BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC

FINANCIAL STATEMENTS

31 DECEMBER 2020

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GENERAL INFORMATION

THE BANK

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

Establishment and Operations

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

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

On 17 August 2017, Lao Securities Commission Office approved the Bank to recapitalize by both Rights offering (which resulted in 68.047.300 shares) and Public offering (which resulted in 3.098.400 shares) in Lao Securities Exchange in order to increase its charter capital. The Bank received the new Banking Business License No. 21/BOL, dated 13 September 2017 issued by Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified that the Bank successfully increased its charter capital amount LAK 355.728.500.000 (equivalent to 71.145.700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest amended Business License No. 0429/ERO dated 18 May 2018 issued by Ministry of Industry and Commerce.

On 11 October 2019, Lao Securities Commission Office approved the Bank to recapitalised by both Rights offering and Public offering. The purpose of the government share divestment is to support more diverse shareholders to develop the Bank on the business expansion and sustainability. On 29 November 2019, Lao Securities Commission Office certified the Bank successfully offered 10% of the Bank's shares.

The shareholding structure of the Bank as at 31 December 2020 is as follows:

Shareholders	**Number of shares**	**%**
The Government	124.634.021	60%
Strategic partners	20.772.359	10%
Local investors (including employees of the Bank) and other foreign investors	62.316.920	30%
	207.723.300	100%

GENERAL INFORMATION (continued)

THE BANK (continued)

Establishment and Operations

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

Charter Capital

The Bank's charter capital as at 31 December 2020 is LAKm 1.038.617 (31 December 2019: LAKm 1.038.617)

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 31 December 2020, the Bank has one (01) Head Office, six (6) associates and joint ventures, twenty (20) main branches, ninety-nine (99) services units, and fifteen (15) exchange units all over Lao PDR.

Investment in associates and joint ventures

As at 31 December 2020, the Bank has six (06) associates and joint ventures as follows:

Name	Established in accordance with Business License No.	Business Sector	% owned by the Bank
BCEL - Krung Thai Securities Company Limited	1079/ERO issued by the Ministry of Industry and Commerce on 10 July 2019	Securities	70%
Lao Viet Joint Venture Bank	732/ERO dated 29 August 2016 by the Ministry of Industry and Commerce	Banking & Finance	25%
Banque Franco - Lao Limited	0495/ERO dated 7 June 2018 by the Ministry of Industry and Commence	Banking & Finance	30%
Lao-Viet Insurance Joint Venture Company	0600 dated 16 August 2013 by the Ministry of Industry and Commence	Insurance	35%
Lao China Bank Company Limited	041/ERM dated 27 January 2014 by the Department of Enterprise Register and Management of the Lao PDR	Banking & Finance	49%
Lao National Payment Network Company Limited	0349/ERO granted by the Department of Enterprise Registration and Management of the Ministry of Industry and Commerce of the Lao PDR on 12 March 2019	Transaction settlement management (Electronic)	20%

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GENERAL INFORMATION (continued)

THE BANK (continued)

BOARD OF DIRECTORS

Members of the Board of Directors during the year ended 31 December 2020 and at the date of this report are as follows:

Name	Title	Date of appointment/resignation
Mr. Bounleua Sinxayvoravong	Chairman	Reappointed on 27 April 2018
Mr. Khamsouk Sundara	Vice Chairman	Reappointed on 27 April 2018
Mr. Phoukhong Chanthachack	Member	Reappointed on 27 April 2018
Mr. Stéphane Mangiavacca	Member	Appointed on 29 May 2020
Mr. Phoutthakhan Khanty	Member	Appointed on 27 April 2018
Associate Professor, Dr. Phouphet Kyophilavong	Member	Appointed on 27 April 2018
Mr. Viengsouk Chounthavong	Member	Appointed on 27 April 2018

MANAGEMENT

Members of the Management during the year ended 31 December 2020 and at the date of this report are as follows:

Name	Title	Date of appointment /resignation
Mr. Phoukhong Chanthachack	General Managing Director	Appointed 15 January 2016
Mr. Lachay Khanpravong	Deputy Managing Director	Appointed 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointed 30 September 2014
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointed 23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	Appointed 01 November 2016 Resigned 01 August 2020
Mr. Viengsouk Chounthavong	Deputy Managing Director	Appointed 18 February 2019

LEGAL REPRESENTATIVE

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

AUDITORS

The auditor of the Bank is PricewaterhouseCoopers (Lao) Sole Company Limited.

Independent auditor's report

To: Board of Director and Shareholders of Banque Pour Le Commerce Exterieur Lao Public

Our opinion

In our opinion, the financial statements of Banque Pour Le Commerce Exterieur Lao Public (the Bank) for the year ended 31 December 2020 are prepared, in all material respects, in accordance with the accounting policies described in Note 3 to the financial statements.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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 financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of Matter - Basis of accounting

We draw attention to Note 3 to the financial statements, which describe the basis of accounting. The financial statements have been prepared in accordance with the Bank's accounting policies which the accounting basis used in the preparation of these financial statements may differ from International Financial Reporting Standard (IFRS). The readers should therefore be aware that the accompanying financial statements are not intended to present the financial position and its financial performance and cash flows in accordance with IFRS. Our opinion is not modified in respect to this matter.

PricewaterhouseCoopers (Lao) Sole Company Limited. 4th Floor, ANZ Commercial Building, 33 Lane Xang Avenue, PO Box 7003, Vientiane Lao PDR, Telephone : + 856 21 222718-9, Facsimile: + 856 21 222723, www.pwc.com/la

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We determine one key audit matter: Provision for impairment of loan to customers. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of loan to customers Refer to Note 17 – Provision for impairment. As of 31 December 2020, Loan to customer balance was LAK 30.762.417 million (57% of total asset), and provision for impairment balance was LAK 1.073.649 million. Provision for impairment of loan to customers was considered as significant in our audit due to the estimation of provision for impairment involved the management's judgements and assumptions in identifying evidence of impairment for individual and collective customers and calculating the impairment amount including uncertainly of timing for recognition. Management had set up provision for impairment on loan to customers by classifying in two type of impairment which were individual and collective impairment. For individual impairment was calculated by the present value of the estimated future cashflows expected from customer. For collective impairment, loan to customer were grouped based on similar credit risk characteristics. Future cashflows on a group of loan to customer were collectively evaluated for impairment and were estimated based on historical loss experience.	We performed the following procedures: • Performed risk assessment on both internal and external factors which may affect the operating result of individual, industry group and customer group which it might affect the judgement and estimation made by management. . • Evaluated and tested the Information Technology General Control over access program and data, control over completeness of customer's data used in calculation of provision impairment. • Evaluated and tested manual controls over loan to customer and provision for impairment processes as follows; - Loan origination and approval - Collateral valuation - Data input into system - Loan classification and monitoring - Calculation, review and approval of setting up a provision for impairment - Reconciliation of provision for impairment account between the detailed working to the general ledger follows; • Tested samples of loans which it had classified as individual and collective impairments, we performed as - Inquired with management regarding processing of identify and classified loans as individual and collective impairments - Examined the assumptions used in the calculation of present value of future cashflows expected from customer with supporting document such as future cashflows expected from customer, collateral valuation - Recomputed discount rate and assess the appropriate of discount rate used in calculation of present value of future cashflows

Key audit matter	How our audit addressed the key audit matter
Based on the significant level of subjectivity and estimation uncertainly, provision for impairment account on loan to customers was a key audit matter.	- Assessed the appropriateness of assumptions usedin calculation of probability of default, loss rate for calculation of collective impairment by examine with relevant supporting evidence and had a detailed discussion with management regarding the assumptions. • Furthermore, for collateral valuations performed by the professional valuers, we evaluated their competence, capabilities and objectivity including evaluated the appropriateness of their work. Then, we sampled those valuations to check that the management used the valuations in the calculation of provision for impairment for individual customer From those procedures performed, we found that management's judgements and assumptions regarding provision for impairment was appropriate

Other matter

The financial statements of the Bank for the year ended 31 December 2019 were audited by another firm of auditors whose report, dated 19 May 2020, expressed a modified opinion on those statements for not applied International Financial Reporting Standard no. 13 "Fair value measurement" and no. 7 "Financial Instruments: Disclosures".

In addition, management revisited prior year transactions related to consolidating a subsidiary and deferred income. As result, the prior year's financial statements are restated (Refer to Note 5).

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee.

Responsibilities of the directors and audit committee for the financial statements

The directors are responsible for the preparation and presentation of the financial statements in accordance with the accounting policies described in Note 3 to the financial statements, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The audit committee assists the directors in discharging their responsibilities for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 the directors.
- Conclude on the appropriateness of the directors' 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 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.

We communicate with the audit committee 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.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For PricewaterhouseCoopers (Lao) Sole Company Limited

PricewaterhouseCoopers(Lao) Sole Company Limited

By : Apisit Thiengtrongpinyo
Partner
Vientiane, Lao PDR

30 April 2021

BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 LAKm	Restated 2019 LAKm
Interest income	6	2.407.369	2.152.457
Interest expense	6	(1.317.166)	(1.193.701)
Net interest income	**6**	**1.090.203**	**958.756**
Fee and commission incomes	7	239.365	245.882
Fee and commission expenses	7	(26.184)	(29.975)
Net fee and commission incomes	**7**	**213.181**	**215.907**
Net gain from dealing in foreign currencies	8	42.236	34.749
Net loss from dealing derivatives	9	-	(1.204)
Other operating income	10	37.834	116.012
Operating income		**1.383.454**	**1.324.220**
Credit loss expense of loans to customers	17	(474.399)	(314.919)
Impairment losses on financial investments	11	(39.501)	(20.650)
NET OPERATING INCOME		**869.554**	**988.651**
Personnel expenses	12	(324.020)	(300.612)
Depreciation and amortisation	21, 22	(77.007)	(71.619)
Depreciation of right-of-use assets	23	(6.690)	(6.650)
Other operating expenses	13	(182.420)	(179.284)
TOTAL OPERATING EXPENSES		**(590.137)**	**(558.165)**
PROFIT BEFORE TAX		**279.417**	**430.486**
Income tax expense	28.1	(56.381)	(106.757)
NET PROFIT FOR THE YEAR		**223.036**	**323.729**
Earnings per share (LAK)	35	**1.074**	**1.558**

Prepared by:	Approved by:	Approved by:
Mrs. Phousengthong Anoulakkham	Mr. Kongsack Souphonesy	Mr. Viengsouk Chounthavong
Chief of Accounting Department Date :19 April 2021	Chief of Internal Audit Department Date :19 April 2021	Deputy Managing Director Date :19 April 2021

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

The accompanying notes on pages 16 to 58 form an integral part of these financial statements.

BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 LAKm	2019 LAKm
NET PROFIT FOR THE YEAR		**223.036**	**323.729**
OTHER COMPREHENSIVE INCOME			
Remeasurement loss on defined benefit plan	29	(667)	(15.897)
Profit tax related to components of other comprehensive income	28.3	133	3.815
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX		**(534)**	**(12.082)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**222.502**	**311.647**

Prepared by:	Approved by:	Approved by:
Mrs. Phousengthong Anoulakkham	Mr. Kongsack Souphonesy	Mr. Viengsouk Chounthavong
Chief of Accounting Department	Chief of Internal Audit Department	Deputy Managing Director
Date :19 April 2021	Date :19 April 2021	Date :19 April 2021

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

The accompanying notes on pages 16 to 58 form an integral part of these financial statements.

BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 LAKm	Restated 2019 LAKm
ASSETS			
Cash and balances with Bank of the Lao PDR	14	12.836.829	9.202.045
Due from banks	15	4.355.395	4.493.536
Loans to customers	16	30.762.417	27.490.492
Financial investments - Available-for-sale	18	90.122	129.623
Financial investments - Held-to-maturity	19	3.899.011	3.370.144
Investments in associates and joint ventures	20	541.407	516.047
Property and equipment	21	601.572	554.671
Intangible assets	22	245.873	245.042
Right-of-use assets	23	57.005	54.814
Deferred tax assets	28.3	37.015	28.768
Other assets	24	470.734	456.273
TOTAL ASSETS		**53.897.380**	**46.541.455**
LIABILITIES			
Due to banks and other financial institutions	25	3.482.800	4.063.635
Due to customers	26	45.043.495	36.419.928
Borrowings from other banks	27	2.962.101	3.705.378
Current tax liabilities	28.2	23.726	28.553
Lease liabilities		23.059	14.248
Other liabilities	29	222.197	223.334
TOTAL LIABILITIES		**51.757.378**	**44.455.076**
EQUITY			
Charter capital	30	1.038.617	1.038.617
Statutory reserves	31	753.399	604.423
Remeasurement of post-employment benefit reserve		(12.616)	(12.082)
Retained earnings		360.602	455.421
TOTAL EQUITY		**2.140.002**	**2.086.379**
TOTAL LIABILITIES AND EQUITY		**53.897.380**	**46.541.455**

Prepared by:	Approved by:	Approved by:
Mrs. Phousengthong Anoulakkham	Mr. Kongsack Souphonesy	Mr. Viengsouk Chounthavong
Chief of Accounting Department	Chief of Internal Audit Department	Deputy Managing Director
Date :19 April 2021	Date :19 April 2021	Date :19 April 2021

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

The accompanying notes on pages 16 to 58 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Charter capital LAKm	Statutory reserves LAKm	Remeasurement of post-employment benefit reserve LAKm	Retained earnings LAKm	Total LAKm
Balance as at 31 December 2018		**1.038.617**	**439.550**	**-**	**506.343**	**1.984.510**
Effect of adopting IFRS 16 as at 1 January 2019		-	-	-	(3.923)	(3.923)
Dividend paid out to shareholders for 2018		-	-	-	(205.855)	(205.855)
Appropriation to reserves for the year 2018		-	164.873	-	(164.873)	-
Net profit for the year 2019 (restated*)		-	-	-	323.729	323.729
Remeasurement loss on defined benefit plans	29	-	-	(15.897)	-	(15.897)
Profit tax related to components of other comprehensive income	28.3	-	-	3.815	-	3.815
Balances as at 31 December 2019		**1.038.617**	**604.423**	**(12.082)**	**455.421**	**2.086.379**

The accompanying notes on pages 16 to 58 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Charter capital LAKm	Statutory reserves LAKm	Remeasurement of post-employment benefit reserve LAKm	Retained earnings LAKm	Total LAKm
Balance as at 31 December 2019		**1.038.617**	**604.423**	**(12.082)**	**461.174**	**2.092.132**
Retrospective adjustment – error (Note 5)		-	-	-	(5.753)	(5.753)
Balance as at 31 December 2019 - restated		**1.038.617**	**604.423**	**(12.082)**	**455.421**	**2.086.379**
Dividend paid out to shareholders for 2019		-	-	-	(168.879)	(168.879)
Appropriation to reserves for the year 2019	31	-	148.976	-	(148.976)	-
Net profit for the year 2020		-	-	-	223.036	223.036
Remeasurement loss on defined benefit plans	29	-	-	(667)	-	(667)
Profit tax related to components of other comprehensive income	28.3	-	-	133	-	133
Balances as at 31 December 2020		**1.038.617**	**753.399**	**(12.616)**	**360.602**	**2.140.002**

Prepared by:	Approved by:	Approved by:
Mrs. Phousengthong Anoulakkham	Mr. Kongsack Souphonesy	Mr. Viengsouk Chounthavong
Chief of Accounting Department	Chief of Internal Audit Department	Deputy Managing Director
Date :19 April 2021	Date :19 April 2021	Date :19 April 2021

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

The accompanying notes on pages 16 to 58 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 LAKm	Restated 2019 LAKm
OPERATING ACTIVITIES			
Profit before tax		**279.417**	**430.486**
Adjustments for:			
Depreciation and amortisation charges	21, 22, 23	83.697	78.269
Adjustments for retained earnings under IFRS 16		-	(3.923)
Expense for impairment losses	17	474.399	335.569
Expense for writing off assets under construction		-	13.351
Defined post-employment benefit expense	29	9.938	7.325
Changes in provision for impairment loss on financial investments – Available-for-sale	11	39.501	20.650
Loss on disposal/written-off		(934)	-
Interest income		(2.407.369)	(2.152.457)
Interest expense		1.317.166	1.193.701
Dividend income	10	(5.503)	(10.133)
Cash flows from operating profit before changing in operating assets and liabilities		**(209.688)**	**(87.162)**
Changes in operating assets			
Net change in balances with other banks		(824.784)	(120.674)
Net change in loans to customers		(2.865.785)	(2.809.910)
Financial investment - Held-to-maturity		-	263.188
Net change in other assets		(14.461)	(148.545)
Changes in operating liabilities			
Net change in due to other banks		(567.033)	1.039.276
Net change in due to customers		8.623.567	6.587.377
Net change in other liabilities		(98.819)	(26.333)
Net change in Borrowing from other banks		(777.419)	-
Net change in Lease liabilities		11.720	-
Interest received		937.963	1.515.567
Interest paid		(1.214.631)	(1.308.950)
Tax paid during the year		(69.455)	(108.909)
Net cash flows from operating activities		**2.931.175**	**4.794.925**
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(121.988)	(100.868)
Purchase of right of use	23	(8.881)	-
Purchase of Intangible asset	22	(3.636)	-
Proceeds from disposals of fixed assets		6.836	24.320
Payment for associates and joint venture investments		(25.360)	(2.040)
Dividends received from associates and joint venture investment	20	1.668	10.133
Dividends received from financial investments – Available for sale		3.835	-
Payment from investment in financial investments – Hold to maturity		(989.433)	-
Proceed from investment in investment in financial investments – Hold to maturity		1.052.017	-
Net cash flows used in investing activities		**(84.942)**	**(68.455)**

The accompanying notes on pages 16 to 58 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 LAKm	Restated 2019 LAKm
FINANCING ACTIVITIES			
Payment of dividends		(168.879)	(205.855)
Payment on lease payment		(2.909)	-
Net cash flows used in financing activities		**(171.788)**	**(205.855)**
Net change in cash and cash equivalents		**2.674.445**	**4.520.615**
Cash and cash equivalents at the beginning of the year	**32**	**11.722.384**	**7.201.769**
Cash and cash equivalents at the end of the year	**32**	**14.396.829**	**11.722.384**

Non-cash from financing and investing activities;

	2020 LAKm	Restated 2019 LAKm
Acquisition of construction in progress and tangible assets	(5.017)	-
Settlement loan to customers and investment in hold-to-maturity securities	(591.452)	-

Prepared by:	Approved by:	Approved by:
Mrs. Phousengthong Anoulakkham	Mr. Kongsack Souphonesy	Mr. Viengsouk Chounthavong
Chief of Accounting Department	Chief of Internal Audit Department	Deputy Managing Director
Date :19 April 2021	Date :19 April 2021	Date :19 April 2021

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

The accompanying notes on pages 16 to 58 form an integral part of these financial statements.

1. GENERAL INFORMATION

Banque Pour Le Commerce Exterieur Lao Public (the Bank) is a public limited company which registered under Bank of Lao PDR (BoL) and listed on the Securities Exchange of Lao PDR (LSX).

The Bank is incorporated and domiciled in Lao PDR. The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR, As at 31 December 2020. the Bank has one (01) head office, six (6) associates and joint ventures, twenty (20) main branches, ninety-nine (99) services units, and fifteen (15) exchange units all over Lao PDR.

The principal business operations of the Bank,its associates and joint ventures are to provide banking and other services including:

- mobilising and receiving deposits from organisations and individuals
- making loans to organisations and individual
- foreign exchange transactions
- international trade financial services
- discounting of commercial papers
- bonds and other valuable papers
- insurance
- securities

The financial statements is presented in Lao Kip and rounded to the nearest million, unless otherwise stated.

The financial statements was authorised for issue by the board of directors on 19 April 2021.

2. SIGNIFICANT EVENTS DURING THE CURRENT YEAR

The Government of Laos (the GoL) ordered a temporary one-month halt to operations starting 1 April 2020 for most businesses, except some banks. Precautionary measures instituted with the government lockdown include restrictions and controls over travel and traffic.

The Government of Laos appears to have a good strategy for handling the COVID-19 pandemic such as they have waived compliance with Regulation 512/BOL for commercial banks and financial institutions, dated 29 June 2018. This means that after loans are restructured, they can be classified in the same group as they were before restructuring. The waiver also allows commercial banks to restructure loans classified as 'non-performing loans' more than twice and lend credit to customers affected by COVID-19. The waiver is effective from 1 January 2020.

Currently, most businesses can run operations as normal except in some sectors such as hospitality and tourism. The Bank isn't significantly affected by this.

Management closely monitor aging of loan to customer and take action in accordance with the GoL's waiver as above. Management considered COVID-19's impact on the Bank based on the situation in Lao PDR and believe there are no significant effects from event.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of the financial statements are set out below.

3.1 Basis of preparation

According to the laws and regulations on accounting and auditing for the securities sector issued by the MoF and the Lao Securities Commission Office (LSCO), all listed companies who identify as PIE are required to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS).

Notification No. 1137/MoF dated 27 April 2020 issued by MoF, and announcement No. 0009/LSC, dated 25 May 2020, issued by the LSCO, state the extended time for listed companies to prepare their action plan for IFRS, which is until 31 December 2025. Listed companies must fully adopt IFRS as of 1 January 2026 onwards.

During the transitional period, the PIE must set up a development plan to adopt IFRS and share this with the MoF and the LSCO for monitoring purposes.

In accordance with the MoF and LSCO's announcement mentioned above, the Bank is setting up a plan to fully adopt IFRS in the next few years for their accounting policies.

Management had selected to apply the IFRS no. 13 "Fair value measurement" and the IFRS no. 7 "Financial Instruments: Disclosures" in the prior year financial statements, on which the auditor expressed a modified opinion in 2019.

In 2020, management have changed the accounting policy by not adopting the IFRS no. 13 "Fair value measurement" and the IFRS no. 7 "Financial Instruments: Disclosures". These changes have no effect on the prior financial statements and financial statements for the year ended 31 December 2020. So, there is no retrospective adjustment for this matter.

The financial statements are prepared in accordance with the accounting policies of the Bank as described in Note 3. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are not intended to present the financial position and financial performance in accordance with other jurisdictions. Consequently, these financial statements are addressed only to those who are informed on the Bank's accounting policies.

The preparation of financial statements requires management to make estimates and assumptions affecting the amounts reported as assets and liabilities, the disclosure of any contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates (Note 17 and 29).

The financial statements have been prepared under the historical cost convention.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 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 the list of exchange rates of applicable foreign currencies against LAK as at 31 December 2020 and 31 December 2019 as presented in Note 39). Unrealised exchange differences arising from the translation of monetary assets and liabilities on the balance sheet date are recognised in the statement of income.

3.3 Recognition of income and expense

Revenue is recognised 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 recognised.

3.3.1 Interest income and expense

For all financial instruments measured at amortised 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 are recorded using the effective interest rate (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.

3.3.2 Fees and commission incomes

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not typically include multiple performance obligations, as explained further in 3.3.2.1 and 3.3.2.2 below.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time (unless otherwise specified in 3.3.2.1 and 3.3.2.2 below). The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

3.3.2.1 Fee and commission income from services where performance Obligations are satisfied over time

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Recognition of income and expense (continued)

3.3.2 Fees and commission incomes (continued)

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

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

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

3.3.3 Dividend income

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

3.3.4 Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities 'held for trading'.

3.4 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.

3.5 Investments in associates and joint ventures

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments -initial recognition and subsequent measurement

3.6.1 Date of recognition

All financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised 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 marketplace.

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.

3.6.2 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.

3.6.3 The effective interest rate method

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

3.6.4 ‘Day 1’ profit or loss

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3.6.5 Available for sale financial investments

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

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

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

Unrealised gains and losses are recognised directly in equity (Other comprehensive income) in the 'Available-for-sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of income 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 recognised in the statement of income as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the statement of income in 'Impairment losses on financial investments' and removed from the 'Available-for-sale reserve'.

3.6.6 Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the EIR. Periodically, held-to-maturity securities are subject to review for impairment. Allowance for impairment of these securities is made when there has been a significant or prolonged declined in the fair value below their cost. The losses arising from impairment of such investments are recognised in the statement of income 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 investments. Furthermore, the Bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3.6.7 Due from banks and loans and advances to customers

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

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

After initial measurement, amounts 'Due from banks' and 'Loans and advances to customers' are subsequently measured at amortised cost using the EIR method, less allowance for impairment. The 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 behavioral 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 as 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 statement of profit or loss.

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).

3.6.8 Due to other banks and customers and other borrowed funds

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

After initial measurement, "Due to other banks and customers and other borrowed funds" are subsequently measured at amortised cost using the EIR. The 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3.6.9 Reclassification of financial assets

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 amortised cost.

For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised 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 statement of profit or loss.

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 recognised 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.

3.7 De-recognition of financial assets and financial liabilities

3.7.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3.7.1 Financial assets (continued)

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

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises 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 statement of profit or loss.

3.7.2 Financial liabilities

A financial liability is derecognised 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 recognised in profit or loss.

3.8 Impairment of financial assets

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

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Impairment of financial assets (continued)

3.8.1 Financial assets carried at amortised cost

Individual impairment losses

For financial assets carried at amortised cost (such as amounts due from other 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 statement of profit or loss. 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 realised 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 recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to income.

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

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

Collective impairment model

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Impairment of financial assets (continued)

3.8.1 Financial assets carried at amortised cost (continued)

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

3.8.2 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.

3.8.3 Collateral valuation

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

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

3.8.4 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.

3.9 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial positions if, and only if, there is a currently enforceable legal right to offset the recognised 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 statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Property and equipment

Property and equipment are 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 amortisation 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. Construction in progress is not depreciated. The following are annual rates used:

Buildings & improvements	5%-10%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

Property and equipment are derecognised 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 recognised in 'Other operating income' in the statement of income in the year the asset is derecognised.

3.11 Intangible assets

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

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

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation 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 amortised over the useful economic life. The amortisation period and the amortisation 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 amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of income in the expense category consistent with the function of the intangible asset.

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

Software	20% - 50%

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 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 recognised 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 recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the statement of income.

3.13 Derivative financial instruments

Swap

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

In a currency swap (included within foreign exchange contracts), the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross settled.

Credit default swaps are contractual agreements between two parties to make payments with respect to defined credit events, based on specified notional amounts. The Bank purchases credit default swaps in order to mitigate the risk of default by the counterparty on the underlying security referenced by the swap.

Irrespective of whether settled through clearing houses or directly with the counterparties, most swaps are fully collateralised and require daily margin settlement. The practice significantly reduces the Bank's credit risk, but requires more diligent liquidity management than if the positions were not collateralised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial guarantees

In the ordinary course of business, the Bank issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'Other liabilities') at fair value on the date the guarantee was issued, being the premium received.

Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of income, 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 statement of income in 'Credit loss expense'. The premium received is recognised in the statement of income in 'Net fees and commission income' on a straight-line basis over the life of the guarantee.

3.15 Leasing

3.15.1. Right-of-use assets

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Bank combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease term includes periods covered by an option to extend if the Bank is reasonably certain to exercise that option. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Leasing (continued)

3.15.2 Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying assets.

3.15.3 Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.16 Employee benefits

Post-employment benefits (applicable from 1 January 2019)

Post-employment benefits are paid to retired employees of the Bank at the time of retirement by the amount equal to (Latest Basic Salary + Wage + 25% of allowance (If have) + 25% of other benefits) x 1,5 x working years.

The fund for Post-employment benefits come from:

(i) the retirement reserve contributed by the employees, for which the Bank withholds a certain monthly amount from employees' salary (5,5%) of the amount (Equal to Basic Salary + Wage + 25% of allowance + 25% of other benefits);

(ii) and the Bank contribution by monthly, which is equal to 6% of the amount (Equal to Basic Salary + Wage + 25% of allowance + 25% of other benefits);

The Bank records its contribution as 'Payroll and other staff costs' into the statement of income on an accrual basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Employee benefits (continued)

Termination benefits

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

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 31 December 2020, no employee of the Bank was dismissed under the above-mentioned grounds; therefore, the Bank has not made a provision for termination allowance in the financial statements.

3.17 Provisions

Provisions are recognised 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 statement of income net of any reimbursement in other operating expenses.

3.18 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 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 recognised 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 tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.19 Statutory reserves

Under the requirements of the Law on Commercial Banks dated 7 December 2018, commercial banks are required to appropriate net profit to the following reserves:

- Regulatory reserve fund
- Business expansion fund and other funds

In accordance with Article 156, Enterprise Law dated 26 December 2013, the Bank is required to appropriate 10% of profit after tax each year into Regulatory reserve fund. When this reserve fund reaches 50% of the registered capital, the Bank may suspend such provision, unless otherwise provided by the laws. The Bank will record after getting approval from General Shareholders' Meeting.

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's 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 financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

4.1 Effective interest rate method

The Bank's EIR method, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioral 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 behavior and life cycle of the instruments, as well expected changes to other fee income/expense that are integral parts of the instrument.

4.2 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 statement of income.

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

- Individual impairment losses on individually significant or specifically identified exposures;

  This estimation requires 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 individual impairment losses. These estimates are driven by a number of factors, the changing of which can result in different levels of allowances.

- Collective impairment.

  The loss allowances for financial assets are based on assumptions about default risk and loss rates. The Bank uses judgement in making these assumptions and selecting the inputs used in the impairment calculation, based on the Bank's past history and existing market conditions at the end of each reporting period.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

4.3 Impairment of available-for-sale investments

The Bank reviews its equity securities classified as available-for-sale investments at each reporting date to assess whether they are impaired.

This assessment, including 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.

4.4 Determination of lease terms

Critical judgement in determining the lease term, the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the most relevant factors are historical lease durations, the costs and conditions of leased assets.

Most extension options on offices and vehicles leases have not been included in the lease liability, because the Bank considers i) the underlying asset condition and/or ii) insignificant cost to replace the leased assets.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstance affecting this assessment occur, and that it is within the control of the Bank.

4.5 Determination of discount rate applied to leases

The Bank determines the incremental borrowing rate as follows:

- Where possible, use recent third-party financing received by the individual lessee as a starting point, adjusting to reflect changes in its financing conditions.
- Make adjustments specific to the lease, e.g. term, currency and security.

5. PRIOR YEAR ADJUSTMENTS

After revisiting previous year transactions, management found transactions that should've been adjusted in the previous year's financial statements. Those transaction are:

5.1 Deferred Income Tax. According to the new Tax Law approved by the National Assembly of Lao PDR on 18 June 2019, the profit tax rate from 2020 onwards has been changed from 24% to 20%. So, management adjusted the profit tax rate for deferred tax calculations in 2019 by using the new rate which will present deferred tax more appropriately.

5.2 Management made decision to change the presentation in the statement of financial position as at 31 December 2019 to conform to the current year presentation.

The following tables show the affected financial statements line items for each individual line item.

	As at 31 December 2019		
Statement of financial position (extract)	**Originally stated LAKm**	**Increase/ (decrease) LAKm**	**As restated LAKm**
ASSETS			
Financial investments - Held-to-maturity	3.453.937	(83.793)	3.370.144
Property and equipment	456.259	98.412	554.671
Deferred tax assets	34.644	(5.876)	28.768
Other assets	472.122	(15.849)	456.273
TOTAL ASSETS	**46.547.208**	**(5.753)**	**46.541.455**
LIABILITIES AND EQUITY			
LIABILITIES			
Lease liabilities	-	14.248	14.248
Current tax liabilities	41.636	(13.083)	28.553
Other liabilities	224.826	(1.492)	223.334
TOTAL LIABILITIES	**44.455.076**	**-**	**44.455.076**
EQUITY			
Retained earnings	461.174	(5.753)	455.421
TOTAL EQUITY	**2.092.132**	**(5.753)**	**2.086.379**
TOTAL LIABILITIES AND EQUITY	**46.547.208**	**(5.753)**	**46.541.455**

6. NET INTEREST INCOME

	2020 LAKm	2019 LAKm
Interest income calculated using the effective interest method from:		
Lending to customers	2.168.143	1.924.038
Deposits in other banks	53.228	61.795
Investment securities	185.920	166.478
Other activities	78	146
	2.407.369	**2.152.457**
Interest expense calculated using the effective interest method for:		
Due to banks	(207.463)	(283.997)
Customer deposits	(1.109.703)	(909.704)
	(1.317.166)	**(1.193.701)**
Net interest income	**1.090.203**	**958.756**

7. NET FEE AND COMMISSION INCOME

	2020 LAKm	2019 LAKm
Fee and commission income from:		
Settlement services	200.400	181.324
Treasury activities	3.415	40.924
Other activities	35.550	23.634
	239.365	**245.882**
Fee and commission expense for:		
Settlement services	(22.752)	(25.694)
Treasury activities	(3.432)	(4.281)
	(26.184)	**(29.975)**
Net fee and commission incomes	**213.181**	**215.907**

8. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	2020 LAKm	2019 LAKm
Gain from foreign currencies trading and revaluation of monetary items	5.303.010	4.622.077
Loss from foreign currencies trading and revaluation of monetary items	(5.260.774)	(4.587.328)
	42.236	**34.749**

9. NET LOSS FROM DEALING DERIVATIVES

	2020 LAKm	2019 LAKm
Gain from derivatives	-	1.518
Loss from derivatives	-	(2.722)
	-	**(1.204)**

10. OTHER OPERATING INCOME

	2020 LAKm	2019 LAKm
Recovery of bad debts written off	21.194	58.758
Dividend income	5.503	10.133
Gain on sale of fixed assets	966	922
Past service cost for amendment of defined benefit plan	-	25.874
Others	10.171	20.325
	37.834	**116.012**

11. IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS

	2020 LAKm	2019 LAKm
Impairment loss for Available-for-sale investments	39.501	21.860
Reversal of impairment loss for Held-to-maturity investments	-	(1.210)
	39.501	**20.650**

12. PERSONNEL EXPENSES

	2020 LAKm	2019 LAKm
Salaries	170.694	161.128
Bonus and other allowances	136.359	124.842
Post-employment benefits expense	9.938	7.325
Other staff costs	7.029	7.317
	324.020	**300.612**

13. OTHER OPERATING EXPENSES

	2020 LAKm	2019 LAKm
Deposit Insurance paid to Depositor Protection Fund	39.080	30.794
Stationary and office materials	22.085	21.024
Repair and maintenance	21.103	23.399
Telecommunication	9.391	9.613
Training, meeting and seminar	9.134	15.840
Utilities	9.068	9.501
Insurance expense	8.968	8.256
Publication, marketing and promotion	7.366	13.270
Tax and other duties	6.229	14.220
Office rental	5.055	4.279
Fuel expense	2.192	2.406
Consulting and financial service fees	2.120	5.992
Interest expense on lease liabilities	661	443
Other expenses	39.968	20.247
	182.420	**179.284**

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

	2020 LAKm	2019 LAKm
Cash on hand in LAK	1.576.956	1.235.425
Cash on hand in foreign currencies ("FC")	803.898	814.671
Balances with the BOL:		
- Compulsory deposit (*)	1.740.827	1.399.542
- Demand deposit	8.420.576	5.752.407
- Term deposits	278.400	-
Accrued interest income	16.172	-
	12.836.829	**9.202.045**

Balances with the BOL include demand 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 4,00% for LAK and 8,00% for foreign currencies, on a bi-weekly basis, (2019: 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. This restricted deposits with bank of the Lao PDR are not available for use in the Bank's day-to-day operations.

15. DUE FROM BANKS

	2020 LAKm	2019 LAKm
Current and saving accounts	**3.595.399**	**3.919.881**
- In LAK	26.045	23
- In foreign currencies	3.569.354	3.919.858
Term deposits	**759.326**	**570.400**
- In LAK	82.890	218.042
- In foreign currencies	676.436	352.358
Accrued interest income	**670**	**3.255**
	4.355.395	**4.493.536**

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

	2020 % per annum	2019 % per annum
Demand deposits	0,00% - 3,10%	0,00% - 3,10%
Saving deposits	0,00% - 0,80%	0,00% - 0,80%
Term deposits	0,14% - 3,50%	0,85% - 4,95%

16. LOANS TO CUSTOMERS

	2020 LAKm	2019 LAKm
Gross loans	29.152.520	26.929.478
In which:		
Loans funded by borrowing from the BOL (Note 27)	*1.885.302*	*1.825.039*
Less: Allowance for impairment losses (Note 17)	(1.073.649)	(650.541)
Accrued interest income	2.683.546	1.211.555
	30.762.417	**27.490.492**

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

	2020 Interest rates % per annum	2019 Interest rates % per annum
Loans denominated in LAK	5,50% - 16,00%	6,00% - 16,00%
Loans denominated in USD	4,25% - 16,00%	5,80% - 16,00%
Loans denominated in THB	6,00% - 10,00%	6,00% - 10,00%

Analysis of loan portfolio by currency:

	2020 LAKm	2019 LAKm
Loans denominated in LAK	12.717.791	12.205.237
Loans denominated in USD	12.841.292	11.465.498
Loans denominated in THB	3.593.437	3.258.743
	29.152.520	**26.929.478**

Analysis of loan portfolio by original maturity:

	2020 LAKm	2019 LAKm
Short-term loans	2.541.425	1.513.796
Medium-term loans	16.009.856	15.608.888
Long-term loans	10.601.239	9.806.794
	29.152.520	**26.929.478**

Analysis of loan portfolio by industrial sectors of customers:

	2020		2019	
	LAKm	%	LAKm	%
Industrial services companies	14.972.168	51,36%	14.142.561	52,52%
Construction companies	4.369.136	14,98%	4.133.820	15,35%
Services companies	4.400.758	15,10%	3.421.747	12,71%
Trading companies	4.059.804	13,92%	4.088.226	15,18%
Transportation companies	973.031	3,34%	695.306	2,58%
Technical instruments enterprises	57.745	0,20%	72.724	0,27%
Agricultural & forestry	26.851	0,09%	62.063	0,23%
Handicrafts	2.243	0,01%	3.049	0,01%
Others	290.784	1,00%	309.982	1,15%
	29.152.520	**100%**	**26.929.478**	**100%**

17. ALLOWANCE FOR IMPAIRMENT LOSSES OF LOANS TO CUSTOMERS

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

	2020 LAKm	2019 LAKm
Balance as at 1 January	**650.541**	**478.416**
Net change during the year	474.399	314.919
Non-performing loans written off	(78.597)	(164.410)
Foreign exchange differences	27.306	21.616
Balance as at 31 December	**1.073.649**	**650.541**

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

	2020		2019	
	Outstanding balance LAKm	Impairment LAKm	Outstanding balance LAKm	Impairment LAKm
Individually impaired	3.791.761	891.521	3.999.592	401.513
Collectively impaired	25.360.759	182.128	22.929.886	249.028
	29.152.520	**1.073.649**	**26.929.478**	**650.541**

18. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	2020 LAKm	2019 LAKm
Listed shares of EDL-Generation Public Company	90.122	129.623
	90.122	**129.623**

19. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

	2020 LAKm	Restated 2019 LAKm
Amortised cost of Treasury bills issued by the Ministry of Finance	185.836	872.244
Amortised cost of Bonds issued by the Ministry of Finance	3.713.175	2.497.900
	3.899.011	**3.370.144**

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

	2020 LAKm	2019 LAKm
Balance as at 1 January	**-**	**1.210**
Net impairment losses reversed in the year	-	(1.210)
Balance as at 31 December	**-**	**-**

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

19.1 Treasury bills issued by the Ministry of Finance

Term	Issue date	Maturity date	Face value LAKm	Amortised cost LAKm	Interest rate per annum (nominal)
1 Year	10-Apr-20	10-Apr-21	50.000	49.988	5,00%
1 Year	24-Apr-20	24-Apr-21	20.000	19.995	5,00%
1 Year	26-Jun-20	26-Jun-21	42.880	42.867	5,00%
1 Year	13-Mar-20	13-Mar-21	73.000	72.986	5,00%
			185.880	**185.836**	

19.2 Bonds issued by the Ministry of Finance

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

	2020		2019	
	Face value LAKm	Amortised cost LAKm	Face value LAKm	Amortised cost LAKm
Within 1 year	179.537	175.152	50.000	45.650
1 to 5 years	2.407.904	2.412.834	1.697.049	1.696.735
Over 5 years	1.125.293	1.125.189	755.634	755.515
	3.712.734	**3.713.175**	**2.502.683**	**2.497.900**

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

	2020 % per annum	2019 % per annum
Within 1 year	3,00 - 5,00%	4,00%
1 to 5 years	3,00 - 6,95%	3,00 - 6,95%
Over 5 years	4,00 - 6,00%	4,00 - 4,80%

Other bonds represent the bonds which were issued by the Ministry of Finance to either for settlement the loans that that the Bank lend to MOF or for settlement the loan that the Bank lend to customers for construction of the government’s projects.

20. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investment in associates and joint ventures as at 31 December, and dividend income for the year ended 31 December were as follows:

	Ownership interest		Cost		Dividend income	
	2020	2019	2020	2019	2020	2019
	(%)		LAKm			
BCEL – Krung Thai Securities Company Limited	70	70	70.000	70.000	1.597	1.293
Lao Viet Joint Venture Bank	25	25	197.839	197.839	-	-
Banque Franco – Lao Limited	30	30	114.000	90.000	-	-
Lao China Bank Company Limited	49	49	147.000	147.000	-	1.844
Lao-Viet Insurance Joint Venture Company	35	35	9.168	9.168	71	860
Lao National Payment Network Company Limited	20	20	3.400	2.040	-	-
Total			**541.407**	**516.047**	**1.668**	**3.997**

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

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

- Lao-Viet Insurance Joint Venture Company ("LVI") is incorporated as a joint venture company in the Lao PDR providing insurance services under the Investment License No. 077/08/FIMC issued by the Foreign Investment Management Committee on 09 June 2008. It is a joint venture with BIDV Insurance Joint Stock Corporation and Lao Viet Joint Venture Bank. 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 2020, the total contributed capital of the Bank in this company was USD 1.050.000, equivalent to LAKm 9.168.

20. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

- Lao China Bank Company Limited ("LCNB") is incorporated in the Lao PDR and engages in the provision of baking services. It is a joint venture with Fudian Bank China, a state-owned commercial bank incorporated in China. The joint venture bank was granted the Banking Business License on 20 January 2014 by Bank of the Lao PDR. The legal capital of LCNB was LAKm 300.000 and had been fully contributed by partners on 2019.

- Banque Franco - Lao Limited ("BFL") is incorporated in the Lao PDR with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with Cofibred Company Frances De La Bred which is a state-owned bank incorporated in Paris, France. The joint venture was granted the temporary banking license on 01 October 2009 and a permanent license on 16 July 2010 by the Bank of the Lao PDR. The legal capital of BFL was USD 20 million which was later revised to USD 37 million in accordance with the President's decree issued on 24 September 2009 and letter No. 01/BOL dated 28 January 2010 from BOL. As 31 December 2020, the total contributed capital of the Bank in this company was LAKm 114.000 (2019: LAKm 90.000).

- Lao National Payment Network Company Limited (LAPNet) is incorporated in the Lao PDR under the Business License No. 0349 granted by the Department of Enterprise Registration and Management of the Ministry of Industry and Commerce of the Lao PDR on 12 March 2019 and engages in the provision of financial services. It is an association among Bank of the Lao PDR, Union Pay International, Lao Development Bank, Agriculture Promotion Bank, Joint Development Bank, Lao-Viet Bank, ST Bank, BIC Bank and the Bank. The legal capital was LAKm 34.000. As 31 December 2020, the total contributed capital of the Bank in this company was LAKm 3.400 (2019: LAKm 2.040).

21. PROPERTY AND EQUIPMENT

	Construction in progress LAKm	Buildings & improvements LAKm	Office equipment LAKm	Furniture & fixtures LAKm	Motor vehicles LAKm	Total LAKm
As at 1 January 2020 - Restated						
Cost	75.072	525.363	162.001	37.552	18.037	818.025
Accumulated depreciation	-	(161.878)	(67.338)	(25.237)	(8.901)	(263.354)
Net book amount	**75.072**	**363.485**	**94.663**	**12.315**	**9.136**	**554.671**
Year ended 31 December 2020						
Opening net book value	75.072	363.485	94.663	12.315	9.136	554.671
Additions	116.490	801	4.749	3.816	3.848	129.704
Transferred	(83.633)	18.640	59.972	-	2.322	(2.699)
Depreciation charge	-	(30.192)	(34.900)	(5.143)	(3.967)	(74.202)
Disposal and write-off	-	(347)	(5.301)	(254)	-	(5.902)
As at 31 December 2020	**107.929**	**352.387**	**119.183**	**10.734**	**11.339**	**601.572**
As at 31 December 2020						
Cost	107.929	587.022	200.043	27.977	22.174	945.145
Accumulated depreciation	-	(234.635)	(80.860)	(17.243)	(10.835)	(343.573)
Net book value	**107.929**	**352.387**	**119.183**	**10.734**	**11.339**	**601.572**

22. INTANGIBLE ASSETS

	Land use rights LAKm	Software LAKm	Total LAKm
At 1 January 2020			
Cost	237.611	14.046	251.657
Accumulated amortisation	-	(6.615)	(6.615)
Net book amount	**237.611**	**7.431**	**245.042**
Year ended 31 December 2020			
Opening net book amount	237.611	7.431	245.042
Additions	-	937	937
Transfer in	2.699	-	2.699
Amortisation charge	-	(2.805)	(2.805)
As at 31 December 2020	**240.310**	**5.563**	**245.873**
At 31 December 2020			
Cost	240.310	11.577	251.887
Accumulated amortisation	-	(6.014)	(6.014)
Net book amount	**240.310**	**5.563**	**245.873**

23. RIGHT-OF-USE ASSETS

	Lands and buildings LAKm
As at 1 January 2020	
Cost	71.064
Accumulated depreciation	(16.250)
Net book amount	**54.814**
Accumulated depreciation:	
Opening balance	54.814
Additions	8.881
Depreciation charge	(6.690)
As at 31 December 2020	**57.005**
At 31 December 2020	
Cost	79.685
Accumulated depreciation	(22.680)
Net book value	**57.005**

24. OTHER ASSETS

	2020 LAKm	Restated 2019 LAKm
Assets available for sale	262.128	250.272
Accrued interest income	72.438	83.839
Prepaid expenses to be allocated	45.992	31.014
Advance payment for other operations	32.377	58.231
Advance payment to suppliers	30.838	13.734
Checks in collection	8.585	10.074
Stationeries and other tools	6.088	5.165
Others	12.288	3.944
	470.734	**456.273**

25. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2020 LAKm	2019 LAKm
Demand deposits	**2.626.472**	**3.522.988**
- In LAK	961.938	1.127.264
- In foreign currencies	1.664.534	2.395.724
Saving deposits	**113.582**	**302.654**
- In LAK	70.786	45.567
- In foreign currencies	42.796	257.087
Term deposits	**707.545**	**211.085**
- In LAK	323.910	162.311
- In foreign currencies	383.635	48.774
Others	**17.141**	**22.648**
- In LAK	17.133	15.166
- In foreign currencies	8	7.482
Accrued interest expenses	**18.060**	**4.260**
	3.482.800	**4.063.635**

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

	2020 % per annum	2019 % per annum
Demand deposits	0,00% - 0,30%	0,00% - 0,30%
Saving deposits	No interest	No interest
Term deposits	0,56% - 6,65%	0,56% - 6,65%

26. DUE TO CUSTOMERS

	2020 LAKm	2019 LAKm
Demand deposits	**6.630.559**	**5.851.192**
Demand deposits in LAK	3.102.811	2.828.297
Demand deposits in FC	3.527.748	3.022.895
Saving deposits	**21.324.874**	**16.420.775**
Saving deposits in LAK	10.326.176	8.014.427
Saving deposits in FC	10.998.698	8.406.348
Term deposits	**16.508.548**	**13.591.108**
Term deposits in LAK	8.522.980	7.442.953
Term deposits in FC	7.985.568	6.148.155
Margin deposits	**64.704**	**104.854**
Margin deposits in LAK	25.731	33.832
Margin deposits in FC	38.973	71.022
Others	**122.433**	**141.815**
Accrued interest expense	**392.377**	**310.184**
	45.043.495	**36.419.928**

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

	2020 % per annum	2019 % per annum
Demand deposits	No interest	No interest
Saving deposits in LAK	1,25% - 1,89%	1,25% - 1,89%
Saving deposits in USD	0,90% - 1,15%	0,90% - 1,15%
Saving deposits in THB	0,45% - 0,90%	0,45% - 0,90%
Term deposits in LAK	3,16% - 13,00%	3,16% - 13,00%
Term deposits in USD	1,65% - 7,75%	1,65% - 7,75%
Term deposits in THB	1,40% - 7,75%	1,40% - 7,75%

27. BORROWINGS FROM OTHER BANKS

	2020 LAKm	2019 LAKm
Borrowings from the BOL	1.885.302	1.800.556
Borrowings from other banks	965.131	1.827.296
Accrued interest expense	111.668	77.526
	2.962.101	**3.705.378**

	2020 LAKm	2019 LAKm
Non-current borrowings	1.791.434	2.154.476
Current borrowings	1.170.667	1.550.902
	2.962.101	**3.705.378**

Borrowings from the BOL as at 31 December 2020 include:

- USD 2.628.570 long-term borrowing (the original borrowing amount was USD 9.200.000 with an interest rate of 0,25% per annum) for the purpose of investment in Banque Franco – Lao Limited. The loan's principal is paid annually from 2010 to 2023. Interest is paid semi-annually.

- USD 99.854.000 long-term borrowing (the original borrowing amount was USD 100.000.000 with an interest rate of 5,50% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 1 January 2016 to 27 August 2025. Interest is paid quarterly.

- USD 99.900.000 long-term borrowing (the original borrowing amount was USD 100.000.000 with an interest rate of 5,30% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 3 May 2016 to 3 May 2026. Interest is paid quarterly.

- LAK 3.825.000.000 long-term borrowing (the credit line was LAK 4.050.000.000 with an interest rate of 3% per annum) for the purpose of providing credit to medium and small corporates who got effected from COVID-19 according to the BOL regulation No.318/BOL dated 19 May 2020. The loan's principal is paid by 3 times such as first-time repayment for loan principal is 30%, second time repayment for loan principal is 30%, and third time repayment for loan principal is 40%. Interest is paid two time per year (June and December). This borrowing period is started from 18 August 2020 to 18 August 2026.

- LAK 3.366.657.000 long-term borrowing (the credit line was LAK 4.200.000.000 with an interest rate of 3% per annum) for the purpose of providing credit to medium and small corporates who got effected by the COVID-19 pandemic according to the BOL regulation No.318/BOL dated 19 May 2020. The loan's principal is paid by 3 times such as first-time repayment for loan principal is 30%, second time repayment for loan principal is 30%, and third time repayment for loan principal is 40%. Interest is paid two time per year (June and December). The borrowing period is started from 3 November 2020 to 3 November 2026.

Borrowing from foreign banks as at 31 December 2020 includes a USD 103.810.000 (original borrowing amount was USD 148.300.000 4-years borrowing with interest rate of 4% + 3M LIBOR) for the purpose of providing credit to certain domestic projects. The loan's principal is paid annually, and interest is paid quarterly.

During the year 2020, The Bank has another short-term borrowing from foreign banks as at 31 December 2020 includes a USD 191.199 6-month borrowing with interest rate of 2,3% for the purpose of providing credit to certain domestic projects. The loan's principal and interest are on the maturity date.

28. TAXATION

28.1 Income tax expense

Major components of tax expense are as follows:

	2020 LAKm	Reatated 2019 LAKm
Current income tax expense	64.495	106.644
Deferred income tax expense/(income)	(8.114)	113
Total tax expense for the year	**56.381**	**106.757**

28.2 Current profit tax ("PT")

The Bank is obliged to pay tax at a rate of 20% (2019: 24%) on total profit before tax in accordance with the Tax Law.

The calculations of Profit tax for the years 2020 and 2019 are as follows:

	2020 LAKm	Restated 2019 LAKm
Profit before tax	**279.417**	**430.486**
Adjustments for:		
- Amortisation of financial investment – Hold to Maturity	(5.416)	2.689
- Amortisation of loans to customers	(55.875)	58.512
- Impairment losses of loans to customers	87.407	56.666
- Defined post-employment benefits plan obligation expense	(8.233)	(63.436)
- Impairment expense of investments – available for sale	-	(30.931)
Profit before tax in accordance with LAS	**297.300**	**453.986**
Increase/(Decrease):		
- Income exempted from PT	(1.384.101)	(23.164)
- Non-deductible expenses	1.409.274	13.529
Taxable profit under LAS	**322.473**	**444.351**
Tax rate	**20%**	**24%**
PT expense	**64.495**	**106.644**

28. TAXATION (continued)

28.2 Current profit tax ("PT") (continued)

	2020 LAKm	Restated 2019 LAKm
Total tax expense in the year	**64.495**	**106.644**
Payable at the beginning of the year	28.553	31.264
Tax adjustment for previous years based on the results of tax authority's inspection	(1.726)	(446)
Paid in the year	(67.596)	(108.909)
PT payable at the end of the year	**23.726**	**28.553**

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

28.3 Deferred tax assets/(liabilities)

	Statement of financial position		Statement of income		Statement of comprehensive income	
	2020 LAKm	Restated 2019 LAKm	2020 LAKm	Restated 2019 LAKm	2020 LAKm	2019 LAKm
Deferred tax assets	43.883	27.736	14.982	368	133	3.815
Effect of adopting IFRS 16 - leases as at 1 January 2019	-	1.032		-	-	-
Deferred tax liabilities	(6.868)	-	(6.868)	(481)	-	-
Deferred tax assets, net	**37.015**	**28.768**				
Net deferred tax credited/(charged) to the statement of income			**8.114**	**(113)**		
Net deferred tax credited to the statement of comprehensive income					**133**	**3.815**

28. TAXATION (continued)

28.3 Deferred tax assets/(liabilities) (continued)

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

	2020 LAKm	Restated 2019 LAKm
Deductible temporary differences		
In which:		
Effect of adopting IFRS 16 as at 1 January 2019	-	5.162
Financial investment – Hold to maturity	-	5.019
Loan to customers	64.426	58.512
Impairment losses of loans to customers	122.108	34.700
Provision for post-employment benefits	32.881	40.446
Total Deductible temporary differences	**219.415**	**143.839**
Tax rate at	**20%**	**20%**
Deferred tax assets	**43.883**	**28.768**
Financial investment – Hold to maturity	(397)	-
Right-of-use assets	(33.945)	-
Total Deductible temporary differences	**(34.342)**	**-**
Tax rate at	**20%**	**20%**
Deferred tax liabilities	**(6.868)**	**-**
Deferred tax assets(liabilities), net	**37.015**	**28.768**

29. OTHER LIABILITIES

	2020 LAKm	Restated 2019 LAKm
Payables to employees	31.631	52.477
Payable to suppliers	28.810	27.832
Defined post-employment benefit plan obligations	86.866	79.219
Other tax payable	18.884	12.756
Others	56.006	51.050
	222.197	**223.334**

29. OTHER LIABILITIES (continued)

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

	2020 LAKm	2019 LAKm
As at 1 January	79.219	87.985
Past service cost	-	(25.874)
Current service cost	5.890	3.643
Interest cost	4.048	3.682
Actuarial changes arising from changes in financial assumption	667	15.897
Benefits paid	(2.958)	(6.114)
As at 31 December	**86.866**	**79.219**

Net benefit expense (recognised in profit or loss):

	2020 LAKm	2019 LAKm
Current service cost	5.890	3.643
Interest cost	4.048	3.682
	9.938	**7.325**

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

	2020 %	2019 %
Discount rate	4,68 - 6,11	4,68 - 6,11
Future salary increases	0,81	0,76
Employee turnover rate	1,31	0,00

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

	2020 LAKm	2019 LAKm
Discount rate		
increase 50 basis points	(6.611)	(5.596)
decrease 50 basis points	6.793	6.175
Future salary increases		
increase 50 basis points	7.083	6.448
decrease 50 basis points	(6.459)	(5.874)

30. CHARTER CAPITAL

There was no change in charter capital during the year 2020.

31. STATUTORY RESERVES

	Regulatory reserve fund LAKm	Business expansion fund and other funds LAKm	Total LAKm
As at 31 December 2019 - Restated	**170.892**	**433.531**	**604.423**
Appropriation to reserves for the year 2019	34.881	114.095	148.976
As at 31 December 2020	**205.773**	**547.626**	**753.399**

32. ADDITIONAL CASH FLOW INFORMATION

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

	2020 LAKm	2019 LAKm
Cash and cash equivalents on hand	2.380.854	2.050.096
Demand deposits with the BOL	8.420.576	5.752.407
Current accounts with other banks	3.595.399	3.919.881
	14.396.829	**11.722.384**

33. CONTINGENT LIABILITIES AND COMMITMENTS

	2020 LAKm	2019 LAKm
Un-drawn commitments to lend for customers (ii)	3.301.678	2.434.380
Letter of credit and bank guarantees (i)	481.964	400.347
At sight letters of credit	175.324	350.346
Deferred payment letters of credit	68.736	95.254
Un-drawn commitments to lend for other banks (ii)	548	548
	4.028.250	**3.280.875**

(i) Letter of credit and bank 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.

(ii) 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.

34. RELATED PARTY DISCLOSURES

Transactions with key management personnel of the Bank

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

	2020 LAKm	2019 LAKm
Salaries	1.385	1.589
Responsibility allowance	876	988
Bonus	523	518
Other benefits	-	48
	2.784	**3.143**

Significant transactions with other related parties during the year 2020 are as follows:

Related party	Note	Transactions	Income LAKm	Expense LAKm
Bank of the Lao PDR ("BOL")	(i)	Interest expense for borrowing from BOL	-	(99.392)
The Ministry of Finance of Lao PDR ("MOF")	(ii)	Interest income from investment in MOF's bonds	180.503	-

Related party	Note	Transactions	Increase LAKm	Decrease LAKm
Bank of the Lao PDR	(i)	Net change in borrowings from the BOL	60.263	-
		Net change in deposits at BOL	6.103.106	-
		Net change in deposits from BOL	-	(6.805)
The Ministry of Finance of Lao PDR	(ii)	Net change in investment in MOF's bonds	-	523.451
BCEL - Krung Thai Securities Company Limited ("BCEL – KT")	(iii)	Net change in deposits at BCEL - KT	-	(354)
Lao Viet Joint Venture Bank ("LVB")	(iii)	Net change in deposits at LVB	-	(484.869)
		Net change in deposits from LVB	-	(144.841)
Banque Franco – Lao Company Limited ("BFL")	(iii)	Net change in deposits at BFL	81.982	-
		Net change in deposits from BFL	(3.981)	-
Lao China Bank Co., Ltd ("LCNB")	(iii)	Net change in deposits at LCNB	18	-
		Net change in deposit from LCNB	-	19.612

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

34. RELATED PARTY DISCLOSURES (continued)

Significant balances with related parties as at 31 December 2020 are as follows:

Related party	Note	Transactions	Receivable LAKm	Payable LAKm
The Bank of the Lao PDR	(i)	Borrowings and accrued interest from the BOL	-	1.885.302
		BCEL's demand deposits at BOL	8.420.576	5
		BCEL's compulsory deposits at BOL	1.740.822	-
		BCEL's term deposits and accrued interest	294.572	-
The Ministry of Finance of the Lao PDR	(ii)	Investment in MOF's bonds	3.898.614	-
		Accrued interest	72.438	-
BCEL - Krung Thai Securities Company Limited	(iii)	Saving accounts	-	1.506
Lao Viet Joint Venture Bank	(iii)	Current accounts	710.754	927.981
Banque Franco – Lao Company Limited	(iii)	Current deposit	-	6.738
		Term deposit	82.890	10.642
Lao China Bank Co. Ltd	(iii)	Current accounts	-	38.991
		Term accounts	18	-
Lao Viet Insurance Company	(iii)	Current accounts	-	18
		Term accounts	-	21
Lao National Payment Network Company Limited	(iii)	Current accounts	-	198
		Term accounts	-	5.892

(i) *Direct controller*
(ii) *Direct owner*
(iii) *Associate and Joint venture*

35. EARNINGS PER SHARE

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

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

	2020	Restated 2019
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	223.036	323.729
Weighted average number of ordinary shares for basic earnings per share (shares)	207.723.300	207.723.300
Face value per share (LAK)	5.000	5.000
Earnings per share (LAK)	1.074	1.558

36. RISK MANAGEMENT POLICIES

Introduction

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

The primary objective of the Bank in risk management is to comply with the BOL regulations. On the other hand, the Bank has recognised 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 the process of formulating broad parameters of acceptable risk for the Bank and monitor the activities against these parameters.

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

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

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

Risk management structure

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

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

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

37. CAPITAL MANAGEMENT

The Bank maintains minimum regulatory capital in accordance with Regulation No 536/BFSD/BOL dated 14 October 2009 by the Governor of the Commercial Bank Supervision Department of the BOL and other detailed guidance. The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements by the BOL. The Bank recognises 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, the regulatory reserve fund, business expansion fund and other funds, and retained earnings;
- Tier 2 capital, which is equal to 45% of revaluation reserves; and the lower option between 1,25% of total risk weighted balance sheet items and outstanding balance of general provision during the year.

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

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

	2020 LAKm	**2019 LAKm**
Tier 1 capital	2.140.003	2.082.378
Tier 2 capital	-	-
Total capital	**2.140.003**	**2.086.378**
Less: Deductions from capital (Investments in other entities)	(541.407)	(516.047)
Capital for CAR calculation (A)	**1.598.596**	**1.570.331**
Risk weighted balance sheet items	16.735.167	13.346.980
Risk weighted off balance sheet items	1.955.930	1.595.547
Total risk weighted assets (B)	**18.691.097**	**14.942.527**
Capital Adequacy Ratio (A/B)	**8,55%**	**10,51%**

38. EVENTS AFTER THE REPORTING DATE

There are no events after the reporting date that require disclosure or adjustment in the financial statements of the Bank.

39. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST LAK AT YEAR END

	2020 LAK	2019 LAK
USD	9.280,00	8.868,00
EUR	11.394,00	9.915,00
THB	330,49	298,59
GBP	12.437,00	11.474,00
JPY	88,48	79,95
AUD	7.024,00	6.104,00
CNY	1.425,00	1.263,00