

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

Special purpose interim separate financial statements

30 June 2018

# Banque Pour Le Commerce Exterieur Lao Public

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# Banque Pour Le Commerce Extérieur Lao Public

## GENERAL INFORMATION

### THE BANK

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

#### *Establishment and Operations*

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

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

On 17 August 2017, Lao Securities Commission Office approved the Bank to recapitalize by both Rights offering (which resulted in 68,047,300 shares) and Public offering (which resulted in 3,098,400 shares) in Lao Securities Exchange in order to increase its charter capital. The Bank received the new Banking Business License No. 21/BOL, dated 13 September 2017 issued by the Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified that the Bank successfully increased its charter capital by an amount of LAK 355,728,500,000 (equivalent to 71,145,700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest amended Business License No. 0429/ERO dated 18 May 2018 issued by Ministry of Industry and Commerce.

The shareholding structure of the Bank as at 30 June 2018 is as follows:

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

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

#### *Charter Capital*

The charter capital as at 30 June 2018 is LAKm 1,038,617 (31 December 2017: LAKm 1,038,617).

#### *Location and Network*

The Bank’s Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 30 June 2018, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, twenty (20) main branches, eighty-seven (87) services units, and sixteen (16) exchange units all over Lao PDR.

# Banque Pour Le Commerce Exterieur Lao Public

## GENERAL INFORMATION (continued)

### THE BANK (continued)

#### Subsidiary

As at 30 June 2018 the Bank has one (01) subsidiary as follows:

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

#### Joint ventures

As at 30 June 2018, the Bank has four (04) joint ventures as follows:

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

## BOARD OF DIRECTORS

Members of the Board of Directors during the six-month period ended 30 June 2018 and at the date of this report are as follows:

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



# Banque Pour Le Commerce Exterieur Lao Public

## GENERAL INFORMATION (continued)

### BOARD OF MANAGEMENT

Members of the Board of Management during the six-month period ended 30 June 2018 and at the date of this report are as follows:

| <i>Name</i>                | <i>Title</i>              | <i>Date of appointment</i> |
|----------------------------|---------------------------|----------------------------|
| Mr. Phoukhong Chanthachack | General Managing Director | 15 January 2016            |
| Mr. Phansana Khounnouvong  | Deputy Managing Director  | 06 June 2008               |
| Mr. Lachay Khanpravong     | Deputy Managing Director  | 30 September 2014          |
| Mr. Nanthalath Keopaseuth  | Deputy Managing Director  | 30 September 2014          |
| Mr. Khamsian Mingbouppha   | Deputy Managing Director  | 23 November 2015           |
| Mr. Souphak Thinsayphone   | Deputy Managing Director  | 23 November 2015           |
| Mr. Bouavanh Simalivong    | Deputy Managing Director  | 01 November 2016           |

### LEGAL REPRESENTATIVE

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

### AUDITORS

The auditors of the Bank are Ernst & Young Lao Co., Ltd.

Reference: 60790273/20370678-HY-IFRS

## **REPORT ON REVIEW OF SPECIAL PURPOSE INTERIM SEPARATE FINANCIAL STATEMENTS**

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

### ***Introduction***

We have reviewed the accompanying special purpose interim separate financial statements ("the interim separate financial statements") of Banque Pour Le Commerce Extérieur Lao Public ("the Bank"), which comprise the interim separate balance sheet as at 30 June 2018, and the related interim separate income statement, interim separate statement of comprehensive income, interim separate statement of changes in equity and interim separate cash flow statement for the six-month period then ended and a summary of significant accounting policies and other explanatory information. The Bank's management is responsible for the preparation of these interim separate financial statements in accordance with the accounting policies as described in Note 5 to the interim separate financial statements. Our responsibility is to express a conclusion on these interim separate financial statements based on our review.

### ***Scope of review***

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Basis for Qualified Conclusion***

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

### ***Qualified Conclusion***

Based on our review, with the exception of the matter as described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim separate financial statements of the Bank for the six-month period ended 30 June 2018 are not prepared, in all material respects, in accordance with the accounting policies as described in Note 5 to the interim separate financial statements to meet the reporting requirements of the Bank of Lao PDR and the Laos Securities Commission Office.

### ***Emphasis of Matters***

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

We draw attention to Note 3 the interim separate financial statements which states that the Bank prepared the interim consolidated financial statements of the Bank and its subsidiary for the six-month period ended 30 June 2018 in accordance with the accounting policies as described in Note 5 to the interim consolidated financial statements. Users of the accompanying interim separate financial statements should read them together with the said interim consolidated financial statements in order to obtain full information on the interim consolidated financial position, interim consolidated results of operations and interim consolidated cash flows of the Bank and its subsidiary as a whole. We have reviewed and expressed a qualified conclusion on these interim consolidated financial statements in our review report dated 28 December 2018 with regards to the Bank's failure to disclose information relating to fair value measurements required by IFRS 13: "Fair value measurement" and financial risk management required by IFRS 7: "Financial Instruments: Disclosures".

Our review conclusion on the interim separate financial statements is not modified in respect of these matters.

### **Ernst & Young Lao Co., Ltd.:**



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

Vientiane, Lao PDR  
28 December 2018



# Banque Pour Le Commerce Extérieur Lao Public

## INTERIM SEPARATE INCOME STATEMENT for the six-month period ended 30 June 2018

|   | Notes     | For the six-month<br>period ended<br>30 June 2018<br>LAKm | For the six-month<br>period ended<br>30 June 2017<br>LAKm |
|---|-----------|---|---|
| Interest and similar income   | 7         | 921.302   | 822.979   |
| Interest and similar expense  | 8         | (471.602)   | (442.098)   |
| <b>Net interest and similar income</b>                              |           | <b>449.700</b>  | <b>380.881</b>  |
| Fee and commission income   |           | 119.827   | 92.517  |
| Fee and commission expense  |           | (10.972)  | (10.578)  |
| <b>Net fee and commission income</b>                                | <b>9</b>  | <b>108.855</b>  | <b>81.939</b>   |
| Net gain from dealing in foreign currencies                         | 10        | 28.990  | 22.547  |
| Other operating income  | 11        | 25.558  | 11.606  |
| <b>Operating income</b>   |           | <b>613.103</b>  | <b>496.973</b>  |
| Credit loss expense of loans to customers                           | 18        | (30.716)  | (104.200)   |
| (Additional)/reversal of impairment losses of financial investments | 12        | (10.735)  | 5.809   |
| <b>NET OPERATING INCOME</b>   |           | <b>571.652</b>  | <b>398.582</b>  |
| Personnel expenses  | 13        | (186.722)   | (104.209)   |
| Depreciation and amortization                                       | 22, 23    | (36.765)  | (36.043)  |
| Other operating expenses  | 14        | (68.103)  | (70.711)  |
| <b>TOTAL OPERATING EXPENSES</b>                                     |           | <b>(291.590)</b>  | <b>(210.963)</b>  |
| <b>PROFIT BEFORE TAX</b>  |           | <b>280.062</b>  | <b>187.619</b>  |
| Current profit tax expense  | 28.1      | (85.734)  | (51.134)  |
| Deferred profit tax income  | 28.1      | 8.411   | 6.485   |
| <b>NET PROFIT FOR THE PERIOD</b>                                    |           | <b>202.739</b>  | <b>142.970</b>  |
| <b>Earnings per share (LAK)</b>                                     | <b>36</b> | <b>976</b>  | <b>1.047</b>  |

Prepared by:



Mrs. Malayvanh Soundala  
Deputy Chief of Accounting  
Department

Approved by:

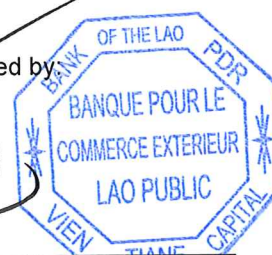


Mrs. Phetsamone Somsana  
Deputy Chief of Internal Audit  
Department

Approved by:



Mr. Bouavanh Simalivong  
Deputy Managing Director



Vientiane, Lao PDR

28 December 2018

# Banque Pour Le Commerce Extérieur Lao Public

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME  
for the six-month period ended 30 June 2018

|  | Notes | For the six-month<br>period ended<br>30 June 2018<br>LAKm | For the six-month<br>period ended<br>30 June 2017<br>LAKm |
|--|-------|---|---|
| <b>NET PROFIT FOR THE PERIOD</b>                               |       | <b>202.739</b>  | <b>142.970</b>  |
| <b>OTHER COMPREHENSIVE INCOME</b>                              |       |   |   |
| Change in fair value of available-for-sale financial assets    |       | (19.174)  | -   |
| Profit tax related to components of other comprehensive income |       | 4.601   | -   |
| <b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>   |       | <b>(14.573)</b>   | <b>-</b>  |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>   |       | <b>188.166</b>  | <b>142.970</b>  |

Prepared by:



Mrs. Malayvanh Soundala  
Deputy Chief of Accounting  
Department

Approved by:



Mrs. Phetsamone Somsana  
Deputy Chief of Internal Audit  
Department

Approved by:



Mr. Bouavanh Simallvong  
Deputy Managing Director

Vientiane, Lao PDR

28 December 2018



# Banque Pour Le Commerce Extérieur Lao Public

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION  
as at 30 June 2018

|   | Notes | 30 June 2018<br>LAKm | 31 December 2017<br>LAKm |
|---|-------|----------------------|--------------------------|
| <b>ASSETS</b>                                 |       |                      |                          |
| Cash and balances with the Bank of Lao PDR    | 15    | 5.957.479            | 5.812.734                |
| Due from banks                                | 16    | 3.135.386            | 3.142.501                |
| Loans to customers                            | 17    | 21.529.159           | 22.425.778               |
| Financial investments - Available-for-sale    | 19    | 164.905              | 184.843                  |
| Financial investments - Held-to-maturity      | 20    | 3.753.363            | 2.574.671                |
| Investments in subsidiary and joint ventures  | 21    | 513.623              | 561.623                  |
| Property and equipment                        | 22    | 450.704              | 456.237                  |
| Intangible assets                             | 23    | 245.514              | 247.582                  |
| Deferred tax assets                           | 28.4  | 17.876               | 17.955                   |
| Other assets                                  | 24    | 451.598              | 377.643                  |
| <b>TOTAL ASSETS</b>                           |       | <b>36.219.607</b>    | <b>35.801.567</b>        |
| <b>LIABILITIES</b>                            |       |                      |                          |
| Due to banks and other financial institutions | 25    | 3.443.616            | 3.275.546                |
| Due to customers                              | 26    | 28.418.432           | 28.403.957               |
| Borrowings from other banks                   | 27    | 2.206.006            | 2.145.402                |
| Current tax liabilities                       | 28.2  | 80.869               | 20.656                   |
| Deferred tax liabilities                      | 28.4  | 485                  | 13.576                   |
| Other liabilities                             | 29    | 247.921              | 210.418                  |
| <b>TOTAL LIABILITIES</b>                      |       | <b>34.397.329</b>    | <b>34.069.555</b>        |
| <b>EQUITY</b>                                 |       |                      |                          |
| Charter capital                               | 30    | 1.038.617            | 1.038.617                |
| Statutory reserves and other reserves         | 31    | 439.550              | 380.382                  |
| Available-for-sale reserve                    | 32    | (12.387)             | 2.186                    |
| Retained earnings                             |       | 356.498              | 310.827                  |
| <b>TOTAL EQUITY</b>                           |       | <b>1.822.278</b>     | <b>1.732.012</b>         |
| <b>TOTAL LIABILITIES AND EQUITY</b>           |       | <b>36.219.607</b>    | <b>35.801.567</b>        |

Prepared by:



Mrs. Malayvanh Soundala  
Deputy Chief of Accounting  
Department

Approved by:



Mrs. Phetsamone Somsana  
Deputy Chief of Internal Audit  
Department

Approved by:



Mr. Bouavanh Simalivong  
Deputy Managing Director

Vientiane, Lao PDR

28 December 2018

# Banque Pour Le Commerce Extérieur Lao Public

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY  
for the six-month period ended 30 June 2018

|   | Charter<br>capital<br>LAKm | Statutory<br>reserves<br>LAKm | Available-for-sale<br>reserve<br>LAKm | Retained<br>earnings<br>LAKm | Total<br>LAKm    |
|---|----------------------------|-------------------------------|---------------------------------------|------------------------------|------------------|
| <b>Balance as at 31 December 2017</b>                                 | <b>1.038.617</b>           | <b>380.382</b>                | <b>2.186</b>                          | <b>310.827</b>               | <b>1.732.012</b> |
| Appropriation for dividend paid out to shareholders for the year 2017 | -                          | -                             | -                                     | (97.900)                     | (97.900)         |
| Net profit for the period   | -                          | -                             | -                                     | 202.739                      | 202.739          |
| Appropriation to reserve for the year 2017                            | -                          | 59.168                        | -                                     | (59.168)                     | -                |
| Net movement in available-for-sale reserve                            | -                          | -                             | (14.573)                              | -                            | (14.573)         |
| <b>Balances as at 30 June 2018</b>                                    | <b>1.038.617</b>           | <b>439.550</b>                | <b>(12.387)</b>                       | <b>356.498</b>               | <b>1.822.278</b> |

Prepared by:



Mrs. Malayvanh Soundala  
Deputy Chief of Accounting Department

Vientiane, Lao PDR

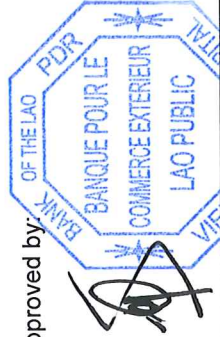
28 December 2018

Approved by:



Mrs. Phetsamone Somsana  
Deputy Chief of Internal Audit Department

Approved by:



Mr. Bouavanh Simalivong  
Deputy Managing Director

# Banque Pour Le Commerce Extérieur Lao Public

## INTERIM SEPARATE STATEMENT OF CASH FLOWS for the six-month period ended 30 June 2018

|   |              | For the six-month<br>period ended<br>30 June 2018<br>LAKm | For the six-month<br>period ended<br>30 June 2017<br>LAKm |
|---|--------------|---|---|
| <b>OPERATING ACTIVITIES</b>   | <i>Notes</i> |   |   |
| <b>Profit before tax</b>  |              | <b>280.062</b>  | <b>187.619</b>  |
| <i>Adjustments for:</i>   |              |   |   |
| Depreciation and amortization charges   | 22, 23       | 36.765  | 36.043  |
| Expense for impairment losses   | 18           | 30.716  | 104.200   |
| Changes in provision for impairment loss on investment securities                           | 12           | 10.735  | (5.809)   |
| Defined post-employment benefit expense   | 29           | 31.801  | -   |
| Dividend income   | 11           | (13.710)  | (9.209)   |
| <b>Cash flows from operating profit before changing in operating assets and liabilities</b> |              | <b>376.369</b>  | <b>312.844</b>  |
| <i>Changes in operating assets</i>  |              |   |   |
| Net change in balances with other banks   |              | (224.619)   | 88.366  |
| Net change in loans to customers  |              | (602.236)   | (1.394.522)   |
| Financial investment - Held-to-maturity   |              | 275.725   | -   |
| Financial investment - Available-for-sale   |              | 5.365   | (1.468)   |
| Net change in other assets  |              | (39.183)  | (25.490)  |
| <i>Changes in operating liabilities</i>   |              |   |   |
| Net change in due to other banks  |              | 228.674   | (704.486)   |
| Net change in due to customers  |              | 14.475  | 1.327.930   |
| Net change in other liabilities   |              | (2.251)   | (10.433)  |
| Tax paid during the period  | 28.3         | (22.247)  | (20.976)  |
| <b>Net cash flows from/(used in) operating activities</b>                                   |              | <b>10.072</b>   | <b>(428.235)</b>  |
| <b>INVESTING ACTIVITIES</b>   |              |   |   |
| Purchase and construction of fixed assets   |              | (68.109)  | (50.192)  |
| Proceeds from disposals of fixed assets   |              | 238   | 783   |
| Dividends received  |              | 13.710  | 9.209   |
| Proceed from settlement of joint venture's shares   |              | 55.000  | -   |
| <b>Net cash flows form/(used in) investing activities</b>                                   |              | <b>839</b>  | <b>(40.200)</b>   |
| <b>FINANCING ACTIVITIES</b>   |              |   |   |
| Payment of dividends  |              | (97.900)  | (83.858)  |
| <b>Net cash flows used in financing activities</b>  |              | <b>(97.900)</b>   | <b>(83.858)</b>   |
| <b>Net decrease in cash and cash equivalents</b>  |              | <b>(86.989)</b>   | <b>(552.293)</b>  |
| <b>Cash and cash equivalents at the beginning of the period</b>                             |              | <b>7.315.158</b>  | <b>7.119.187</b>  |
| <b>Cash and cash equivalents at the end of the period</b>                                   | 33           | <b>7.228.169</b>  | <b>6.566.894</b>  |

### Non-cash activities:

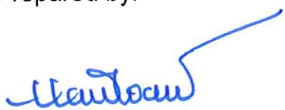
Loan settlements by receiving triangle bonds from Ministry of Finance


(1.391.007)

Prepared by:

Approved by:

Approved by:







Mrs. Malayvanh Soundala  
Deputy Chief of Accounting  
Department

Mrs. Phetsamone Somsana  
Deputy Chief of Internal Audit  
Department

Mr. Bouavanh Simalivong  
Deputy Managing Director

Vientiane, Lao PDR  
28 December 2018



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS  
as at and for the six-month period then ended 30 June 2018

## 1. CORPORATE INFORMATION

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

### *Establishment and Operations*

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

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| Local investors (including employees of the Bank)<br>and other foreign investors | 41,544,620              | 20%         |
|  | <b>207,723,300</b>      | <b>100%</b> |

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

### *Charter Capital*

The charter capital as at 30 June 2018 is LAKm 1,038,617 (31 December 2017: LAKm 1,038,617).

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 1. CORPORATE INFORMATION (continued)

### *Location and Network*

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 30 June 2018, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, twenty (20) main branches, eighty-seven (87) services units, and sixteen (16) exchange units all over Lao PDR.

### *Subsidiary*

As at 30 June 2018, the Bank has one (01) subsidiary as follows:

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

### *Joint ventures*

As at 30 June 2018, the Bank has four (04) joint ventures as follows:

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



# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 1. CORPORATE INFORMATION (continued)

### **Board of Directors**

Members of the Board of Directors during the six-month period ended 30 June 2018 and at the date of this report are as follows:

| <i>Name</i>                                    | <i>Title</i>  | <i>Date of appointment/resignation</i>                 |
|--|---------------|--|
| Mr. Bounleua Sinxayvoravong                    | Chairman      | Appointed on 9 April 2015                              |
| Mr. Khamsouk Sundara                           | Vice Chairman | Appointed on 9 April 2015                              |
| Mr. Phoukhong Chanthachack                     | Member        | Appointed on 9 April 2015                              |
| Mr. Marc Robert                                | Member        | Appointed on 9 April 2015                              |
| 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                             |
| Mr. Viengxay Chanthavisouk                     | Member        | Appointed on 9 April 2015<br>Resigned on 27 April 2018 |
| Mr. Phansana Khounnouvong                      | Member        | Appointed on 9 April 2015<br>Resigned on 27 April 2018 |
| Ms. Khanthaly Vongxayarath                     | Member        | Appointed on 9 April 2015<br>Resigned on 27 April 2018 |

### **Board of Management**

Members of the Board of Management during the six-month period ended 30 June 2018 and at the date of this report are as follows:

| <i>Name</i>                | <i>Title</i>              | <i>Date of appointment</i> |
|----------------------------|---------------------------|----------------------------|
| Mr. Phoukhong Chanthachack | General Managing Director | 15 January 2016            |
| Mr. Phansana Khounnouvong  | Deputy Managing Director  | 06 June 2008               |
| Mr. Lachay Khanpravong     | Deputy Managing Director  | 30 September 2014          |
| Mr. Nanthalath Keopaseuth  | Deputy Managing Director  | 30 September 2014          |
| Mr. Khamsian Mingbouppha   | Deputy Managing Director  | 23 November 2015           |
| Mr. Souphak Thinsayphone   | Deputy Managing Director  | 23 November 2015           |
| Mr. Bouavanh Simalivong    | Deputy Managing Director  | 01 November 2016           |

### **Employees**

Total number of employees of the Bank as at 30 June 2018 is 1.824 persons (as at 31 December 2017: 1.686 persons).

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 2. BASIS OF PREPARATION

The interim separate financial statements are prepared solely for the use of the Bank to meet the requirements of the Bank of Lao PDR and the Laos Securities Commission Office. These interim separate financial statements are prepared in accordance with the accounting policies as described in Note 5. These accounting policies are primarily based on the International Financial Reporting Standards ("IFRS") as issued by International Accounting Standard Board. However, this is not a complete set of general purpose financial statements prepared in accordance with IFRS as the Bank follows the guidance stipulated in Official Letter No. 1659/BOL dated 14 December 2018 by the Bank of Lao PDR and Official Letter No. 19/LSCO dated 23 November 2018 by the Laos Securities Commission Office following which the accounting policies for recognition and measurement of financial instruments are based on IAS 39: "Financial instruments: Recognition and Measurement" instead of IFRS 9: "Financial instruments".

Accordingly, the accompanying interim separate financial statements are not intended to be prepared in accordance with IFRS ("the special purpose interim separate financial statements").

The special purpose interim separate financial statements are prepared solely for the use of the Bank.

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

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

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

## 3. PURPOSE OF PREPARING THE INTERIM SEPARATE FINANCIAL STATEMENTS

The Bank has prepared and issued the interim separate financial statements in accordance with the accounting policies as described in Note 5 to the interim separate financial statements to meet statutory reporting requirements. In addition, the Bank has also prepared its consolidated financial statements for the six-month period ended 30 June 2018 in accordance with the accounting policies as described in Note 5 to the interim consolidated financial statements.

Users of the accompanying interim separate financial statements should read them together with the interim consolidated financial statements of the Bank and its subsidiary for the six-month period ended 30 June 2018 in order to obtain full information on the interim consolidated financial position, interim consolidated results of operations and interim consolidated cash flows of the Bank and its subsidiary.

## 4. PRESENTATION OF THE INTERIM SEPARATE FINANCIAL STATEMENTS

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

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



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim separate financial statements are consistent with those followed in the preparation of the Bank's annual separate financial statements for the year ended 31 December 2017.

### 5.1 *Foreign currency translation*

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK on 30 June 2018 and 31 December 2017 as presented in Note 41). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance date are recognized in the interim separate income statement.

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

#### 5.2.1 *Date of recognition*

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

#### 5.2.2 *Initial measurement of financial instruments*

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

#### 5.2.3 *The effective interest rate method*

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

- ▶ 5.2.6 for 'Held-to-maturity financial investments'
- ▶ 5.2.7 for 'Due from banks and loans and advances to customers'
- ▶ 5.2.8 for 'Due to other banks and customers and other borrowed funds'
- ▶ 5.4 for 'Impairment of financial assets'
- ▶ 5.8 for 'Recognition of income and expenses'

# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

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

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

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

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

#### 5.2.5 *Available for sale financial investments*

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

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

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

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

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

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

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



# Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

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

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

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

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

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

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

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

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

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

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

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

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



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

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

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

#### 5.2.9 *Reclassification of financial assets*

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

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

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

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

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

#### 5.3.1 *Financial assets*

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

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

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

Pass-through arrangements are transactions when the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when certain conditions are met. As at 30 June 2018, the Bank does not have financial assets which are subject to such arrangements.

A transfer only qualifies for derecognition if either:

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

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

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

#### 5.3.1 *Financial assets (continued)*

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

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

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

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

#### 5.3.2 *Financial liabilities*

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

#### 5.4 *Impairment of financial assets*

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

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



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

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

### 5.4 Impairment of financial assets (continued)

#### 5.4.1 Financial assets carried at amortized cost

##### *Specific impairment losses*

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

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

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

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

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

##### *Collective impairment model*

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

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

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

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

### 5.4 *Impairment of financial assets (continued)*

#### 5.4.2 *Impairment of available for sale investments*

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

#### 5.4.3 *Collateral valuation*

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

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

#### 5.4.4 *Collateral repossessed*

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

### 5.5 *Offsetting financial instruments*

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

### 5.6 *Investment in subsidiaries*

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

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



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

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

### 5.7 *Investment in joint ventures*

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

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

### 5.8 *Recognition of income and expense*

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

#### 5.8.1 *Interest and similar income and expense*

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

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

#### 5.8.2 *Fees and commission income*

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

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

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

##### *Fee income forming an integral part of the corresponding financial instrument*

Fees that the Bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR (as defined in Note 5.2.3 above). The exception is, when it is unlikely that a loan will be drawn down, the loan commitment fees are recognised as revenue on expiry. Loan commitments that are within the scope of IAS 39 (i.e., are designated as FVPL, or are at a below market rate of interest, or are settled net) are accounted for as derivatives and measured at fair value through profit or loss.

##### *Dividend income*

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



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

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

### 5.8 *Recognition of income and expense (continued)*

#### 5.8.2 *Fees and commission income (continued)*

##### *Net gain from dealing in foreign currencies*

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

### 5.9 *Cash and cash equivalents*

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

### 5.10 *Property and equipment*

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

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

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

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

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

### 5.11 *Intangible assets*

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

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

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

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

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

|            |             |
|------------|-------------|
| ► Software | 2 - 5 years |
|------------|-------------|

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

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

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

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

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

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

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

### 5.13 *Financial guarantees*

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

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

### 5.14 *Employee benefits*

#### *Post-employment benefits*

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

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



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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

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

### 5.14 *Employee benefits (continued)*

#### *Post-employment benefits (continued)*

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

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

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

The Bank recognises the following changes in the net defined benefit obligation under 'Personnel expenses' in the separate statement of profit or loss:

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

#### *Termination benefits*

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

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 30 June 2018, there is no employee of the Bank who was dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the interim separate financial statements.

### 5.15 *Provisions*

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



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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

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

### 5.16 Profit tax

#### *Current tax*

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

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

#### *Deferred tax*

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

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

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

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

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

### 5.17 Fiduciary assets

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

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

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

### 5.18 *Equity reserves*

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

- ▶ Statutory reserves which are created in accordance with prevailing regulations of Lao PDR, as stated in Note 31; and
- ▶ Available-for-sale reserve which comprises changes in fair value of available-for-sale investments, as stated in Note 32.

### 5.19 *Standards issued but not yet effective*

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

#### *IFRS 16 Leases*

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

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

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

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

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

### 6.1 *Going concern*

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

### 6.2 *Effective Interest Rate method*

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

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

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

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

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

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

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

The Bank reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired as explained in Note 5.4.2.

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

### 6.5 *Deferred tax assets*

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



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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 7. INTEREST AND SIMILAR INCOME

|  | <i>For the six-month<br/>period ended<br/>30 June 2018<br/>LAKm</i> | <i>For the six-month<br/>period ended<br/>30 June 2017<br/>LAKm</i> |
|--|---|---|
| Interest income from lending to customers    | 827.316   | 756.319   |
| Interest income from deposits at other banks | 21.149  | 5.449   |
| Interest income from investment securities   | 72.563  | 60.656  |
| Other interest and similar income            | 274   | 555   |
|  | <b>921.302</b>  | <b>822.979</b>  |

## 8. INTEREST AND SIMILAR EXPENSE

|   | <i>For the six-month<br/>period ended<br/>30 June 2018<br/>LAKm</i> | <i>For the six-month<br/>period ended<br/>30 June 2017<br/>LAKm</i> |
|---|---|---|
| Interest expense for due to other banks | 67.245  | 56.345  |
| Interest expense for customer deposits  | 404.357   | 385.753   |
|   | <b>471.602</b>  | <b>442.098</b>  |

## 9. NET FEES AND COMMISSION INCOME

|   | <i>For the six-month<br/>period ended<br/>30 June 2018<br/>LAKm</i> | <i>For the six-month<br/>period ended<br/>30 June 2017<br/>LAKm</i> |
|---|---|---|
| <b>Fees and commission income from:</b> |   |   |
| Settlement services                     | 77.262  | 63.219  |
| Treasury activities                     | 37.539  | 26.563  |
| Other activities                        | 5.026   | 2.735   |
|   | <b>119.827</b>  | <b>92.517</b>   |
| <b>Fees and commission expense for:</b> |   |   |
| Settlement services                     | (10.008)  | (8.780)   |
| Treasury activities                     | (964)   | (1.798)   |
|   | <b>(10.972)</b>   | <b>(10.578)</b>   |
| <b>Net fees and commission income</b>   | <b>108.855</b>  | <b>81.939</b>   |

## 10. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

|   | <i>For the six-month<br/>period ended<br/>30 June 2018<br/>LAKm</i> | <i>For the six-month<br/>period ended<br/>30 June 2017<br/>LAKm</i> |
|---|---|---|
| Gains from dealing in foreign currencies  | 2.523.044   | 1.790.337   |
| Losses from dealing in foreign currencies | (2.494.054)   | (1.767.790)   |
|   | <b>28.990</b>   | <b>22.547</b>   |

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 11. OTHER OPERATING INCOME

|   | <i>For the six-month<br/>period ended<br/>30 June 2018<br/>LAKm</i> | <i>For the six-month<br/>period ended<br/>30 June 2017<br/>LAKm</i> |
|---|---|---|
| Dividend income                         | 13.710  | 9.209   |
| Recovery of bad debts written-off       | 3.275   | 2.386   |
| Gain from selling joint venture's share | 7.000   | -   |
| Others                                  | 1.573   | 11  |
|   | <b>25.558</b>   | <b>11.606</b>   |

## 12. (ADDITIONAL)/ REVERSAL OF IMPAIRMENT LOSSES FOR FINANCIAL INVESTMENTS

|   | <i>For the six-month<br/>period ended<br/>30 June 2018<br/>LAKm</i> | <i>For the six-month<br/>period ended<br/>30 June 2017<br/>LAKm</i> |
|---|---|---|
| (Additional)/reversal of impairment losses for held-to-maturity securities ( <i>Note 20</i> ) | (10.735)  | 5.809   |
|   | <b>(10.735)</b>   | <b>5.809</b>  |

## 13. PERSONNEL EXPENSES

|                                     | <i>For the six-month<br/>period ended<br/>30 June 2018<br/>LAKm</i> | <i>For the six-month<br/>period ended<br/>30 June 2017<br/>LAKm</i> |
|-------------------------------------|---|---|
| Salary and wages                    | 63.489  | 60.824  |
| Allowances and other staff benefits | 87.277  | 40.041  |
| Post-employment benefits            | 32.645  | 606   |
| Per diem                            | 3.116   | 2.666   |
| Training expenses                   | 195   | 72  |
|                                     | <b>186.722</b>  | <b>104.209</b>  |

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 14. OTHER OPERATING EXPENSES

|   | <i>For the six-month<br/>period ended<br/>30 June 2018<br/>LAKm</i> | <i>For the six-month<br/>period ended<br/>30 June 2017<br/>LAKm</i> |
|---|---|---|
| Repair and maintenance                      | 9.479   | 7.273   |
| Publication, marketing and promotion        | 3.296   | 2.760   |
| Office rental                               | 4.576   | 3.328   |
| Telecommunication                           | 3.624   | 2.230   |
| Training, meeting and seminar               | 7.006   | 4.653   |
| Insurance fee for depositor protection fund | 13.346  | 11.877  |
| Tax and other duties                        | 108   | 109   |
| Insurance expense                           | 1.731   | 1.698   |
| Utility                                     | 3.804   | 3.662   |
| Fuel expense                                | 1.044   | 823   |
| Stationary and office materials             | 9.098   | 5.894   |
| Consulting and financial service fees       | 980   | 432   |
| Write off construction in progress          | -   | 18.454  |
| Provision for cash loss                     | 2.494   | -   |
| Others                                      | 7.517   | 7.518   |
|   | <b>68.103</b>   | <b>70.711</b>   |

## 15. CASH AND BALANCES WITH THE BANK OF LAO PDR

|   | <i>30 June 2018<br/>LAKm</i> | <i>31 December 2017<br/>LAKm</i> |
|---|------------------------------|----------------------------------|
| Cash on hand in LAK                       | 1.200.584                    | 1.120.701                        |
| Cash on hand in foreign currencies ("FC") | 679.321                      | 790.761                          |
| Balances with the BOL:                    |                              |                                  |
| - Compulsory deposit                      | 1.335.373                    | 1.353.384                        |
| - Demand deposit                          | 2.742.201                    | 2.547.888                        |
|   | <b>5.957.479</b>             | <b>5.812.734</b>                 |

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

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



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 16. DUE FROM BANKS

|                                    | 30 June 2018<br>LAKm | 31 December 2017<br>LAKm |
|------------------------------------|----------------------|--------------------------|
| <b>Current and saving accounts</b> | <b>1.799.653</b>     | <b>2.268.720</b>         |
| - In LAK                           | 4.299                | 5.993                    |
| - In foreign currencies            | 1.795.354            | 2.262.727                |
| <b>Term deposits</b>               | <b>1.335.733</b>     | <b>873.781</b>           |
| - In LAK                           | 512.337              | 558.351                  |
| - In foreign currencies            | 823.396              | 315.430                  |
|                                    | <b>3.135.386</b>     | <b>3.142.501</b>         |

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

|                 | For the six-month<br>period ended<br>30 June 2018<br>% per annum | For the year ended<br>31 December 2017<br>% per annum |
|-----------------|--|---|
| Demand deposits | 0,00% - 0,80%  | 0,00% - 0,80%   |
| Saving deposits | 0,00% - 0,80%  | 0,00% - 0,80%   |
| Term deposits   | 0,56% - 5,52%  | 0,80% - 4,00%   |

## 17. LOANS TO CUSTOMERS

|   | 30 June 2018<br>LAKm | 31 December 2017<br>LAKm |
|---|----------------------|--------------------------|
| Gross loans   | 22.043.875           | 22.906.791               |
| In which:   |                      |                          |
| Loans funded by borrowing from BOL (*)              | 1.701.487            | 1.653.364                |
| Less: Allowance for impairment losses (see Note 18) | (514.716)            | (481.013)                |
|   | <b>21.529.159</b>    | <b>22.425.778</b>        |

(\*) Loans funded by borrowings from the BOL as at 30 June 2018 is referred to point (ii) and point (iii) under Note 27.1 - Borrowings from the BOL.

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

|                          | For the six-month<br>period ended<br>30/06/2018<br>% per annum | For the year ended<br>31/12/2017<br>% per annum |
|--------------------------|--|---|
| Loans denominated in LAK | 6,00 – 16,00   | 6,00 – 16,00                                    |
| Loans denominated in USD | 2,00 – 16,00   | 2,00 – 16,00                                    |
| Loans denominated in THB | 6,00 – 10,00   | 6,00 – 11,00                                    |

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 17. LOANS TO CUSTOMERS (continued)

*Analysis of loan portfolio by currency:*

|                          | 30 June 2018<br>LAKm | 31 December 2017<br>LAKm |
|--------------------------|----------------------|--------------------------|
| Loans denominated in LAK | 9.671.630            | 9.643.486                |
| Loans denominated in USD | 9.448.914            | 10.250.311               |
| Loans denominated in THB | 2.923.331            | 3.012.994                |
|                          | <b>22.043.875</b>    | <b>22.906.791</b>        |

*Analysis of loan portfolio by original maturity:*

|                   | 30 June 2018<br>LAKm | 31 December 2017<br>LAKm |
|-------------------|----------------------|--------------------------|
| Short-term loans  | 2.291.504            | 3.070.119                |
| Medium-term loans | 12.615.880           | 13.098.525               |
| Long-term loans   | 7.136.491            | 6.738.147                |
|                   | <b>22.043.875</b>    | <b>22.906.791</b>        |

The loan portfolio at six-month ended comprised loans to entities in the following sectors:

|                                   | 30 June 2018      |                | 31 December 2017  |                |
|-----------------------------------|-------------------|----------------|-------------------|----------------|
|                                   | LAKm              | %              | LAKm              | %              |
| Industrial services companies     | 11.332.191        | 51,41%         | 11.580.391        | 50,55%         |
| Construction companies            | 2.855.438         | 12,95%         | 3.498.825         | 15,27%         |
| Technical instruments enterprises | 92.345            | 0,42%          | 92.241            | 0,40%          |
| Agricultural & forestry           | 64.542            | 0,29%          | 58.225            | 0,25%          |
| Trading companies                 | 4.070.621         | 18,47%         | 4.232.838         | 18,48%         |
| Transportation companies          | 678.015           | 3,08%          | 661.632           | 2,89%          |
| Services companies                | 2.513.044         | 11,40%         | 2.417.529         | 10,55%         |
| Handicrafts                       | 3.620             | 0,02%          | 3.073             | 0,01%          |
| Others                            | 434.059           | 1,96%          | 362.037           | 1,58%          |
|                                   | <b>22.043.875</b> | <b>100,00%</b> | <b>22.906.791</b> | <b>100,00%</b> |

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 18. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in the allowance for impairment losses of loans to customers during the six-month period ended 30 June 2018 are as follows:

|                                     | <i>Allowance for impairment<br/>of loans to customers<br/>LAKm</i> |
|-------------------------------------|--|
| <b>Balance as at 1 January 2018</b> | <b>481.013</b>   |
| Net change during the period        | 30.716   |
| Foreign exchange differences        | 2.987  |
| <b>Balance as at 30 June 2018</b>   | <b>514.716</b>   |

Break down of allowance for impairment losses of loans to customers as at 30 June 2018 and 31 December 2017 are as follows:

|                       | <i>30 June 2018</i>                     |                            | <i>31 December 2017</i>                 |                            |
|-----------------------|---|----------------------------|---|----------------------------|
|                       | <i>Outstanding<br/>balance<br/>LAKm</i> | <i>Impairment<br/>LAKm</i> | <i>Outstanding<br/>balance<br/>LAKm</i> | <i>Impairment<br/>LAKm</i> |
| Individually impaired | 2.158.094                               | 377.358                    | 2.190.692                               | 351.320                    |
| Collectively impaired | 19.562.482                              | 137.358                    | 20.395.592                              | 129.693                    |
|                       | <b>21.720.576</b>                       | <b>514.716</b>             | <b>22.586.284</b>                       | <b>481.013</b>             |

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

|  | <i>30 June 2018<br/>LAKm</i> | <i>31 December 2017<br/>LAKm</i> |
|--|------------------------------|----------------------------------|
| Listed shares of EDL-Generation Public Company | 164.905                      | 184.081                          |
| CIMB - Principal Global Total Return Fund      | -                            | 762                              |
|  | <b>164.905</b>               | <b>184.843</b>                   |

## 20. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

|   | <i>30 June 2018<br/>LAKm</i> | <i>31 December 2017<br/>LAKm</i> |
|---|------------------------------|----------------------------------|
| Amortized cost of Treasury bills issued by the Ministry of Finance              | 1.889.584                    | 2.160.594                        |
| Amortized cost of Bonds issued by the Ministry of Finance                       | 1.878.199                    | 417.762                          |
|   | <b>3.767.783</b>             | <b>2.578.356</b>                 |
| Impairment losses for investments in Held-to-maturity securities (*)            | (14.420)                     | (3.685)                          |
| - <i>Impairment losses for Treasury bills issued by the Ministry of Finance</i> | -                            | (188)                            |
| - <i>Impairment losses for Bonds issued by the Ministry of Finance</i>          | (14.420)                     | (3.497)                          |
|   | <b>3.753.363</b>             | <b>2.574.671</b>                 |

(\*): The net change in impairment losses of LAKm 10.735 for the six-month ended 30 June 2018 is recorded in the interim separate income statement as reversal of impairment loss for held-to-maturity securities (Note 12).



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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## 20. FINANCIAL INVESTMENTS - HELD-TO-MATURITY (continued)

### 20.1 Treasury bills issued by the Ministry of Finance

Details of the treasury bills as at 30 June 2018 are as follows:

| <i>Term</i> | <i>Issue date</i> | <i>Maturity date</i> | <i>Face value<br/>LAKm</i> | <i>Amortized<br/>cost<br/>LAKm</i> | <i>Interest rate<br/>per annum<br/>(nominal)</i> |
|-------------|-------------------|----------------------|----------------------------|------------------------------------|--|
| 1 Year      | 25-Aug-17         | 25-Aug-18            | 50.000                     | 52.108                             | 5,00%  |
| 1 Year      | 1-Sep-17          | 1-Sep-18             | 50.000                     | 52.060                             | 5,00%  |
| 1 Year      | 17-Nov-17         | 17-Nov-18            | 300.000                    | 309.160                            | 5,00%  |
| 1 Year      | 15-Dec-17         | 15-Dec-18            | 246.000                    | 252.564                            | 5,00%  |
| 1 Year      | 16-Feb-18         | 16-Feb-19            | 300.000                    | 305.422                            | 5,00%  |
| 1 Year      | 9-Mar-18          | 9-Mar-19             | 73.000                     | 74.111                             | 5,00%  |
| 1 Year      | 6-Apr-18          | 6-Apr-19             | 350.000                    | 353.999                            | 5,00%  |
| 1 Year      | 13-Apr-18         | 13-Apr-19            | 100.000                    | 101.048                            | 5,00%  |
| 1 Year      | 27-Apr-18         | 27-Apr-19            | 20.000                     | 20.172                             | 5,00%  |
| 1 Year      | 18-May-18         | 18-May-19            | 10.000                     | 10.058                             | 5,00%  |
| 1 Year      | 25-May-18         | 25-May-19            | 58.000                     | 58.280                             | 5,00%  |
| 1 Year      | 15-Jun-18         | 15-Jun-19            | 300.000                    | 300.602                            | 5,00%  |
|             |                   |                      | <b>1.857.000</b>           | <b>1.889.584</b>                   |  |

### 20.2 Bonds issued by the Ministry of Finance

|                      | <i>30 June 2018<br/>LAKm</i> | <i>31 December 2017<br/>LAKm</i> |
|----------------------|------------------------------|----------------------------------|
| Capitalization bonds | 67.280                       | 68.944                           |
| Other bonds          | 1.810.919                    | 348.818                          |
|                      | <b>1.878.199</b>             | <b>417.762</b>                   |

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

| <i>Purchased<br/>date</i> | <i>Maturity date</i> | <i>Face value<br/>(LAKm)</i> | <i>Amortized cost<br/>(LAKm)</i> | <i>Term</i> | <i>Interest rate<br/>(% per annum)</i> |
|---------------------------|----------------------|------------------------------|----------------------------------|-------------|--|
| 1 March 2014              | 1 March 2019         | 68.600                       | 67.280                           | 5 years     | 4,00%                                  |
|                           |                      | <b>68.600</b>                | <b>67.280</b>                    |             |  |

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

|               | <i>Face value<br/>LAKm</i> | <i>Amortized cost<br/>LAKm</i> |
|---------------|----------------------------|--------------------------------|
| Within 1 year | 200.401                    | 202.529                        |
| 1 to 5 years  | 841.382                    | 848.806                        |
| Over 5 years  | 749.004                    | 759.584                        |
|               | <b>1.790.787</b>           | <b>1.810.919</b>               |

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

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

### 20.2 Bonds issued by the Ministry of Finance (continued)

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

|               | For the six-month<br>period ended<br>30/06/2018<br>% per annum | For the year<br>ended<br>31/12/2017<br>% per annum |
|---------------|--|--|
| Within 1 year | 3,00 - 5,00%   | -  |
| 1 to 5 years  | 3,00 - 5,50%   | 3,00 - 5,50%                                       |
| Over 5 years  | 4,00 - 4,80%   | -  |

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

## 21. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

|  | 30 June 2018   |                | 31 December 2017 |                |
|--|----------------|----------------|------------------|----------------|
|  | Cost<br>LAKm   | Ownership<br>% | Cost<br>LAKm     | Ownership<br>% |
| <b>Investments in subsidiaries</b>           |                |                |                  |                |
| BCEL - Krung Thai Securities Company Limited | 70.000         | 70%            | 70.000           | 70%            |
| <b>Investments in joint ventures</b>         |                |                |                  |                |
| Lao Viet Joint Venture Bank                  | 197.839        | 25%            | 197.839          | 25%            |
| Banque Franco - Lao Company Limited          | 90.000         | 30%            | 138.000          | 46%            |
| Lao China Bank Company Limited               | 147.000        | 49%            | 147.000          | 49%            |
| Lao-Viet Insurance Joint Venture Company     | 8.784          | 35%            | 8.784            | 35%            |
|  | <b>513.623</b> |                | <b>561.623</b>   |                |

- BCEL - Krung Thai Securities Company Limited is incorporated in the Lao PDR under the Business License No. 180-10 granted by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao PDR on 14 December 2010. The company's principal activities are to provide brokerage services, proprietary trading, finance and securities investment advisory services, custody services, underwriting for share issues and other value added services.
- Lao Viet Joint Venture Bank ("LVB") is incorporated in the Lao PDR with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with the Bank for Investment and Development of Vietnam, a state-owned commercial bank incorporated in the Socialist Republic of Vietnam. The joint venture was granted the banking license on 31 March 2000 by Bank of the Lao PDR for a year of 30 years.
- 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 BRED Banque Populaire SA, a bank incorporated and located in France. The joint venture was granted the business license on 7 June 2018 by Ministry of Industry and Commerce. During the period, the Bank has sold 16% of its ownership in BFL at the proceeds of LAKm 55.000 and recognised a gain of LAKm 7.000. As at 30 June 2018, the contributed capital of the Bank in BFL included LAKm 90.000, which accounts for 30% of BFL's charter capital.

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 21. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES (continued)

- Lao-Viet Insurance Joint Venture Company ("LVI") is incorporated as a joint venture company in Lao PDR providing insurance services under the Investment License No. 077/08/FIMC issued by the Foreign Investment Management Committee on 09 June 2008. It is a joint venture between BIDV Insurance Joint Stock Corporation, an insurance company incorporated in Vietnam, and Lao Viet Joint Venture Bank. As at 30 June 2018, the total contributed capital of the Bank in this company was USD 1.050.000, equivalent to LAKm 8.784.
- Lao China Bank Company Limited ("LCNB") is incorporated in the Lao PDR and engages in the provision of banking services. It is a joint venture with Fudian Bank China, a state-owned commercial bank incorporated in China. The joint venture bank was granted the Banking Business Licence on 20 January 2014 by Bank of the Lao PDR. The legal capital of LCNB was LAKm 300.000 and had been fully contributed by partners as at 30 June 2018.

## 22. PROPERTY AND EQUIPMENT

Movements of property and equipment for the six-month period ended 30 June 2018 are as follows:

|   | <i>Buildings &amp;<br/>improvements<br/>LAKm</i> | <i>Office<br/>equipment<br/>LAKm</i> | <i>Furniture &amp;<br/>fixtures<br/>LAKm</i> | <i>Motor<br/>vehicles<br/>LAKm</i> | <i>Total<br/>LAKm</i> |
|---|--|--------------------------------------|--|------------------------------------|-----------------------|
| <b>Cost:</b>  |  |                                      |  |                                    |                       |
| As at 1 January 2018  | 475.636  | 128.158                              | 37.239                                       | 19.926                             | 660.959               |
| Additions   | 1.803  | 19.653                               | 2.532  | 2.319                              | 26.307                |
| <i>In which:</i>  |  |                                      |  |                                    |                       |
| <i>New purchases</i>  | -  | -                                    | 129  | 2.296                              | 2.425                 |
| <i>Transferred from CIP and<br/>    fixed assets in transit</i> | 1.803  | 19.653                               | 2.403  | 23                                 | 23.882                |
| Disposals   | (1.813)  | (8.813)                              | (1.665)                                      | (2.525)                            | (14.816)              |
| As at 30 June 2018  | 475.626  | 138.998                              | 38.106                                       | 19.720                             | 672.450               |
| <b>Accumulated depreciation:</b>                                |  |                                      |  |                                    |                       |
| As at 1 January 2018  | 111.302  | 62.442                               | 22.517                                       | 8.461                              | 204.722               |
| Charge for the period   | 13.190   | 13.621                               | 2.703  | 2.088                              | 31.602                |
| Disposals   | (1.738)  | (8.694)                              | (1.621)                                      | (2.525)                            | (14.578)              |
| As at 30 June 2018  | 122.754  | 67.369                               | 23.599                                       | 8.024                              | 221.746               |
| <b>Net book value:</b>  |  |                                      |  |                                    |                       |
| As at 1 January 2018  | 364.334  | 65.716                               | 14.722                                       | 11.465                             | 456.237               |
| As at 30 June 2018  | 352.872  | 71.629                               | 14.507                                       | 11.696                             | 450.704               |



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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 23. INTANGIBLE ASSETS

Movements of intangible assets during the six-month period ended 30 June 2018 are as follows:

|  | <i>Land use rights<br/>LAKm</i> | <i>Software<br/>LAKm</i> | <i>Total<br/>LAKm</i> |
|--|---------------------------------|--------------------------|-----------------------|
| <b>Cost:</b>                                     |                                 |                          |                       |
| As at 1 January 2018                             | 234.555                         | 65.307                   | 299.862               |
| Transferred from CIP and fixed assets in transit | 3.037                           | 58                       | 3.095                 |
| Written off                                      | -                               | (41.422)                 | (41.422)              |
| As at 30 June 2018                               | 237.592                         | 23.943                   | 261.535               |
| <b>Accumulated amortization:</b>                 |                                 |                          |                       |
| As at 1 January 2018                             | -                               | 52.280                   | 52.280                |
| Charge for the period                            | -                               | 5.163                    | 5.163                 |
| Written off                                      | -                               | (41.422)                 | (41.422)              |
| As at 30 June 2018                               | -                               | 16.021                   | 16.021                |
| <b>Net book value:</b>                           |                                 |                          |                       |
| As at 1 January 2018                             | 234.555                         | 13.027                   | 247.582               |
| As at 30 June 2018                               | 237.592                         | 7.922                    | 245.514               |

## 24. OTHER ASSETS

|  | <i>30 June 2018<br/>LAKm</i> | <i>31 December 2017<br/>LAKm</i> |
|--|------------------------------|----------------------------------|
| Assets waiting for sale                                  | 248.141                      | 216.228                          |
| Stationeries and other tools                             | 5.245                        | 7.520                            |
| Cheques in collection                                    | 48.387                       | 19.179                           |
| Construction in progress and fixed assets in transit (*) | 31.387                       | 30.666                           |
| Prepaid expenses to be allocated                         | 55.869                       | 41.320                           |
| Advance payment for other operations                     | 22.054                       | 26.283                           |
| Advance payment to suppliers                             | 23.663                       | 10.906                           |
| Others   | 16.852                       | 25.541                           |
|  | <b>451.598</b>               | <b>377.643</b>                   |

(\*): Movement of construction in progress and fixed assets in transit for the six-month ended 30 June 2018 is as follows:

|                             | <i>Land use<br/>rights<br/>LAKm</i> | <i>Buildings &amp;<br/>improvements<br/>LAKm</i> | <i>Other<br/>LAKm</i> | <i>Total<br/>LAKm</i> |
|-----------------------------|-------------------------------------|--|-----------------------|-----------------------|
| As at 1 January 2018        | 3.474                               | 6.762  | 20.430                | 30.666                |
| Additions                   | 103                                 | 20.529   | 18.075                | 38.707                |
| Transferred to fixed assets | (3.037)                             | (1.803)  | (22.137)              | (26.977)              |
| Transfer to other assets    | -                                   | (10.315)   | (694)                 | (11.009)              |
| As at 30 June 2018          | <b>540</b>                          | <b>15.173</b>                                    | <b>15.674</b>         | <b>31.387</b>         |

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 25. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

|                         | 30 June 2018<br>LAKm | 31 December 2017<br>LAKm |
|-------------------------|----------------------|--------------------------|
| <b>Demand deposits</b>  | <b>2.720.853</b>     | <b>2.567.425</b>         |
| - In LAK                | 1.114.686            | 1.231.231                |
| - In foreign currencies | 1.606.167            | 1.336.194                |
| <b>Saving deposits</b>  | <b>103.214</b>       | <b>142.141</b>           |
| - In LAK                | 19.111               | 37.773                   |
| - In foreign currencies | 84.103               | 104.368                  |
| <b>Term deposits</b>    | <b>606.972</b>       | <b>551.839</b>           |
| - In LAK                | 73.103               | 52.721                   |
| - In foreign currencies | 533.869              | 499.118                  |
| <b>Others</b>           | <b>12.577</b>        | <b>14.141</b>            |
| - In LAK                | 5.288                | 8.483                    |
| - In foreign currencies | 7.289                | 5.658                    |
|                         | <b>3.443.616</b>     | <b>3.275.546</b>         |

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

|                 | For the six-month<br>period ended<br>30/06/2018<br>% per annum | For the year ended<br>31/12/2017<br>% per annum |
|-----------------|--|---|
| Demand deposits | No interest  | No interest                                     |
| Saving deposits | No interest  | No interest                                     |
| Term deposits   | 0,56% - 5,52%  | 0,00% - 6,00%                                   |

## 26. DUE TO CUSTOMERS

|                               | 30 June 2018<br>LAKm | 31 December 2017<br>LAKm |
|-------------------------------|----------------------|--------------------------|
| <b>Demand deposits</b>        | <b>5.392.413</b>     | <b>6.237.693</b>         |
| Demand deposits in LAK        | 2.203.380            | 2.286.496                |
| Demand deposits in FC         | 3.189.033            | 3.951.197                |
| <b>Demand savings</b>         | <b>12.277.656</b>    | <b>11.311.284</b>        |
| Demand saving deposits in LAK | 5.485.160            | 4.935.833                |
| Demand saving deposits in FC  | 6.792.496            | 6.375.451                |
| <b>Term deposits</b>          | <b>10.543.876</b>    | <b>10.572.743</b>        |
| Term deposits in LAK          | 6.565.049            | 6.215.911                |
| Term deposits in FC           | 3.978.827            | 4.356.832                |
| <b>Margin deposits</b>        | <b>88.034</b>        | <b>173.659</b>           |
| Margin deposits in LAK        | 18.497               | 17.454                   |
| Margin deposits in FC         | 69.537               | 156.205                  |
| <b>Others</b>                 | <b>116.453</b>       | <b>108.578</b>           |
|                               | <b>28.418.432</b>    | <b>28.403.957</b>        |

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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## 26. DUE TO CUSTOMERS (continued)

Saving deposits from customers denominated in LAK, USD and THB bear interest at rate ranging of 1,25% – 1,89%, 0,90% - 1,15% and 0,45% – 0,90% per annum respectively.

Fixed term deposits in LAK, USD, THB have terms of 3, 6, 9, 12 months and more than 1 year and are subject to interest rates ranging of 3,16% – 6,90%, 1,65% - 6,65 % and 1,40% – 6,40% per annum respectively.

## 27. BORROWINGS FROM OTHER BANKS

|   | 30 June 2018<br>LAKm | 31 December 2017<br>LAKm |
|---|----------------------|--------------------------|
| Borrowings from the BOL (Note 27.1)       | 1.734.619            | 1.685.999                |
| Borrowings from foreign banks (Note 27.2) | 471.387              | 459.403                  |
|   | <b>2.206.006</b>     | <b>2.145.402</b>         |

### 27.1. Borrowings from the BOL

Borrowings from the BOL as at 30 June 2018 include:

- (i) USD 3.942.856 long-term borrowing (original borrowing amount was USD 9.200.000 with interest rate of 0,25% per annum) for the purpose of investment in Banque Franco – Lao Limited. The loan's principal is paid annually from 2010 to 2023. Interest is paid semi-annually.
- (ii) USD 99.854.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,50% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 27 August 2015 to 27 August 2025. Interest is paid quarterly.
- (iii) USD 99.900.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,30% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 3 May 2016 to 3 May 2026. Interest is paid quarterly.

### 27.2. Borrowings from foreign banks

Borrowings from foreign banks as at 30 June 2018 include:

- (i) USD 15.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 4,75% per annum. The loan's principal and interest are paid at maturity date.
- (ii) USD 40.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 5,35% per annum. The loan's principal and interest are paid at maturity date.

## 28. TAXATION

### 28.1 Profit tax expense

Major components of tax expense are as follows:

|   | For the six-month<br>period ended<br>30 June 2018<br>LAKm | For the six-month<br>period ended<br>30 June 2017<br>LAKm |
|---|---|---|
| Current profit tax expense              | 85.734  | 51.134  |
| Deferred profit tax income              | (8.411)   | (6.485)   |
| <b>Total tax expense for the period</b> | <b>77.323</b>   | <b>44.649</b>   |



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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 28. TAXATION (continued)

### 28.2 Tax payables

|                         | 30 June 2018<br>LAKm | 31 December 2017<br>LAKm |
|-------------------------|----------------------|--------------------------|
| Profit Tax payable      | 72.978               | 9.491                    |
| Value Added Tax payable | 7.764                | 11.165                   |
| Personal income tax     | 127                  | -                        |
|                         | <b>80.869</b>        | <b>20.656</b>            |

### 28.3 Current Profit Tax ("PT")

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

The calculations of Profit taxes for the six-month period ended 30 June 2018 and 30 June 2017 are as follows:

|  | For the six-month<br>period ended<br>30 June 2018<br>LAKm | For the six-month<br>period ended<br>30 June 2017<br>LAKm |
|--|---|---|
| <b>Profit before tax in accordance with IFRS</b>   | <b>280.062</b>  | <b>187.619</b>  |
| <i>Adjustments for:</i>  |   |   |
| - Difference between carrying value under LAS and amortized cost under IFRS of Bonds                 | (3.760)   | (3.952)   |
| - Difference in allowance for impairment losses between LAS and IFRS of loans to banks and customers | 51.672  | 36.790  |
| - Difference in retirement benefits  | 31.801  | -   |
| - Difference in available-for-sale reserve   | (16.299)  | -   |
| - Difference in impairment expense of investment between LAS and IFRS                                | 20.481  | (5.809)   |
| <b>Profit before tax in accordance with LAS</b>  | <b>363.957</b>  | <b>214.648</b>  |
| <i>Increase/(Decrease):</i>  |   |   |
| - Income exempted from PT (dividend income)  | (13.710)  | (9.209)   |
| - Non-deductible expenses  | 7.002   | 7.620   |
| <b>Taxable profit under LAS</b>  | <b>357.249</b>  | <b>213.059</b>  |
| <b>PT expense at rate of 24%</b>   | <b>85.734</b>   | <b>51.134</b>   |
| Payable at the beginning of the period   | 9.491   | 24.300  |
| Tax paid in the period   | (22.247)  | (20.976)  |
| Other adjustment   | -   | (44)  |
| <b>PT payable at the end of the period</b>   | <b>72.978</b>   | <b>54.414</b>   |

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 28. TAXATION (continued)

### 28.4 Deferred tax assets/(liabilities)

|  | Deferred tax<br>assets (tax<br>rate of 24%)<br>LAKm | Deferred tax<br>liabilities (tax<br>rate of 24%)<br>LAKm | Net deferred<br>tax assets/<br>(liabilities)<br>LAKm |
|--|---|--|--|
| <b>As at 1 January 2018</b>  | 17.955  | (13.576)   | 4.379  |
| <b>Change during the period due to:</b>  |   |  |  |
| Changes in fair value of available for sale<br>financial instruments                                 | 3.911   | 690  | 4.601  |
| Changes in temporary difference between<br>taxable profit under LAS and taxable profit<br>under IFRS | (3.990)   | 12.401   | 8.411  |
| <b>As at 30 June 2018</b>  | <b>17.876</b>                                       | <b>(485)</b>   | <b>17.391</b>  |

## 29. OTHER LIABILITIES

|  | 30 June 2018<br>LAKm | 31 December 2017<br>LAKm |
|--|----------------------|--------------------------|
| Payables to employees                    | 67.253               | 66.730                   |
| Payable to suppliers                     | 18.920               | 20.031                   |
| Defined post-employment benefit plan (*) | 96.950               | 65.149                   |
| Items waiting to settle with customers   | 60.994               | 55.283                   |
| Others                                   | 3.804                | 3.225                    |
|  | <b>247.921</b>       | <b>210.418</b>           |

(\*) Defined post-employment benefit plan

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

|                       | For the six-month<br>period ended 30<br>June 2018<br>LAKm | For the year ended<br>31 December 2017<br>LAKm |
|-----------------------|---|--|
| Opening balance       | 65.149  | -  |
| Past service cost     | -   | 59.458   |
| Current service cost  | 30.147  | 4.298  |
| Interest cost         | 2.498   | 3.899  |
| Benefits paid         | (844)   | (2.506)  |
| <b>Ending balance</b> | <b>96.950</b>   | <b>65.149</b>                                  |

Net benefit expense (recognised in profit or loss):

|                      | For the period ended<br>30 June 2018<br>LAKm | 31 December 2017<br>LAKm |
|----------------------|--|--------------------------|
| Past service cost    | -  | 59.458                   |
| Current service cost | 30.147                                       | 4.298                    |
| Interest cost        | 2.498  | 3.899                    |
|                      | <b>32.645</b>                                | <b>67.655</b>            |

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 29. OTHER LIABILITIES (continued)

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

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

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

|                         | 30 June 2018<br>% | 31 December 2017<br>% |
|-------------------------|-------------------|-----------------------|
| Discount rate           | 5,00 - 7,39       | 5,00 - 8,77           |
| Future salary increases | 0,91              | 0,91                  |
| Employee turnover rate  | 0,00              | 0,00                  |

A quantitative sensitivity analysis for significant assumptions as at 30 June is, as shown below:

|                          | 30 June 2018<br>LAKm | 31 December 2017<br>LAKm |
|--------------------------|----------------------|--------------------------|
| Discount rate            |                      |                          |
| increase 50 basis points | (6.757)              | (5.953)                  |
| decrease 50 basis points | 7.578                | 6.844                    |

## 30. CHARTER CAPITAL

There has been no change to paid-up capital during the six-month period then ended 30 June 2018.



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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## 31. STATUTORY RESERVES AND OTHER RESERVES

|   | <i>Regulatory<br/>reserve fund<br/>LAKm</i> | <i>Business<br/>expansion fund<br/>LAKm</i> | <i>Total<br/>LAKm</i> |
|---|---|---|-----------------------|
| <b>As at 1 January 2018</b>                 | 100.090                                     | 280.292                                     | 380.382               |
| Appropriation to reserves for the year 2017 | 29.584                                      | 29.584                                      | 59.168                |
| <b>As at 30 June 2018</b>                   | <b>129.674</b>                              | <b>309.876</b>                              | <b>439.550</b>        |

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

- Regulatory reserve fund
- Business expansion fund and other funds

In accordance with Article 156, Enterprise Law dated 26 December 2013, the Bank is required to appropriate 10% of profit after tax each year into regulatory reserve fund, after deducting its accumulated losses, if any. When this reserve fund reaches 50% of the registered capital, the Bank may suspend such provision, unless otherwise provided by the by laws.

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

## 32. AVAILABLE-FOR-SALE RESERVE

|  | <i>For the six-month<br/>period ended<br/>30 June 2018<br/>LAKm</i> | <i>For the year ended<br/>31 December 2017<br/>LAKm</i> |
|--|---|---|
| Opening balance  | 2.186   | 8.014   |
| Net changes in fair value of available-for- sale financial investments | (14.573)  | (5.828)   |
| Ending balance   | <b>(12.387)</b>   | <b>2.186</b>  |

## 33. ADDITIONAL CASH FLOW INFORMATION

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

|                                   | <i>30 June 2018<br/>LAKm</i> | <i>31 December 2017<br/>LAKm</i> |
|-----------------------------------|------------------------------|----------------------------------|
| Cash and cash equivalents on hand | 1.879.905                    | 1.911.462                        |
| Demand deposits with the BOL      | 2.742.201                    | 2.547.888                        |
| Current accounts with other banks | 1.799.653                    | 2.268.720                        |
| Term deposits due within 3 months | 806.410                      | 587.088                          |
|                                   | <b>7.228.169</b>             | <b>7.315.158</b>                 |

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NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 34. CONTINGENT LIABILITIES AND COMMITMENTS

|                                    | 30 June 2018<br>LAKm | 31 December 2017<br>LAKm |
|------------------------------------|----------------------|--------------------------|
| Bank guarantees                    | 230.643              | 312.618                  |
| At sight letters of credit         | 170.991              | 242.997                  |
| Deferred payment letters of credit | 167.097              | 195.651                  |
| Credit limit given to customers    | 4.232.095            | 3.488.189                |
| Credit limit given to other banks  | 548                  | 548                      |
|                                    | <b>4.801.374</b>     | <b>4.240.003</b>         |

### *Letter of credit and bank guarantees*

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

### *Un-drawn commitments to lend*

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

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

### *Lease commitments*

As at 30 June 2018, the Bank did not entered into any lease contracts as either lessor or lessee which results in future cash inflows and/or outflows.

## 35. RELATED PARTY DISCLOSURES

### *Transactions with key management personnel of the Bank*

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

|                          | For the six-month<br>period ended<br>30 June 2018<br>LAKm | For the six-month<br>period ended<br>30 June 2017<br>LAKm |
|--------------------------|---|---|
| Salaries                 | 756   | 758   |
| Bonus                    | 499   | 297   |
| Responsibility allowance | 541   | 629   |
| Other benefits           | 1.001   | -   |
|                          | <b>2.797</b>  | <b>1.684</b>  |

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 35. RELATED PARTY DISCLOSURES (continued)

Significant transactions with other related parties during the period 30 June 2018 are as follows:

| <i>Related party</i>               | <i>Note</i> | <i>Transactions</i>                            | <i>Income<br/>LAKm</i> | <i>Expense<br/>LAKm</i> |
|------------------------------------|-------------|--|------------------------|-------------------------|
| The Bank of Lao PDR                | (i)         | Interest expense from borrowing from BOL       | -                      | 45.614                  |
| The Ministry of Finance of Lao PDR | (ii)        | Interest income from investment in MOF's bonds | 78.551                 | -                       |
|                                    |             | Dividend pay-out for the year 2017             | -                      | 53.529                  |

Significant balances with other related parties as at 30 June 2018 are as follows:

| <i>Related party</i>                         | <i>Note</i> | <i>Transactions</i>                           | <i>Receivable<br/>LAKm</i> | <i>Payable<br/>LAKm</i> |
|--|-------------|---|----------------------------|-------------------------|
| Bank of the Lao PDR                          | (i)         | Borrowings and accrued interest from the BOL  | -                          | 1.734.619               |
|  |             | BCEL's demand deposits at the BOL             | 2.742.201                  | -                       |
|  |             | BCEL's compulsory deposits at the BOL         | 1.335.373                  | -                       |
| The Ministry of Finance of the Lao PDR       | (ii)        | Investment in MOF's bonds (at amortized cost) | 3.767.783                  | -                       |
| BCEL - Krung Thai Securities Company Limited | (iii)       | Current accounts                              | -                          | 1.064                   |
| Lao Viet Joint Venture Bank                  | (iv)        | Current accounts                              | 652.708                    | 659.410                 |
|  | (iv)        | Term deposit                                  | 100.000                    | -                       |
| Banque Franco – Lao Company Limited          | (iv)        | Term deposit                                  | 380                        | 30.539                  |
| Lao China Bank Co.Ltd                        | (iv)        | Current accounts                              | -                          | 4.281                   |

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

## 36. EARNINGS PER SHARE

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

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

|  | <i>For the six-month<br/>period ended<br/>30 June 2018</i> | <i>For the six-month<br/>period ended<br/>30 June 2017</i> |
|--|--|--|
| Profit after tax attributable to ordinary equity holders for basic earnings (LAKm) | 202.739  | 142.970  |
| Weighted average number of ordinary shares for basic earnings per share (shares)   | 207.723.300  | 136.577.600  |
| Face value per share (LAK)   | 5.000  | 5.000  |
| Earnings per share (LAK)   | 976  | 1.047  |



# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 37. RISK MANAGEMENT POLICIES

### *Introduction*

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

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

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

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

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

### *Risk management structure*

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

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

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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## 38. CAPITAL MANAGEMENT

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

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

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

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

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

|   | 30 June 2018<br>LAKm | 31 December 2017<br>LAKm |
|---|----------------------|--------------------------|
| Tier 1 capital  | 1.834.665            | 1.729.826                |
| Tier 2 capital  | (5.574)              | 984                      |
| <b>Total capital</b>  | <b>1.829.091</b>     | <b>1.730.810</b>         |
| Less: Deductions from capital (Investments in other entities) | (513.623)            | (561.623)                |
| <b>Capital for CAR calculation (A)</b>                        | <b>1.315.468</b>     | <b>1.169.187</b>         |
| Risk weighted balance sheet items                             | 12.408.310           | 10.568.547               |
| Risk weighted off balance sheet items                         | 2.393.722            | 2.172.751                |
| <b>Total risk weighted assets (B)</b>                         | <b>14.802.032</b>    | <b>12.741.298</b>        |
| <b>Capital Adequacy Ratio (A/B)</b>                           | <b>8,89%</b>         | <b>9,18%</b>             |

## 39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

# Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at and for the six-month period then ended 30 June 2018

## 40. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 30 June 2018 that requires adjustment or disclosure in the interim separate financial statements of the Bank.

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

|     | 30 June 2018<br>LAK | 31 December 2017<br>LAK |
|-----|---------------------|-------------------------|
| USD | 8.403,00            | 8.277,00                |
| EUR | 9.630,00            | 9.870,00                |
| THB | 257,20              | 253,97                  |
| GBP | 10.742,00           | 10.947,00               |
| JPY | 74,50               | 72,09                   |
| AUD | 6.024,00            | 6.350,00                |
| CNY | 1.254,00            | 1.257,00                |

Prepared by:



Mrs. Malayvanh Soundala  
Deputy Chief of Accounting  
Department

Vientiane, Lao PDR

28 December 2018

Approved by:



Mrs. Phetsamone Somsana  
Deputy Chief of Internal Audit  
Department

Approved by:



Mr. Bouavanh Simalivong  
Deputy Managing Director