. In 2016, the product have been further developed and is capable of transferring an employee's salary through the system without entering the bank, making transfer of foreign exchange into account and so on, which attracted an increasing number of users. In 2016 i-Bank was able to expand with an additional 2,073 users, representing an increase of 85% as compared to 2015.

Figure 7: Number of i-Bank Consumers



Source: Banque Pour Le Commerce Extérieur Lao Public

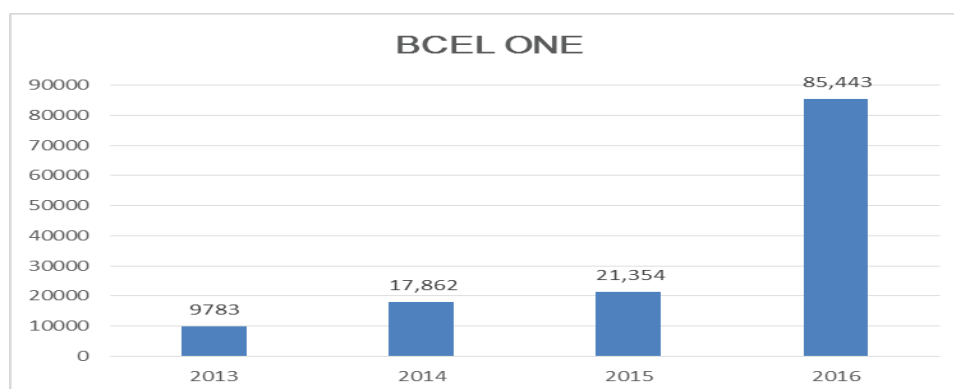
4.8 BCEL ONE

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 customers 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 convenient

electronic product to customers, which is illustrated by the expansion in 2013 with a total of 9,783 users.

In 2014, the number of users increased with 8,079 new users, which represented an increase of 83% as compared to 2013. In 2015, with 3,492 new users, representing an increase of 20% as compared to 2014. In 2016, the numbers of users were increased with 64,089 new users, which represented an increase of 40% as compared to 2015. At the present time, BCEL is the sole provider of this service across the country. Currently, there have not been other banks or organizations providing similar services. This has allowed BCEL a business advantage, because there is not any competitors in such a product line.

Figure 8: Numbers of BCEL ONE Users

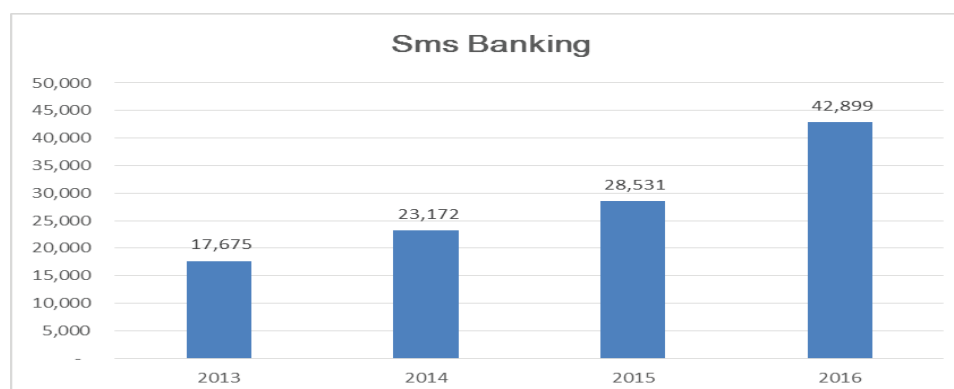


Source: Banque Pour Le Commerce Extérieur Lao Public

4.9 SMS Banking

The SMS BANKING service was established in 2008 to alert customers of financial transaction activities on their accounts. In 2014, the numbers of users were able to expand with 5,497 new users, which represented an increase of 31% as compared to 2013. In 2015, the numbers of users continued to expand with 5,359 new users, which represented an increase of 23% as compared to 2014. In 2016, the numbers of users were able to expand with 14,368 new users, which represented an increase of 50% as compared to 2015. 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 9: Numbers of SMS BANKING Users



Source: Banque Pour Le Commerce Extérieur Lao Public

5. Assets used in doing business

As of the date 31 December 2016, BCEL's assets were up to 31,935,026 million LAK, 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 14: Assets used in doing business

Assets	2015	2016
Cash and deposits at the Bank of the Lao PDR	9,466,790	5,068,936
Deposits at other banks	1,986,635	2,950,093
Loans to customers	10,854,955	19,093,205
Financial Investment-holding for exchange	6,046	39
Investments in financial-holding for sell	224,348	198,121
Investments in financial – holding until maturity	1,776,408	2,553,110
Investments in affiliated and joint venture companies	555,418	551,449
Fixed assets and equipment	391,146	447,935
Intangible fixed assets	297,744	243,521
Deferral of Property Tax payment	6,259	10,856
other assets	211,111	294,009
Total Assets	<u>25,776,860</u>	<u>32,023,274</u>

Source: Banque Pour Le Commerce Extérieur Lao Public

6. Future Projects

To operate a strong and modern banking business at regional and international standards, the main aims of the BCEL include: strengthening its organizational system, upgrading the banking business to be in line with changes in modern times; strengthen risk management and compliance with Basel II principles; improving business operation efficiency, establishing and developing a strong, complete, accurate, timely administration data management system that meets international standards; utilize the cutting edge technology and improve knowledge and expertise to reach both regional and international standards. To achieve these, the BCEL formulated 6 key programmes that include 32 projects and 216 working plans. The 6 key programmes are as followings:

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

❖ **Create Management Information System (MIS)**

MIS is an important part of business administration that requires 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 data base 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 operation, 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 principle 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 are 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 to appropriate tasks, knowledge and educational qualification;
- To motivate employees based on the change of conditions and necessity of the tasks; and
- 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 standard 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 businesses, generating revenue and managing expenditures with more efficiency and developing the management and monitoring systems for periodic evaluation.

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.

Certificate of Peoples operation of BCEL had no prosecution at any court or involved in any dit BCEL has no lawsuit.

8. Capital Structure

8.1 Asset Structure

Total value of the assets of BCEL in 2016 was 32,008,204 million LAK (internal amount). In general, the assets of BCEL consists of cash and deposits at the Bank of Lao PDR, receivables from other banks, loans to customers, financial investments (for buy-sell), financial investments (for sell), financial investments (for fixed period), investment of subsidiaries and joint-venture companies, fixed assets and equipment, intangible fixed assets, property taxes postponement and other assets as follows:

Table 15: Assets

Assets (Million LAK)	2016	2015	2014
cash and deposit at Bank of Lao PDR	5,680,936	9,466,790	7,271,254
receivables from other banks	2,950,093	1,986,635	3,774,198
loans to customers	19,093,205	10,854,955	9,622,905
financial investment (for buy-sell)	39	6,046	3,906
financial investment (for sell)	198,121	224,348	222,332
financial investment (for fixed period)	2,553,110	1,776,408	1,266,732
investment of subsidiaries and joint-venture companies	551,449	555,418	534,430
fixed assets and equipment	447,935	391,146	250,393
intangible fixed assets	243,521	297,744	271,569
property taxes postponement	10,856	6,259	5,999
other assets	294,009	211,111	265,441
Total assets	32,023,274	25,776,860	23,489,159

Source: Banque Pour Le Commerce Extérieur Lao Public

8.2 Capital Structure

Total value of the capital of BCEL in 2016 is 1,298,134 million LAK (internal amount), in general, the capital of BCEL consists of registered capital, the regulatory accumulated fund and other accumulated funds, reserve fund of assets for sale, buyback, accumulated profit, and profit-loss which is not under control as the following:

Table 16: Capital Structure

Description	2016
register capital	682,888
regulatory accumulated fundand other accumulated funds	359,002
reserve fund of assets for sale	7,219
buyback	(1,010)
accumulated profit	216,104
profit-loss which is not under control	33,931
Total capital	1,298,134

Source: Banque Pour Le Commerce Extérieur Lao Public

8.3 Shareholder Structure

As of 3 April 2017, the closing date of the registration book, there are 1,404 shareholders in total, in which 344 shareholders are foreigners and 1,060 are domestic shareholders, resulting in a total shareholding of 136,577,600 shares in equivalent to 100% and the proportion of shareholding is as follows:

Table 17: Shareholder Structure

No	Shareholders	Before RO/PO	
		Number of shares	%
1	Ministry of Finance	95,604,321	70%
2	COFIBRED Bank	13,657,759	10%
3	General investor	27,315,520	20%
Total		136,577,600	100%

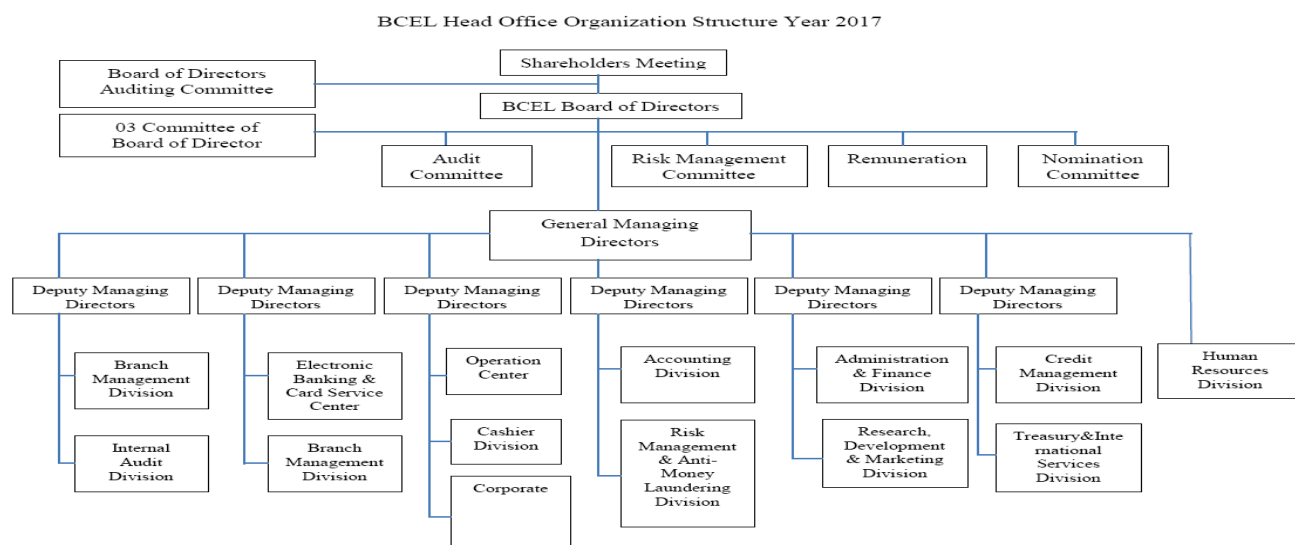
Source: Banque Pour Le Commerce Extérieur Lao Public

9. Organizational Structure

Organizational structure of BCEL consists of:

1. Shareholder's Meeting;
2. Inspection Committee of the Shareholders;
3. Board of Directors;
4. Committee of the Board of Directors;
5. Managing Director;
6. Deputy Managing Director.

Figure 10: Organizational Structure



Source: Banque Pour Le Commerce Extérieur Lao Public

9.1. Shareholder's Meeting

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

9.1.1 Ordinary Shareholder's 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 the bank as proposed by the Board of Directors;
- To appoint or dismiss the chairman, vice chairman and members of the Board of Directors;
- To approve remuneration of the Board of Directors' meeting, salary, pension, and other policies for manager;
- To approve summary, business plan and annual report as proposed by the Board of Directors;
- To approve on merger, sale of property or dissolution of the bank;
- To approve on dividends and other treasuries as proposed by the Board of Directors;
- To perform other rights and duties as defined in the Articles of Association.

9.1.2 Extraordinary Shareholder's Meeting

Extraordinary shareholder's meeting may be convened as deemed necessary. Board of Directors, shareholder's inspection committee and shareholders who hold more than five percent (5%) of the total common shares for more than six successive months or more are entitled to propose to convene shareholder's meeting by the following cases:

- Financial report represents the instability of the bank 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 number of members of the Board of Directors less than the number as defined by the law or less than the number as defined in this Articles of Association;
- In case there is a reason which proves that the manager of the bank severely violates this Articles of Association or relevant regulations, which causes losses to the bank 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 register capital;
- Other cases as defined in this Articles of Association.

Every meeting shall have minutes of meeting in writing with signatures of 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.

9.2 Inspection Committee of Shareholders

Inspection Committee of the Board of Directors of BCEL consists of 5 persons as agreed by the shareholder's meeting. In the committee, at least one member shall have expertise in the accounting field (but not a member of the Board of Directors, accounting employee of BCEL or an employee of the external auditor). The Inspection Committee on the Board of Directors shall appoint one member who is a shareholder of the bank as the head of the inspection committee of the Board of Directors.

Table 18: Structure of Inspection Committee of the Board of Directors

No	Name and family name	Position
1	Mr. Phosay Munphilavan	Deputy Director General of Inspection Department, Ministry of Finance, as Chairman
2	Mr. Phoukhao Thongmanila	Deputy Director General of Inspection Department, Ministry of Planning and Investment, as Vice Chairman
3	Mrs. Duangdy Phimvongsa	Deputy Head of Banking Institute, as a Member
4	Dr. Phonxay Kongmanyla	Lecturer and Head of International Relations Committee and Training, as a Member
5	Mr. Khamkong Liamprachan	Independent Lawyer, as a Member

Source: Banque Pour Le Commerce Extérieur Lao Public

9.2.1 Rights and Duties of Inspection Committee of Shareholders

The Inspection Committee on the Board of Directors of BCEL has the following rights and duties:

- To inspect the implementation of strategic plans and business plans of the Board of Directors of BCEL;
- To inspect the financial status of BCEL and represent such findings to the shareholders;
- To perform other rights and duties as appointed by the shareholders.

9.3 Board of Directors

Table 19: Structure of Board of Directors

No	Name and family name	Position
1.	Dr. Bounleua Sinxayvoravong	Director General of Monetary Policy Department/Chairman of the Board of Director
2.	Mr. KhamSouk Soundara	Independent Member/Vice Chairman
3.	Mr. Phoukhong Chanthachack	Managing Director/member
4.	Mr. Phansana Khounnouvong	Deputy Managing Director/member
5.	Mrs. Khanthaly Vongsayalath	Deputy Managing Director/member

6.	Mr. Viengxay Chanthavysouk	Head of Branch Management Division, representative of shareholders/member
7.	Mr. Marc Robert	Representative of COFIBRED on behalf of strategic partner/member

Source: *Banque Pour Le Commerce Extérieur Lao Public*

9.3.1 Rights and Duties of the Board of Directors

- To manage and inspect business operations and other tasks of the bank;
- To be completely and independently entitled to manage and inspect that operations and political activities, do not involve day-to-day operation of the bank, except a person who is appointed as director;
- To use rights and perform duties of the Board of Directors on a faithful basis and ensure the maximum benefits to the bank;
- Member of the Board of Directors shall not use rights and perform duties for personal gains;
- Member of the Board of Directors is entitled to consider loans, issue underwriting letters and may issue guaranty letters for liabilities or other concerned tasks pursuant to the laws and regulations of Lao PDR.
- Board of Directors of BCEL is completely entitled to create the organizational structure and allocate the positions of the employees in case there is an amendment of organizational structure in accordance with the laws and regulations of Lao PDR;
- To consider and approve operational policy plan of the bank;
- To consider and approve annual reports and annual operational plans of the bank;
- To consider and approve policies and service systems necessary to the bank to archive its goals;
- To consider operational reports of the bank in order to ensure the benefits of shareholders and ensure financial status of the bank, which enables the bank to have financial strength in the long-term;
- To consider and set out solutions in capital structure and selling shares as agreed by the shareholders;
- To consider and approve all provisions of the bank;
- To propose to Ministry of Finance for approving assignment of rights and duties and pension of director;
- To consider the salary of the managing director, deputy director and head of each division;
- To set out additional expenses of attending the Board of Directors' meeting and members who attend the meeting as defined by Ministry of Finance;
- To approve the report of the internal inspection committee of the bank.

9.4 Inspection Committee of the Board

Inspection Committee of the Board is composed of: Board Management Committee, Risk Management Committee and Internal Audit Committee. In the event that there is the need to set up other additional committees, it may be set up based upon the agreement of the Board.

Each committee consists of three members, one of them is the chairman of the committee. If there is an external member of the Board of Directors in the committee, such member shall be the chairman of the committee. One member of the Board of Directors may be in more than one committee, but is only entitled to be the chairman of one committee.

9.4.1 Board Management Committee

BCEL's Board Management Committee is comprised of 9 members as follows:

Table 20: Board Management Committee

No	Name and Surname	Position
1	Mr. Phoukhong Chanthachack	General Managing Director/Chairman
2	Mr. Phansana Khounnouvong	Deputy Managing Director/Vice Chairman
3	Mrs. Khanthaly Vongxayalath	Deputy Managing Director/Vice Chairman
4	Mr. Larchay Khanpravong	Deputy Managing Director/Vice Chairman
5	Mr. Nanthalath Keopaseuth	Deputy Managing Director/Vice Chairman
6	Mr. Bounlouane Ounlathavong	Chief of Research, Development and Marketing Division/Member
7	Mrs. Boutsady Mounlathsavong	Chief of Human Resources Division/Member
8	Mr. Saychit Simmavong	Acting Chief of Administration and Finance Division/Member
9	Mr. Hinhphet Chanthalangsy	Acting Chief of Treasury and International Service Division/Member

Source: *Banque Pour Le Commerce Extérieur Lao Public*

9.4.1.1 Rights and Duties of Board Management Committee

- Select the targeted candidates for being a member of the Board Management Committee in accordance with the criteria defined in order to propose such nomination in the shareholders' meeting.
- Select the targeted candidates for being General Managing Director and Deputy Managing Director for undertaking the responsibility of financial matters in accordance to the criteria defined in order to propose such nomination to the Board for appointment;
- Analyze the annual operational plan of the Board;
- Define the criteria and plans in order to evaluate the activities of the Board and Managers;
- Arrange the meeting at least every six (6) months in accordance to the needs of the Board;
- Conclude and evaluate its annual performance;
- Perform other rights and duties in accordance to the assignment from the Board and Shareholders' meeting.

9.4.2 Internal Audit Committee

BCEL's internal audit committee is comprised of 8 members as follows:

Table 21: Internal Audit Committee

No	Name and Surname	Position
1	Mrs. Khanthaly Vongxayalath	Deputy Managing Director/Vice Chairman
2	Mr. Larchay Khanpravong	Deputy Managing Director/Vice Chairman
3	Mrs. Lammaniseng Xayaphet	Chief of Accounting Division/Member
4	Mr. Viengsouk Chounthavong	Chief of Credit Management Division/Member
5	Mrs. Vanly Saysouvanh	Chief of Operation Centre/Member
6	Mr. Viengxay Chanthavysouk	Chief of Branch Management Division/Member
7	Mrs. Phousengthong Anoulackkham	Acting Chief of Internal Audit Division/Member
8	Mr. Hinphet Chanthavongsy	Acting Chief of Treasury and International Services Division/Member

Source: Banque Pour Le Commerce Extérieur Lao Public

9.4.2.1 Rights and Duties of Board Management Committee

- Set the appropriate accounting system and accounting for banking system in accordance with the rules defined by the Bank of Lao PDR;
- Set the plan and budget for internal audits of the bank;
- Monitor the implementation of accounting tasks as per procedures defined. External audit shall be appointed if necessary;
- Evaluate the quality of the external auditor, independence and the relation of the external auditor with various aspects among external auditors and relationship between external auditor and the bank;
- Hire, define the scope for auditing or terminate the contract with external auditor in accordance with the agreement of the Board;
- Consult the annual and quarterly audit reports with concerned managers and external auditor;
- Monitor the progress of the solutions made by concerned managers on the pending issues outlined in the external report;
- Consult and request the assistance from legal consultants, accountants and others as deemed to be necessary;
- Provide the comments on matters proposed by the Board or members of the Board;
- Approve all issues related or deemed to be necessary to the Board;
- Conclude and evaluate its own annual performance;
- Open the meeting at least once per month or according to the need of the Board;
- Perform other rights and duties in accordance with the assignment from the Board and Shareholders' meeting.

9.4.3 Risk Management Committee

BCEL's risk management committee is comprised of 9 members as follows:

Table 22: Risk Management Committee

No	Name and Surname	Position
1	Mr. Phansana Khounnouvong	Deputy Managing Director
2	Mr. Nanthalath Keopaseuth	Deputy Managing Director
3	Mr. Boulouane Ounlathavong	Chief of Research, Development and Marketing Division/Member
4	Mr. Linthong Khanthalyvan	Chief of Cashier Division/Member
5	Mr. Viengsouk Chounthavong	Chief of Credit Management Division/Member
6	Mr. Sisaath Nuem Asa	Chief of IT Centre/Member
7	Mrs. Vanly Saysouvanh	Chief of Operation Centre/Member
8	Mr. Soukkaseum Souvannachak	Acting Chief of Electronic Banking and Card Service Division/Member
9	Mr. Hinhphet Chanthalangsy	Acting Chief of Treasury and International Services Division/Member

Source: Banque Pour Le Commerce Extérieur Lao Public

9.4.3.1 Rights and Duties of Risk Management Committee

- Define the policy and steps for risk management of loans, markets, countries, operations and other risks in accordance with the regulations defined by the Bank of Lao PDR and monitor the implementation for reporting to the Board for acknowledgement;
- Monitor, inspect and report to the Board for acknowledgement on the implementation of the laws, rules, loans and all related risks;
- Provide comments on all issues assigned or needed to be solved;
- Open the meeting at least once per month or according to the need of the Board;
- Conclude and evaluate its own annual performance;
- Perform other rights and duties in accordance with the assignment from the Board and Shareholders' meeting

9.5 Directors

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

Table 23: Board Management Committee

No	Name and Surname	Position
1	Mr. Phoukhong Chanthachack	General Managing Director
2	Mr. Phansana Khounnouvong	Deputy Managing Director
3	Mr. Larchay Khanpravong	Deputy Managing Director
4	Mr. Nanthalath Keopaseuth	Deputy Managing Director
5	Mr. Khamsian Mingboupaha	Deputy Managing Director
6	Mr. Souphak Thinxayphone	Deputy Managing Director
7	Mr. Bouavanh Simalivong	Deputy Managing Director

Source: Banque Pour Le Commerce Extérieur Lao Public

9.5.1 General Managing Director

The General Managing Director is responsible for routine operations in accordance to 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, two years duration and renewable. The General Managing Director can be a member of the Board but shall not be the chairman or vice chairman of the Board.

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 rules or board;
- Develop and propose or suggest solutions for annual economic plans to the Board for consideration and verification in accordance with the targeted plan;
- Recruit or remove the Deputy Managing Director and propose to the Board for approval;
- Recruit or remove the managers and staff for BCEL;
- Supply information and clarify such issues that are of the interest to the Board;
- Strengthen and improve the management rules and propose to the Board for consideration and approval;
- Take full responsibility of all management tasks of BCEL;
- Make proposals, undertake consideration and approval of matters, set up subsidiaries and cooperate or invest in other business activities;
- Set the salary, bonus, measures for appraisal and penalties for BCEL's employees in accordance with the rules of 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 and others, supply and clarify issues proposed by other concerned sectors; and
- Perform the rights and duties as defined

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 1,470 people in 2014 to 1,591 people in 2016 (increasing 121 employees in three years).

Table 24: Number of Employee from 2014 three

2014	2015	2016
1,470	1,518	1,591

Source: Banque Pour Le Commerce Extérieur Lao Public

In 2016, BCEL had a total number of 1,591 employees; out of that the number of employees from the position of director to employees assigned to units was 471 people covering 30% of the total number.

Table 25: Number of employees at each level of position in 2016

Level	Number	Percentage
Director	8	0.5
Chief of Divisions	82	5.2
Head of Units	245	15.4
Head of service units	120	7.5
Head of Working Group	16	1.0
Fully employed staff	890	55.9
Employees on a probation period	101	6.3
Contractual employees	129	8.1
Total	1,591	100

Source: Banque Pour Le Commerce Extérieur Lao Public

Educational qualification of 90% of the BCEL's employees are 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 26: Educational Qualification of the Employees

Educational Qualification	Number	Percentage
PhD	2	0.1
Master degree	228	14.3
Postgraduate	13	0.8
Bachelor degree	1,002	63.0
Diploma	210	13.2
Intermediate	1	0.1
Primary	3	0.2
No qualification	2	0.1
Contractual employees	130	8.2
Total	1,591	100

Source: Banque Pour Le Commerce Extérieur Lao Public

In the age structure of the employees, particularly employees at a young age from 29 – 30 and middle age 31 – 35 cover 38% and 23.6% respectively of the total of number of employees.

Table 27: Age of Employees

Age	Number	Percentage
Younger than 25	195	12.3
26-30	605	38.0
31 - 35	375	23.6
36 - 40	186	11.7
41 - 45	115	7.2

46 50	71	4.5
51 - 55	34	2.1
56 - 60	10	0.6
Total	1,591	100

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. 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.

The financial audit is an important tool and system for managers in the assessment of operations and internal management. This is to promote effective management, transparency in operations, 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 to the laws, regulations and provisions. Therefore, BCEL defines the audit in three levels as the following:

- Level 1: Technical officer who performs the 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 units, management teams and sectors which are appointed to take responsibility of any task or any audit task.
 - Level 2: refers to departments 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 departments and branches.
 - Level 3: refers to the committee who takes responsibility of giving instructions to the departments and branches of BCEL.
- 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, departments and all employees at the department of branch management.
 - Level 2: refers to the director, departments and all employees at the department of internal audit.

11 Relevant Activities

List of activities with relevant sectors consists of all transactions operated by other sectors relating to the Bank, as well as sectors relating to the Bank which operates directly or indirectly through one or many intermediaries as in the following:

- Manage, being managed or under the mutual management with the Bank (including headquarter, branches and branch partners);
- Have benefits in the Bank, which influences the Bank; or
- Joint management of the Bank;
- Joint investment with the Bank;
- Important members of Board of Directors of the Bank or headquarter;
- A bank which is managed, mutually managed or influences, or a person who is entitled to cast important votes; and
- Benefits of the Bank's employees or other banks relating to the Bank

Important balances relating to relevant parties (dated 31 Dec 2016) detailed as the following:

Table 28: Important Balances Relating to Relevant Parties

Relevant parties	Relation	List of activities	Receivable (million LAK)	Payable (million LAK)
Bank of Lao PDR	Direct management	Loan and receivable interest from BOL	-	1,640,776
Bank of Lao PDR	Direct management	Current account of BCEL at BOL	2,432,732	-
Bank of Lao PDR	Direct management	Fixed account of BCEL at BOL	1,378,763	-
Bank of Lao PDR	Direct management	Current account at BCEL	-	728
Ministry of Finance	Direct owner	Investment in bonds of the Ministry of Finance	2,534,380	-
Ministry of Finance	Direct owner	Receivable interest	49,983	
BCEL-KT Securities Co., LTD	Subsidiary	Current account	-	741
Lao-Viet Bank	Joint Venture	Current account	-	114,846
Lao-Viet Bank	Joint Venture	Fixed account	-	122,535
Banque Franco-Lao	Joint Venture	Fixed account	8,231	
Banque Franco-Lao	Joint Venture	Current account	-	29,372
Lao- China Bank	Joint Venture	Current account	-	11,268

Source: Banque Pour Le Commerce Extérieur Lao Public

12. Financial Status and Operating Data

12.1 Operational outputs

Operational output and financial information of BCEL for the past three years are summarized as following:

Table 29: Assets for the Past Three Years

Assets (Million Kip)	2016	2015	2014
Cash and balances with the BOL	5,680,936	9,466,790	7,271,254
Due from banks	2,950,093	1,986,635	3,774,198
Loans to customers	19,093,205	10,854,955	9,622,905
Financial assets – Held-for-trading	39	6,046	3,906
Financial investments – Available-for-sale	198,121	224,348	222,332
Financial investments – Held-to-maturity	2,553,110	1,776,408	1,266,732
Investments in joint ventures	551,449	555,418	534,430
Property and equipment	447,935	391,146	250,393
Intangible assets	243,521	297,744	271,569
Deferred tax assets	10,856	6,259	5,999
Other assets	294,009	211,111	265,441
Total assets	32,023,274	25,776,860	23,489,159
Due to banks	3,526,229	2,446,347	2,861,725
Due to customers	25,402,421	21,310,561	19,101,649
Borrowings from other banks	1,640,776	720,497	121,287
Current tax liabilities	36,496	30,934	20,028
Deferred tax liabilities	9,834	11,077	17,394
Other liabilities	94,324	60,373	216,385
Total liabilities	30,710,080	24,579,789	22,338,468
Chartered capital	682,888	682,888	682,888
Statutory and other reserves	359,007	314,898	279,157
Available-for-sale reserve	7,385	32,789	64,142
Treasury shares	(1,010)	(1,010)	(1,010)
Retained earnings	230,992	134,263	92,612
Total Capital of Head Office	1,279,262	1,163,828	1,117,789
Non-controlling interest	33,932	33,243	32,902
Total equity	1,313,194	1,197,071	1,150,691
Total Liabilities and Equity	32,023,274	25,776,860	23,489,159

Table 30: Consolidate Income Statement

Financial Summary (Million Kip)	2016	2015	2014
Interest and similar income	1,406,431	1,073,610	1,003,754
Interest and similar expense	(858,596)	(812,970)	(689,609)
Net interest and similar income	547,835	260,640	314,145
Fee and commission income	193,844	171,548	142,810

Fee and commission expense	(15,411)	(13,314)	(11,531)
Net fee and commission income	178,433	158,234	131,279
Net trading income/(expense)	47,270	(246,883)	88,185
Other operating income	14,994	422,260	18,229
Total operating income	788,532	594,251	551,838
Credit loss expense of loans to banks and customers	(167,367)	(114,455)	(115,365)
(Additional)/reversal of impairment losses of financial investments	(10,985)	1,837	27,237
Reversal of impairment losses of other assets	-	-	6,445
Net operating income	610,180	481,633	470,155
Personnel expenses	(240,203)	(220,719)	(212,933)
Depreciation and amortization	(70,553)	(64,465)	(58,861)
Other operating expenses	(99,621)	(97,685)	(85,374)
Total operating expenses	(410,377)	(382,869)	(357,168)
Share of profit and loss of joint ventures	26,413	48,325	43,146
Profit before tax	226,216	147,089	156,133
Current profit tax expense	(49,928)	(24,327)	(26,593)
Deferred profit tax (expense)/income	(2,183)	1,950	3,768
Profit for the year	174,105	124,712	133,308
Attributable to:			
Equity holders of the parent	173,416	124,371	132,610
Non-controlling interest	689	341	718

Table 31: Consolidated Statement of Comprehensive Income

Financial Summary (Million Kip)	2016	2015	2014
Net profit for the year	174,105	124,712	133,328
Other comprehensive income			
Net (loss)/gain on available-for-sale financial assets	(33,427)	(35,708)	32,293
Profit tax relates to components of other comprehensive income	8,023	4,627	(6,136)
Share of joint venture's net gain on available-for-sale financial assets	-	-	272
Other after tax comprehensive income for the year	(25,404)	(31,081)	26,429
Total after tax comprehensive income for the year	148,701	93,631	159,757
Attributable to:			
Equity holders of the parent	148,200	93,290	159,039
Non-controlling interest	501	341	718

Table 32: Consolidated Statement of Cash Flow

Financial Summary (Million Kip)	2016	2015	2014
Operating activities			
Profit before tax	226,216	147,089	156,133
<i>Adjustments for:</i>			
Depreciation and amortization charges	70,553	64,465	58,861
Credit loss and impairment loss of investment securities expense	178,352	112,618	81,683
Share of associate's profit under equity method	(26,413)	(48,325)	(43,146)
Gain on disposal of fixed assets	-	(359,076)	-
Dividend income	(11,060)	(12,673)	(13,704)
Cash flows from operating profit before changing in operating assets and liabilities	436,972	(95,902)	239,827
<i>Changes in operating assets</i>			
Due from banks	(206,364)	(334,797)	234,833
Loans to customers	(8,406,559)	(1,338,065)	(465,699)
Financial investment - Held-for-trading	6,007	(2,140)	(3,443)
Financial investment - Available-for-sale	26,227	(2,016)	(9,659)
Financial investment - Held-to-maturity	(787,691)	(507,839)	(582,936)
Other assets	(7,296)	54,422	139,046
<i>Changes in operating liabilities</i>			
Due to other banks and the BOL	2,000,161	183,832	1,795,478
Due to customers	4,091,859	2,208,913	4,505,108
Accrued interest expense	-	-	-
Other liabilities	5,007	(186,372)	168,351
Profit tax paid during the period	(46,875)	(9,020)	(30,830)
Net cash flows (used in)/from operating activities	(2,888,552)	(28,984)	5,990,076
Investing activities			
Purchase and construction of fixed assets	(170,304)	(244,225)	(109,581)
Proceeds from disposals of fixed assets	48,918	371,908	1,265
Payments for investments in other entities	-	-	(147,000)
Dividends received	11,060	38,452	23,108
Net cash flows from/(used in) investing activities	(110,326)	166,135	(232,208)
Financial activities			
Proceeds from borrowings	-	-	62,472
Payment of dividend	(29,881)	(55,534)	(103,039)
Net cash flows used in financial activities	(29,881)	(55,534)	(40,567)
Net (decrease)/ increase in cash and cash equivalents	(3,028,759)	81,617	5,717,301
Cash and cash equivalents at the beginning of the period	10,154,343	10,081,167	4,362,709
Foreign exchange difference	-	(8,441)	1,157

Cash and cash equivalents at the end of the period	7,125,584	10,154,343	10,081,167
Represented by:			
Cash and cash equivalents on hand	1,867,159	2,236,642	1,998,781
Balances with the BOL	2,435,014	6,095,242	4,322,473
Current accounts with other banks	2,573,530	1,659,680	2,268,162
Term deposits due within 3 months	249,881	162,779	1,491,751
Cash and cash equivalents	7,125,584	10,154,343	10,081,167

12.2 Key Financial Ratios

Table 33: Selected Key Financial Ratios

Key financial ratios		2016	2015	2014
Profitability ratio				
Interest income to interest earning assets	%	7.12%	7.33%	7.73%
Net interest margin	%	2.77%	1.78%	2.42%
Fee to income	%	22.63%	26.63%	23.79%
Non-interest income to total income	%	30.52%	56.14%	43.07%
Cost to income	%	52.04%	64.43%	64.72%
Tax rate	%	23.04%	15.21%	14.61%
Return on equity	%	14.20%	10.90%	12.17%
Return on assets	%	0.60%	0.50%	0.66%
Asset quality				
Non-performing loans (NPLs) (Million Kip)		269,795	289,067	297,735
Gross NPLs to loans	%	1.40%	2.62%	3.06%
Loan loss coverage	%	125.87%	92.97%	66.94%
Liquidity ratio				
Gross loans to deposits ratio	%	76.02%	51.88%	50.99%
Capital adequacy				
Tier 1 capital (Million Kip)		1,272,887	1,132,051	1,117,789
Total capital (Million Kip)		724,761	591,510	583,359
Risk weighted assets		13,588,881	10,549,190	7,321,330
Equity to asset	%	4.10%	4.64%	4.90%
Tier 1 capital ratio	%	9.37%	10.73%	15.27%
Capital adequacy ratio	%	5.33%	5.61%	7.97%

12.3 Results of Operations

The Bank's total operating income grew by 7.69% from LAK 551,838 million in FYE 2014 to LAK 594,251 million in FYE 2015 and by 32.69% to LAK 788,532 million in FYE 2016. In FYE 2016, net interest income rose by 110.19% (FYE 2015: fell by 17.03%) while non-interest income fell by

27.85% (FYE 2015: rose by 40.35%) largely led by the growth in the lending business, meanwhile affected by the realization of one-time disposal of fixed assets and investment instruments in FYE 2015.

The Bank recorded a net profit of LAK 174,105 million (FYE 2015: LAK 124,712 million). The improvement in net profit is on the back of the growth in net interest income, controlled cost management and better provisioning for non-performing loans. 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. The Bank's asset quality improved on the back of growing market conditions with decrease in non-performing loans by approximately LAK 19,272 million in FYE 2016. For FYE 2017, 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.

12.3.1 Operating income

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

Table 34: Total Operating Income

Operating Income (Million Kip)	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
Net interest and similar income	547,835	69.48%	260,640	43.86%	314,145	56.93%
Net fee and commission income	178,433	22.63%	158,234	26.63%	131,279	23.79%
Net trading income	47,270	5.99%	(246,883)	-41.55%	88,185	15.98%
Other operating income	14,994	1.90%	422,260	71.06%	18,229	3.30%
Total operating income	788,532	100.00%	594,251	100.00%	551,838	100.00%

12.3.2 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%, 43.86% and 56.93% of total operating income in FYE 2016, FYE 2015 and FYE 2014 respectively.

Net interest margin decreased from 2.42% in FYE 2014 to 1.78% in FYE 2015 due to lower interest and similar income recorded in FYE 2015 as a result of slow growth in loans to customers as compared to customers' deposits. Net interest margin increased from 1.78% in FYE 2015 to 2.77% in FYE 2016 due to significant growth in loans to customers, which lead to higher interest and similar income being generated.

Interest and similar income consisted of interest income from lending, deposits, investment securities and others. The interest and similar income in FYE 2016 was improved by 31.00% (FYE 2015: 6.96%). The income growth from FYE 2014 to FYE 2016 was mainly due to:

- Interest income from lending

Interest income from lending increased by 3.65% from LAK 900,677 million in FYE 2014 to LAK 933,530 million in FYE 2015 and by 34.13% to LAK 1,252,157 million in FYE 2016, accounted for 89.73%, 86.95% and 89.03% of total interest and similar income, respectively. The growth is mainly due to the Bank of Lao PDR 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, which indirectly promote an attractive environment to borrow. Despite Interest income to interest earning assets dropped from 7.73% in FYE 2014 to 7.33% in FYE 2015 and further dropped to 7.12% in FYE 2016, loans to customers were increased significantly in FYE 2016, stood at LAK 19,093,205 million representing a growth of 75.89% (FYE 2015: 12.80%).

- Interest income from investment securities

Interest income from investment securities rose by 117.77% from LAK 37,494 million in FYE 2014 to LAK 81,650 million in FYE 2015 and by 32.70% to LAK 108,348 million in FYE 2016, accounted for 3.74%, 7.61% and 7.70% of total interest and similar income respectively. The growth is contributed by increase in investment in treasury bills issued by the Ministry of Finance, despite the average interest rate of the treasury bills fell from 4.91% in FYE 2014 to 4.33% in FYE 2015 and 4.31% in FYE 2016.

- Interest and similar expense

Interest and similar expense consisted of interest expense due to other banks, customer deposits and others. Interest and similar expense for FYE 2016 were LAK 858,596 million, an increase of LAK 45,626 million compared to LAK 812,970 million in FYE 2015 and an increase of LAK 168,987 million compared to LAK 689,609 million in FYE 2014. This was principally as a result of the monetary policy gradually imposed by Bank of Lao PDR since FYE 2015, which caused the main contributor of this category – interest expense from customer deposits slightly decreased by 1.38% from LAK 785,543 million in FYE 2015 to LAK 774,725 million in FYE 2016, despite customers' deposits were increased over the year.

12.3.3 Net fee and commission income

Net fee and commission income are comprised of all the incomes derived from traditional banking services such as settlement services, guarantee activities, treasury activities, agency services, advisory services, etc. In FYE 2016, net fee and commission income increased 12.77% to LAK 178,433 million, as compared to LAK 158,234 million in FYE 2015, boosted by higher income from settlement services. Net fees and commission income accounted for 22.63%, 26.63% and 23.79% of total operating income in FYE 2016, FYE 2015 and FYE 2014, respectively. With its strong brand name, expertise and extensive network with many global banks, the Bank is one of the leading players of the 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.

Fee to income ratio increased from 23.79% in FYE 2014 to 26.63% in FYE 2015 and decreased to 22.63% in FYE 2016. It is in line with the movement in net interest and similar income.

12.3.4 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%, 71.06% and 3.30% of total operating income in FYE 2016, FYE 2015 and FYE 2014, respectively. In FYE 2016, other operating income was LAKm 14,994, a decrease of LAK 407,266 million as compared to LAK 422,260 million recorded by the Bank for the FYE 2015. This was principally derived from a gain from sales of tangible assets by LAK 355,022 million as a result of the sale of the land use rights of 36 pieces of lands to the Bank of Lao PDR worth LAK 374,970 million in FYE 2015.

12.3.5 Operating expenses

Table 35: Operating Expenses

Operating expenses (Million Kip)	FYE 2016		FYE 2015		FYE 2014	
Personal expenses	240,203	58.53%	220,719	57.65%	212,933	59.62%
Depreciation and amortization	70,553	17.19%	64,465	16.84%	58,861	16.48%
Other operating expenses	99,621	24.28%	97,685	25.51%	85,374	23.90%
Total operating expenses	410,377	100.00%	382,869	100.00%	357,168	100.00%

Operating expenses primarily consist of personnel expenses, depreciation and amortization and other operating expenses. Operating expenses increased by 7.20% from LAKm 357,168 in FYE 2014 to LAK 382,869 million in FYE 2015 and by 7.18% to LAK 410,377 million in FYE 2016. This was mainly due to personnel expenses which increased from LAK 212,933 million in FYE 2014 to LAK 220,719 million in FYE 2015 and further increased to LAK 240,203 million in FYE 2016. The increase in personnel expenses was in line with the increase in the number of employees employed as a result of expansion of the Bank's business.

Cost to income ratio was gradually reduced from 64.72% in FYE 2014 to 64.43% in FYE 2015 and further decreased to 52.04% in FYE 2016. 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, insurance expense for employees and other staff costs. The total number of employees of the Bank was 1,497 as at 31 December 2014 and 1,548 as at 31 December 2015 to 1,621 as at 31 December 2016.

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 fees for depositor protection fund and other general and administration expenses.

12.3.6 Share of profit and loss of joint ventures

The share of profit and loss of joint ventures reflects the financial results 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 between FYE 2014 and FYE 2016, several changes were occurred as set out below:

- The incorporation of Lao China Bank Company Limited, a joint venture between the Bank and Fudian Bank China in FYE 2014. The initial investment for the Bank was LAKm 147,000, whose ownership is 49% of this venture bank.
- In FYE 2015, Lao Viet Joint Venture Bank increased its contributed capital to LAK 791,357 million. However, the Bank forgone its rights to subscribe those new shares, thus eventually sold to a new shareholder. As a result, the ownership of the Bank fell by 10% from 35% to 25% after the capital increment.

12.3.7 Profit before tax

Profit before tax decreased by 5.79% from LAK 156,133 million in FYE 2014 to LAK 147,089 million in FYE 2015. It was due to lower net interest and similar income as a result of slower growth in loans to customers as compared to customers' deposits.

Profit before tax increased by 53.80% from LAK 147,089 million in FYE 2015 to LAK 226,216 million in FYE 2016 following the significant increase in net interest and similar income by 110.19% from FYE 2015.

12.3.8 Tax expense

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

Table 36: Taxation and effective tax rates

Taxation (Million Kip)	2016	2015	2014
Taxation recognized in the consolidated income statement	52,111	22,377	22,805
Statutory tax rate (%)	24%	24%	24%
Effective tax rate (%)	23.04%	15.21%	14.61%

The Bank is subject to income tax at the applicable statutory tax rate in Lao PDR. Nonetheless, the Bank's effective tax rate in FYE 2014 and FYE 2015 were lower than the statutory tax rates due to the following tax treatments adopted by the Bank which led to lower tax expense:

- In accordance with Decree 001 dated 28 December 2010 issued by the President of Lao PDR, a Company that is listed in the Lao Securities Exchange is granted a reduction of 5% from the statutory tax rate, i.e. 24% within 4 years from the date of listing. As a result, the Bank had enjoyed a preferential tax rate of 19% between FYE 2011 to FYE 2014.
- The Bank maintains its accounting records in accordance with the Enterprise Accounting Law of Lao PDR and other relevant accounting regulations as stipulated by the Bank of Lao PDR ("LAS"). There are significant differences in accounting principles between LAS and

International Financial Reporting Standards (“IFRS”). Therefore the financial position and its result of operation in LAS may materially differ from IFRS. Due to the accountant reports generated under LAS are used for tax declaration purpose, thus profit before tax under IFRS is adjusted for the differences between IFRS and LAS.

Effective tax rate in FYE 2014 was lower at 14.61%. It was mainly due to preferential tax rate of 19% was given as a result of listing at Lao Securities Exchange and over provisioning of deferred tax liabilities of LAK 3,788 million in FYE 2013, which was adjusted and set-off against tax expense in FYE 2014.

Tax expense decreased from LAK 22,805 million in FYE 2014 to LAK 22,377 million in FYE 2015. The tax expense was lower in FYE 2015 due to the lower profit before tax earned in FYE 2015 as compared to FYE 2014. Nonetheless, the effective tax rate remained low at 15.21% due to the adjustment between profit before tax under IFRS and LAS and over provisioning of deferred tax liabilities of LAK 1,950 million in FYE 2014, which was adjusted and set-off against tax expense in FYE 2015.

In FYE 2016, effective tax rate was higher at 23.04% as compared to 15.21% in FYE 2015. The higher effective tax rate in FYE 2016 was mainly due to the higher profit before tax in FYE 2016 as compared to FYE 2015. The estimated tax profit subject to income tax for the Bank was LAKm 208,031 in FYE 2016 as compared to LAKm 101,360 in FYE 2015.

12.3.9 Profit after tax

Profit after tax decreased by 6.46% from LAKm 133,328 in FYE 2014 to LAK 124,712 million in FYE 2015 due to lower net interest and similar income as a result of slower growth in loans to customers.

Profit after tax increased by 39.61% from LAK 124,712 million in FYE 2015 to LAK 174,105 million in FYE 2016. The increase was mainly due to significant increase in net interest and similar income by 110.19% from FYE 2015.

Return on equity (ROE) stood at 12.17%, 10.90% and 14.20% in FYE 2014, FYE 2015 and FYE 2016.

Return on assets (ROA) stood at 0.66%, 0.50% and 0.60% in FYE 2014, FYE 2015 and FYE 2016.

12.4 Report and Analysis of Financial Position

12.4.1 Assets Analysis

As at 31 December 2014, 2015 and 2016, the Bank had total assets of LAK 23,489,159 million, LAK 25,776,860 million and LAK 32,023,274 million, respectively. Among all these assets, “loans to customers” are the largest asset group for three consecutive years, which accounted for 40.97%, 42.11% and 59.62% 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, had fallen by 21.87% and 21.84% year over year. Consequently, BCEL is moving toward more aggressive assets structure, in other words, the Bank is taking more risk, gearing its assets toward riskier position to earn more interest income.

The gross loans to deposit ratio increased year by year, from 50.99% in FYE 2014 to 51.88% in FYE 2015, and further increased to 76.02% in FYE 2016. Although the ideal level of this ratio for a bank depends on various factors, based on the Bank's analysis, as tradition and prudence indicate that the ideal ratio is between 60% and 80% for a state-owned commercial banks in Lao PDR. Therefore, this ratio for the Bank is considered reasonable.

12.4.2 Loans to customers

Loans to customers grew by 12.80% from LAK 9,622,905 million in FYE 2014 to LAK 10,854,955 million in FYE 2015 and by 75.89% to LAK 19,093,205 million in FYE 2016. The growth in loans is mainly contributed by industrial services companies sectors, rose by 55.01% from LAK 1,545,510 million in FYE 2014 to LAK 2,395,765 million in FYE 2015 and by 308.92% to LAK 9,796,735 million in FYE 2016. This creates a high risk of concentration, if any significant event heavily impacts that particular sector.

As at 31 December 2014, 2015 and 2016, the bank had NPLs of LAK 297,735 million, LAK 289,067 million and LAK 269,795 million, respectively. Gross NPLs to Loans for the FYE 2014, FYE 2015 and FYE 2016 are 3.06%, 2.62% and 1.40%, respectively. The decline was mainly contributed by the Bank's efforts to maintain its gross NPLs to loans ratio below 3% by implementing a more strict credit approval process and improved risk management.

12.4.3 Cash and cash equivalents

The breakdown of cash and cash equivalent are as follows:

Table 37: Cash and Cash Equivalents

Cash (Million Kip)	2016	2015	2014
Cash and cash equivalents on hand	1,867,159	2,236,642	1,998,781
Balances with the BOL	2,435,014	6,095,242	4,322,473
Current accounts with other banks	2,573,530	1,659,680	2,268,162
Term deposits due within 3 months	249,881	162,779	1,491,751
Total cash and cash equivalents	7,125,584	10,154,343	10,081,167

Cash and cash equivalents was increased by 0.73% from LAK 10,081,167 million in FYE 2014 to LAK 10,154,343 million in FYE 2015 and decreased by 29.83% to LAK 7,125,585 in FYE 2016. The increase in FYE 2015 was mainly due to cash flows received from investing activities with an amount of LAK 166,135 million. The increase was mainly due to the Bank selling the land use rights of 36 pieces of lands to the Bank of Lao PDR worth LAK 374,970 million. The cash flows received from investing activities was offset by cash flows used in operating activities amounting LAK 28,984 million and financing activities amounting LAK 55,534 million. The decrease in FYE 2016 was mainly due to cash flows used in operating activities amounting LAK 2,888,552 million, where most of the cash was used to provide loan facilities to customers, which lead to a positive growth in the Bank's earnings.

12.4.4 Financial investment - held-to-maturity

Financial investment – held-to-maturity was increased by 40.24% from LAK 1,266,732 million in FYE 2014 to LAK 1,776,408 million in FYE 2015 and increased by 43.72% to LAK 2,553,110 million in FYE 2016. It was principally due to an increase in investment in treasury bills issued by the Ministry of Finance, from LAK 759,871 million in FYE 2014 to LAK 1,033,202 million in FYE 2015 and further increased to LAK 1,998,663 million in FYE 2016. Treasury bill offers a very low-risk way to earn a guaranteed return on invested money.

12.4.5 Liabilities Analysis

The Bank always maintains a very strong liabilities structure with “Customers deposits” made up of about 85.51%, 86.70% and 82.72% of total liabilities as at 31 December 2014, 2015 and 2016, respectively. The remaining comes from interbank (“due to banks” and “borrowings from other banks”) and other liabilities. 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.

12.4.6 Due to customers

Due to customers grew by 11.56% from LAK 19,101,649 million in FYE 2014 to LAK 21,310,561 million in FYE 2015 and by 19.20% to LAK 25,402,421 million in FYE 2016. The breakdowns of customers’ deposits are as follows:

Table 38: Due to Customers

Due to Customers (Million Kip)	2016		2015		2014	
Demand deposits	6,082,985	23.95%	4,515,881	21.19%	4,308,911	22.56%
Demand savings	9,341,554	36.77%	8,591,522	40.32%	7,544,224	39.50%
Term deposits	9,495,540	37.38%	7,882,509	36.99%	6,913,028	36.19%
Margin deposits	119,478	0.47%	61,525	0.29%	72,056	0.38%
Others	270,585	1.07%	202,651	0.95%	242,084	1.27%
Accrued interest	92,279	0.36%	56,473	0.27%	21,346	0.11%
Total due to customers	25,402,421	100.00%	21,310,561	100.00%	19,101,649	100.00%

The largest portion that forms the customer deposits in FYE 2014 and 2015 is demand saving deposits (39.50% and 40.32% respectively) and term deposits in FYE 2016 (37.38%). In FYE 2014 and 2015, the interest rate for demand saving deposits denominated in Lao Kip bear interest at rates ranging from 1.50% to 3.00% per annum, which offer better interest rate combined with high liquidity, it is considered attractive to individual and institutional customers as compared to similar products denominated in foreign currencies, which are ranging from 0.60% to 1.40% per annum. However, in FYE 2016, due to the Bank of Lao PDR 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, interest rate for deposits denominated in Lao Kip was heavily reduced, which lead to unattractive interest

rate to deposit. On the other hand, deposits denominated in foreign currencies were not significantly affected by the aforementioned policies, gaining interest from customers with its competitive interest rate, eventually lead to increase in deposits denominated in foreign currencies, especially in term deposits.

12.4.7 Due to banks and borrowings from other banks

Due to banks and borrowings from other banks grew by 6.16% from LAK 2,983,012 million in FYE 2014 to LAK 3,166,844 million in FYE 2015 and by 63.16% to LAK 5,167,005 million in FYE 2016. It is accounted for 13.35%, 12.88% and 16.83% in FYE 2014, FYE 2015 and FYE 2016, respectively. The increase was mainly due to borrowings from the BOL. Borrowing from the BOL grew by 494.04% from LAK 121,287 million in FYE 2014 to LAK 720,497 million in FYE 2015 and LAK 1,640,776 million in FYE 2016. The purposes of borrowings are mainly for the Bank's investment and lending to government-backed projects.

12.4.8 Shareholder's Equity Analysis

As at 31 December 2014, 2015 and 2016, the total shareholders' equity increased continuously from LAK 1,150,691 million or 4.90% of total assets to LAK 1,197,071 million or 4.64% of total assets and LAK 1,313,194 million or 4.10% of total assets, respectively. The registered capital for the bank is LAK 682,888 million as at 31 December 2014, 2015 and 2016. Although the Bank's total shareholders' equity increased year over year, but its equity to asset ratio is gradually decreased. These indicate that higher leverage was used by the Bank, which exposed the Bank to a high risk of solvency. In order to mitigate such risk, the Bank plans to increase its registered capital through this offer. If the fund was successfully raised, the registered capital would raise to approximately LAK 1,037,056 million, thus increasing its shareholders' equity to an approximately LAK 1,667,362 million or 5.21% of total assets.

Tier 1 capital ratio fell gradually from 15.27% in FYE 2014 to 10.73% in FYE 2015 and 9.37% in FYE 2016. It was mainly due to increase in risk weighted assets. It is in line with the growth in loans to customers where it is accounted for the major part of the risk weighted assets.

Capital adequacy ratio also fell gradually from 7.97% in FYE 2014 to 5.61% in FYE 2015 and 5.33% in FYE 2016 due to the same reason. This shows that the growth of equity was unable to catch up with the growth of risk weighted assets. It also contradicts with the Bank's effort to meet its capital requirement as regulated in the BOL's regulation, stating that the capital adequacy ratio of a bank must be no lower than 8%. In order to be compliant with the regulation, the Bank should either increases its total capital by capital injection or reduces its risk weighted assets by switching its assets to a lower risk weighted class, such as government bonds or loans to financial institutions or both. In response to this matter, the bank plans to take several actions as per below:

- Increase capital through fundraising from existing shareholders and/or public;
- Reduction in high risk assets, especially loans to customers, by closely monitoring the current loan portfolio of the Bank and managing its underlying risk and a more strict credit approval process for new loan customers; and
- Increase investment in low-to-moderate risk assets.

PART 2 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 Offering

- Offering to the existing shareholders (RO).

RO or Rights Offering is the offering of shares that a newly listed company offers to the existing shareholders which are persons who purchased BCEL's shares before the date of closing the account book to define the rights of the existing shareholders before the privileged mark of shareholders XR shall be entitled to subscribe to shares in the proportion of two existing shares per one new share. Shares not exercising the rights shall first offer them to the existing shareholders before offering to the public.

- Offering to the public (PO).

PO or Public Offering is the offering of ordinary shares to the public without limiting the subscriptions of investors. The existing shareholders, general shareholders or persons who have never held shares can also subscribe the shares, in the event that subscribers for PO Shares exceed the number allocated for issue, the Underwriter shall apply the average weight method and allocate shares according to the subscription portions for PO shares; in the event of an incomplete sale, the underwriter shall subscribe to such shares.

2. Limitations of Share Transfer and Limitations of Foreign Investors Shares Holding

The Law of Lao PDR has restrictions on the amount 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 SEC for each case;

The holding of a 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

Currently, the average weight closing price is determined 30 days prior to submission for the approval from the Securities Exchange Commission Office. The minimum offering price for the existing shareholders (RO) is 5,050 LAK; the estimated funding from the distributing RO is approximately 344,857,430,000 LAK, and the PO offering is approximately 2,857,100 shares with a par 5,300 LAK, which results in funding of approximately 15,142,630,000 LAK. Total funding is 360,000,060,000 LAK, in which, registered capital accounts for 355,728,500,000 LAK and as the difference of the

offering price (Premium) is 4,271,560,000 LAK; hence the new registered capital after public offering shall be 1,038,616,500,000 LAK and shall have total contributed shares around 207,723,300 shares.

4. Details on Underwriter for Public Offering and Share Dealer Agent

Financial Consultant and Main Underwriter for Public Offering

Name : Lao-China Securities Co., Ltd
 Office Location : Lao Securities Exchange (LSX), 6th Floor, Kamphengmuaong Road (T4), Phonthan Village, Xaysettha District, Vientiane Capital
 Telephone : 856 21 419222
 Fax : 856 21 419220
 Call center : 856 21 419210-1
 Website : www.lcs.com.la

Banque Pour Le Commerce Extérieur Lao Public, as a representative bank for settlement, would like to inform potential investors that they can open a deposit account in Lao currency with Banque Pour Le Commerce Extérieur Lao Public as an account to support the money transfer for subscribing ordinary shares to increase the capital of Banque Pour Le Commerce Extérieur Lao Public, which you can contact at the details below:

1	Banque Pour Le Commerce Extérieur Lao Public (Head Office)	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	Luangphrabang Branch	Route Kaison , Phonpheng Village, Luangphrabang 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	Route Kaison, Simoaung Village,	Tel: (856-74) 260038

	Branch	Xayabouly District, Xayabouly Province	Fax: (856-74) 211318 Email: bcelxyb@bcel.com.la Swift Code: COEBLALA
6	Khammouane Branch	Route Vientiane, Chomthong Village, Thahkhek 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 Branch	Route Luangnamtha, Phonxay Village, Luangnamtha District, Luangnamtha Province	Tel: (856-86) 211316 Fax: (856-86) 212334 Email: bcellnt@bcel.com.la Swift Code: COEBLALA
16	Huaphan Branch	Route Phathy, Phanhxay 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, Attapeu 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. Terms of the Guarantee

BCEL appointed an issuer of shares to reserve and pay for the reserved shares in the amount of 71,145,700 shares (including total offering shares based on exercising the right of the existing share holders), with a par value of 5,050 per share for RO shares and 5,300 LAK per share for PO shares in accordance with the firm commitment guarantee (if all the shares are not sold, the underwriter shall be responsible) in accordance with the terms and conditions of the Guarantee Agreement for Shares Offering.

In the event that, the parties breach the aforementioned agreement which is in violation of the clause containing the main content and no compensation of damages within the time set forth or fail to compensate for such damages, the party who is disadvantaged may decide to cancel the agreement with the other party and the result of such cancellation may include damages and fines.

6. Estimation Cost for Public Offering

Costs incurred for the Public Offering amounts to 55,000USD, excluding fees which are payable for the guarantee of the public offering.

7. Procedures to Take the Prospectus and Share Reservation Form

- Duration for public offering to the existing shareholders: From 8:30 am to 15:30 pm, between 2017.
- Duration for public offering to the public: From 8:30 am to 15:30 pm, between 2017.

With the Prospectus and share subscribing form, investors are able to take in accordance with the addresses of the underwriter for shares offering, share dealers or share arrangers and branches of

BCEL as a representative of the underwriter for shares offering. For more details please refer to Clause 4.

8. How To Subscribe For 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 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 Subscriber: In the event that the account owner authorized a third person to subscribe on behalf himself;
- 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 subscriber; the underwriters for shares offering and stock dealer agents shall inform the result of share dividing after the termination date of public offering.

9. 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 to the shares value completely for subscribing shares before the termination date of offering.

10. Over-Subscription

In the event that the underwriters for shares offering and stock dealer agents that have received share subscriptions in accordance with the procedures exceed the number of shares that the company agreed for the share offering, the share arranger shall have the right to consider dividing the ordinary shares for capital increase for any or all investors in consideration of the highest interests of the company; this may use a variety of methods, such as an average weight, “first-come, first serve” basis or others as appropriate.

11. Refund of Subscription Payment

In pursuant to Article 19 of the Regulation on Share Offering, No. 018/LSCO, dated 27/07/2015, in the event that any subscriber does not receive share dividing, their deposit shall be return 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 amount 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 money raised from specific accounts for share subscription into a specific account for the money raised from the BCEL.

12. Dividing Common Share for Capital Increase

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 subscribing by priority for RO shares, for PO shares may apply according to the method as stipulated in Clause 10 of this prospectus, shares shall be allocated in accordance with applicable regulations. 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 shares offering have 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.

13. Delivery of Share

The Share Registrar shall deposit the ordinary shares for 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.

14. Share Transfer

Shares of a public company shall be transferred inside or outside and shares transfereing 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 trasfered 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.

15. Payment of Dividend

BCEL has a 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 rate of dividends, which is not less than 50 percent of net profits mentioned above, may change depending on consideration and approval of the shareholders meeting. Consideration may be based on economic conditions, cash flow, investment plans, conditions and terms of the contracts that BCEL is obligated, including legal restrictions and along with capital sufficiency ensuring the growth of BCEL banks in the future.

BCEL shall pay dividends in LAK currency and shareholders shall receive income tax exemption for such dividends.

16. 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 an 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.

17. 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 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 Contract 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.

18. 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 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 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 Ministry of Industry and Commerce within ten (10) working days from the date of payment requirement for the share subscription fee. In addition, BCEL shall inform the public for acknowledgment of the registration for capital increase at least once within ten (10) working days from the registration date onwards.

19. 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 months 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 first half year and a financial report that has been audited by 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 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.

20. 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.

21. Repurchase of Company's Shares

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

22. 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 book and shall be deemed valid evidence for use as a reference to the rights held in the company's shares.

**PART 3: Certification of the Accuracy of the Lao Prospectus****I. Certification of Accuracy by the Bank**

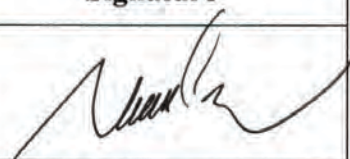
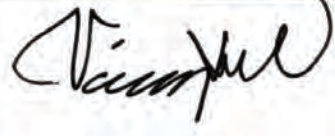
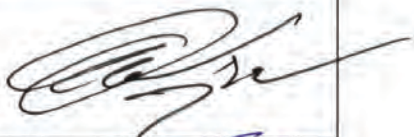
We have cautiously reviewed the information contained within the Lao Prospectus in the capacity of the Chief Executive Officer and certify that such information is accurate and complete.

IN WITNESS WHEREOF, we certified 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. PhoukhongChanthachack, the 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. PhoukhongChanthachack, 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	Chairman	
2	Mr. Kamsouk SUNDARA	Vice Chairman / Independent Member	
3	Mr. Phoukhong CHANTHACHACK	General Managing Director/Member	
4	Mr. Phansana KHOUNNOUVONG	Deputy Managing Director/Member	
5	Mrs. Khanthaly VONGXAYALATH	Deputy Managing Director/Member	
6	Mr. Viengxay CHANTHAVISOUK	Chief of Branch Management Division/Member	
7	Mr. Marc ROBERT	Representative of COFIBRED /Non-Independent Member	

Signatures of the Internal Audit Committee

No.	Name	Position	Signature
1	Mrs. Khanthaly VONGXAYALATH	Deputy Managing Director/Chairman	
2	Mr. Larchay KHANPRAVONG	Deputy Managing Director/Vice Chairman	
3	Mr. Kamsian MINGBOUPHA	Deputy Managing Director / Member	
4	Mr. Souphak THINXAYPHONE	Deputy Managing Director/Member	
5	Mrs. Lammaniseng XAYAPHET	Chief of Accounting Division/Member	
6	Mr. Viengsouk CHOUNTHAVONG	Chief of Credit Management Division/Member	
7	Mrs. Vanly SAYSOUVANH	Chief of Operation Centre/Member	
8	Mr. Viengxay CHANTHAVISOUK	Chief of Branch Management Division/Member	
9	Mr. Saychit SIMMAVONG	Acting Chief of Administration Division/Member	
10	Mrs. Phousengthong ANOULAKKHAM	Acting Chief of Internal Audit Division/Member	
11	Mr. Hinphet CHANTHALANGSY	Acting Chief of Treasury and International Services Division /Member	



Signatures of the Administration and Finance Division

No.	Name	Position	Signature
1	Mrs. Lammaniseng XAYAPHET	Chief of Accounting Division	



II. Certification of Accuracy of the Financial Advisor

This Prospectus is part of the Banque Pour le Commerce Extérieur ' xterieurCommerce Exterieurernque Pour le Commered to the Securities Exchange Committee, which was jointly prepared by the Banque Pour le Commerce Extérieur Lao Publicand Lao-China Securities Company Limited under the Financial Consultancy Agreement to carry out Rights Offerings and Public Offerings.

I, hereby certified that the entire information including the analysis, interpretation, and wording that appear in this Prospectus are correct, complete 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. LIN Li	Managing Director	

Lin Li



III. Certification of Accuracy of the Underwriter's Information

This Prospectus is part of the application documents of the Banque Pour le Commerce Extérieur' xterieurCommerce Exterieurerieurplicationprepared by the Banque Pour le Commerce Extérieur' xterieurComm and Lao-China Securities Company Limited under the Underwriter Agreement to carry out Rights Offerings and Public Offerings.

I, hereby certified 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. LIN Li	Managing Director	

Lin Li



Appendix 1 Financial Statements

Appendix 2 Subscription Form

Banque Pour Le Commerce Extérieur Lao Public

Consolidated Financial Statements

31 December 2016

Banque Pour Le Commerce Extérieur Lao Public

CONTENTS

	<i>Pages</i>
General information	1 - 3
Independent auditors' report	4 - 7
Consolidated income statement	8
Consolidated statement of comprehensive income	9
Consolidated statement of financial position	10
Consolidated statement of changes in equity	11
Consolidated statement of cash flows	12
Notes to the consolidated financial statements	13 - 52

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 P.D.R”).

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, and its latest Amended Business License No. 4284/BOL dated 11 November 2010 issued by the Bank of Lao P.D.R. 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 P.D.R. At that date, the Government, represented by the MOF, was the largest shareholder with 80% shareholding.

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

According to notification from Lao Securities and Exchange Commission, the shareholding structure of the Bank as at 31 December 2016 is as follows:

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

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

Charter Capital

The charter capital as at 31 December 2016 is LAKm 682,888 (31 December 2015: LAKm 682,888).

Location and Network

The Bank’s Head Office is located at No. 01, Pangkham Street, Ban Xiengneun, Chanthabouly District, Vientiane Capital, Lao P.D.R. As at 31 December 2016, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-one (81) services units, and sixteen (16) exchange units all over Lao P.D.R.

Banque Pour Le Commerce Extérieur Lao Public

GENERAL INFORMATION (continued)

THE BANK (continued)

Subsidiary

As at 31 December 2016, 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 P.D.R	Securities	70%

Joint ventures

As at 31 December 2016, the Bank has four (04) 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	232/11 dated 8 September 2011 by the Bank of Lao P.D.R	Banking & Finance	25%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of the Lao P.D.R	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	077/08/FIMC dated 09 June 2008 by the Foreign Investment Management Committee of the Lao P.D.R	Insurance	35%
Lao China Bank Limited	041/ERM dated 27 January 2014 by the granted by Department of Enterprise Register and Management of Lao P.D.R	Banking & Finance	49%

Banque Pour Le Commerce Exterieur Lao Public

GENERAL INFORMATION (continued)

BOARD OF DIRECTORS

Members of the Board of Directors during the year ended 31 December 2016 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	Appointed on 9 April 2015
Mr. Khamsouk Sundara	Vice Chairman	Reappointed on 9 April 2015
Mr. Phoukhong Chanthachack	Member	Reappointed on 9 April 2015
Mr. Phansana Khounnouvong	Member	Appointed on 9 April 2015
Ms. Khanthaly Vongxayarath	Member	Appointed on 9 April 2015
Mr. Marc Robert	Member	Reappointed on 9 April 2015
Mr. Viengxay Chanthanvisouk	Member	Appointed on 9 April 2015

BOARD OF MANAGEMENT

Members of the Board of Management during the year ended 31 December 2016 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	Appointed on 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
Ms. Khanthaly Vongxayarath	Deputy Managing Director	Appointed on 30 September 2014
Mr. Lachay Khanpravong	Deputy Managing Director	Appointed on 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointed on 30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	Appointed on 23 November 2015
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointed on 23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	Appointed on 1 November 2016

LEGAL REPRESENTATIVE

The legal representative of the Bank from 1 January 2016 to 14 January 2016 is Mr. Phoukhong Chanthachack - Acting General Managing Director.

The legal representative of the Bank from 15 January 2016 till the date of this report is Mr. Phoukhong Chanthachack - General Managing Director.

AUDITORS

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

INDEPENDENT AUDITORS' REPORT

**To: The shareholders
 Banque Pour Le Commerce Extérieur Lao Public**

Qualified Opinion

We have audited the consolidated financial statements of Banque Pour Le Commerce Extérieur Lao Public ("the Bank"), which comprise the consolidated of financial position as at 31 December 2016, and 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 matter as discussed in the Basis for Qualified Opinion section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at 31 December 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Qualified Opinion

Due to the limitation of information, the Bank's management was unable to provide disclosures relating to fair value and financial risk management as required by IFRS 7: "Financial Instruments: Disclosures" and IFRS 13: "Fair value measurement".

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's 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 P.D.R, 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.

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 consolidated opinion on these matters.

Areas of focus	How our audit addressed the risk factors
IFRS conversion The Bank operates in Laos and maintains its underlying books and records in accordance with the Accounting Law of the Lao P.D.R, and regulations stipulated by the Bank of Lao P.D.R. The Bank's IFRS consolidated financial statements are prepared by posting the required adjustments to the underlying books and records. Identification of all required GAAP differences, and calculation of the required adjustments, requires the Bank's management to exercise judgement.	Our procedures, in respect of the Bank's IFRS conversion process, included: ▶ We assessed, and challenged, the Bank's selection and application of accounting policies, ▶ We formed expectations of differences between the Bank's LAS and IFRS financial statements and compared to those prepared by the Bank, ▶ We used tools to evaluate the completeness and accuracy of disclosures made by the Bank, and ▶ We involved IFRS pre-issuance reviewer in our procedures to assess compliance with the disclosure requirements of IFRS.
Allowance for impairment of loans to customers (Note 18 – Loans to customers) 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 classifying loans as performing or non-performing based upon quantitative or qualitative factors. 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. 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.	We understood, and tested, the design and operating effectiveness of key controls in relation to: ▶ loan origination and recognition, ▶ loan credit grading and credit monitoring, ▶ segmentation of the portfolio into exposures of similar risk characteristics, and ▶ calculation of the loan loss provision For a sample of non-performing loans, which had impairment provisions calculated on an individual basis, we: ▶ Assessed and challenged management assumptions in respect of forecast cash and collateral recoverable amounts and ▶ Assessed the impact of loan restructures as applicable For loan loss allowances calculated on a collective basis, we performed the following: ▶ Tested the completeness and accuracy of data used in models ▶ Tested the arithmetical accuracy of the Bank's models ▶ Evaluated and challenged the appropriateness of assumptions including historical loss rate, and

Areas of focus	How our audit addressed the risk factors
	▶ Compared, where available, data and assumptions made by the Bank to external benchmarks. Finally, we assessed the completeness and accuracy of financial statement disclosures relating to loan loss provisions to assess compliance with disclosure requirements.

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 IFRSs, 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.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- ▶ 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 overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 & Young Lao Co., Ltd.:



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

Vientiane, Lao P.D.R

31 May 2017

Banque Pour Le Commerce Extérieur Lao Public

CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2016

	Notes	2016 LAKm	2015 LAKm
Interest and similar income	8	1,406,431	1,073,610
Interest and similar expense	9	(858,596)	(812,970)
Net interest and similar income		547,835	260,640
Fee and commission income	10	193,844	171,548
Fee and commission expense	10	(15,411)	(13,314)
Net fee and commission income	10	178,433	158,234
Net trading income/(expenses)	11	47,270	(246,883)
Other operating income	12	14,994	422,260
Total operating income		788,532	594,251
Credit loss expense of loans to customers	19	(167,367)	(114,455)
(Additional)/reversal of impairment losses of financial investments	13	(10,985)	1,837
NET OPERATING INCOME		610,180	481,633
Personnel expenses	14	(240,203)	(220,719)
Depreciation and amortization	23,24	(70,553)	(64,465)
Other operating expenses	15	(99,621)	(97,685)
Total operating expenses		(410,377)	(382,869)
Share of profit and loss of joint ventures	22	26,413	48,325
PROFIT BEFORE TAX		226,216	147,089
Current profit tax expense	29.1	(49,928)	(24,327)
Deferred profit tax (expense)/income	29.1	(2,183)	1,950
PROFIT FOR THE YEAR		174,105	124,712
Attributable to:			
Equity holders of the parent		173,416	124,371
Non-controlling interest		689	341
Earnings per shares (LAK)	40	1,270	911

Prepared by:

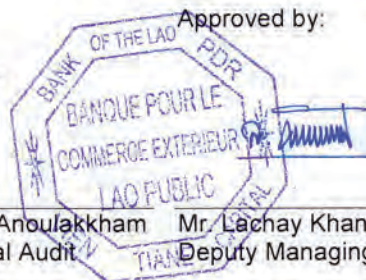
Approved by:

Approved by:

Mrs. Lammaniseng Sayaphet
Head of Accounting
Department

Mrs. Phousengthong Anoulakham
Acting Head of Internal Audit
Department

Mr. Lachay Khanpravong
Deputy Managing Director



Vientiane, Lao P.D.R

31 May 2017

Banque Pour Le Commerce Extérieur Lao Public

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2016

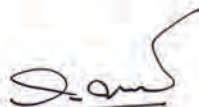
	Notes	2016 LAKm	2015 LAKm
NET PROFIT FOR THE YEAR		174,105	124,712
OTHER COMPREHENSIVE INCOME			
Net loss on available-for-sale financial assets		(33,427)	(35,708)
Profit tax related to components of other comprehensive income		8,023	4,627
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(25,404)	(31,081)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		148,701	93,631
Attributable to:			
Equity holders of the parent		148,200	93,290
Non-controlling interest		501	341

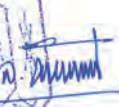
Prepared by:

Approved by:

Approved by:


Mrs. Lammaniseng Sayaphet
Head of Accounting
Department


Mrs. Phousengthong Anoulakham
Acting Head of Internal Audit
Department


Mr. Lachay Khanpravong
Deputy Managing Director



Vientiane, Lao P.D.R.

31 May 2017

Banque Pour Le Commerce Extérieur Lao Public

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2016

	Notes	31 December 2016 LAKm	31 December 2015 LAKm
ASSETS			
Cash and balances with the BOL	16	5,680,936	9,466,790
Due from banks	17	2,950,093	1,986,635
Loans to customers	18	19,093,205	10,854,955
Financial assets - Held-for-trading		39	6,046
Financial investments - Available-for-sale	20	198,121	224,348
Financial investments - Held-to-maturity	21	2,553,110	1,776,408
Investments in joint ventures	22	551,449	555,418
Property and equipment	23	447,935	391,146
Intangible assets	24	243,521	297,744
Deferred tax assets	29.4	10,856	6,259
Other assets	25	294,009	211,111
TOTAL ASSETS		32,023,274	25,776,860
LIABILITIES			
Due to banks and other financial institutions	26	3,526,229	2,446,347
Due to customers	27	25,402,421	21,310,561
Borrowings from the BOL	28	1,640,776	720,497
Current tax liabilities	29.2	36,496	30,934
Deferred tax liabilities	29.4	9,834	11,077
Other liabilities	30	94,324	60,373
TOTAL LIABILITIES		30,710,080	24,579,789
EQUITY			
Charter capital		682,888	682,888
Statutory and other reserves	32	359,007	314,898
Available-for-sale reserve	33	7,385	32,789
Treasury shares		(1,010)	(1,010)
Retained earnings		230,992	134,263
Total equity contributable to the parent		1,279,262	1,163,828
Total equity contributable to non-controlling interest		33,932	33,243
TOTAL EQUITY		1,313,194	1,197,071
TOTAL LIABILITIES AND EQUITY		32,023,274	25,776,860

Prepared by:

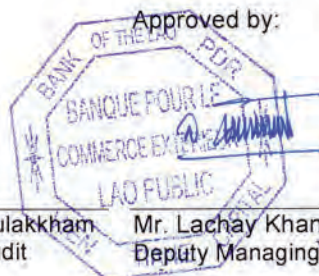
Approved by:

Approved by:

Mrs. Lammaniseng Sayaphet
Head of Accounting
Department

Mrs. Phousengthong Anoulakham
Acting Head of Internal Audit
Department

Mr. Lachay Khanpravong
Deputy Managing Director



Vientiane, Lao P.D.R.

31 May 2017

Banque Pour Le Commerce Extérieur Lao Public

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2016

	Chartered capital LAKm	Statutory and other reserves LAKm	Treasury share LAKm	Available- for-sale reserve LAKm	Retained earnings LAKm	Non- controlling interest LAKm	Total LAKm
Balances as at 31 December 2015	682,888	314,898	(1,010)	32,789	134,263	33,243	1,197,071
Dividend of 2015 paid out to shareholders	-	-	-	-	(29,881)	-	(29,881)
Net profit for the year	-	-	-	-	173,416	689	174,105
Appropriation to reserves for the year 2015	-	44,109	-	-	(44,109)	-	-
Share of joint venture's net loss on available-for-sale financial assets	-	-	-	(25,404)	-	-	(25,404)
Additional tax payable for previous year	-	-	-	-	(2,697)	-	(2,697)
Balances as at 31 December 2016	682,888	359,007	(1,010)	7,385	230,992	33,932	1,313,194

Prepared by:



Mrs. Lammaniseng Sayaphet
Head of Accounting Department

Approved by:



Mrs. Phousengthong Anoulakkham
Acting Head of Internal Audit Department

Mr. Lachay Khanpravong
Deputy Managing Director



Vientiane, Lao P.D.R

31 May 2017

Banque Pour Le Commerce Extérieur Lao Public

CONSOLIDATED STATEMENT OF CASH FLOWS
as at 31 December 2016 and for the year then ended

	Notes	2016 LAKm	2015 LAKm
OPERATING ACTIVITIES			
Profit before tax		226,216	147,089
<i>Adjustments for:</i>			
Depreciation and amortization charges	23, 24	70,553	64,465
Credit loss and impairment loss of investment securities expense		178,352	112,618
Share of associate's profit under equity method	22	(26,413)	(48,325)
Gain on disposal of fixed assets	12	(676)	(359,076)
Dividend income		(11,060)	(12,673)
Cash flows from operating profit before changing in operating assets and liabilities		436,972	(95,902)
<i>Changes in operating assets</i>			
Due from banks		(206,364)	(334,797)
Loans to customers		(8,406,559)	(1,338,065)
Financial investment - Held-for-trading		6,007	(2,140)
Financial investment - Available-for-sale		26,227	(2,016)
Financial investment - Held-to-maturity		(787,691)	(507,839)
Other assets		(7,296)	54,422
<i>Changes in operating liabilities</i>			
Due to other banks and the BOL		2,000,161	183,832
Due to customers		4,091,859	2,208,913
Other liabilities		5,007	(186,372)
Profit tax paid during the year	29.3	(46,875)	(9,020)
Net cash flows used in operating activities		(2,888,552)	(28,984)
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(170,304)	(244,225)
Proceeds from disposals of fixed assets		48,918	371,908
Dividends received		11,060	38,452
Net cash flows (used in)/from investing activities		(110,326)	166,135
FINANCING ACTIVITIES			
Payment of dividend		(29,881)	(55,534)
Net cash flows used in financing activities		(29,881)	(55,534)
Net (decrease)/increase in cash and cash equivalents		(3,028,759)	81,617
Cash and cash equivalents at the beginning of the year		10,154,343	10,081,167
Foreign exchange difference		-	(8,441)
Cash and cash equivalents at the end of the year	34	7,125,584	10,154,343

Prepared by:

Approved by:

Approved by:

Mrs. Lammaniseng Sayaphet
Head of Accounting
Department

Mrs. Phousengthong Anoulakham
Acting Head of Internal Audit
Department

Mr. Lachay Khanpravong
Deputy Managing Director

Vientiane, Lao P.D.R

31 May 2017

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2016 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 P.D.R”).

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, and its latest Amended Business License No. 4284/BOL dated 11 November 2010 issued by the Bank of Lao P.D.R. 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 P.D.R. At that date, the Government, represented by the MOF, was the largest shareholder with 80% shareholding.

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

According to notification from Lao Securities and Exchange Commission, the shareholding structure of the Bank as at 31 December 2016 is as follows:

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

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

Charter Capital

The charter capital as at 31 December 2016 is LAKm 682,888 (31 December 2015: LAKm 682,888).

Location and Network

The Bank’s Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao P.D.R. As at 31 December 2016, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, eighty-one (81) services units, and sixteen (16) exchange units all over Lao P.D.R.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

1. CORPORATE INFORMATION (continued)

Subsidiary

As at 31 December 2016, 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 Lao P.D.R	Securities	70%

Joint ventures

As at 31 December 2016, the Bank has four (04) 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	232/11 dated 8 September 2011 by the Bank of Lao P.D.R	Banking & Finance	25%
Banque Franco - Lao Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of the Lao P.D.R	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	077/08/FIMC dated 09 June 2008 by the Foreign Investment Management Committee of the Lao P.D.R	Insurance	35%
Lao China Bank Limited	041/ERM dated 27 January 2014 by the granted by Department of Enterprise Register and Management of Lao P.D.R	Banking & Finance	49%

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

1. CORPORATE INFORMATION (continued)

Board of Directors

Members of the Board of Directors during the year ended 31 December 2016 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	Appointed on 9 April 2015
Mr. Kamsouk Sundara	Vice Chairman	Reappointed on 9 April 2015
Mr. Phoukhong Chanthachack	Member	Reappointed on 9 April 2015
Mr. Phansana Khounnouvong	Member	Appointed on 9 April 2015
Ms. Khanthaly Vongxayarath	Member	Appointed on 9 April 2015
Mr. Marc Robert	Member	Reappointed on 9 April 2015
Mr. Viengxay Chanthanvisouk	Member	Appointed on 9 April 2015

Board of Management

Members of the Board of Management during the year ended 31 December 2016 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	Appointed on 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 06 June 2008
Ms. Khanthaly Vongxayarath	Deputy Managing Director	Appointed on 30 September 2014
Mr. Lachay Khanpravong	Deputy Managing Director	Appointed on 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointed on 30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	Appointed on 23 November 2015
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointed on 23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	Appointed on 1 November 2016

Employees

Total number of employees of the Bank and its subsidiary as at 31 December 2016 is 1,621 persons (as at 31 December 2015: 1,548 persons).

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

2. BASIS OF PREPARATION

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

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

The Bank also prepared and issued its separate financial statements in accordance with IFRS on 31 March 2017.

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

3. STATEMENT OF COMPLIANCE

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

4. PRESENTATION OF FINANCIAL STATMENTS

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

5. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary (collectively referred to as the "Group") as at 31 December 2016. 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

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

5. BASIS OF CONSOLIDATION (continued)

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

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 *Foreign currency translation*

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK on 31 December 2016 and 31 December 2015 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 Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

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:

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

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

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

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'.

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

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 effective interest rate ("EIR"). Periodically, held-to-maturity securities are subject to review for impairment. Allowance for impairment of these securities is made when there has been a significant or prolonged 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 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 Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

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 31 December 2016 and for the year then ended

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 2016, 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 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.

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

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 31 December 2016 and for the year then ended

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.4 *Impairment of financial assets* (continued)

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

Collective impairment model

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

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

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

6.4.2 *Impairment of available for sale investments*

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

6.4.3 *Collateral valuation*

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

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

6.4.4 *Collateral repossessed*

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

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 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 relatively to the percentage of the Bank's investment in the joint ventures afterwards. Goodwill relating to the joint ventures is recognized at residual value included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

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

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

6.7 *Leasing*

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

Bank as a lessee

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

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.8 *Recognition of income and expenses*

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

6.8.1 *Interest and similar income and expense*

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

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

6.8.2 *Fees and commission income*

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

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

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

Fee income forming an integral part of the corresponding financial instrument

Fees that the Bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR (as defined in Note 6.2.3 above). The exception is, when it is unlikely that a loan will be drawn down, the loan commitment fees are recognised as revenue on expiry. Loan commitments that are within the scope of IAS 39 (i.e., are designated as FVPL, or are at a below market rate of interest or are settled net) are accounted for as derivatives and measured at fair value through profit or loss.

Dividend income

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

Net trading income

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

6.9 *Cash and cash equivalents*

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

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.10 Property and equipment

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

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

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

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

6.11 Intangible assets

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

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

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

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

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

► Software	2 - 5 years
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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 P.D.R.

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.12 *Impairment of non-financial assets*

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

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

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

6.13 *Financial guarantees*

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

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

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.14 *Employee benefits*

Post-employment benefits

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

Termination benefits

In accordance with Article 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 2016, 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 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.

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 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.

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

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

6.17 Fiduciary assets

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

6.18 Equity reserves

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

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

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 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 consolidated financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

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

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Bank does not anticipate early adopting IFRS 15 and is currently evaluating its impact.

IFRS 16 Leases

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

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Bank does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

Amendments to IAS 12 Income Taxes

In January 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment is effective from 1 January 2017. The Bank is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its consolidated financial statements.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.19 Standards issued but not yet effective (continued)

Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Bank is currently evaluating the 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 as expected changes to other fee income/expense that are integral parts of the instrument.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

7.3 Impairment losses on loans and advances

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

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

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

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

7.4 Impairment of available-for-sale investments

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

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

7.5 Deferred tax assets

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

8. INTEREST AND SIMILAR INCOME

	2016 LAKm	2015 LAKm
Interest income from lending to customers	1,252,157	933,530
Interest income from deposits at other banks	14,344	9,664
Interest income from investment securities	108,348	81,650
Other interest income and similar income	31,582	48,766
	1,406,431	1,073,610

9. INTEREST AND SIMILAR EXPENSE

	2016 LAKm	2015 LAKm
Interest expense for due to other banks	83,871	27,427
Interest expense for customer deposits	774,725	785,543
	858,596	812,970

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

10. NET FEES AND COMMISSION INCOME

	2016 LAKm	2015 LAKm
Fees and commission income from:		
Settlement services	124,993	106,908
Credit activities	64,633	60,519
Other activities	4,218	4,121
	193,844	171,548
Fees and commission expense for:		
Settlement services	(14,077)	(10,707)
Other activities	(1,334)	(2,607)
	(15,411)	(13,314)
Net fees and commission income	178,433	158,234

11. NET TRADING INCOME/(EXPENSE)

	2016 LAKm	2015 LAKm
Net gain from foreign currencies trading	47,270	41,002
Loss from margin trading	-	(287,150)
Changes in fair value of financial assets - held-for-trading	-	(993)
Dividend income from financial assets - held-for-trading	-	258
	47,270	(246,883)

12. OTHER OPERATING INCOME

	2016 LAKm	2015 LAKm
Dividend income from investment securities	11,060	12,413
Income from sale of tangible fixed assets	676	359,076
Recovery of the bad debts written off	2,677	49,731
Others	581	1,040
	14,994	422,260

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

	2016 LAKm	2015 LAKm
(Additional)/reversal of impairment losses for held-to-maturity securities (Note 21)	(10,985)	1,837
	(10,985)	1,837

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

14. PERSONNEL EXPENSES

	2016 LAKm	2015 LAKm
Salary expense	132,580	125,780
Benefits and welfare	102,340	89,438
Other staff costs	5,283	5,501
	240,203	220,719

15. OTHER OPERATING EXPENSES

	2016 LAKm	2015 LAKm
External services	24,490	23,094
Repair and maintenance	15,371	14,165
Publication, marketing and promotion	4,546	4,037
Office rental	9,566	8,134
Telecommunication	1,277	1,803
Training, meeting and seminar	8,844	7,238
Insurance fee for depositor protection fund	21,250	18,697
Tax and other duties	578	146
Others	13,699	20,371
	99,621	97,685

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

	31 December 2016 LAKm	31 December 2015 LAKm
Cash on hand in LAK	1,016,618	1,246,264
Cash on hand in foreign currencies ("FC")	850,541	990,378
Balances with the BOL		
- Compulsory deposit	1,378,763	1,134,906
- Demand deposit	2,435,014	6,095,242
	5,680,936	9,466,790

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, (2015: 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.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

17. DUE FROM BANKS

	31 December 2016 LAKm	31 December 2015 LAKm
Current and saving accounts	2,573,530	1,659,680
- In LAK	2,178,524	1,390,194
- In foreign currencies	395,006	269,486
Term deposits	374,329	325,797
- In LAK	213,170	142,806
- In foreign currencies	161,159	182,991
Accrued interest	2,234	1,158
	2,950,093	1,986,635

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

	2016 % per annum	2015 % per annum
Demand deposits	No interest	No interest
Saving deposits	0.02% - 1.25%	0.02% - 1.25%
Term deposits	1.00% - 9.54%	1.00% - 9.54%

18. LOANS TO CUSTOMERS

	31 December 2016 LAKm	31 December 2015 LAKm
Gross loans to customers	19,240,075	11,026,334
In which:		
<i>Loans funded by borrowings from BOL (Note 28)</i>	<i>1,640,776</i>	<i>720,497</i>
Accrued interest related to loans to customers	192,709	97,369
Less: Allowance for impairment losses (see Note 19)	(339,579)	(268,748)
	19,093,205	10,854,955

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

	2016 Interest rates % per annum	2015 Interest rates % per annum
Loans denominated in LAK	6.00% - 16.00%	7.00% - 16.00%
Loans denominated in USD	2.00% - 14.00%	6.50% - 14.00%
Loans denominated in THB	6.00% - 12.00%	7.75% - 12.00%

Analysis of loan portfolio by currency:

	31 December 2016 LAKm	31 December 2015 LAKm
Loans denominated in LAK	7,408,014	4,513,088
Loans denominated in USD	9,300,297	5,177,960
Loans denominated in THB	2,531,764	1,335,286
	19,240,075	11,026,334

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

18. LOANS TO CUSTOMERS (continued)

Analysis of loan portfolio by original maturity:

	31 December 2016 LAKm	31 December 2015 LAKm
Short-term loans	2,966,973	2,350,521
Medium-term loans	11,301,876	5,674,920
Long-term loans	4,971,226	3,000,893
	19,240,075	11,026,334

The loan portfolio at year-end comprised loans to entities in the following sectors:

	31 December 2016		31 December 2015	
	LAKm	%	LAKm	%
Industrial services companies	9,796,735	50.92%	2,395,765	21.73%
Construction companies	3,305,600	17.18%	3,526,539	31.98%
Technical instruments enterprises	63,867	0.33%	93,269	0.85%
Agricultural & forestry	48,385	0.25%	31,414	0.28%
Trading companies	3,498,551	18.18%	3,031,544	27.49%
Transportation companies	642,664	3.34%	573,180	5.20%
Services companies	1,701,361	8.84%	1,228,065	11.14%
Handicrafts	9,958	0.05%	10,468	0.09%
Others	172,954	0.91%	136,090	1.24%
	19,240,075	100%	11,026,334	100%

19. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in the allowance for impairment losses of loans to customers during the year ended 31 December 2016 as follows:

	<i>Allowance for impairment of loans to customers LAKm</i>
Balance as at 1 January 2016	268,748
Net change during the year	167,367
Non-performing loans written-off	(97,479)
Foreign exchange difference	943
Balance as at 31 December 2016	339,579

Break down of allowance for impairment losses of loans to customers as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	<i>Outstanding balance LAKm</i>	<i>Impairment LAKm</i>	<i>Outstanding balance LAKm</i>	<i>Impairment LAKm</i>
Individually impaired	2,792,381	290,125	1,694,825	210,793
Collectively impaired	16,447,694	49,454	9,331,509	57,955
	19,240,075	339,579	11,026,334	268,748

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

20. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	31 December 2016 LAKm	31 December 2015 LAKm
Listed shares of EDL-Generation Public Company	198,121	224,348
	198,121	224,348

21. FINANCIAL INVESTMENTS - HELD TO MATURITY

	31 December 2016 LAKm	31 December 2015 LAKm
Amortized cost of Treasury bills issued by the Ministry of Finance	1,998,663	982,563
Amortized cost of bonds issued by the Ministry of Finance	567,389	795,802
	2,566,052	1,778,365
Impairment losses for investments in Held-to-maturity securities (*)	(12,942)	(1,957)
- Impairment losses for Treasury bills issued by the Ministry of Finance	(1,926)	(2)
- Impairment losses for bonds issued by the Ministry of Finance	(11,016)	(1,955)
	2,553,110	1,776,408

(*): The net change in impairment losses of LAKm 10,985 for the year ended 31 December 2016 is recorded in the consolidated income statement as (Additional)/reversal of impairment loss for held-to-maturity securities (Note 13).

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

21. FINANCIAL INVESTMENTS - HELD TO MATURITY (continued)

21.1. Treasury bills issued by the Ministry of Finance

Details of the treasury bills as at 31 December 2016 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	27 March 2016	27 March 2017	300,000	307,305	4.00%
1 year	8 April 2016	8 April 2017	100,000	102,595	4.00%
1 year	10 March 2016	10 March 2017	73,000	75,325	4.00%
1 year	31 March 2016	31 March 2017	50,000	51,469	4.00%
1 year	28 April 2016	28 April 2017	20,000	20,522	4.00%
1 year	12 May 2016	12 May 2017	10,000	10,245	4.00%
1 year	26 May 2016	26 May 2017	58,000	59,324	4.00%
1 year	15 January 2016	15 January 2017	300,000	311,499	4.00%
1 year	17 June 2016	17 June 2017	500,000	510,697	4.00%
1 year	26 August 2016	26 August 2017	50,000	50,855	5.00%
1 year	2 September 2016	2 September 2017	50,000	50,807	5.00%
1 year	18 November 2016	18 November 2017	300,000	301,728	5.00%
1 year	16 December 2016	16 December 2017	146,000	146,292	5.00%
			1,957,000	1,998,663	

21.2. Bonds issued by the Ministry of Finance

	<i>31 December 2016 LAKm</i>	<i>31 December 2015 LAKm</i>
Triangle bonds	-	16,714
Capitalization bonds	67,391	65,923
Other bonds	499,998	713,165
	567,389	795,802

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

21. FINANCIAL INVESTMENTS - HELD TO MATURITY (continued)

21.2. Bonds issued by the Ministry of Finance (continued)

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

<i>Issue date</i>	<i>Maturity date</i>	<i>Face value (LAKm)</i>	<i>Amortized cost (LAKm)</i>	<i>Term</i>	<i>Interest rate (% per annum)</i>
1 March 2014	1 March 2019	68,600	67,391	5 years	4.00%

Details of other bonds are as follows:

<i>Purchase date</i>	<i>Maturity date</i>	<i>Face value LAKm</i>	<i>Amortized cost LAKm</i>	<i>Interest rate (% p.a)</i>
3 July 2016	3 July 2021	29,780	30,219	3.00%
10 October 2016	10 October 2017	2,000	1,946	4.00%
20 December 2016	20 December 2017	50,000	49,474	4.00%
12 March 2016	12 March 2018	20,000	19,522	4.25%
12 November 2016	12 November 2017	8,000	7,172	4.00%
31 July 2016	31 July 2018	5,000	4,674	4.25%
7 May 2016	7 May 2018	22,000	20,211	4.25%
11 June 2016	11 June 2018	9,000	8,208	4.25%
12 June 2016	12 June 2018	25,000	22,796	4.25%
13 June 2016	13 June 2018	1,000	912	4.25%
16 May 2016	16 May 2018	5,000	4,585	4.25%
18 September 2016	18 September 2018	4,000	3,581	4.25%
31 July 2016	31 July 2018	2,000	1,868	4.25%
2 August 2016	2 August 2018	14,000	12,864	4.25%
11 June 2016	11 June 2018	2,000	1,702	4.25%
30 December 2014	30 December 2017	100,000	100,018	5.10%
23 December 2016	23 December 2018	210,000	210,246	5.50%
		508,780	499,998	

22. INVESTMENTS IN JOINT VENTURES

	<i>2016 LAKm</i>	<i>2015 LAKm</i>
Balance as at 1 January 2016	555,418	534,430
Change in investment cost	-	(1,286)
Net share of profit in the year under equity method	26,413	48,325
Others	-	(272)
Less: Dividends received during the year	(30,382)	(25,779)
Balance as at 31 December 2016	551,449	555,418

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

22. INVESTMENTS IN JOINT VENTURES (continued)

	31 December 2016				31 December 2015			
	Cost in USD	Cost in LAKm equiv.	Carrying value in LAKm	% owned by the Bank	Cost in USD	Cost in LAKm Equiv.	Carrying value in LAKm	% owned by the Bank
Investments in other financial institutions								
Lao Viet Joint Venture Bank	24,500,000	197,839	235,076	25%	24,500,000	197,839	248,855	25%
Banque Franco - Lao Limited	16,322,230	138,000	144,138	46%	16,322,230	138,000	140,297	46%
Lao China Bank	N/A	147,000	151,653	49%	N/A	147,000	148,360	49%
Investments in local economic entities								
Lao-Viet Insurance Joint Venture Company	1,050,000	8,784	20,582	35%	1,050,000	8,784	17,906	35%
		491,623	551,449			491,623	555,418	

- Lao Viet Joint Venture Bank ("LVB") is incorporated in the Lao P.D.R with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with the Bank for Investment and Development of Vietnam, a state-owned commercial bank incorporated in the Socialist Republic of Vietnam. The joint venture was granted the banking license on 31 March 2000 by the Bank of Lao P.D.R for a year of 30 years. In 2015, LVB increased its contributed capital to LAK 791,357,560,000. The Bank's ownership rate in LVB after the capital increase is 25% in accordance with Investment License No. 004-15/KH-DDT4 issued by Ministry of Planning and Investment on 24 August 2015, equivalent to LAK 197,839,390,000.
- Banque Franco - Lao Limited ("BFL") is incorporated in the Lao P.D.R with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with Cofibred Company Frances De La Bred which is a state-owned bank incorporated in Paris, France. The joint venture was granted the temporary banking license on 01 October 2009 and a permanent license on 16 July 2010 by the Bank of Lao P.D.R. The legal capital of BFL was USD 20 million which was later revised to USD 37 million in accordance with the President's decree issued on 24 September 2009 and letter No. 01/BOL dated 28 January 2010 from BOL. As at 31 December 2016, the contributed capital of the Bank included USD 1,840,000 and LAK 122,854,960,000.
- Lao China Bank Company Limited ("LCNB") is incorporated in the Lao P.D.R 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 P.D.R. The legal capital of LCNB was LAKm 300,000 and had been fully contributed by partners as at 31 December 2016.
- Lao-Viet Insurance Joint Venture Company ("LVI") is incorporated as a joint venture company in the Lao P.D.R providing insurance services under the Investment License No. 077/08/FIMC issued by the Foreign Investment Management Committee on 09 June 2008. It is a joint venture with BIDV Insurance Joint Stock Corporation and Lao Viet Joint Venture Bank. LVI's legal capital is USD 3,000,000 and has been fully contributed by partners on 17 July 2008. In 2013, the Bank has contributed additional capital of USD 180,000 on 02 September 2013. As at 31 December 2016, the total contributed capital of the Bank in this company was USD 1,050,000, equivalent to LAKm 8,784.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

23. PROPERTY AND EQUIPMENT

Movements of property and equipment for the year ended 31 December 2016 are as follows:

	<i>Buildings & improvements LAKm</i>	<i>Office equipment LAKm</i>	<i>Furniture & fixtures LAKm</i>	<i>Motor vehicles LAKm</i>	<i>Total LAKm</i>
Cost:					
As at 1 January 2016	374,923	116,564	33,738	16,335	541,560
Additions	77,508	28,941	3,282	5,767	115,498
<i>In which</i>					
<i>New purchases</i>	3,579	-	4	1	3,584
<i>Transferred from CIP and fixed assets in transit</i>	73,929	28,941	3,278	5,766	111,914
Disposals	(3,374)	(17,781)	(728)	(2,623)	(24,506)
As at 31 December 2016	<u>449,057</u>	<u>127,724</u>	<u>36,292</u>	<u>19,479</u>	<u>632,552</u>
Accumulated depreciation:					
As at 1 January 2016	71,506	56,121	14,465	8,322	150,414
Charge for the year 2016	22,339	24,885	4,450	3,342	55,016
Disposals	(3,089)	(14,695)	(406)	(2,623)	(20,813)
As at 31 December 2016	<u>90,756</u>	<u>66,311</u>	<u>18,509</u>	<u>9,041</u>	<u>184,617</u>
Net book value:					
As at 1 January 2016	<u>303,417</u>	<u>60,443</u>	<u>19,273</u>	<u>8,013</u>	<u>391,146</u>
As at 31 December 2016	<u>358,301</u>	<u>61,413</u>	<u>17,783</u>	<u>10,438</u>	<u>447,935</u>

24. INTANGIBLE ASSETS

Movements in intangible assets during the year ended 31 December 2016 are as follows:

	<i>Land use rights LAKm</i>	<i>Computer software LAKm</i>	<i>Total LAKm</i>
Cost:			
As at 1 January 2016	261,594	80,756	342,350
Additions	4,148	2,392	6,540
<i>In which</i>			
<i>New purchases</i>	-	282	282
<i>Transferred from CIP and fixed asset in transit</i>	4,148	2,110	6,258
Disposal	(45,224)	(14,568)	(59,792)
As at 31 December 2016	<u>220,518</u>	<u>68,580</u>	<u>289,098</u>
Accumulated amortization:			
As at 1 January 2016	-	44,606	44,606
Charge for the year 2016	-	15,537	15,537
Disposal	-	(14,566)	(14,566)
As at 31 December 2016	<u>-</u>	<u>45,577</u>	<u>45,577</u>
Net book value:			
As at 1 January 2016	<u>261,594</u>	<u>36,150</u>	<u>297,744</u>
As at 31 December 2016	<u>220,518</u>	<u>23,003</u>	<u>243,521</u>

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

25. OTHER ASSETS

	31 December 2016 LAKm	31 December 2015 LAKm
Assets waiting for sales	143,098	8,483
Stationeries and other tools	1,467	1,192
Checks in collection	31,472	13,234
Construction in progress and fixed assets in transit (*)	48,260	123,372
Prepaid expenses to be allocated	31,330	34,122
Other receivables	38,382	30,708
	294,009	211,111

(*): Movement of construction in progress and fixed assets in transit for the year ended 31 December 2016 is as follows:

	Land use rights LAKm	Buildings & improvement sLAKm	Other LAKm	Total LAKm
As at 1 January 2016	41,714	67,507	14,150	123,371
Additions	92,932	33,976	39,530	166,438
Transferred to fixed assets	(4,148)	(73,929)	(40,095)	(118,172)
Transferred to assets waiting for sales	(122,437)	(893)	(47)	(123,377)
As at 31 December 2016	8,061	26,661	13,538	48,260

26. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2016 LAKm	31 December 2015 LAKm
Demand deposits	2,813,254	2,104,890
- In LAK	1,242,744	825,086
- In foreign currencies	1,570,510	1,279,804
Saving deposits	28,299	232,019
- In LAK	20,634	52,445
- In foreign currencies	7,665	179,574
Term deposits	306,858	95,185
- In LAK	45,450	43,130
- In foreign currencies	261,408	52,055
Borrowings from other banks (*)	359,436	-
- In foreign currencies	359,436	-
Others	11,257	13,720
- In LAK	8,590	4,222
- In foreign currencies	2,667	9,498
	3,519,104	2,445,814
Accrued interest	7,125	533
	3,526,229	2,446,347

Saving deposits from other banks and financial institutions denominated in LAK, USD, THB bear interest at rates ranging of 0% - 1.25%, 0% - 0.75% and 0% - 0.20% per annum, respectively.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

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

The term deposits from other banks and financial institutions denominated in LAK, USD, THB bear interest at rates ranging of 1.25% – 7.00%, 0% - 3.00% and 0% – 3.00% per annum, respectively.

(*): Borrowings from foreign banks and other financial institutions include:

- ▶ USD 24,000,000 one-year borrowing from ICBC Vientiane Branch. The loan's principal is paid at maturity date. Interest rate is at 4.58% per annum. The interest shall be paid at the maturity date.
- ▶ USD 20,000,000 one-year borrowing from ICBC Vientiane Branch. The loan's principal is paid at maturity date. Interest rate is at 4.58% per annum. The interest shall be paid at the maturity date.

27. DUE TO CUSTOMERS

	<i>31 December 2016</i> <i>LAKm</i>	<i>31 December 2015</i> <i>LAKm</i>
Demand deposits	6,082,985	4,515,881
Demand deposits in LAK	1,656,340	2,178,278
Demand deposits in FC	4,426,645	2,337,603
Demand savings	9,341,554	8,591,522
Demand saving deposits in LAK	3,704,509	3,060,115
Demand saving deposits in FC	5,637,045	5,531,407
Term deposits	9,495,540	7,882,509
Term deposits in LAK	5,868,476	5,502,892
Term deposits in FC	3,627,064	2,379,617
Margin deposits	119,478	61,525
Margin deposits in LAK	11,716	16,162
Margin deposits in FC	107,762	45,363
Other payables to customers	270,585	202,651
	25,310,142	21,254,088
Accrued interest	92,279	56,473
	25,402,421	21,310,561

Saving deposits from customers denominated in LAK, USD and THB bear interest at rate ranging of 1.50% – 3.00%, 1.00% - 1.25% and 0.60% – 1.00% per annum respectively.

Fixed term deposits in LAK, USD, THB have terms of 3, 6, 12 months and more than 1 year and are subject to interest rates ranging of 2.25% – 12.50%, 1.00% - 6.75 % and 0.50% – 6.50% per annum respectively.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

28. BORROWINGS FROM THE BANK OF LAO PDR

	31 December 2016 LAKm	31 December 2015 LAKm
Borrowings from the BOL	1,640,776	720,497
	1,640,776	720,497

Borrowings from the BOL as at 31 December 2016 include:

- ▶ USD 4,599,999 long-term borrowing (original borrowing amount was USD 9,200,000) for the purpose of investment in Banque Franco – Lao Limited. The loan's principal is paid annually from 2010 to 2023 with the interest of 0.25% per annum. The interest is paid semi-annually.
- ▶ USD 99,854,000 long-term borrowing (original borrowing amount was USD 100,000,000) for the purpose of providing credit to certain Government-backed Hydropower projects with interest rate of 5.5% per annum.
- ▶ USD 96,400,000 long-term borrowing (original borrowing amount was USD 100,000,000) for the purpose of providing credit to certain Government-backed Hydropower projects with interest rate of 5.3% per annum.

29. TAXATION

29.1 Profit tax expense

Major components of tax expense for the year 2016 and 2015 are as follows:

	2016 LAKm	2015 LAKm
Current profit tax expense	49,928	24,327
Deferred profit tax expense (income)	2,183	(1,950)
	52,111	22,377

29.2 Tax payables

	31 December 2016 LAKm	31 December 2015 LAKm
Profit Tax payable	24,431	18,763
Value Added Tax payable	12,065	12,171
	36,496	30,934

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 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.

Accordingly, the Bank is subject to the tax rate of 24% for the year ended 31 December 2016 (2015: 24%). The subsidiary is subject to the tax rate of 24% for the year ended 31 December 2016 (2015: 24%).

The calculations of Profit taxes ("PT") for the years 2016 and 2015 are as follows:

	2016 LAKm	2015 LAKm
Consolidated profit before tax under IFRS	226,216	147,089
<i>Adjustments for:</i>		
- Difference between carrying value under LAS and amortized cost under IFRS of bonds	(5,700)	(1,133)
- Difference in allowance for impairment losses between LAS and IFRS of loans to customers	(16,908)	9,143
- Difference in allocation of subvention funds	1,572	356
- Write-off start-up cost as expense during the year	(22)	(47)
- Difference in impairment loss expense of investment between LAS and IFRS	10,985	(1,837)
- Non-taxable profit arising from consolidation adjustments	4,066	(22,721)
- Income exempted from PT	(41,469)	(38,020)
- Non-deductible expenses	29,291	8,695
- Others	-	(165)
Taxable profit under LAS	208,031	101,360
<i>in which:</i>		
- Taxable profit of the parent bank	205,383	98,449
- Taxable profit of the subsidiary	2,648	2,914
PT expense of the parent bank at rate of 24% (2015: 24%)	49,292	23,627
PT expense of the subsidiary at rate of 24% (2015: 24%)	636	700
Consolidated PT expense in the year	49,928	24,327
PT payable at the beginning of the year	18,763	8,582
PT paid in the year	(46,875)	(9,020)
Additional tax liability for previous years	2,697	165
Other adjustment	(82)	(5,291)
PT payable at the end of the year	24,431	18,763

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

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

29. TAXATION (Continued)

29.4 Deferred tax assets/(liabilities)

	<i>Deferred tax assets</i>	<i>Deferred tax liabilities</i>	<i>Net deferred tax assets/ (liabilities)</i>
	<i>LAKm</i>	<i>LAKm</i>	<i>LAKm</i>
As at 1 January 2016	6,259	(11,077)	(4,818)
<i>Increase during the year due to:</i>			
Changes in fair value of available for sale financial instruments	199	7,824	8,023
Changes in temporary difference between taxable profit under LAS and taxable profit under IFRS	4,398	(6,581)	(2,183)
As at 31 December 2016	10,856	(9,834)	1,022

30. OTHER LIABILITIES

	<i>31 December 2016 LAKm</i>	<i>31 December 2015 LAKm</i>
Payables to employees	19,772	13,661
Payable to suppliers	20,236	17,472
Termination allowances	17,906	14,537
Others	36,410	14,703
	94,324	60,373

31. CHARTER CAPITAL

There has been no change to charter capital during the year 2016.

32. STATUTORY RESERVES

	<i>Regulatory reserve fund LAKm</i>	<i>Business expansion fund LAKm</i>	<i>Capital supplement LAKm</i>	<i>Total LAKm</i>
As at 1 January 2016	73,983	228,640	12,275	314,898
Appropriations to reserves for the year 2015 from 2015 LAS profit of BCEL Bank	9,742	34,137	-	43,879
Appropriations to reserves for the year 2015 from the 2015 LAS profit of BCEL KT Securities Company	230	-	-	230
As at 31 December 2016	83,955	262,777	12,275	359,007

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

32. STATUTORY RESERVES (continued)

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

- ▶ Regulatory reserve fund
- ▶ Business expansion fund and other funds

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

33. AVAILABLE-FOR-SALE RESERVE

	31 December 2016 LAKm	31 December 2015 LAKm
Opening balance	32,789	64,142
Net changes in fair value of available-for- sale financial investments	(25,404)	(31,081)
Others	-	(272)
	7,385	32,789

34. ADDITIONAL CASH FLOW INFORMATION

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

	31 December 2016 LAKm	31 December 2015 LAKm
Cash and cash equivalents on hand	1,867,159	2,236,642
Balances with the BOL	2,435,014	6,095,242
Current accounts with other banks	2,573,530	1,659,680
Term deposits due within 3 months	249,881	162,779
	7,125,584	10,154,343

35. CONTINGENT LIABILITIES AND COMMITMENTS

	31 December 2016 LAKm	31 December 2015 LAKm
Financial letter of guarantees	248,997	252,765
At sight letters of credit	579,768	850,007
Deferred payment letters of credit	141,234	148,541
Credit limit given to customer	4,088,546	6,226,584
Credit limit given to other banks	22,232	55,080
	5,080,777	7,532,977

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

35. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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 2016, 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:

	2016 LAKm	2015 LAKm
Salaries	1,752	1,648
Bonus	185	363
Responsibility allowance	1,225	1,176
	3,162	3,187

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

36. RELATED PARTY DISCLOSURES (continued)

Significant balances with other related parties at 31 December 2016 are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Receivable LAKm</i>	<i>Payable LAKm</i>
The Bank of the Lao P.D.R	Direct controller	Borrowings and accrued interest from the BOL	-	1,640,776
The Bank of the Lao P.D.R	Direct controller	BCEL's demand deposits at BOL	2,435,014	-
The Bank of the Lao P.D.R	Direct controller	BCEL's compulsory deposits at BOL	1,378,763	-
The Bank of the Lao P.D.R	Direct controller	Demand deposit at BCEL	-	728
The Ministry of Finance of the Lao P.D.R	Direct owner	Investment in MOF's bonds	2,553,110	-
Lao Viet Joint Venture Bank	Joint venture	Current accounts	-	114,846
Lao Viet Joint Venture Bank	Joint venture	Term deposit	-	122,535
Banque Franco – Lao Company Limited	Joint venture	Term deposit	8,231	-
Banque Franco – Lao Company Limited	Joint venture	Current accounts	-	29,372
Lao China Bank Co.Ltd	Joint venture	Current accounts	-	11,268

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 and for the year then ended

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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2016 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 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 the lower of: 1.25% of total risk weighted balance sheet items and outstanding balance of general provision during the year.

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

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

	<i>31 December 2016 LAKm</i>	<i>31 December 2015 LAKm</i>
Tier 1 capital	1,272,887	1,132,051
Tier 2 capital	3,323	14,877
Total capital	1,276,210	1,146,928
Less: Deductions from capital (Investments in other entities)	(551,449)	(555,418)
Capital for CAR calculation (A)	724,761	591,510
Risk weighted balance sheet items	11,125,282	6,810,241
Risk weighted off balance sheet items	2,463,599	3,738,949
Total risk weighted assets (B)	13,588,881	10,549,190
Capital Adequacy Ratio (A/B)	5.33%	5.60%

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 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 2016 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.

	2016	2015
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	173,416	124,371
Weighted average number of ordinary shares for basic earnings per share (shares)	136,577,600	136,577,600
Face value per share (LAK)	5,000	5,000
Earnings per share (LAK)	1,270	911

41. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 31 December 2016 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

	31/12/2016 LAK	31/12/2015 LAK
USD	8,169.00	8131.00
EUR	8,620.00	8,871.00
THB	229.19	226.06
GBP	9,892.00	11,864.00
CHF	7,675.00	7,829.00
JPY	69.15	66.33
SGD	5,886.00	5,845.00
CAD	5,799.00	5,610.00
AUD	5,826.00	5,830.00
CNY	1,153.00	1,180.00
VND	0.36	0.36

Prepared by:



Mrs. Lammaniseng Sayaphet
Head of Accounting
Department

Approved by:



Mrs. Phousengthong
Anoulakkham
Acting Head of Internal Audit
Department

Approved by:



Mr. Lachay Khanpravong
Deputy Managing Director

Vientiane, Lao P.D.R

31 May 2017



Subscription Form for Right Offering of New Ordinary Shares of Banque Pour Le Commerce Exterieur Lao Public Company (BCEL)

Right Offering (RO) for the existing shareholders of 68,288,600 new ordinary shares at a ratio of 2 existing shares to 1 new share at the offering price of 5,050 Kip 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: ____/____/2017

Subscription No. _____

Name and Surname (English) _____

Securities Acc. No. _____

Holding Quantity	Allocation Quantity	Offering Price (Kip)	Subscription Amount (Kip)
		5,050	

() 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 Phone _____ E-Mail: _____

WhatsApp: _____ We Chat: _____

Hereby subscribe for and request allotment of new ordinary shares of BCEL as follows:

Subscription details	No. of share subscribed	Offering Price(Kip)	Amount (Kip)	Amount in words
() To subscribe in full entitlement		5,050		
() To subscribe some part of entitlement		5,050		
() To subscribe in excess of entitlement		5,050		
Total Subscription				

Made payable to Bank: Banque Pour Le Commerce Exterieur Lao Public Company Bank (BCEL) as the following accounts:

Acc. Name: **LCS (BCEL FOR SHARE SUBSCRIPTION)** Acc. No.: **010190001353261001** 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: ____/____/2017

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 5,050 kip, Amount: _____ Kip, Payment Date: ____/____/2017 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 New Ordinary Shares of Banque Pour Le Commerce Extérieur Lao Public Company (BCEL)

Public offering (PO) of 2,857,100 new ordinary shares with par value of 5,000 Kip at the offering price of **5,300** Kip per share (Minimum subscription requirement is one (01) lot, with each lot equal to one hundred (100) units of share)

Subscription Date: ____/____/2017 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 Phone _____ E-Mail: _____

WhatsApp: _____ We Chat: _____

Hereby subscribe for and request allotment of new ordinary shares of BCEL as follows:

No. of Share subscribed	Offering Price (Kip)	Amount (Kip)	Amount in words
	5,300		

Made payable to Bank: Banque Pour Le Commerce Extérieur Lao Public Company Bank (BCEL) as the following accounts:

Acc. Name: **LCS(BCEL FOR SHARES SUBSCRIPTION)** Acc. No: **010190001353261001** 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: _____ _____/_____/_____
-------------------------------	-------------------------------------	-----------------------------------



Subscription Receipt for Public Offering (PO) of New Ordinary Shares of BCEL (Subscriber please also fill out this portion)

Subscription Date: ____/____/2017 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 5,300 kip, Amount: _____ Kip, Payment Date: ____/____/2017 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: _____

(_____)

MODERN QUICK RELIABLE
www.bcel.com.la

Head Office: No.1 Pangkham Street Vientiane, Lao PDR. P.O.Box 2925

Tel: (856-21) 213200-1, 217898-9

Fax: (856-21) 213202, 223012, 223245

Website: www.bcel.com.la

E-mail: bcelhqv@bcel.com.la

SWIFT Code: COEBLALA