Banque Pour Le Commerce Exterieur Lao Public

interim consolidated financial statements (Unaudited)

as at and for the nine-month period ended 30 September 2019

Banque Pour Le Commerce Exterieur Lao Public

CONTENTS

THE BANK

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

Establishment and Operations

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

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

On 17 August 2017, Lao Securities Commission Office approved the Bank to recapitalize by both Rights offering (which resulted in 68.047.300 shares) and Public offering (which resulted in 3.098.400 shares) in Lao Securities Exchange in order to increase its charter capital. The Bank received the new Banking Business License No. 21/BOL, dated 13 September 2017 issued by 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 September 2019 is as follows:

Shareholders	*Number of shares*	*%*
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%
	207.723.300	**100%**

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

Charter Capital

The charter capital as at 30 September 2019 is LAKm 1.038.617 (31 December 2018: LAKm 1.038.617).

Location and Network

The Bank’s Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 30 September 2019, the Bank has one (01) Head Office, one (1) subsidiary, five (5) joint ventures, twenty (20) main branches, nighty-three (93) services units, and sixteen (16) exchange units all over Lao PDR.

THE BANK (continued)

Subsidiary

As at 30 September 2019, the Bank has one (01) subsidiary as follows:

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

Joint ventures

As at 30 September 2019, the Bank has five (05) joint ventures as follows:

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

BOARD OF DIRECTORS

Members of the Board of Directors during the nine-month period ended 30 September 2019 and at the date of this report are as follows:

Name	*Title*	*Date of appointment*
Mr. Bounleua Sinxayvoravong	Chairman	Reappointed on 27 April 2018
Mr. Khamsouk Sundara	Vice Chairman	Reappointed on 27 April 2018
Mr. Phoukhong Chanthachack	Member	Reappointed on 27 April 2018
Mr. Marc Robert	Member	Reappointed on 27 April 2018
Mr. 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

BOARD OF MANAGEMENT

Members of the Board of Management during the nine-month period ended 30 September 2019 and at the date of this report are as follows:

Name	*Title*	*Date of appointment/resignation*
Mr. Phoukhong Chanthachack	General Managing Director	Appointed 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed 06 June 2008 Resigned 01 April 2019
Mr. Lachay Khanpravong	Deputy Managing Director	Appointed 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointed 30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	Appointed 23 November 2015 Resigned 26 April 2019
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointed 23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	Appointed 01 November 2016
Mr. Viengsouk Chounthavong	Deputy Managing Director	Appointed 18 February 2019

LEGAL REPRESENTATIVE

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

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED INCOME STATEMENT (Unaudited)
for the nine-month period ended 30 September 2019

	Notes	*For the nine-month period ended 30 September 2019 LAKm*	*For the nine-month period ended 30 September 2018 LAKm*
Interest revenue calculation using the effective interest method	8	1.642.933	1.405.633
Interest expense calculation using effective interest method	9	(882.257)	(731.381)
Net interest and similar income		**760.676**	**674.252**
Fee and commission income	10	185.402	193.029
Fee and commission expense	10	(24.716)	(17.652)
Net fee and commission income	**10**	**160.686**	**175.377**
Net gain from dealing in foreign currencies	11	25.852	40.870
Net loss from dealing derivatives	12	(1.204)	(1)
Other operating income	13	73.101	13.382
Total operating income		**1.019.111**	**903.880**
Credit loss expense of loans to customers	20	(277.296)	(90.284)
(Additional)/Reversal of impairment losses of financial investments	14	(17.973)	(29.158)
NET OPERATING INCOME		**723.842**	**784.438**
Personnel expenses	15	(186.767)	(259.218)
Depreciation and amortization	24, 25	(53.908)	(54.554)
Depreciation of right-of-use assets		(4.013)	-
Other operating expenses	16	(117.836)	(109.090)
Total operating expenses		**(362.524)**	**(422.862)**
Share of profit and loss of joint ventures	23	13.235	8.693
PROFIT BEFORE TAX		**374.553**	**370.269**
Current profit tax expense	30.1	(69.661)	(111.873)
Deferred profit tax income	30.1	(16.354)	6.998
PROFIT FOR THE PERIOD		**288.538**	**265.394**
Attributable to:			
Equity holders of the parent		287.611	264.727
Non-controlling interest		927	667
Earnings per share (LAK)	**40**	**1.385**	**1.274**

Prepared by:	Approved by:	Approved by:
Mrs. Phousengthong Anoulakkham Chief of Accounting Department	Ms. Phetsamone Somsana Deputy Chief of Internal Audit Department	Mr. Viengsouk Chounthavong Deputy Managing Director

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

Vientiane, Lao PDR
15 November 2019

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
for the nine-month period ended 30 September 2019

	Notes	*For the nine-month period ended 30 September 2019 LAKm*	*For the nine-month period ended 30 September 2018 LAKm*
NET PROFIT FOR THE PERIOD		**288.538**	**265.394**
OTHER COMPREHENSIVE INCOME			
Changes in fair value of available-for-sale financial assets		-	(3.498)
Profit tax related to components of other comprehensive income		-	(3.689)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**-**	**(7.187)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**288.538**	**258.207**
Attributable to:			
Equity holders of the parent		287.611	257.541
Non-controlling interest		927	667

Prepared by:	Approved by:	Approved by:
Mrs. Phousengthong Anoulakkham Chief of Accounting Department	Ms. Phetsamone Somsana Deputy Chief of Internal Audit Department	Mr. Viengsouk Chounthavong Deputy Managing Director

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

Vientiane, Lao PDR

15 November 2019

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)
for the nine-month period ended 30 September 2019

	Notes	30 September 2019 LAKm	31 December 2018 LAKm
ASSETS			
Cash and balances with Bank of the Lao PDR	17	7.614.103	5.334.246
Due from banks	18	5.885.756	3.828.669
Loans to customers	19	26.723.431	24.366.860
Financial assets - Held-for-trading		10	14
Financial investments - Available-for-sale	21	136.536	156.516
Financial investments - Held-to-maturity	22	3.623.928	3.652.772
Investments in joint ventures	23	477.571	462.296
Property and equipment	24	454.934	450.132
Right of use assets	5.2	47.885	-
Intangible assets	25	245.134	246.601
Deferred tax assets	30.4	11.675	29.099
Other assets	26	446.596	466.088
TOTAL ASSETS		**45.667.559**	**38.993.293**
LIABILITIES			
Due to banks and other financial institutions	27	4.828.836	3.413.129
Due to customers	28	34.476.515	29.915.142
Borrowings from other banks	29	3.996.758	3.349.266
Lease liabilities	5.2	9.436	-
Current tax liabilities	30.2	30.968	35.951
Deferred tax liabilities	30.4	2.248	5.272
Other liabilities	31	206.785	242.918
TOTAL LIABILITIES		**43.551.546**	**36.961.678**
EQUITY			
Charter capital	32	1.038.617	1.038.617
Statutory and other reserves	33	605.747	440.874
Treasury shares		(4.374)	(3.313)
Retained earnings		444.324	524.050
Total equity attributable to equity holders of the parent		**2.084.314**	**2.000.228**
Non-controlling interest		31.699	31.387
TOTAL EQUITY		**2.116.013**	**2.031.615**
TOTAL LIABILITIES AND EQUITY		**45.667.559**	**38.993.293**

Prepared by:	Approved by:	Approved by:
Mrs. Phousengthong Anoulakkham Chief of Accounting Department	Ms. Phetsamone Somsana Deputy Chief of Internal Audit Department	Mr. Viengsouk Chounthavong Deputy Managing Director

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

Vientiane, Lao PDR
15 November 2019

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
for the nine-month period ended 30 September 2019

	Chartered capital LAKm	*Statutory and other reserves LAKm*	*Treasury share LAKm*	*Retained earnings LAKm*	*Non-controlling interest LAKm*	*Total LAKm*
Balances as at 31 December 2018	**1.038.617**	**440.874**	**(3.313)**	**524.050**	**31.387**	**2.031.615**
Effect of adopting IFRS 16 as at 1 January 2019 (Note 5.2)	-	-	-	(6.190)	-	(6.190)
Dividend paid out to shareholders for the year 2018	-	-	-	(205.310)	(615)	(205.925)
Appropriation to reserve for the year 2018	-	164.873	-	(164.873)	-	-
Net profit for the period	-	-	-	287.611	927	288.538
Net increase of treasury share	-	-	(1.061)	-	-	(1.061)
Reverse of staff payable accrue from previous year	-	-	-	9.035	-	9.035
Balances as at 30 September 2019	**1.038.617**	**605.747**	**(4.374)**	**444.324**	**31.699**	**2.116.013**

Prepared by:

Mrs. Phousengthong Anoulakkham
Chief of Accounting Department

Approved by:

Ms. Phetsamone Somsana
Deputy Chief of Internal Audit Department

Approved by:

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

Mr. Viengsouk Chounthavong
Deputy Managing Director

Vientiane, Lao PDR

15 November 2019

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
for the nine-month period ended 30 September 2019

	Notes	*For the nine-month period ended 30 September 2019 LAKm*	*For the nine-month period ended 30 September 2018 LAKm*
OPERATING ACTIVITIES		**374.553**	**370.269**
Profit before tax			
Adjustments for:			
Depreciation and amortization charges	24, 25	53.908	54.554
Expense for impairment losses	20	277.296	62.274
Changes in provision for impairment loss on investment securities	14	(13.235)	(29.158)
Share of associate's profit under equity method	23	1.202	(8.693)
Defined post-employment benefit expense	31	(75.984)	39.706
Interest income		(1.642.933)	(1.405.633)
Interest expense		882.257	731.381
Dividend income	13	(8.186)	(7.133)
Cash flows from operating profit before changing in operating assets and liabilities		**(151.122)**	**(192.433)**
Changes in operating assets			
Due from banks		244.041	474.900
Loans to customers		(2.633.866)	(1.088.811)
Financial investment - Held-for-trading		10	4
Financial investment - Available-for-sale		28.844	(1.074.605)
Financial investment - Held-to-maturity		19.175	27.322
Other assets		4.720	(108.954)
Changes in operating liabilities			
Due to other banks and the BOL		2.067.418	1.309.256
Due to customers		4.592.822	877.330
Other liabilities		(18.584)	153.282
Interest received		1.484.769	1.317.325
Interest paid		(782.012)	(643.073)
Profit tax paid during the period	30.3	(69.994)	(22.514)
Net cash flows from operating activities		**4.786.221**	**1.029.029**
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(80.140)	(49.136)
Proceeds from disposals of fixed assets		22.944	819
Dividends received	13	8.186	7.133
Proceed from settlement of joint venture’s shares		-	55.000
Payment for joint venture investment		(2.040)	-
Net cash flows used in investing activities		**(51.050)**	**13.816**
FINANCING ACTIVITIES			
Payment of dividend		(205.854)	(97.900)
Net cash flows used in financing activities		**(205.854)**	**(97.900)**

Banque Pour Le Commerce Exterieur Lao Public

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited) (continued)
for the nine-month period ended 30 September 2019

	Notes	*For the nine-month period ended 30 September 2019 LAKm*	*For the nine-month period ended 30 September 2018 LAKm*
Net decrease/(increase) in cash and cash equivalents		**4.529.317**	**944.945**
Cash and cash equivalents at the beginning of the period		**7.204.432**	**7.320.516**
Cash and cash equivalents at the end of the period	**34**	**11.733.749**	**8.265.461**

Prepared by:

Mrs. Phousengthong Anoulakkham
Chief of Accounting Department

Approved by:

Ms. Phetsamone Somsana
Deputy Chief of Internal Audit Department

Approved by:

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

Mr. Viengsouk Chounthavong
Deputy Managing Director

Vientiane, Lao PDR

15 November 2019

1. CORPORATE INFORMATION

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

Establishment and Operations

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Charter Capital

The charter capital as at 30 September 2019 is LAKm 1.038.617 (31 December 2018: LAKm 1.038.617).

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 September 2019, the Bank has one (01) Head Office, one (1) subsidiary, five (5) joint ventures, twenty (20) main branches, ninety-three (93) services units, and sixteen (16) exchange units all over Lao PDR.

Subsidiary

As at 30 September 2019, the Bank has one (01) subsidiary as follows:

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

Joint ventures

As at 30 September 2019, the Bank has five (05) joint ventures as follows:

Name	*Business License No.*	*Business Sector*	*% owned by the Bank*
Lao Viet Joint Venture Bank	732/ERO dated 29 August 2016 by the Ministry of Industry and Commence	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 Commence	Insurance	35%
Lao China Bank Company Limited	041/ERM dated 27 January 2014 by the Department of Enterprise Register and Management of Lao PDR	Banking & Finance	49%
Lao National Payment Network Company Limited	0349/ERO granted by the Department of Enterprise Registration and Management of the Ministry of Industry and Commerce of the Lao PDR on 12 March 2019	Transaction settlement management (Electronic)	20%

1. CORPORATE INFORMATION (continued)

Board of Directors

Members of the Board of Directors during the nine-month period ended 30 September 2019 and at the date of this report are as follows:

Name	*Title*	*Date of appointment*
Mr. Bounleua Sinxayvoravong	Chairman	Reappointed on 27 April 2018
Mr. Khamsouk Sundara	Vice Chairman	Reappointed on 27 April 2018
Mr. Phoukhong Chanthachack	Member	Reappointed on 27 April 2018
Mr. Marc Robert	Member	Reappointed on 27 April 2018
Mr. 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

Board of Management

Members of the Board of Management during the nine-month period ended 30 September 2019 and at the date of this report are as follows:

Name	*Title*	*Date of appointment/resignation*
Mr. Phoukhong Chanthachack	General Managing Director	Appointed 15 January 2016
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed 06 June 2008 Resigned 01 April 2019
Mr. Lachay Khanpravong	Deputy Managing Directo	Appointed 30 September 2014
Mr. Nanthalath Keopaseuth	Deputy Managing Director	Appointed 30 September 2014
Mr. Khamsian Mingbouppha	Deputy Managing Director	Appointed 23 November 2015 Resigned 26 April 2019
Mr. Souphak Thinsayphone	Deputy Managing Director	Appointed 23 November 2015
Mr. Bouavanh Simalivong	Deputy Managing Director	Appointed 01 November 2016
Mr. Viengsouk Chounthavong	Deputy Managing Director	Appointed 18 February 2019

Employees

Total number of employees of the Bank and subsidiary as at 30 September 2019 is 2.033 persons (as at 31 December 2018: 1.920 persons).

2. BASIS OF PREPARATION

The interim consolidated financial statements are prepared solely for the use of the Bank to meet the requirements of Bank of Lao PDR and the Laos Securities Commission Office. These interim consolidated financial statements are prepared in accordance with the accounting policies as described in Note 5 and Note 6. These accounting policies are primarily based on the International Financial Reporting Standards ("IFRS") as issued by International Accounting Standard Board. However, this is not a complete set of general purpose financial statements prepared in accordance with IFRS as the Bank follows the guidance stipulated in Official Letter No. 1659/BOL dated 14 December 2018 by Bank of the Lao PDR and Official Letter No. 19/LSCO dated 23 November 2018 by the Laos Securities Commission Office following which the accounting policies for recognition and measurement of financial instruments are based on IAS 39: "Financial instruments: Recognition and Measurement" instead of IFRS 9: "Financial instruments"

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

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

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

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

The Bank also prepared and issued its special purpose interim separate financial statements in accordance with the accounting policies as described in Note 5 and Note 6 to the interim separate financial statements on 30 September 2019.

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

3. PRESENTATION OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

4. BASIS OF CONSOLIDATION

The interim consolidated financial statements comprise the interim financial statements of the Bank and its subsidiary (collectively referred to as the “Group”) as at 30 September 2019. Subsidiary is the investee that the Bank has control over. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

5. CHANGE IN ACCOUNT POLICIES AND DISCLOSURES

5.1 New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019 as described below. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

5.2 IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Bank elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Bank also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follow:

	LAKm
Asset	
Right of use assets	42.726
Prepayments	(41.269)
Deferred tax assets	1.955
Total assets	**3.412**
Liabilities	
Lease liabilities	9.601
Total liabilities	**9.601**
Total adjustment on equity:	
Retained earnings	**(6.190)**

5. CHANGE IN ACCOUNT POLICIES AND DISCLOSURES (continued)

5.2 IFRS 16 Leases (continued)

a) Nature of the effect of adoption of IFRS 16

The Bank has lease contracts for various items of plant. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Bank; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively. Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Bank.

► *Leases previously classified as finance leases*

The Bank did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

The Bank recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Bank also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

5. CHANGE IN ACCOUNT POLICIES AND DISCLOSURES (continued)

5.2 *IFRS 16 Leases* (continued)

a) Nature of the effect of adoption of IFRS 16 (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	LAKm
Operating lease commitments as at 31 December 2018	**13.710**
Weighted average incremental borrowing rate as at 1 January 2019	5,59%
Discounted operating lease commitments at 1 January 2019	9.000
Less:	
Commitments relating to short-term lease	-
Commitments relating to leases of low-value assets	(13)
Lease liabilities as at 1 January 2019	**8.987**

b) Summary of new accounting policies

Set out below are the new accounting policies of the Bank upon adoption of IFRS 16, which have been applied from the date of initial application:

• *Right-of-use assets*

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

• *Lease liabilities*

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

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

5. CHANGE IN ACCOUNT POLICIES AND DISCLOSURES (continued)

5.2 IFRS 16 Leases (continued)

b) Summary of new accounting policies (continued)

Short-term leases and leases of low-value assets

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

• *Significant judgement in determining the lease term of contracts with renewal options*

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has the option, under some of its leases to lease the assets for additional terms of three to five years. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Bank included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Bank has a policy of leasing motor vehicles for not more than five years and, hence, not exercising any renewal options.

c) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Bank's right-of-use assets and lease liabilities and the movements during the period:

	Right of use assets	*Lease liabilities*
	LAKm	*LAKm*
As at 1 January 2019	**42.726**	**9.601**
Addition	9.171	9.171
Depreciation expense	(4.013)	-
Interest expense	-	348
Payments	-	(9.684)
As at 30 September 2019	**47.884**	**9.436**

The Bank recognised rent expense from lease of low-value assets of LAKm 13 for the nine-month period ended 30 September 2019

5. CHANGE IN ACCOUNT POLICIES AND DISCLOSURES (continued)

5.3 Post-employment benefits

In 2019, the Bank's policy on Post-employment benefits was changed to the new policy as disclosed in Note 6.14.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Foreign currency translation

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK on 30 September 2019 and 31 December 2018 as presented in Note 42). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance date are recognized in the interim consolidated income statement.

6.2 Financial instruments - initial recognition and subsequent measurement

6.2.1 Date of recognition

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

6.2.2 Initial measurement of financial instruments

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

6.2.3 Financial assets or financial liabilities held for trading

Financial assets or financial liabilities held-for-trading are recorded in the interim consolidated statement of financial position at fair value. Changes in fair value are recognized in "Net gain/(loss) on securities and foreign currencies trading". Interest and dividend income are also recorded in "Net gain/(loss) from securities and foreign currencies trading" according to the terms of the contract, or when the right to the payment has been established. Included in this classification are equity securities which have been acquired principally for the purpose of selling or repurchasing in the near term

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6.2.4 *The effective interest rate method*

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

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

6.2.5 *'Day 1' profit or loss*

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

6.2.6 *Available for sale financial investments*

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

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

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6.2.7 Held-to-maturity financial investments

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

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

6.2.8 Due from banks and loans and advances to customers

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

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

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

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

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6.2.9 Due to other banks and customers and other borrowed funds

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

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

6.2.10 Reclassification of financial assets

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

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

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

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

6.3 De-recognition of financial assets and financial liabilities

6.3.1 Financial assets

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

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6.3.1 Financial assets (continued)

Pass-through arrangements are transactions when the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when certain conditions are met. As at 30 September 2019, the Bank does not have financial assets which are subject to such arrangements.

A transfer only qualifies for derecognition if either:

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

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

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

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

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

6.3.2 Financial liabilities

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

6.4 Impairment of financial assets

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.4 *Impairment of financial assets* (continued)

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

6.4.1 *Financial assets carried at amortized cost*

Specific impairment losses

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

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

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

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

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

Collective impairment model

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.4 *Impairment of financial assets* (continued)

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

Collective impairment model (continued)

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

6.4.2 *Impairment of available for sale investments*

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

6.4.3 *Collateral valuation*

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

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

6.4.4 *Collateral repossessed*

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

6.5 *Offsetting financial instruments*

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.6 Investment in joint ventures

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

The Bank recognizes its interest in the joint ventures using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint ventures is included in the carrying amount of the investment and is not tested for impairment separately.

The Bank's share of profit of a joint venture is shown on the face of the interim consolidated income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

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

6.7 Recognition of income and expenses

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

6.7.1 Interest and similar income and expense

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.7 Recognition of income and expenses (continued)

6.7.2 Fees and commission income

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not typically include multiple performance obligations, as explained further in 6.7.2.1 and 6.7.2.2 below. When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time (unless otherwise specified in 6.7.2.1 and 6.7.2.2 below). The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

6.7.2.1 Fee and commission income from services where performance obligations are satisfied over time

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

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

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

6.7.3 Dividend income

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

6.7.4 Net trading income

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

6.8 Cash and cash equivalents

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.9 Property and equipment

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

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

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

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

6.10 Intangible assets

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

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

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

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

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

- Software 2 - 5 years

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.11 Impairment of non-financial assets

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

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

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

6.12 Derivative financial instruments

Swap

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

Interest rate swaps relate to contracts taken out by the Bank with other counterparties (customers and financial institutions) in which the Bank either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

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

Credit default swaps are contractual agreements between two parties to make payments with respect to defined credit events, based on specified notional amounts. The Bank purchases credit default swaps in order to mitigate the risk of default by the counterparty on the underlying security referenced by the swap. *IFRS 7.31.*

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.13 Financial guarantees

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

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

6.14 Employee benefits

Post-employment benefits

The Bank operates a defined benefit pension plan which post-employment benefits are paid to retired employees of the Bank at the time of retirement by the amount equal to (Latest Basic Salary + Wage + 25% of allowance (If have) + 25% of other benefits) x 1,5 x working years.

The fund for Post-employment benefits comes from:

- ► The retirement reserve contributed by the employees, for which the Bank withholds a certain monthly amount from employees' salary (5,50%) of the amount (Equal to Basic Salary + Wage + 25% of allowance + 25% of other benefits);
- ► And the Bank contribution by monthly, which is equal to 6% of the amount (Equal to Basic Salary + Wage + 25% of allowance + 25% of other benefits);

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

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

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

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.14 *Employee benefits* (continued)

Termination benefits

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

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

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 30 September 2019, there is no employee of the Bank who was dismissed under the above-mentioned grounds; therefore the Bank has not made a provision for termination allowance in the interim consolidated financial statements.

6.15 *Provisions*

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

6.16 *Profit tax*

Current tax

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

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

Deferred tax

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6.16 *Profit tax* (continued)

Deferred tax (continued)

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

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

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

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

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

6.17 *Fiduciary assets*

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

6.18 *Equity reserves*

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

- Statutory reserves which are created in accordance with prevailing regulations of Lao PDR, as stated in Note 33; and

7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

7.1 Going concern

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

7. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

7.2 Effective Interest Rate method

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

7.3 Impairment losses on loans and advances

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

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

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

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

7.4 Impairment of available-for-sale investments

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

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

7.5 Deferred tax assets

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

8. INTEREST AND SIMILAR INCOME

	For the nine-month period ended 30 September 2019 LAKm	*For the nine-month period ended 30 September 2018 LAKm*
Interest income calculated using the effective interest method from:		
Lending to customers	1.450.737	1.227.275
Deposits at other banks	53.185	36.944
Investment securities	133.971	118.093
Other interest income and similar income	5.040	23.321
	1.642.933	**1.405.633**

9. INTEREST AND SIMILAR EXPENSE

	For the nine-month period ended 30 September 2019 LAKm	*For the nine-month period ended 30 September 2018 LAKm*
Interest expense calculated using the effective interest method from:		
Due to other banks	216.264	122.245
Customer deposits	665.993	609.136
	882.257	**731.381**

10. NET FEES AND COMMISSION INCOME

	For the nine-month period ended 30 September 2019 LAKm	*For the nine-month period ended 30 September 2018 LAKm*
Fees and commission income from:		
Settlement services	132.777	115.726
Credit activities	34.120	65.947
Other activities	18.505	11.356
	185.402	**193.029**
Fees and commission expense for:		
Settlement services	(18.194)	(14.445)
Other activities	(6.522)	(3.207)
	(24.716)	**(17.652)**
Net fees and commission income	**160.686**	**175.377**

11. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	For the nine-month period ended 30 September 2019 LAKm	*For the nine-month period ended 30 September 2018 LAKm*
Gains from dealing in foreign currencies	3.854.964	3.827.591
Losses from dealing in foreign currencies	(3.829.112)	(3.786.721)
	25.852	**40.870**

12. NET LOSS FROM DEALING DERIVATIVES

	For the nine-month period ended 30 September 2019 LAKm	*For the nine-month period ended 30 September 2018 LAKm*
Gain from Derivatives	1.518	-
Loss from Derivatives	(2.722)	(1)
	(1.204)	**(1)**

13. OTHER OPERATING INCOME

	For the nine-month period ended 30 September 2019 LAKm	*For the nine-month period ended 30 September 2018 LAKm*
Dividend income from investment securities	8.186	160
Income from sale of tangible fixed assets	306	-
Recovery of the bad debts written off	56.854	4.114
Gain from selling joint venture's share	-	7.000
Others	7.755	2108
	73.101	**13.382**

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

	For the nine-month period ended 30 September 2019 LAKm	*For the nine-month period ended 30 September 2018 LAKm*
Reversal of impairment losses for held-to-maturity securities *(Note 22)*	1.202	(29.158)
Additional of impairment losses for available-for-sale securities	(19.175)	-
	(17.973)	**(29.158)**

15. PERSONNEL EXPENSES

	For the nine-month period ended 30 September 2019 LAKm	*For the nine-month period ended 30 September 2018 LAKm*
Salary and wages	108.686	98.631
Allowances and other staff benefits	55.699	118.833
Post-employment benefits (Note 31)	16.461	36.453
Other staff costs	5.921	5.301
	186.767	**259.218**

16. OTHER OPERATING EXPENSES

	For the nine-month period ended 30 September 2019 LAKm	*For the nine-month period ended 30 September 2018 LAKm*
Repair and maintenance	16.822	15.773
Publication, marketing and promotion	8.243	5.432
Office rental	7.654	5.714
Telecommunication	7.505	5.564
Training, meeting and seminar	11.221	11.334
Insurance fee for depositor protection fund	22.473	20.154
Tax and other duties	130	127
Insurance expense	6.004	3.983
Utility	7.124	6.090
Fuel expense	1.752	1.604
Stationary and office materials	10.578	12.021
Consulting and financial service fees	7.096	3.335
Provision for cash loss	12	5.555
Others	11.222	12.404
	117.836	**109.090**

17. CASH AND BALANCES WITH THE BANK OF LAO PDR

	30 September 2019 LAKm	*31 December 2018 LAKm*
Cash on hand in LAK	1.210.337	961.728
Cash on hand in foreign currencies (“FC”)	710.353	681.517
Balances with the BOL		
- Compulsory deposit	1.370.817	1.294.828
- Demand deposit	4.322.596	2.396.173
	7.614.103	**5.334.246**

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

Under regulations of the BOL, the Bank is required to maintain certain reserves with the BOL in the form of compulsory deposits, which are computed at 5,00% for LAK and 10,00% for foreign currencies, on a bi-weekly basis, (2018: 5,00% and 10,00%) of customer deposits having original maturities of less than 12 months. During the period, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

18. DUE FROM BANKS

	30 September 2019 LAKm	*31 December 2018 LAKm*
Current and saving accounts	**4.789.666**	**2.700.974**
- In LAK	9.702	3.681
- In foreign currencies	4.779.964	2.697.293
Term deposits	**1.096.090**	**1.127.695**
- In LAK	213.772	381.380
- In foreign currencies	882.318	746.315
	5.885.756	**3.828.669**

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

	For the nine-month period ended 30 September 2019 % per annum	*For the year ended 31 December 2018 % per annum*
Demand deposits	0,00% - 3,10%	0,00% - 0,80%
Saving deposits	0,00% - 0,80%	0,00% - 0,80%
Term deposits	0,85% - 4,95%	0,85% - 4,00%

19. LOANS TO CUSTOMERS

	30 September 2019 LAKm	*31 December 2018 LAKm*
Gross loans to customers	27.426.677	24.845.276
In which:		
Loans funded by borrowings from BOL (see Note 29.1)	*2.136.951*	*2.063.243*
Less: Allowance for impairment losses *(see Note 20)*	(703.247)	(478.416)
	26.723.430	**24.366.860**

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

	For the nine-month period ended 30 September 2019 % per annum	*For the year ended 31/12/2018* % per annum
Loans denominated in LAK	6,00% - 16,00%	6,00% - 16,00%
Loans denominated in USD	5,80% - 16,00%	4,00% - 16,00%
Loans denominated in THB	6,00% - 10,00%	6,00% - 11,50%

Analysis of loan portfolio by currency:

	30 September 2019 LAKm	*31 December 2018 LAKm*
Loans denominated in LAK	12.170.955	10.988.474
Loans denominated in USD	11.913.620	10.842.780
Loans denominated in THB	3.342.102	3.014.022
	27.426.677	**24.845.276**

19. LOANS TO CUSTOMERS (continued)

Analysis of loan portfolio by original maturity:

	30 September 2019 LAKm	*31 December 2018 LAKm*
Short-term loans	1.540.158	1.825.034
Medium-term loans	15.900.371	14.431.801
Long-term loans	9.986.148	8.588.441
	27.426.677	**24.845.276**

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

	30 September 2019		*31 December 2018*	
	LAKm	*%*	*LAKm*	*%*
Industrial services companies	14.441.652	52,66%	12.931.637	52,05%
Construction companies	4.033.911	14,71%	3.374.610	13,58%
Technical instruments enterprises	89.921	0,33%	85.352	0,34%
Agricultural & forestry	67.433	0,25%	74.248	0,30%
Trading companies	4.260.259	15,53%	4.336.508	17,45%
Transportation companies	715.725	2,61%	688.078	2,77%
Services companies	3.495.904	12,75%	2.875.026	11,57%
Handicrafts	3.364	0,01%	3.456	0,01%
Others	318.507	1,16%	476.361	1,92%
	27.426.677	**100%**	**24.845.276**	**100%**

20. ALLOWANCE FOR IMPAIRMENT LOSSES

Changes in the allowance for impairment losses of loans to customers during the nine-month ended 30 September 2019 as follows:

	For the nine-month period ended 30 September 2019 LAKm
Balance as at 1 January 2019	**478.416**
Net change during the period	277.296
Non-performing loans written-off	(69.491)
Foreign exchange differences	17.026
Balance as at 30 September 2019	**703.247**

Break down of allowance for impairment losses of loans to customers as at 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019		*31 December 2018*	
	Outstanding balance LAKm	*Impairment LAKm*	*Outstanding balance LAKm*	*Impairment LAKm*
Individually impaired	3.523.031	334.070	1.859.522	291.960
Collectively impaired	22.984.946	369.176	22.478.847	186.456
	26.507.977	**703.246**	**24.338.369**	**478.416**

21. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	30 September 2019 LAKm	*31 December 2018 LAKm*
Listed shares of EDL-Generation Public Company	136.536	156.516
	136.536	**156.516**

As at 30 September 2019, the shares have been impaired by an amount of LAKm 51.507 below its cost of LAKm 188.043.

22. FINANCIAL INVESTMENTS - HELD TO MATURITY

	30 September 2019 LAKm	*31 December 2018 LAKm*
Amortized cost of Treasury bills issued by the Ministry of Finance	1.581.108	1.916.549
Amortized cost of bonds issued by the Ministry of Finance	2.042.828	1.737.433
	3.623.936	**3.653.982**
Impairment losses for investments in Held-to-maturity securities (*)		
- *Impairment losses for bonds issued by the Ministry of Finance*	*(8)*	*(1.210)*
	3.623.928	**3.652.772**

(*): The net change in impairment losses of LAKm 1.202 for the nine-month ended 30 September 2019 is recorded in the interim consolidated income statement as reversal of impairment loss for held-to-maturity securities *(Note 14)*.

22.1. Treasury bills issued by the Ministry of Finance

Details of the treasury bills as at 30 September 2019 are as follows:

Term	*Issue date*	*Maturity date*	*Face value LAKm*	*Amortized cost LAKm*	*Interest rate per annum (nominal)*
1 year	16-Nov-18	16-Nov-19	300.000	313.027	5,00%
1 year	17-Dec-18	16-Dec-19	150.000	156.234	5,30%
1 year	21-Dec-18	21-Dec-19	210.000	218.096	5,00%
1 year	22-Feb-19	22-Feb-20	300.000	308.953	5,00%
1 year	7-Mar-19	7-Mar-20	73.000	75.042	5,00%
1 year	22-Mar-19	22-Mar-20	68.600	70.378	5,00%
1 year	5-Apr-19	4-Apr-20	150.000	153.815	5,30%
1 year	12-Apr-19	12-Apr-20	50.000	51.153	5,00%
1 year	26-Apr-19	26-Apr-20	20.000	20.423	5,00%
1 year	31-May-19	31-May-20	68.000	69.115	5,00%
1 year	14-Jun-19	14-Jun-20	100.000	101.450	5,00%
1 year	28-Jun-19	28-Jun-20	42.880	43.421	5,00%
			1.532.480	**1.581.108**	

22. FINANCIAL INVESTMENTS – HELD-TO-MATURITY (continued)

22.2. Bonds issued by the Ministry of Finance

	30 September 2019 LAKm	*31 December 2018 LAKm*
Capitalization bonds	-	70.600
Other bonds	2.042.828	1.666.833
	2.042.828	**1.737.433**

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

	Face value LAKm	*Amortized cost LAKm*
Within 1 year	51.000	51.516
1 to 5 years	1.187.049	1.216.780
Over 5 years	755.634	774.531
	1.993.683	**2.042.828**

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

	For the nine-month period ended 30 September 2019 % per annum	*For the year ended 31 December 2018 % per annum*
Within 1 year	3,00 - 5,30%	3,00 - 5,30%
1 to 5 years	3,00 - 6,95%	3,00 - 6,95%
Over 5 years	4,00 - 4,80%	4,00 - 4,80%

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

23. INVESTMENTS IN JOINT VENTURES

	For the nine-month period ended 30 September 2019 LAKm	*For the year ended 31 December 2018 LAKm*
Balance at the beginning of the period	**462.296**	**541.730**
Net share of profit/(loss) in the period under equity method	13.235	(7.643)
Sale of joint venture's share	-	(52.266)
Invest in Joint venture	2.040	-
Less: Dividends received during the period	-	(19.525)
Balance at the end of the period	**477.571**	**462.296**

	30 September 2019			*31 December 2018*		
	Cost in LAKm equiv.	*Carrying value in LAKm*	*% owned by the Bank*	*Cost in LAKm Equiv.*	*Carrying Value in LAKm*	*% owned by the Bank*
Investments in other financial institutions						
Lao Viet Joint Venture Bank	197.839	242.967	25%	197.839	228.359	25%
Banque Franco - Lao Limited	90.000	63.508	30%	90.000	64.053	30%
Lao China Bank Company Limited	147.000	157.038	49%	147.000	158.179	49%
Investments in local economic entities						
Lao-Viet Insurance Joint Venture Company	9.168	12.041	35%	9.168	11.705	35%
Lao National Payment Network Company Limited	2.040	2.017	20%	-	-	0%
	446.047	**477.571**		**444.007**	**462.296**	

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

23. INVESTMENTS IN JOINT VENTURES (continued)

- Lao-Viet Insurance Joint Venture Company ("LVI") is incorporated as a joint venture company in the Lao PDR providing insurance services under the Investment License No. 077/08/FIMC issued by the Foreign Investment Management Committee on 09 June 2008. It is a joint venture with BIDV Insurance Joint Stock Corporation and Lao Viet Joint Venture Bank. LVI's legal capital is USD 3.000.000 and has been fully contributed by partners on 17 July 2008. In 2013, the Bank has contributed additional capital of USD 180.000 on 02 September 2013. As at 30 September 2019, the total contributed capital of the Bank in this company was USD 1.050.000, equivalent to LAKm 9.168.

- Lao China Bank Company Limited ("LCNB") is incorporated in the Lao PDR and engages in the provision of baking services. It is a joint venture with Fudian Bank China, a state-owned commercial bank incorporated in China. The joint venture bank was granted the Banking Business Licence on 20 January 2014 by the Bank of Lao PDR. The legal capital of LCNB was LAKm 300.000 and had been fully contributed by partners as at 30 September 2019.

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

- Lao National Payment Network Company Limited (LAPNet) is incorporated in the Lao PDR under the Business License No. 0349 granted by the Department of Enterprise Registration and Management of the Ministry of Industry and Commerce of the Lao PDR on 12 March 2019 and engages in the provision of financial services. It is an association among the Bank of Lao PDR, Union Pay International, Lao Development Bank, Agriculture Promotion Bank, Joint Development Bank, and Lao-Viet Bank. The legal capital was LAKm 34.000. As 30 September 2019, the total contributed capital of the Bank in this company was LAKm 2.040.

24. PROPERTY AND EQUIPMENT

Movements of property and equipment for the period are as follows:

	Buildings & improvements LAKm	*Office equipment LAKm*	*Furniture & fixtures LAKm*	*Motor vehicles LAKm*	*Total LAKm*
Cost:					
As at 1 January 2019	476.463	151.886	41.210	19.770	689.329
Additions	23.714	32.070	3.191	2.679	61.654
Disposals	(9.560)	(31.003)	(4.999)	(3.644)	(49.206)
As at 30 September 2019	490.617	152.953	39.402	18.805	701.777
Accumulated depreciation:					
As at 1 January 2019	135.271	67.649	26.278	9.999	239.197
Charge for the period	20.154	23.767	4.398	2.972	51.290
Disposals	(5.675)	(29.410)	(4.916)	(3.643)	(43.644)
As at 30 September 2019	149.750	62.005	25.760	9.328	246.843
Net book value:					
As at 1 January 2019	341.192	84.237	14.932	9.771	450.132
As at 30 September 2019	340.867	90.948	13.642	9.478	454.934

25. INTANGIBLE ASSETS

Movements in intangible assets during the period are as follows:

	Land use rights LAKm	*Computer software LAKm*	*Total LAKm*
Cost:			
As at 1 January 2019	240.619	16.841	257.460
Transferred from CIP and fixed assets in transit	14.374	4.158	18.532
Written of	(17.381)	(2.877)	(20.259)
As at 30 September 2019	237.611	18.122	255.733
Accumulated amortization:			
As at 1 January 2019	-	10.859	10.859
Charge for the period	-	2.617	2.617
Written off	-	(2.877)	(2.877)
As at 30 September 2019	-	10.599	10.599
Net book value:			
As at 1 January 2019	240.619	5.982	246.601
As at 30 September 2019	237.611	7.523	245.134

26. OTHER ASSETS

	30 September 2019 *LAKm*	*31 December 2018* *LAKm*
Assets waiting for sale	249.255	255.438
Stationeries and other tools	2.046	8.558
Cheques in collection	16.310	6.671
Construction in progress and fixed assets in transit (*)	72.300	65.079
Prepaid expenses to be allocated	37.265	62.065
Advance payment for other operations	36.453	27.553
Advance payment for suppliers	17.492	34.589
Other receivables	15.475	6.135
	446.596	**466.088**

(*): Movement of construction in progress and fixed assets in transit for the nine-month ended 30 September 2019 is as follows:

	Land use rights *LAKm*	*Buildings & improvements* *LAKm*	*Other* *LAKm*	*Total* *LAKm*
As at 1 January 2019	541	38.630	25.908	65.079
Additions	17.684	25.816	55.212	98.713
Transferred to fixed assets	(14.374)	(18.295)	(41.831)	(74.501)
Transfer to other assets	-	(11.365)	-	(11.365)
Written off	(3.851)	(180)	(1.594)	(5.626)
As at 30 September 2019	**-**	**34.605**	**37.695**	**72.300**

27. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 September 2019 *LAKm*	*31 December 2018* *LAKm*
Demand deposits	**4.090.668**	**2.517.029**
- In LAK	1.514.916	800.136
- In foreign currencies	2.575.752	1.716.893
Saving deposits	**369.742**	**119.495**
- In LAK	212.848	21.954
- In foreign currencies	156.894	97.541
Term deposits	**339.332**	**754.543**
- In LAK	126.217	195.581
- In foreign currencies	213.115	558.962
Others	**29.094**	**22.062**
- In LAK	15.736	9.009
- In foreign currencies	13.358	13.053
	4.828.836	**3.413.129**

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

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

	For the nine-month period ended 30 September 2019 % per annum	*For the year ended 31 December 2018 % per annum*
Demand deposits	0,00% - 0,20%	No interest
Saving deposits	No interest	No interest
Term deposits	0,00% - 5,55%	0,00% - 5,52%

28. DUE TO CUSTOMERS

	30 September 2019 LAKm	*31 December 2018 LAKm*
Demand deposits	**5.503.269**	**5.447.954**
Demand deposits in LAK	2.225.387	2.141.221
Demand deposits in FC	3.277.882	3.306.733
Demand savings	**15.521.963**	**13.092.788**
Demand saving deposits in LAK	7.386.898	5.788.652
Demand saving deposits in FC	8.135.065	7.304.136
Term deposits	**13.193.924**	**11.159.134**
Term deposits in LAK	7.345.102	6.671.234
Term deposits in FC	5.848.822	4.487.900
Margin deposits	**84.837**	**103.279**
Margin deposits in LAK	19.068	33.629
Margin deposits in FC	65.769	69.650
Other payables to customers	**172.522**	**111.987**
	34.476.515	**29.915.142**

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

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

29. BORROWINGS FROM OTHER BANKS

	30 September 2019 LAKm	*31 December 2018 LAKm*
Borrowings from the BOL *(Note 29.1)*	2.136.951	2.063.243
Borrowings from foreign banks *(Note 29.2)*	1.859.807	1.286.023
	3.996.758	**3.349.266**

29. BORROWINGS FROM OTHER BANKS (continued)

29.1. Borrowings from the BOL

Borrowings from the BOL as at 30 September 2019 include:

(i) USD 3.285.713 long-term borrowing (original borrowing amount was USD 9.200.000 with interest rate of 0,25% per annum) for the purpose of investment in Banque Franco – Lao Limited. The loan's principal is paid annually from 2010 to 2023. Interest is paid semi-annually.

(ii) USD 99.854.000 long-term borrowing with interest rate of 5,50% per annum for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 2019 to 2025. Interest is paid quarterly.

(iii) USD 99.900.000 long-term borrowing with interest rate of 5,30% per annum for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 2020 to 2026. Interest is paid quarterly.

(iv) LAKm 300.000 one-year borrowing with interest of 10% per annum for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal and interest are paid at maturity date on 21 December 2019.

29.2. Borrowings from foreign banks

Borrowings from foreign banks as at 30 September 2019 include:

(i) USD 80.000.000 one-year borrowing from ICBC Vientiane Branch with interest rate of 5,50% per annum. The loan's principal and interest are paid at maturity date.

(ii) USD 126.055.000 4-years borrowing from Cathay United Bank with interest rate of 4% + 3M LIBOR for the purpose of providing credit to certain domestic projects. The loan's principal is paid annually and interest is paid quarterly.

30. TAXATION

30.1 Profit tax expense

Major components of tax expense are as follows:

	For the nine-month period ended 30 September 2019 LAKm	*For the nine-month period ended 30 September 2018 LAKm*
Current profit tax expense	68.919	111.289
Deferred profit tax income/(expense)	16.347	(6.998)
	85.266	**104.291**

30.2 Tax payables

	30 September 2019 LAKm	*31 December 2018 LAKm*
Profit Tax payable	30.338	31.422
Value Added Tax payable	216	4.529
Other payable	414	-
	30.968	**35.951**

30. TAXATION (continued)

30.3 Current Profit tax

The Bank and its subsidiary are obliged to pay profit tax accordance with the Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016.

Accordingly, the Bank is subject to the tax rate of 24% for the nine-month ended 30 September 2019 (2018: 24%). The subsidiary is subject to the tax rate of 24% for the nine-month ended 30 September 2019 (2018: 24%).

The calculations of Profit taxes ("PT") for the nine-month periods ended 30 September 2019 and 30 September 2018 are as follows:

	For the nine-month period ended 30 September 2019 LAKm	*For the nine-month period ended 30 September 2018 LAKm*
Consolidated profit before tax under IFRS	**374.553**	**370.269**
Adjustments for:		
- Difference between carrying value under LAS and amortized cost under IFRS of bonds	(8.868)	(2.685)
- Difference in allowance for impairment losses between LAS and IFRS of loans to customers	18.636	(28.798)
- Difference in retirement benefits	(75.984)	39.706
- Difference in impairment loss expense of investment between LAS and IFRS	(1.202)	36.528
- Non-taxable profit arising from consolidation adjustments	(9.351)	(1.324)
Profit before tax in accordance with LAS		
Increase/(Decrease):		
- Income exempted from PT	(8.186)	(7.133)
- Non-deductible expenses	1.399	254
Taxable profit under LAS	**290.997**	**406.816**
- *Taxable profit of the parent bank*	*287.166*	*404.010*
- *Taxable profit of the subsidiary*	*3.831*	*2.806*
PT expense of the parent bank at rate of 24% (2018: 24%)	68.920	96.962
PT expense of the subsidiary at rate of 24% (2018: 24%)	742	584
Consolidated PT expense in the period	**69.662**	**97.546**
PT payable at the beginning of the period	31.422	9.540
PT paid in the period	(70.587)	(22.514)
Other adjustment	(158)	(772)
PT payable at the end of the period	**30.339**	**83.800**

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

30. TAXATION (continued)

30.4 Deferred tax assets/(liabilities)

	Deferred tax assets (tax rate of 24%) LAKm	*Deferred tax liabilities (tax rate of 24%) LAKm*	*Net deferred tax assets/ (liabilities) LAKm*
As at 1 January 2019	29.099	(5.272)	23.827
Effect of adopting IFRS 16 as at 1 January 2019	1.526	-	-
Change during the period due to:			
Changes in temporary difference between taxable profit under LAS and taxable profit	(19.073)	3.031	(16.042)
As at 30 September 2019	**11.552**	**(2.241)**	**9.311**

	Statement of financial position		*Income statement*		*Statement of comprehensive income*	
	30 September 2019 LAKm	*31 December 2018 LAKm*	*For the 9-month period ended 30 September 2019 LAKm*	*For the 9-month period ended 30 September 2018 LAKm*	*For the 9-month period ended 30 September 2019 LAKm*	*For the 9-month period ended 30 September 2018 LAKm*
Deferred tax assets	11.675	29.099	(17.424)	(603)	-	(192)
Effect of adopting IFRS 16 as at 1 January 2019	1.539	-	-	-	-	-
Deferred tax liabilities	2.248	(5.272)	7.520	7.601	-	(3.498)
Net deferred tax credited to the consolidated income statement			**(9.904)**	**6.998**		
Net deferred tax credited to the consolidated statement of comprehensive income					**-**	**(3.690)**

30. TAXATION (continued)

30.4 Deferred tax assets/(liabilities) (continued)

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

	30 September 2019 LAKm	*31 December 2018 LAKm*
Deductible temporary differences	48.644	121.247
In which:		
Difference between carrying value of bonds under LAS and their amortized cost	*4.208*	*2.331*
Difference in impairment expense of investments under LAS and	*(706)*	*30.931*
Difference in allowance for post-employment benefits under LAS and	*45.143*	*87.985*
Deferred tax assets (at tax rate 24%)	**11.675**	**29.099**
Taxable temporary differences	9.362	(21.965)
In which:		
Difference between carrying value of loan to customers under LAS and their amortized cost	*5.659*	*(21.965)*
Difference in lease contracts under IFRS 16	*3.702*	*-*
Deferred tax liabilities (at tax rate 24%)	**2.248**	**(5.272)**

31. OTHER LIABILITIES

	30 September 2019 LAKm	*31 December 2018 LAKm*
Payables to employees	37.332	86.612
Payable to suppliers	25.581	22.101
Defined post-employment benefit plan (*)	75.984	87.985
Others	67.888	46.220
	206.785	**242.918**

(*) Defined post-employment benefit plan

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

	For the nine-month period ended 30 September 2019 LAKm	*For the year ended 31 December 2018 LAKm*
Opening balance	87.985	65.149
Past service cost	(25.874)	-
Current service cost	12.610	18.875
Interest cost	3.851	5.259
Actuarial changes arising from changes in financial assumption	-	1.411
Benefits paid	(2.588)	(2.709)
Ending balance	**75.984**	**87.985**

Net benefit expense (recognised in profit or loss):

	For the period ended 30 September 2019 LAKm	*31 December 2018 LAKm*
Current service cost	12.610	18.875
Interest cost	3.851	5.259
	16.461	**24.134**

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.

31. OTHER LIABILITIES (continued)

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

	30 September 2019 *%*	*31 December 2018* *%*
Discount rate	5,00 - 8,77	5,00 - 8,47
Future salary increases	0,91	1,03
Employee turnover rate	0,00	0,00

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

	30 September 2019 *LAKm*	*31 December 2018* *LAKm*
Discount rate		
increase 50 basis points	(5.752)	(7.301)
decrease 50 basis points	6.858	8.340
Future salary		
increase 50 basis points	(570)	(6.001)
decrease 50 basis points	570	5.517

32. CHARTER CAPITAL

There has been no change to charter capital during the period.

33. STATUTORY RESERVES AND OTHER RESERVES

	Regulatory reserve fund *LAKm*	*Business expansion fund* *LAKm*	*Total* *LAKm*
As at 1 January 2019	130.507	310.367	440.874
Appropriations to reserves from LAS profit of BCEL Bank	41.218	123.655	164.873
As at 30 September 2019	**171.725**	**434.022**	**605.747**

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.

34. ADDITIONAL CASH FLOW INFORMATION

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

	30 September 2019 LAKm	*31 December 2018 LAKm*
Cash and cash equivalents on hand	1.920.690	1.643.245
Demand deposits with the BOL	4.322.596	2.396.173
Current accounts with other banks	4.789.666	2.700.974
Term deposits due within 3 months	700.797	464.040
	11.733.749	**7.204.432**

35. CONTINGENT LIABILITIES AND COMMITMENTS

	30 September 2019 LAKm	*31 December 2018 LAKm*
Financial letter of guarantees	415.126	255.094
At sight letters of credit	164.920	39.978
Deferred payment letters of credit	72.417	162.423
Credit limit given to customer	2.754.351	3.349.575
Credit limit given to other banks	548	548
	3.407.361	**3.807.618**

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 September 2019, the Bank did not enter into any lease contracts as either lessor or lessee which results in future cash inflows and/or outflows.

36. RELATED PARTY DISCLOSURES

Transactions with key management personnel of the Bank

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

	For the nine-month period ended 30 September 2019 LAKm	*For the nine-month period ended 30 September 2018 LAKm*
Salaries	1.098	1.063
Bonus	518	499
Responsibility allowance	756	777
Other benefits	48	1.001
	2.420	**3.340**

Significant transactions with other related parties during the period 30 September 2019 are as follows:

Related party	*Note*	*Transactions*	*Income LAKm*	*Expense LAKm*
The Bank of Lao PDR	(i)	Interest expense from borrowing from BOL	-	(93.437)
The Ministry of Finance of Lao PDR	(ii)	Interest income from investment in MOF's bonds	125.104	-

Related party	*Note*	*Transactions*	*Increase LAKm*	*Decrease LAKm*
Bank of the Lao PDR	(i)	Net change in borrowings from the BOL	73.708	-
		Net change in deposits at BOL	2.002.412	-
		Net change in deposits from BOL	444	-
The Ministry of Finance of Lao PDR	(ii)	Net change in investment in MOF's bonds	-	(13.401)
Lao Viet Joint Venture Bank ("LVB")	(iii)	Net change in deposits at LVB	-	(65.314)
		Net change in deposits from LVB	987.246	-
Banque Franco – Lao Company Limited ("BFL")	(iii)	Net change in deposits at BFL	10.009	-
		Net change in deposits from BFL	18.156	-
Lao China Bank Co., Ltd ("LCNB")	(iii)	Net change in deposits at LCNB	7.717	-

36. RELATED PARTY DISCLOSURES (continued)

Significant balances with other related parties as at 30 September 2019 are as follows:

Related party	*Note*	*Transactions*	*Receivable LAKm*	*Payable LAKm*
Bank of the Lao PDR	(i)	Borrowings and accrued interest from the BOL	-	2.136.951
		BCEL's demand deposits at the BOL	4.322.595	6.790
		BCEL's compulsory deposits at the BOL	1.370.817	-
The Ministry of Finance of the Lao PDR	(ii)	Investment in MOF's bonds (at amortized cost)	3.547.299	-
		Accrued interest	91.236	-
Lao Viet Joint Venture Bank	(iii)	Current accounts	958.753	1.182.063
Banque Franco – Lao Company Limited	(iii)	Current accounts	882	25.796
		Term deposit	20.000	10.576
Lao China Bank Co.Ltd	(iii)	Current accounts	-	13.304

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

37. RISK MANAGEMENT POLICIES

Introduction

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

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

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

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

Risk management structure

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

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

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

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

38. CAPITAL MANAGEMENT

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

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

- Tier 1 capital, which includes charter capital, regulatory reserve fund, business expansion fund and other funds, and retained earnings;
- Tier 2 capital, which is equal to 45% of revaluation reserves; and lower option between 1.25% of total risk weighted balance sheet items and outstanding balance of general provision during the period.

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

An analysis of the Bank and Group's capital is presented below. As the minimum regulatory capital is mandated for the Bank legal entity, the calculations are based on financial information derived from the interim separate financial statements of the Bank from the interim consolidated financial statements of the Bank and its subsidiary:

	Interim separated financial statement		*Interim consolidated financial statements*	
	30 September 2019	*31 December 2018*	*30 September 2019*	*31 December 2018*
	LAKm	*LAKm*	*LAKm*	*LAKm*
Tier 1 capital	2.058.540	1.984.510	2.084.314	2.003.541
Tier 2 capital	-	-	-	-
Total capital	**2.058.540**	**1.984.510**	**2.084.314**	**2.003.541**
Less: Deductions from capital (Investments in other entities)	(516.047)	(514.007)	(477.571)	(462.296)
Capital for CAR calculation (A)	**1.542.493**	**1.470.503**	**1.606.743**	**1.541.245**
Risk weighted balance sheet items	13.529.072	11.939.639	13.553.023	11.984.241
Risk weighted off balance sheet items	1.579.444	1.880.710	1.579.444	1.880.710
Total risk weighted assets (B)	**15.108.516**	**13.814.394**	**15.132.467**	**13.864.951**
Capital Adequacy Ratio (A/B)	**10,21%**	**10,64%**	**10,62%**	**11,12%**

39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

40. EARNINGS PER SHARE

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

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

	30 September 2019	*30 September 2018*
Profit after tax attributable to ordinary equity holders for basic earnings (LAKm)	287.611	264.727
Weighted average number of ordinary shares for basic earnings per share (shares)	207.723.300	207.723.300
Face value per share (LAK)	5.000	5.000
Earnings per share (LAK)	1.385	1.274

41. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since 30 September 2019 that requires adjustment or disclosure in the interim consolidated financial statements of the Bank.

42. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST LAK AT PERIOD

	30 September 2019 *LAK*	*31 December 2018* *LAK*
USD	8.813,00	8.538,00
EUR	9.625,00	9.753,00
THB	291,53	265,48
GBP	10.693,00	10.702,00
JPY	80,55	75,80
AUD	5.862,00	5.966,00
CNY	1.229,00	1.229,00

Prepared by:	Approved by:	Approved by:
Mrs. Phousengthong Anoulakkham Chief of Accounting Department	Ms. Phetsamone Somsana Deputy Chief of Internal Audit Department	Mr. Viengsouk Chounthavong Deputy Managing Director

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

Vientiane, Lao PDR

15 November 2019