

Banque Pour Le Commerce Extérieur Lao Public

Separate Financial Statements (Unaudited)

31 March 2020

Banque Pour Le Commerce Exterieur Lao Public

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Banque Pour Le Commerce Exterieur Lao Public

GENERAL INFORMATION

THE BANK

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

Establishment and Operations

The Bank was established from the 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 Ministry of Finance (“MOF”), was the largest shareholder with 80% shareholding.

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

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

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

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

<i>Shareholders</i>	<i>Number of shares</i>	<i>%</i>
The Government	124,634,021	60%
Strategic partners	20,772,359	10%
Local investors (including employees of the Bank) and other foreign investors (*)	62,316,920	30%
	207,723,300	100%

(*) Each individual investor or single entity is permitted to hold maximum of 2% on total shares.

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

Charter Capital

The Bank’s charter capital as at 31 March 2020 is LAKm 1,038,617 (31 December 2019: LAKm 1,038,617).

Banque Pour Le Commerce Exterieur Lao Public

GENERAL INFORMATION (continued)

THE BANK (continued)

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 31 March 2020, the Bank has one (01) Head Office, one (1) subsidiary, five (5) joint ventures, twenty (20) main branches, ninety-three (93) services units, and fifteen (15) exchange units all over Lao PDR.

Subsidiary

As at 31 March 2020 the Bank has one (01) subsidiary as follows:

<i>Name</i>	<i>Established in accordance with Business License No.</i>	<i>Business sector</i>	<i>% owned by the Bank</i>
BCEL - Krung Thai Securities Company Limited	1079/ERO issued by the Ministry of Industry and Commerce on 10 July 2019	Securities	70%

Joint ventures

As at 31 March 2020, the Bank has five (05) joint ventures as follows:

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

BOARD OF DIRECTORS

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

<i>Name</i>	<i>Title</i>	<i>Date of appointment/resignation</i>
Mr. Bounleua Sinxayvoravong	Chairman	Reappointed on 27 April 2018
Mr. Khamsouk Sundara	Vice Chairman	Reappointed on 27 April 2018
Mr. Phoukhong Chanthachack	Member	Reappointed on 27 April 2018
Mr. Marc Robert	Member	Reappointed on 27 April 2018
Mr. Phouthakhan Khanty	Member	Appointed on 27 April 2018
Associate Professor, Dr. Phouphet Kyophilavong	Member	Appointed on 27 April 2018
Mr. Viengsouk Chounthavong	Member	Appointed on 27 April 2018

Banque Pour Le Commerce Exterieur Lao Public

GENERAL INFORMATION (continued)

MANAGEMENT

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

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

LEGAL REPRESENTATIVE

The legal representative of the Bank during the period ended 31 March 2020 and as at the date of this report is Mr. Phoukhong Chanthachack – General Managing Director.

Banque Pour Le Commerce Extérieur Lao Public

INTERIM SEPARATE INCOME STATEMENT (Unaudited)
for the three-month period ended 31 March 2020

	Notes	For the three-month period ended 31 March 2020 LAKm	For the three-month period ended 31 March 2019 LAKm
Interest and similar income	7	608.497	506.059
Interest and similar expense	7	(310.809)	(284.993)
Net interest and similar income	7	297.688	221.066
Fee and commission income	8	61.829	59.271
Fee and commission expense	8	(7.401)	(7.692)
Net fee and commission income	8	54.428	51.579
Net gain from dealing in foreign currencies	9	(1.838)	8.631
Net loss from dealing derivatives	10	-	(1.204)
Other operating income	11	11.736	9.785
Operating income		362.014	289.857
Credit loss expense of loans to customers	18	(206.941)	(24.167)
Impairment losses on financial investments	12	(26.105)	1.203
NET OPERATING INCOME		128.968	266.893
Personnel expenses	13	(108.917)	(76.706)
Depreciation and amortization	22, 23	(18.061)	(17.668)
Depreciation of right-of-use assets	24	(1.560)	-
Other operating expenses	14	(37.872)	(38.388)
TOTAL OPERATING EXPENSES		(166.410)	(132.762)
PROFIT/(LOSS) BEFORE TAX		(37.442)	134.131
Current profit tax expense	29.1	242	(24.278)
Deferred profit tax income	29.1	(16.015)	(420)
NET PROFIT/(LOSS) FOR THE PERIOD		(53.215)	109.433
Earnings per share (LAK)	36	(256)	527

Prepared by:



Mrs. Phousengthong Anoulakkham
Chief of Accounting Department

Approved by:



Ms. Phetsamone Somsana
Deputy Chief of Internal Audit Department

Approved by:



Viengsouk Chounthavong
Deputy Managing Director

Vientiane, Lao PDR

29 May 2020

Banque Pour Le Commerce Extérieur Lao Public

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
for the three-month period ended 31 March 2020

	For the three-month period ended 31 March 2020	For the three-month period ended 31 March 2019
Notes	LAKm	LAKm
NET PROFIT/(LOSS) FOR THE PERIOD	(53.215)	109.433
OTHER COMPREHENSIVE INCOME		
Change due to impairment of available-for-sale financial assets	-	-
Remeasurement loss on defined benefit plan	-	-
Profit tax related to components of other comprehensive income	-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(53.215)	109.433

Prepared by:



Mrs. Phousengthong Anoulakkham
Chief of Accounting Department

Approved by:



Ms. Phetsamone Somsana
Deputy Chief of Internal Audit
Department



Mr. Viengsouk Chounthavong
Deputy Managing Director

Vientiane, Lao PDR

29 May 2020

Banque Pour Le Commerce Exterieur Lao Public

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION (Unaudited)
for the three-month period ended 31 March 2020

	Notes	31 March 2020 LAKm	31 December 2019 LAKm
ASSETS			
Cash and balances with Bank of the Lao PDR	15	10.702.104	9.202.045
Due from banks	16	4.552.218	4.493.536
Loans to customers	17	28.390.049	27.490.492
Financial investments - Available-for-sale	19	103.545	129.623
Financial investments - Held-to-maturity	20	3.333.021	3.453.937
Investments in subsidiary and joint ventures	21	517.407	516.047
Property and equipment	22	447.884	455.721
Intangible assets	23	244.380	245.042
Right-of-use assets	24	55.514	54.814
Deferred tax assets	29.5	4.691	34.521
Other assets	25	442.910	471.430
TOTAL ASSETS		48.793.723	46.547.208
LIABILITIES			
Due to banks and other financial institutions	26	4.493.813	4.063.635
Due to customers	27	39.002.503	36.419.928
Borrowings from other banks	28	2.973.589	3.705.378
Current tax liabilities	29.2	18.367	41.309
Deferred tax liabilities	29.5	2.082	-
Other liabilities	30	264.452	224.826
TOTAL LIABILITIES		46.754.806	44.455.076
EQUITY			
Charter capital	31	1.038.617	1.038.617
Statutory reserves and other reserves	32	604.423	604.423
Retained earnings		395.877	449.092
TOTAL EQUITY		2.038.917	2.092.132
TOTAL LIABILITIES AND EQUITY		48.793.723	46.547.208

Prepared by:



Mrs. Phousengthong Anoulakkham
Chief of Accounting Department

Approved by:



Ms. Phetsamone Somsana
Deputy Chief of Internal Audit
Department



Mr. Viengsouk Chounthavong
Deputy Managing Director

Vientiane, Lao PDR
29 May 2020

Banque Pour Le Commerce Extérieur Lao Public

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY (Unaudited)
for the three-month period ended 31 March 2020

	<i>Charter capital LAKm</i>	<i>Statutory reserves LAKm</i>	<i>Retained earnings LAKm</i>	<i>Total LAKm</i>
Balance as at 31 December 2019	1.038.617	604.423	449.092	2.092.132
NET PROFIT/(LOSS) for the period	-	-	(53.215)	(53.215)
Balances as at 31 March 2020	1.038.617	604.423	395.877	2.038.917

Prepared by:



Mrs. Phousengthong Anoulakkham
Chief of Accounting Department

Approved by:



Ms. Phetsamone Somsana
Deputy Chief of Internal Audit
Department



Approved by:

Mr. Viengsouk Chounthavong
Deputy Managing Director

Vientiane, Lao PDR
29 May 2020

Banque Pour Le Commerce Extérieur Lao Public

SEPARATE STATEMENT OF CASH FLOWS (Unaudited) for the three-month period ended 31 March 2020

	Notes	For the three-month period ended 31 March 2020 LAKm	For the three-month period ended 31 March 2019 LAKm
OPERATING ACTIVITIES			
PROFIT/(LOSS) BEFORE TAX		(37.442)	134.131
<i>Adjustments for:</i>			
Depreciation and amortization charges	22, 23, 24	19.621	17.668
Expense for impairment losses	18	206.941	24.167
Expense for impairment losses for financial investment	12	26.105	1.203
Defined post-employment benefit expense	13	2.002	3.609
Interest income	7	(608.497)	(506.059)
Interest expense	7	310.809	284.993
Dividend income	11	-	(6.136)
Cash flows from operating profit/(loss) before changing in operating assets and liabilities		(80.461)	(46.424)
<i>Changes in operating assets</i>			
Net change in balances with other banks		(962.522)	(12.819)
Net change in loans to customers		(621.502)	(1.051.735)
Financial investment - Held-to-maturity		156.562	36.521
Financial investment - Available-for-sale		26.078	767
Net change in other assets		56.090	(96.654)
<i>Changes in operating liabilities</i>			
Net change in due to other banks		301.611	2.093.182
Net change in due to customers		2.582.575	1.398.967
Net change in other liabilities		39.626	(25.742)
Interest received		262.457	539.436
Interest paid		(333.724)	(255.149)
Tax paid during the period	29.3	-	(26.994)
Net cash flows from operating activities		1.426.790	2.553.356
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(13.576)	(18.183)
Proceeds from disposals of fixed assets		4.014	87
Payment for joint venture investments		(1.360)	-
Dividends received		-	6.136
Net cash flows used in investing activities		(10.922)	(11.960)

Banque Pour Le Commerce Extérieur Lao Public

SEPARATE STATEMENT OF CASH FLOWS (Unaudited) (continued)
for the three-month period ended 31 March 2020

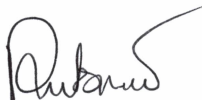
	Notes	For the three-month period ended 31 March 2020 LAKm	For the three-month period ended 31 March 2019 LAKm
FINANCING ACTIVITIES			
Payment of dividends		-	(72.000)
Net cash flows used in financing activities		-	(72.000)
Net change in cash and cash equivalents		1.415.868	2.469.396
Cash and cash equivalents at the beginning of the period		11.722.384	7.201.769
Cash and cash equivalents at the end of the period	33	13.138.252	9.671.165

Prepared by:

Approved by:



Mrs. Phousengthong Anoulakkham
Chief of Accounting Department



Ms. Phetsamone Somsana
Deputy Chief of Internal Audit
Department



Approved by:



Mr. Viengsouk Chounthavong
Deputy Managing Director

Vientiane, Lao PDR

29 May 2020

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited)
for the three-month period ended 31 March 2020

1. CORPORATE INFORMATION

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

Establishment and Operations

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

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

On 17 August 2017, Lao Securities Commission Office approved the Bank to recapitalize by both Rights offering (which resulted in 68.047.300 shares) and Public offering (which resulted in 3.098.400 shares) in Lao Securities Exchange in order to increase its charter capital. The Bank received the new 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 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.

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

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

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

(*) Each individual investor or single entity is permitted to hold maximum of 2% on total shares.

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.

Banque Pour Le Commerce Extérieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
for the three-month period ended 31 March 2020

1. CORPORATE INFORMATION (continued)

Charter Capital

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

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 31 March 2020, the Bank has one (01) Head Office, one (1) subsidiary, five (5) joint ventures, twenty (20) main branches, ninety-three (93) services units, and fifteen (15) exchange units all over Lao PDR.

Subsidiary

As at 31 March 2020, the Bank has one (01) subsidiary as follows:

<i>Name</i>	<i>Business License No.</i>	<i>Business sector</i>	<i>% owned by the Bank</i>
BCEL – Krung Thai Securities Company Limited	1079/ERO issued by the Ministry of Industry and Commerce on 10 July 2019	Securities	70%

Joint ventures

As at 31 March 2020, the Bank has five (05) joint ventures as follows:

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

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
for the three-month period ended 31 March 2020

1. CORPORATE INFORMATION (continued)

Board of Directors

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

<i>Name</i>	<i>Title</i>	<i>Date of appointment/reappointment</i>
Dr. Bounleua Sinxayvoravong	Chairman	Reappointed on 27 April 2018
Mr. Kamsouk Sundara	Vice Chairman	Reappointed on 27 April 2018
Mr. Phoukhong Chanthachack	Member	Reappointed on 27 April 2018
Mr. Marc Robert	Member	Reappointed on 27 April 2018
Mr. Phoutthakhan Khanty	Member	Appointed on 27 April 2018
Associate Professor, Dr. Phouphet Kyophilavong	Member	Appointed on 27 April 2018
Mr. Viengsouk Chounthavong	Member	Appointed on 27 April 2018

Management

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

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

Employees

Total number of employees of the Bank as at 31 March 2020 is 2,086 persons (as at 31 December 2019: 2,060 persons).

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
for the three-month period ended 31 March 2020

2. BASIS OF PREPARATION

The separate financial statements (alternatively referred to as “the special purpose separate financial statements”) are prepared solely for the use of the Bank to meet the requirements of Bank of the Lao PDR and the Laos Securities Commission Office. These separate financial statements are prepared in accordance with the accounting policies as described in Note 5. These accounting policies are primarily based on the International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standard Board. However, this is not a complete set of general purpose financial statements prepared in accordance with IFRS as the Bank follows the guidance stipulated in Official Letter No. 1659/BOL dated 14 December 2018 by 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 separate financial statements are not intended to be prepared in accordance with IFRS.

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

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

The separate financial statements were prepared in order to present the separate financial position and separate financial performance and separate cash flows of the Bank, specifically:

- ▶ The accompanying financial statements cover operations of the Bank including Head office and its branches only;
- ▶ Investments in subsidiary and joint ventures are accounted for under the cost method of accounting.

3. PURPOSE AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS

3.1 *Purpose of preparing the separate financial statements*

The Bank has prepared and issued the separate financial statements to meet the requirements of Bank of the Lao PDR and the Laos Securities Commission Office. In addition, the Bank has also prepared its consolidated financial statements of the Bank and its subsidiary 31 March 2020. Users of the accompanying separate financial statements should read them together with the said consolidated financial statements in order to obtain full information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Bank and its subsidiary.

3.2 *Presentation of separate financial statements*

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

Banque Pour Le Commerce Exterieur Lao Public

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
for the three-month period ended 31 March 2020

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

4.1 *New and amended standards and interpretations*

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual separate financial statements for the year ended 31 December 2019, 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.

4.2 *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 Bank has lease contracts for various items of plant and land. 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. Refer to Note 5.16 - Leases for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 5.15 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Bank.

► *Leases previously accounted for as operating leases*

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;

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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4. **CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES** (continued)

4.2 *IFRS 16 Leases* (continued)

- ▶ 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.

4.3 *Post-employment benefits*

From 01 January 2019, the Bank's policy on Post-employment benefits was changed to the new policy as disclosed in Note 5.17. The Bank used the prospective application for this accounting change, accordingly the Bank applied the new accounting policy for post-employment benefits occurring after the date as at which the policy is changed.

4.4 *IFRIC Interpretation 23 Uncertainty over Income Tax Treatment*

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

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

The Bank determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 *Foreign currency translation*

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into LAK at the spot rate of exchange at the reporting date (see list of exchange rates of applicable foreign currencies against LAK as at 31 March 2020 and 31 December 2019 as presented in Note 42). Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance sheet date are recognized in the separate income statement.

5.2 *Financial instruments - initial recognition and subsequent measurement*

5.2.1 *Date of recognition*

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

5.2.2 *Initial measurement of financial instruments*

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

5.2.3 *The effective interest rate method*

The effective interest rate (EIR) is the rate 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:

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

5.2.4 *‘Day 1’ profit or loss*

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

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
for the three-month period ended 31 March 2020

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5.2.5 *Available for sale financial investments*

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

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

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

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

5.2.6 *Held-to-maturity financial investments*

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

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

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

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

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

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5.2.7 *Due from banks and loans and advances to customers* (continued)

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 separate income statement.

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

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

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

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

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

5.2.9 *Reclassification of financial assets*

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

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

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
for the three-month period ended 31 March 2020

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5.2.9 *Reclassification of financial assets*

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

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

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

5.3.1 *Financial assets*

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

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

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

Pass-through arrangements are transactions when the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when certain conditions are met. At 31 March 2020, 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.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
for the three-month period ended 31 March 2020

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5.3.1 *Financial assets (continued)*

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 separate income statement.

5.3.2 *Financial liabilities*

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

5.4 *Impairment of financial assets*

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

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

5.4.1 *Financial assets carried at amortized cost*

Specific impairment losses

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

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

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 *Impairment of financial assets* (continued)

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

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

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

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

Collective impairment model

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

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

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

5.4.2 *Impairment of available for sale investments*

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

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 *Impairment of financial assets (continued)*

5.4.3 *Collateral valuation*

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

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

5.4.4 *Collateral repossessed*

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

5.5 *Offsetting financial instruments*

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

5.6 *Investment in subsidiaries*

Investments in subsidiaries over which the Bank has control are accounted for under the cost method of accounting. Distributions from accumulated net profits of the subsidiaries arising subsequent to the date of acquisition are recognized in the separate income statement. Distributions from sources other than from such profits are considered a recovery of investment and are deducted from the cost of the investment. The allowance for impairment is made for investment in subsidiary when the subsidiary is making loss (except for the loss which is identified in the business plan before establishment). Accordingly, the allowance is made for difference between actual investment in the subsidiary and the Bank's proportionate share in the subsidiary's net equity.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.7 *Investment in joint ventures*

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

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

5.8 *Recognition of income and expense*

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

5.8.1 *Interest and similar income and expense*

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

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

5.8.2 *Fees and commission income*

The Bank earns 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 5.8.2.1 and 5.8.2.2 below. When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time (unless otherwise specified in 5.8.2.1 and 5.8.2.2 below). The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

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

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

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

5.8.3 *Dividend income*

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

5.8.4 *Net trading income*

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

5.9 *Cash and cash equivalents*

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

5.10 *Property and equipment*

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

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

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

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

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.11 *Intangible assets*

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

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

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

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

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

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

5.12 *Impairment of non-financial assets*

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

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

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

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.13 *Derivative financial instruments*

Swap

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

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

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

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

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

5.14 *Financial guarantees*

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

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

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
for the three-month period ended 31 March 2020

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.15 Leasing (applicable from 1 January 2019)

5.15.1. Right-of-use assets

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

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment.

5.15.2. Lease liabilities

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

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

5.15.3. Short-term leases and leases of low-value assets

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

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.15 Leasing (applicable from 1 January 2019) (continued)

5.15.4. 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 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 premises and IT equipment due to the significance of these assets to its operations.

5.16 Leasing (applicable before 1 January 2019)

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

The Bank as a lessee

Leases, where all the risks and benefits of ownership of the leased items are not transferred substantially to the Bank are operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which they are incurred.

5.17 Employee benefits

Post-employment benefits (applicable from 1 January 2019)

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

The fund for Post-employment benefits come from:

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

The Bank records its contribution as 'Payroll and other staff costs' into the separate income statement when such payment is made.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Post-employment benefits (applicable before 1 January 2019)

Post-employment benefits are paid to retired employees of the Bank at the time of retirement from:

- (i) the retirement reserve contributed by the employees, for which the Bank withholds a certain monthly amount from employees' salary (currently 8,00%) and records into "Other liabilities" in the separate statement of financial position;
- (ii) the Bank's contribution, which is equal to employees' number of months working at the Bank multiplied by 15,00% of their latest salary. The Bank records its contribution as '*Payroll and other staff costs*' into the separate income statement when such payment is made.

Termination benefits

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

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

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

5.18 *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 separate income statement net of any reimbursement in other operating expenses.

5.19 *Profit tax*

Current tax

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

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

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
for the three-month period ended 31 March 2020

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.19 Profit tax (continued)

Deferred tax

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

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

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

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

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

5.20 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 separate financial statements, as they are not the assets of the Bank.

5.21 Equity reserves

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

- ▶ Statutory reserves which are created in accordance with prevailing regulations of Lao PDR, as stated in Note 32; and

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.22 Standards issued but not be applied

The standards and interpretations that are issued, but not yet to be applied, up to the date of issuance of the Branch's financial statements are disclosed below.

IFRS 9 Financial Instruments

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

In 2019, 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".

5.23 Standards issued but not be effective

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

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Bank will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Bank's separate financial statements.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

6.1 *Going concern*

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

6.2 *Effective Interest Rate method*

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

6.3 *Impairment losses on loans and advances*

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

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

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

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

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
for the three-month period ended 31 March 2020

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

6.4 *Impairment of available-for-sale investments*

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

This assessment, including the interpretation of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Bank evaluates, among other factors, historical share price movements, and the duration and extent to which the fair value of an investment is less than its cost.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
for the three-month period ended 31 March 2020

7. NET INTEREST AND SIMILAR INCOME

	<i>For the three-month period ended 31 March 2020 LAKm</i>	<i>For the three-month period ended 31 March 2019 LAKm</i>
Interest income calculated using the effective interest method from:		
Lending to customers	573.144	466.813
Deposits in other banks	14.357	15.380
Investment securities	18.780	22.132
Other activities	2.216	1.734
	608.497	506.059
Interest expense calculated using the effective interest method for:		
Due to banks	53.599	71.955
Customer deposits	257.210	213.038
	310.809	284.993
Net interest and similar income	297.688	221.066

8. NET FEE AND COMMISSION INCOME

	<i>For the three-month period ended 31 March 2020 LAKm</i>	<i>For the three-month period ended 31 March 2019 LAKm</i>
Fee and commission income from:		
Settlement services	47.763	44.154
Treasury activities	7.201	10.633
Other activities	6.865	4.484
	61.829	59.271
Fee and commission expense for:		
Settlement services	(6.880)	(6.449)
Treasury activities	(521)	(1.243)
	(7.401)	(7.692)
Net fee and commission income	54.428	51.579

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
for the three-month period ended 31 March 2020

9. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	<i>For the three-month period ended 31 March 2020 LAKm</i>	<i>For the three-month period ended 31 March 2019 LAKm</i>
Gain from foreign currencies trading and revaluation of monetary items	1.138.987	1.264.070
Loss from foreign currencies trading and revaluation of monetary items	(1.140.825)	(1.255.439)
	(1.838)	8.631

10. NET LOSS FROM DERIVATIVES

	<i>For the three-month period ended 31 March 2020 LAKm</i>	<i>For the three-month period ended 31 March 2019 LAKm</i>
Gain from derivatives	-	-
Loss from derivatives	-	(1.204)
	-	(1.204)

11. OTHER OPERATING INCOME

	<i>For the three-month period ended 31 March 2020 LAKm</i>	<i>For the three-month period ended 31 March 2019 LAKm</i>
Dividend income	-	6.136
Recovery of bad debts written-off	2.981	3.104
Others	8.755	545
	11.736	9.785

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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12. IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS

	<i>For the three- month period ended 31 March 2020 LAKm</i>	<i>For the three- month period ended 31 March 2019 LAKm</i>
Impairment loss for Available-for-sale investments	(26.078)	-
Reversal of impairment loss for Held-to-maturity investments (<i>Note 20</i>)	(27)	1.203
	(26.105)	1.203

13. PERSONNEL EXPENSES

	<i>For the three- month period ended 31 March 2020 LAKm</i>	<i>For the three- month period ended 31 March 2019 LAKm</i>
Salaries	37.909	34.893
Bonus and other allowances	66.993	36.105
Post-employment benefits (<i>Note 30</i>)	2.002	3.609
Other staff costs	2.013	2.099
	108.917	76.706

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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14. OTHER OPERATING EXPENSES

	<i>For the three-month period ended 31 March 2020</i> LAKm	<i>For the three-month period ended 31 March 2019</i> LAKm
Repair and maintenance	4.858	5.316
Publication, marketing and promotion	2.316	2.961
Office rental	-	2.123
Telecommunication	2.274	1.966
Training, meeting and seminar	2.288	3.657
Insurance fee for depositor protection fund	8.992	7.136
Interest expense on lease liabilities	120	-
Tax and other duties	1.914	99
Insurance expense	2.260	2.253
Utility	2.003	1.977
Fuel expense	568	524
Stationaries and office materials	4.246	3.049
Consulting and financial service fees	401	2.982
Others	5.632	4.345
	37.872	38.388

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

	<i>31 March 2020</i> LAKm	<i>31 December 2019</i> LAKm
Cash on hand in LAK	1.288.277	1.235.425
Cash on hand in foreign currencies ("FC")	752.652	814.671
Balances with the BOL:		
- Compulsory deposit (*)	1.734.548	1.399.542
- Demand deposit	6.655.951	5.752.407
- Term deposit	267.965	-
- Accrued interest	2.711	-
	10.702.104	9.202.045

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

(*) Under regulations of the BOL, the Bank is required to maintain certain reserves with the BOL in the form of compulsory deposits, which are computed at 5,00% for LAK and 10,00% for foreign currencies, on a bi-weekly basis, (2019: 5,00% and 10,00%) of customer deposits having original maturities of less than 12 months. During the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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16. DUE FROM BANKS

	31 March 2020	31 December 2019
Current and saving accounts	4.087.020	3.919.881
- In LAK	750	23
- In foreign currencies	4.086.270	3.919.858
Term deposits	465.198	573.655
- In LAK	173.645	219.775
- In foreign currencies	291.553	353.880
	4.552.218	4.493.536

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

	31 March 2020 % per annum	31 December 2019 % per annum
Demand deposits	0,00% - 3,10%	0,00% - 3,10%
Saving deposits	0,00% - 0,80%	0,00% - 0,80%
Term deposits	0,85% - 4,95%	0,85% - 4,95%

17. LOANS TO CUSTOMERS

	31 March 2020 LAKm	31 December 2019 LAKm
Gross loans	29.260.433	28.141.033
In which:		
<i>Loans funded by borrowing from the BOL (Note 28)</i>	1.832.050	1.825.039
Less: Allowance for impairment losses (Note 18)	(870.384)	(650.541)
	28.390.049	27.490.492

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

	31 March 2020 Interest rates % per annum	31 December 2019 Interest rates % per annum
Loans denominated in LAK	6,00% - 16,00%	6,00% - 16,00%
Loans denominated in USD	5,80% - 16,00%	5,80% - 16,00%
Loans denominated in THB	6,00% - 10,00%	6,00% - 10,00%

Analysis of loan portfolio by currency:

	31 March 2020 LAKm	31 December 2019 LAKm
Loans denominated in LAK	13.029.486	12.649.118
Loans denominated in USD	12.773.944	12.054.073
Loans denominated in THB	3.457.003	3.437.842
	29.260.433	28.141.033

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17. LOANS TO CUSTOMERS (continued)

Analysis of loan portfolio by original maturity:

	31 March 2020 LAKm	31 December 2019 LAKm
Short-term loans	1.951.404	1.581.901
Medium-term loans	9.737.866	16.311.131
Long-term loans	17.571.163	10.248.001
	29.260.433	28.141.033

Analysis of loan portfolio by industrial sectors of customers:

	31 March 2020		31 December 2019	
	LAKm	%	LAKm	%
Industrial services companies	15.035.143	51,38%	14.778.834	52,52%
Construction companies	4.625.488	15,81%	4.319.800	15,35%
Technical instruments enterprises	79.069	0,27%	75.996	0,27%
Agricultural & forestry	64.051	0,22%	64.855	0,23%
Trading companies	4.256.821	14,55%	4.272.155	15,18%
Transportation companies	732.532	2,50%	726.588	2,58%
Services companies	4.142.375	14,16%	3.575.691	12,71%
Handicrafts	3.001	0,01%	3.187	0,01%
Others	321.953	1,10%	323.927	1,15%
	29.260.433	100%	28.141.033	100%

18. ALLOWANCE FOR IMPAIRMENT LOSSES OF LOANS TO CUSTOMERS

Changes in allowance for impairment losses of loans to customers during the period ended 31 March 2020 are as follows:

	31 March 2020 LAKm	31 December 2019 LAKm
Balance as at 1 January 2020	650.541	478.416
Net change during the period	206.941	314.919
Non-performing loans written off	-	(164.410)
Foreign exchange differences	12.902	21.616
Balance as at 31 March 2020	870.384	650.541

Breakdown of allowance for impairment losses of loans to customers as at 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020		31 December 2019	
	Outstanding balance LAKm	Impairment LAKm	Outstanding balance LAKm	Impairment LAKm
Individually impaired	4.814.737	727.274	4.008.282	401.513
Collectively impaired	22.981.096	143.110	22.979.708	249.028
	27.795.833	870.384	26.987.990	650.541

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for the three-month period ended 31 March 2020

19. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	31 March 2020 LAKm	31 December 2019 LAKm
Listed shares of EDL-Generation Public Company (*)	103.545	129.623
	103.545	129.623

(*) As at 31 March 2020, the shares have been impaired by an amount of LAKm 77.659 below its cost of LAKm 181.204.

20. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

	31 March 2020 LAKm	31 December 2019 LAKm
Amortized cost of Treasury bills issued by the Ministry of Finance	523.628	900.929
Amortized cost of Bonds issued by the Ministry of Finance	2.809.420	2.553.008
	3.333.048	3.453.937
Impairment losses for investments in Held-to-maturity securities	(27)	-
- Impairment losses for Bonds issued by the Ministry of Finance	(27)	-
	3.333.021	3.453.937

Changes in allowance for impairment losses of held-to-maturity financial investments during the period ended 31 March 2020 are as follows:

	31 March 2020 LAKm	31 December 2019 LAKm
Balance as at 1 January	-	(1.210)
Net impairment losses in the period	(27)	1.210
Balance as at 31 March	(27)	-

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

20.1 Treasury bills issued by the Ministry of Finance

					Cur: LAKm
<i>Term</i>	<i>Issue date</i>	<i>Maturity date</i>	<i>Face value</i>	<i>Amortized cost</i>	<i>Interest rate per annum (nominal)</i>
1 year	05-Apr-19	05-Apr-20	150.000	157.839	5,30%
1 year	12-Apr-19	12-Apr-20	50.000	52.416	5,00%
1 year	26-Apr-19	26-Apr-20	20.000	20.927	5,00%
1 year	31-May-19	31-May-20	68.000	70.822	5,00%
1 year	14-Jun-19	14-Jun-20	100.000	103.955	5,00%
1 year	28-Jun-19	28-Jun-20	42.880	44.493	5,00%
1 year	13-Mar-20	13-Mar-21	73.000	73.176	5,00%
			503.880	523.628	

20.2 Bonds issued by the Ministry of Finance

	31 March 2020 LAKm	31 December 2019 LAKm
Other bonds	2.809.420	2.553.008
	2.809.420	2.553.008

20.2.1 Other bonds

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

	<i>Face value LAKm</i>	<i>Amortized cost LAKm</i>
Within 1 year	50.000	47.225
1 to 5 years	1.951.706	2.000.143
Over 5 years	755.634	762.052
	2.757.340	2.809.420

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

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

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

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21. INVESTMENTS IN SUBSIDIARY AND JOINT VENTURES

	31 March 2020		31 December 2019	
	Book value LAKm	Ownership %	Book value LAKm	Ownership %
Investment in subsidiary				
BCEL - Krung Thai Securities Company Limited	70.000	70%	70.000	70%
Investment in joint ventures				
Lao Viet Joint Venture Bank	197.839	25%	197.839	25%
Lao-Viet Insurance Joint Venture Company	9.168	35%	9.168	35%
Lao China Bank Company Limited	147.000	49%	147.000	49%
Banque Franco - Lao Limited	90.000	30%	90.000	30%
Lao National Payment Network Company Limited	3.400	20%	2.040	20%
	517.407		516.047	

- BCEL - Krung Thai Securities Company Limited is incorporated in the Lao PDR under the Business License No. 180-10 granted by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao PDR on 14 December 2010. The company's principal activities are to provide brokerage services, proprietary trading, finance and securities investment advisory services, custody services, underwriting for share issues and other value added services.
- Lao Viet Joint Venture Bank ("LVB") is incorporated in the Lao PDR with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with the Bank for Investment and Development of Vietnam, a state-owned commercial bank incorporated in the Socialist Republic of Vietnam. The joint venture was granted the banking license on 31 March 2000 by the Bank of the Lao PDR for a period of 30 years. In 2015, LVB increased its contributed capital to LAK 791.357.560.000. The Bank's ownership rate in LVB after the capital increase is 25% in accordance with Investment License No. 004-15/KH-DDT4 issued by Ministry of Planning and Investment on 24 August 2015, equivalent to LAK 197.839.390.000.
- Lao-Viet Insurance Joint Venture Company ("LVI") is incorporated as a joint venture company in the Lao PDR providing insurance services under the Investment License No. 077/08/FIMC issued by the Foreign Investment Management Committee on 09 June 2008. It is a joint venture with BIDV Insurance Joint Stock Corporation and Lao Viet Joint Venture Bank. LVI's legal capital is USD 3.000.000 and has been fully contributed by partners on 17 July 2008. In 2013, the Bank has contributed additional capital of USD 180.000 on 02 September 2013. As at 31 March 2020, the total contributed capital of the Bank in this company was USD 1.050.000, equivalent to LAKm 9.168.
- Lao China Bank Company Limited ("LCNB") is incorporated in the Lao PDR and engages in the provision of banking services. It is a joint venture with Fudian Bank China, a state-owned commercial bank incorporated in China. The joint venture bank was granted the Banking Business Licence on 20 January 2014 by Bank of the Lao PDR. The legal capital of LCNB was LAKm 300.000 and had been fully contributed by partners as at 31 March 2020.

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21. INVESTMENTS IN SUBSIDIARY AND JOINT VENTURES (continued)

- Banque Franco - Lao Limited ("BFL") is incorporated in the Lao PDR with its head office located in Vientiane and engages in the provision of banking services. It is a joint venture with Cofibred Company Frances De La Bred which is a state-owned bank incorporated in Paris, France. The joint venture was granted the temporary banking license on 01 October 2009 and a permanent license on 16 July 2010 by the Bank of the Lao PDR. The legal capital of BFL was USD 20 million which was later revised to USD 37 million in accordance with the President's decree issued on 24 September 2009 and letter No. 01/BOL dated 28 January 2010 from BOL.
- Lao National Payment Network Company Limited (LAPNet) is incorporated in the Lao PDR under the Business License No. 0349 granted by the Department of Enterprise Registration and Management of the Ministry of Industry and Commerce of the Lao PDR on 12 March 2019 and engages in the provision of financial services. It is an association among Bank of the Lao PDR, Union Pay International, Lao Development Bank, Agriculture Promotion Bank, Joint Development Bank, Lao-Viet Bank, ST Bank, BIC Bank and the Bank. The legal capital was LAKm 34.000. As 31 March 2020, the total contributed capital of the Bank in this company was LAKm 3.400.

22. PROPERTY AND EQUIPMENT

	<i>Buildings & improvements</i> LAKm	<i>Office equipment</i> LAKm	<i>Furniture & fixtures</i> LAKm	<i>Motor vehicles</i> LAKm	<i>Total</i> LAKm
Cost:					
As at 1 January 2020	493.737	162.001	37.552	18.037	711.327
Additions	1.020	12.183	332	-	13.536
Disposal and write-off	(1.832)	(6.889)	(1.822)	-	(10.543)
As at 31 March 2020	492.925	167.295	36.063	18.037	714.320
Accumulated depreciation:					
As at 1 January 2020	154.130	67.338	25.237	8.901	255.606
Charge for the period	6.768	8.259	1.429	901	17.357
Disposal and write-off	(1.664)	(3.047)	(1.816)	-	(6.528)
As at 31 March 2020	159.234	72.549	24.850	9.802	266.435
Net book value:					
As at 1 January 2020	339.607	94.663	12.315	9.136	455.721
As at 31 March 2020	333.691	94.746	11.212	8.235	447.884

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23. INTANGIBLE ASSETS

	<i>Land use rights LAKm</i>	<i>Software LAKm</i>	<i>Total LAKm</i>
Cost:			
As at 1 January 2020	237.611	14.046	251.657
Additions	-	40	40
Disposal and write-off	-	(48)	(48)
As at 31 March 2020	237.611	14.038	251.649
Accumulated amortization:			
As at 1 January 2020	-	6.615	6.615
Charge for the period	-	703	703
Disposal and write-off	-	(49)	(49)
As at 31 March 2020	-	7.269	7.269
Net book value:			
As at 1 January 2020	237.611	7.431	245.042
As at 31 March 2020	237.611	6.769	244.380

24. RIGHT-OF-USE ASSETS

	<i>Lands and buildings LAKm</i>
Cost:	
As at 1 January 2020	71.064
Additions	2.260
As at 31 March 2020	73.324
Accumulated depreciation:	
As at 1 January 2020	16.250
Charge for the period	1.560
As at 31 March 2020	17.810
Net book value:	
As at 1 January 2020	54.814
As at 31 March 2020	55.514

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25. OTHER ASSETS

	31 March 2020 LAKm	31 December 2019 LAKm
Assets available for sale	249.789	250.272
Stationeries and other tools	2.115	5.165
Checks in collection	3.918	13.734
Construction in progress and fixed assets in transit (*)	82.587	75.072
Prepaid expenses to be allocated	40.277	33.951
Advance payment for other operations	31.741	31.014
Advance payment to suppliers	25.365	58.231
Others	7.118	3.991
	442.910	471.430

(*): Movement of construction in progress and fixed assets in transit 31 March 2020 is as follows:

	Buildings & improvements LAKm	Others LAKm	Total LAKm
As at 1 January 2020	32.683	42.389	75.072
Additions	3.824	18.705	22.529
Transferred to fixed assets	(611)	(8.658)	(9.268)
Transferred to other assets	(851)	-	(851)
Written off	-	(4.894)	(4.894)
As at 31 March 2020	35.045	47.543	82.587

26. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 March 2020 LAKm	31 December 2019 LAKm
Demand deposits	3.891.302	3.522.988
- In LAK	945.489	1.127.264
- In foreign currencies	2.945.813	2.395.724
Saving deposits	230.910	302.654
- In LAK	72.075	45.567
- In foreign currencies	158.835	257.087
Term deposits	354.873	215.345
- In LAK	84.202	137.359
- In foreign currencies	270.671	77.986
Others	16.728	22.648
- In LAK	6.668	15.166
- In foreign currencies	10.060	7.482
	4.493.813	4.063.635

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

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

	<i>31 March 2020</i> <i>% per annum</i>	<i>31 December 2019</i> <i>% per annum</i>
Demand deposits	0,00% - 0,30%	0,00% - 0,30%
Saving deposits	No interest	No interest
Term deposits	0,56% - 6,65%	0,56% - 6,65%

27. DUE TO CUSTOMERS

	<i>31 March 2020</i> <i>LAKm</i>	<i>31 December 2019</i> <i>LAKm</i>
Demand deposits	6.284.270	5.851.192
Demand deposits in LAK	2.948.043	2.828.297
Demand deposits in FC	3.336.227	3.022.895
Saving deposits	17.856.313	16.422.065
Saving deposits in LAK	9.088.684	8.015.243
Saving deposits in FC	8.767.629	8.406.822
Term deposits	14.617.721	13.900.002
Term deposits in LAK	7.937.022	7.640.736
Term deposits in FC	6.680.699	6.259.266
Margin deposits	105.327	104.854
Margin deposits in LAK	35.926	33.832
Margin deposits in FC	69.401	71.022
Others	138.872	141.815
	39.002.503	36.419.928

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

	<i>31 March 2020</i> <i>% per annum</i>	<i>31 December 2019</i> <i>% per annum</i>
Demand deposits	No interest	No interest
Saving deposits in LAK	1,25% - 1,89%	1,25% - 1,89%
Saving deposits in USD	0,90% - 1,15%	0,90% - 1,15%
Saving deposits in THB	0,45% - 0,90%	0,45% - 0,90%
Term deposits in LAK	3,16% - 13,00%	3,16% - 13,00%
Term deposits in USD	1,65% - 7,75%	1,65% - 7,75%
Term deposits in THB	1,40% - 7,75%	1,40% - 7,75%

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28. BORROWINGS FROM OTHER BANKS

	31 March 2020 LAKm	31 December 2019 LAKm
Borrowings from the BOL	1.832.050	1.825.039
Borrowings from other banks	1.141.539	1.880.339
	2.973.589	3.705.378

Borrowings from the BOL as at 31 March 2020 include:

- ▶ USD 2.628.570 long-term borrowing (original borrowing amount was USD 9.200.000 with interest rate of 0,25% per annum) for the purpose of investment in Banque Franco – Lao Limited. The loan's principal is paid annually from 2010 to 2023. Interest is paid semi-annually.
- ▶ USD 99.854.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,50% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 1 January 2016 to 27 August 2025. Interest is paid quarterly.
- ▶ USD 99.900.000 long-term borrowing (original borrowing amount was USD 100.000.000 with interest rate of 5,30% per annum) for the purpose of providing credit to certain Government-backed Hydropower projects. The loan's principal is paid annually from 3 May 2016 to 3 May 2026. Interest is paid quarterly.

Borrowing from foreign banks and other financial institutions as at 31 March 2020 includes a USD 126.055.000 (original borrowing amount was USD 148.300.000 4-years borrowing with interest rate of 4% + 3M LIBOR) for the purpose of providing credit to certain domestic projects. The loan's principal is paid annually and interest is paid quarterly.

29. TAXATION

29.1 Profit tax expense

Major components of tax expense are as follows:

	For the three-month period ended 31 March 2020 LAKm	For the three-month period ended 31 March 2019 LAKm
Current profit tax expense	(242)	24.278
Deferred profit tax income	16.015	420
Total tax expense for the period	15.773	24.698

29.2 Current tax liabilities

	For the three-month period ended 31 March 2020 LAKm	For the three-month period ended 31 March 2019 LAKm
Profit tax payable (Note 29.3)	-	28.548
Withholding tax payable	13.907	-
Value Added Tax payable	3.884	5.023
Other tax payable	576	-
	18.367	33.571

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Unaudited) (continued)
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29. TAXATION (continued)

29.3 Current Profit Tax ("PT")

The Bank is obliged to pay tax at rate of 20% on total PROFIT/LOSS BEFORE TAX in accordance with the Tax Law No.67/NA dated 18 June 2019 which is effective on or after 01 January 2020.

The calculations of Profit tax for the three-month period ended 31 March 2020 and 31 March 2019 are as follows:

	<i>For the three- month period ended 31 March 2020 LAKm</i>	<i>For the three- month period ended 31 March 2019 LAKm</i>
PROFIT/(LOSS) BEFORE TAX in accordance with IFRS	(37.442)	134.131
<i>Adjustments for:</i>		
- Difference between carrying value under LAS and amortized cost under IFRS of bonds	44.863	15.235
- Difference in allowance for impairment losses between LAS and IFRS of loans to banks and customers	(103.094)	(46.991)
- Difference in allowance for post-employment benefits between LAS and IFRS	(16.661)	3.609
- Difference in impairment expense of investments between LAS and IFRS	24.866	1.217
PROFIT/(LOSS) BEFORE TAX in accordance with LAS	(87.468)	107.200
<i>Increase/(Decrease):</i>		
- Income exempted from PT (dividend income)	-	(6.136)
- Non-deductible expenses	618	93
Taxable profit under LAS	(86.850)	101.157
PT expense at rate of 20% (2019: 24%)	-	24.278
Total tax expense in the Period	-	24.278
Payable at the beginning of the Period	28.553	31.264
Paid in the Period	-	(26.994)
PT payable at the end of the Period	-	28.548

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

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29. TAXATION (continued)

29.4 Contingent liabilities

On 6 November 2019, the Ministry of Finance issued Notification No. 4475/MOF requesting commercial banks to recalculate profit tax for the years from 2016 to 2019 in which provision for credit losses should be considered as non-deductible expenses. The Bank has submitted Official Letter No. 003/BCEL dated 06 December 2019 to the Ministry of Finance and Official Letter No. 037/BCEL dated 23 January 2020 to Bank of the Lao PDR to seek for further clarification and detailed guidance on the implementation of such Notification. Until the date of the separate financial statements, the Bank has not yet received the responses from the Ministry of Finance and Bank of the Lao PDR and the impact of this issue (if any) has not been yet defined. Therefore, the Bank has not booked any adjustments on the separate financial statements during this period.

29.5 Deferred tax assets/(liabilities)

	<i>Statement of financial position</i>		<i>Income statement</i>		<i>Statement of comprehensive income</i>	
	<i>31/03/2020</i>	<i>31/12/2019</i>	<i>31/03/2020</i>	<i>31/03/2019</i>	<i>31/03/2020</i>	<i>31/03/2019</i>
	<i>LAKm</i>	<i>LAKm</i>	<i>LAKm</i>	<i>LAKm</i>	<i>LAKm</i>	<i>LAKm</i>
Deferred tax assets	4.691	33.282	(28.591)	(25.441)	-	-
Effect of adopting IFRS 16 as at 1 January 2019	-	1.239	-	-	-	-
Deferred tax liabilities	2.082	-	2.082	298	-	-
Net deferred tax credited/(charged) to the separate income statement			(26.509)	(25.143)		
Net deferred tax credited to the separate statement of comprehensive income					-	-

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29. TAXATION (continued)

29.5 Deferred tax assets/(liabilities) (continued)

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

	31 March 2020 LAKm	31 December 2019 LAKm
Deductible temporary differences	23.457	143.839
<i>In which:</i>		
<i>Effect of adopting IFRS 16 as at 1 January 2019</i>	-	5.162
<i>Difference between carrying value of bonds under LAS and their amortized cost under special purpose framework</i>	(27.266)	5.019
<i>Difference between carrying value of loans to customer under LAS and their amortized cost under special purpose framework</i>	35.184	58.512
<i>Difference in allowance for impairment losses of loans to customers under LAS and under special purpose framework</i>	44.582	34.700
<i>Difference in allowance for post-employment benefits under LAS and under special purpose framework</i>	(29.043)	40.446
Deferred tax assets (at tax rate 20% (2019: 24%))	4.691	34.521
Taxable temporary differences	10.410	-
<i>In which:</i>		
<i>Difference in allowance for impairment losses of loans to customers under LAS and under special purpose framework</i>	9.881	-
<i>Difference between interest under LAS and amortized cost under IFRS of bonds</i>	530	-
Deferred tax liabilities (at tax rate 20% (2019: 24%))	2.082	-

30. OTHER LIABILITIES

	31 March 2020 LAKm	31 December 2019 LAKm
Payables to employees	54.631	52.477
Payable to suppliers	34.793	27.832
Defined post-employment benefit plan	95.880	79.219
Lease liabilities	14.179	14.249
Others	64.969	51.049
	264.452	224.826

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30. OTHER LIABILITIES (continued)

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

	31 March 2020 LAKm	31 December 2019 LAKm
As at 1 January	79.219	87.985
Past service cost	14.659	(25.874)
Current service cost	1.012	3.643
Interest cost	990	3.682
Actuarial changes arising from changes in financial assumption	-	15.897
Benefits paid	-	(6.114)
As at 31 March	95.880	79.219

Net benefit expense (recognised in profit or loss):

	31 March 2020 LAKm	31 December 2019 LAKm
Current service cost	1.012	3.643
Interest cost	990	3.682
	2.002	7.325

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

	31 March 2020 %	31 December 2019 %
Discount rate	5,00 - 8,77	4,68 - 6,11
Future salary increases	0,91	0,76
Employee turnover rate	0,00	0,00

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

	31 March 2020 LAKm	31 December 2019 LAKm
Discount rate		
increase 50 basis points	(941)	(6.175)
decrease 50 basis points	1.040	5.596
Future salary increase		
increase 50 basis points	(2.102)	(6.448)
decrease 50 basis points	1.982	5.874

31. CHARTER CAPITAL

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

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32. STATUTORY RESERVES AND OTHER RESERVES

There has been no change to statutory reserves during the period.

33. ADDITIONAL CASH FLOW INFORMATION

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

	<i>31 March 2020</i>	<i>31 December 2019</i>
	<i>LAKm</i>	<i>LAKm</i>
Cash and cash equivalents on hand	2.040.929	2.050.096
Demand deposits with the BOL	6.655.951	5.752.407
Current accounts with other banks	4.087.020	3.919.881
Term deposits due within 90 days	354.352	-
	13.138.252	11.722.384

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34. CONTINGENT LIABILITIES AND COMMITMENTS

	31 March 2020 LAKm	31 December 2019 LAKm
Financial letter of guarantees	440.627	400.347
At sight letters of credit	274.600	350.346
Deferred payment letters of credit	79.059	95.254
Credit limit given to customers	2.450.098	2.434.380
Credit limit given to other banks	548	548
	3.244.932	3.280.875

Financial guarantees

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

Un-drawn commitments to lend

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Lease commitments

As at 31 March 2020, the Bank did not enter into any lease contracts as either lessor or lessee which results in future cash inflows and/or outflows.

35. RELATED PARTY DISCLOSURES

Transactions with key management personnel of the Bank

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

	31 March 2020 LAKm	31 March 2019 LAKm
Salaries	334	429
Bonus	-	234
Responsibility allowance	234	266
Other benefits	-	48
	568	977

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35. RELATED PARTY DISCLOSURES (continued)

Significant transactions with other related parties during the the three-month period ended 31 March 2020 are as follows:

<i>Related party</i>	<i>Note</i>	<i>Transactions</i>	<i>Income LAKm</i>	<i>Expense LAKm</i>
Bank of the Lao PDR ("BOL")	(i)	Interest expense for borrowing from BOL	-	(24.250)
The Ministry of Finance of Lao PDR ("MOF")	(ii)	Interest income from investment in MOF's bonds	43.395	-
<i>Related party</i>	<i>Note</i>	<i>Transactions</i>	<i>Increase LAKm</i>	<i>Decrease LAKm</i>
Bank of the Lao PDR	(i)	Net change in borrowings from the BOL	7.011	-
		Net change in deposits at BOL	1.238.550	-
		Net change in deposits from BOL	(3.194)	-
The Ministry of Finance of the Lao PDR	(ii)	Net change in investment in MOF's bonds	-	(117.589)
BCEL - Krung Thai Securities Company Limited ("BCEL – KT")	(iii)	Net change in deposits at BCEL - KT	-	(740)
Lao Viet Joint Venture Bank ("LVB")	(iv)	Net change in deposits at LVB	-	(236.870)
		Net change in deposits from LVB	45.203	-
Banque Franco – Lao Company Limited ("BFL")	(iv)	Net change in deposits at BFL	19.974	-
		Net change in deposits from BFL	(2.145)	-
Lao China Bank Co., Ltd ("LCNB")	(iv)	Net change in deposits at LCNB	5.700	-
<i>(i) Direct controller</i> <i>(ii) Direct owner</i> <i>(iii) Subsidiary</i> <i>(iv) Joint venture</i>				

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35. RELATED PARTY DISCLOSURES (continued)

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

<i>Related party</i>	<i>Note</i>	<i>Transactions</i>	<i>Receivable LAKm</i>	<i>Payable LAKm</i>
The Bank of the Lao PDR	(i)	Borrowings and accrued interest from the BOL	-	1.832.050
		BCEL's demand deposits at BOL	6.655.951	3.616
		BCEL's compulsory deposits at BOL	1.734.548	-
The Ministry of Finance of the Lao PDR	(ii)	Investment in MOF's bonds	3.261.220	-
		Accrued interest	101.462	-
BCEL - Krung Thai Securities Company Limited	(iii)	Saving accounts	-	1.120
Lao Viet Joint Venture Bank	(iv)	Current accounts	958.753	1.118.025
Banque Franco – Lao Company Limited	(iv)	Current deposit	882	8.640
		Term deposit	20.000	10.576
Lao China Bank Co.Ltd	(iv)	Current accounts	-	25.079

(i) *Direct controller*

(ii) *Direct owner*

(iii) *Subsidiary*

(iv) *Joint venture*

36. EARNINGS PER SHARE

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

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

	<i>For the three-month period ended 31 March 2020</i>	<i>For the three-month period ended 31 March 2019</i>
Profit/(Loss) after tax attributable to ordinary equity holders for basic earnings (LAKm)	(53.215)	109.433
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)	(256)	527

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37. RISK MANAGEMENT POLICIES

Introduction

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

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

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

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

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

Risk management structure

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

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

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

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38. CAPITAL MANAGEMENT

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

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

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

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

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

	31 March 2020 LAKm	31 December 2019 LAKm
Tier 1 capital	2.038.917	2.092.132
Tier 2 capital	-	-
Total capital	2.038.917	2.092.132
Less: Deductions from capital (Investments in other entities)	(517.407)	(516.047)
Capital for CAR calculation (A)	1.521.510	1.576.085
Risk weighted balance sheet items	14.995.703	13.352.734
Risk weighted off balance sheet items	1.629.784	1.595.547
Total risk weighted assets (B)	16.625.487	14.948.281
Capital Adequacy Ratio (A/B)	9,15%	10,54%

39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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40. EVENTS AFTER THE REPORTING DATE

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

On 24 March 2020, Laos confirmed the first two cases of Covid-19. Since then, Laos Government has been implementing a number of measures to prevent and counter the spread of the disease into Laos. In early April 2020, more aggressive measures were taken to combat possible outbreaks including a nationwide social distancing of 15 days.

Although being one of the best-organised pandemic control countries, Laos is still hit hard by the outbreak due to the slowdown of almost all national industries.

Up to the date of the financial statements, the Bank is conducting assessment of the impact of Covid-19 on its operation as well as on the operations, cash flows and financial condition of its customers in order to implement restructuring loan repayments, waiving, reducing interest rates and fee for its customers. Significant increase in credit risk and other relevant information will be reflected in preparation of interim financial statements for six-month period ending 30 June 2020.

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

	31/03/2020 LAK	31/12/2019 LAK
USD	8.932,00	8.868,00
EUR	9.838,00	9.915,00
THB	294,30	298,59
GBP	10.914,00	11.474,00
JPY	81,32	79,95
AUD	5.492,00	6.104,00
CNY	1.251,00	1.263,00

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29 May 2020