

**BANQUE POUR LE COMMERCE EXTERIEUR
LAO PUBLIC**

INTERIM FINANCIAL INFORMATION (UNAUDITED)

**FOR THE THREE-MONTH PERIOD OF QUARTER I ENDED
31 March 2023**

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Banque pour le commerce extérieur lao public

Statement of income (Unaudited)

For the Three-month period of quarter I ended 31 March 2023

	Notes	For the three-month period of quarter I ended 31 March 2023 LAKm	For the three-month period of quarter I ended 31 March 2022 LAKm
Interest incomes		791.583	515.753
Interest expenses		(513.894)	(416.135)
Net interest incomes	5	277.689	99.618
Fee and commission incomes		147.310	102.362
Fee and commission expenses		(51.303)	(18.532)
Net fee and commission incomes	6	96.007	83.830
Net gain/(loss) from dealing in foreign currencies		52.624	(15.542)
Other operating income		81.532	23.434
Total operating income		507.852	191.340
Credit loss expense of loans to customers		(214.125)	(211.443)
impairment losses of financial asset		(384)	-
NET OPERATING INCOME		293.343	(20.103)
Personnel expenses		(80.429)	(74.000)
Depreciation and amortization		(23.859)	(23.681)
Depreciation of right-of-use assets		(2.200)	(1.955)
Other operating expenses	7	(51.227)	(44.034)
Total operating expenses		(157.715)	(143.670)
Share of profit and loss of associates and joint ventures		7.061	4.568
PROFIT BEFORE TAX		142.689	(159.205)
Income tax		(16.495)	-
NET PROFIT FOR THE PERIOD		126.194	(159.205)
Earnings per share (LAK)	8	608	(766)

Prepared by:



Mrs. Phousengthong Anoulakham
Chief of Accounting Department

Approved by:



Mr. Khammone Vansana
Deputy Chief of Internal
Audit Department

Approved by:



Mr. Saychit Simmavong
Deputy Managing Director

Vientiane, Lao PDR
Date: 10 May 2023

The accompanying notes on pages 7 to 20 form an integral part of these interim financial information

Banque Pour Le Commerce Exterieur Lao Public

Statement of comprehensive income (Unaudited)

For the three-month period of quarter I ended 31 March 2023

	For the three-month period of quarter I ended 31 March 2023 LAKm	For the three-month period of quarter I ended 31 March 2022 LAKm
NET PROFIT FOR THE PERIOD	126.194	(159.205)
OTHER COMPREHENSIVE INCOME		
Remeasurement loss on defined benefit plan	(455)	(3.391)
PL-Profit tax related to components of other comprehensive income	91	-
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD, NET OF TAX	(364)	(3.391)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	125.830	(162.596)

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Banque Pour Le Commerce Extérieur Lao Public

Statement of financial position (Unaudited)
For the three-month period of quarter I ended 31 March 2023

	Notes	31 March 2023 LAKm	31 December 2022 LAKm
ASSETS			
Cash and balances with Bank of the Lao PDR		32.749.791	27.786.294
Due from banks	9	11.920.104	11.855.719
Loans to customers	10	46.722.938	47.235.372
Financial investments - Available-for-sale	11	89.739	90.123
Financial investments - Held-to-maturity	12	4.594.633	4.967.151
Investments in associates and joint ventures	13	696.369	691.081
Property and equipment	14	531.042	540.325
Intangible assets	15	281.146	283.285
Right-of-use assets		57.934	52.028
Deferred tax assets		121.548	116.520
Other assets		1.697.533	875.117
TOTAL ASSETS		99.462.777	94.493.015
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	16	6.784.338	6.639.183
Due to customers	17	85.667.455	80.994.071
Borrowings from other banks	18	4.068.824	4.105.783
Current tax liabilities		37.619	21.907
Lease liabilities		25.076	26.553
Other liabilities		395.675	347.558
TOTAL LIABILITIES		96.978.987	92.135.055
EQUITY			
Share capital	19	1.038.617	1.038.617
Statutory reserves	20	836.635	836.635
Other comprehensive items		8.676	9.040
Retained earnings		599.862	473.668
TOTAL EQUITY		2.483.790	2.357.960
TOTAL LIABILITIES AND EQUITY		99.462.777	94.493.015

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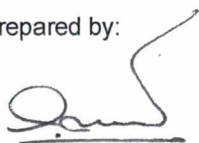
Banque Pour Le Commerce Extérieur Lao Public

Statement of changes in equity (Unaudited)

For the three-month period of quarter I ended 31 March 2023

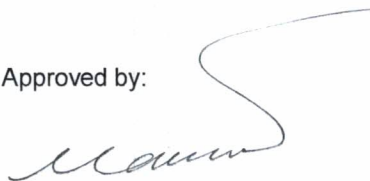
	Share capital LAKm	Statutory reserves LAKm	Remeasurement of post-employment benefit reserve LAKm	Remeasurement of financial investment- Available-for-sale LAKm	Retained earnings LAKm	Total LAKm
Balances as at 31 December 2022	1.038.617	836.635	9.040	-	473.668	2.357.960
Net profit for the period	-	-	-	-	126.194	126.194
Remeasurement of post-employment benefit reserve	-	-	(455)	-	-	(455)
Profit tax related to components of other comprehensive income	-	-	91	-	-	91
Balances as at 31 March 2023	1.038.617	836.635	8.676	-	599.862	2.483.790

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Banque Pour Le Commerce Exterieur Lao Public

Statement of cash flows (Unaudited)
For the three-month period of quarter I ended 31 March 2023

		For the three-month period of quarter I ended 31 March 2023 LAKm	For the three-month period of quarter I ended 31 March 2022 LAKm
	Notes		
OPERATING ACTIVITIES			
Profit before tax		142.689	(159.205)
Adjustments for:			
Depreciation and amortization charges	14,15	23.860	23.681
Depreciation of right-of-use assets		2.200	1.955
Expense for impairment losses	10	214.125	211.443
Impairment loss on financial investments – Available-for sale		-	(1.535)
Share of profit and loss of associates and joint ventures	13	(7.061)	(4.568)
Defined post-employment benefit expense		17.368	-
Changes in provision for impairment loss on investment securities		384	-
Unrealise loss on exchange rate		(80.962)	137.746
Loss on disposal/write off		169	-
Interest incomes		(791.583)	(515.753)
Interest expenses		513.894	416.135
Cash flows from operating profit before changing in operating assets and liabilities		35.083	109.901
<i>Changes in operating assets</i>			
Net change in balances with other banks		(3.743.410)	(2.292.298)
Net change in loans to customers		93.484	(262.929)
Net change in investment -Available-for-sale		-	(1.534)
Net change in financial investment - Held-to-maturity		-	(1.212)
Net change in other assets		(796.366)	122.123
<i>Changes in operating liabilities</i>			
Net change in due to other banks		173.205	787.682
Net change in due to customers		4.664.630	5.050.245
Net change in Borrowing from other banks		-	(88.310)
Net change in Lease liabilities		-	(27.417)
Net change in other liabilities		40.930	261.756
Interest received		1.018.689	(963.853)
Interest paid		(497.117)	(139.792)
Tax paid during the period		(5.720)	-
Net cash flows generated from operating activities		983.408	2.554.363
INVESTING ACTIVITIES			
Purchase and construction of fixed assets		(9.957)	(21.696)
Purchase of intangible asset		(759)	(239)
Proceeds from disposals of fixed assets		6.175	296
Purchase of right-of-use assets		(12.192)	6.460
Payment for associates and joint venture investments	13	-	(2.040)
Dividends received from associates and joint venture investment		1.773	-
Payment from investment in financial investments – hold to maturity	12	-	(27.821)
Proceed from investment in securities		415.980	-
Net cash flows used in investing activities		401.020	(45.039)

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Banque Pour Le Commerce Exterieur Lao Public

Statement of cash flows (Unaudited)

For the three-month period of quarter I ended 31 March 2023

	Notes	For the three-month period of quarter I ended 31 March 2023 LAKm	For the Three-month period of quarter I ended 31 March 2022 LAKm
FINANCING ACTIVITIES			
Payment on lease liabilities		(14.222)	21.164
Net cash flows used in financing activities		(14.222)	21.164
Net increase in cash and cash equivalents		1.370.205	2.530.488
Cash and cash equivalents at the beginning of the period		35.715.071	25.867.759
Cash and cash equivalents at the end of the period	21	37.085.276	28.398.247

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Banque Pour Le Commerce Extérieur Lao Public

Condensed notes to the interim financial information (Unaudited) For the three-month period of quarter I ended 31 March 2023

1. REPORTING ENTITY

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

The Bank is incorporated and domiciled in Lao PDR, the address of the Bank's registered office is as follows:

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengneun, Chanthabouly District, Vientiane Capital, Lao PDR, as at 31 March 2023. the Bank has one (01) Head Office, six (6) associates and joint ventures, twenty (20) main branches, ninety-seven (97) services units, and eleven (11) exchange units all over Lao PDR.

The principal business operations of the Bank are to provide banking services including:

- Mobilizing and receiving deposits from organizations and individuals
- Making loans to organizations and individual
- Foreign exchange transactions
- International trade financial services
- Discounting of commercial papers
- Bonds and other valuable papers

The shareholding structure of the Bank as at 31 March 2023 is as follows:

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

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

The interim financial information was authorized for issue by BCEL Directors on 10 May 2023.

2. SIGNIFICANT EVENTS DURING THE CURRENT PERIOD

The Bank of Lao PDR has announced several COVID-19 pandemic temporary relief measures such as they have waived compliance with Regulation 512/BOL for commercial banks and financial institutions, dated 29 June 2018. This means that after loans are restructured, they can be classified in the same group as they were before restructuring. The waiver also allows commercial banks to restructure loans classified as 'non-performing loans' more than twice and lend credit to customers affected by COVID-19.

Condensed notes to the interim financial information (Unaudited)
For the three-month period of quarter I ended 31 March 2023

2. SIGNIFICANT EVENTS DURING THE CURRENT PERIOD (CONTINUED)

In response, the Bank has continually applied with the Bank of Lao PDR's announcement such as loan restructuring and closely monitored the effect of COVID-19 to customers which might have an impact to its loan portfolio.

3. BASIS OF ACCOUNTING

The interim financial information was prepared in accordance with the Bank's accounting policies as described in more detail in the annual financial statements for the year ended 31 December 2022. The primary financial statements (i.e. statements of financial position, income, comprehensive income, cash flows and changes in equity) are presented in a format consistent with the annual financial statements and comply with the reporting and disclosure regulations issued by the Lao Securities Commission Office (LSCO).

The interim financial information should be read in conjunction with the annual financial statements for the year ended 2022 and financial statements of three-month 2022.

The preparation of financial information requires management to make estimates and assumptions that affect the reported assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial information and the revenues and expenses in the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

4. ACCOUNTING POLICY

The accounting policies used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2022.

5. NET INTEREST INCOMES

	For the three-month period of quarter I ended 31 March 2023	For the three-month period of quarter I ended 31 March 2022
	LAKm	LAKm
Interest incomes:		
Lending to customers	651.748	402.346
Deposits at other banks	68.736	33.259
Investment - Hold-to-maturity	71.099	73.433
Other interest income and similar income	-	6.715
	791.583	515.753
Interest expenses:		
Due to other banks	(57.353)	(54.507)
Customer deposits	(456.541)	(361.628)
	(513.894)	(416.135)
Net interest incomes	277.689	99.618

Condensed notes to the interim financial information (Unaudited)
For the three-month period of quarter I ended 31 March 2023

6. NET FEES AND COMMISSION INCOMES

	For the three-month period of quarter I ended 31 March 2023 LAKm	For the Three-month period of quarter I ended 31 March 2022 LAKm
Fees and commission incomes from:		
Settlement services	125.388	84.360
Credit activities	879	1.392
Other activities	21.043	16.610
	147.310	102.362
Fees and commission expenses for:		
Settlement services	(24.361)	(10.366)
Other activities	(26.942)	(8.166)
	(51.303)	(18.532)
Net fees and commission incomes	96.007	83.831

7. OTHER OPERATING EXPENSES

	For the three-month period of quarter I ended 31 March 2023 LAKm	For the three-month period of quarter I ended 31 March 2022 LAKm
Deposit Insurance paid to Depositor Protection Fund	19.991	14.356
Repair and maintenance	6.218	5.685
Stationery and office materials	4.992	4.079
Insurance expense	2.316	2.028
Telecommunication	2.648	2.238
Utilities	2.108	1.822
Others	12.954	13.826
	51.227	44.034

Condensed notes to the interim financial information (Unaudited)
For the three-month period of quarter I ended 31 March 2023

8. EARNINGS PER SHARE

The calculations of basic earnings per share as at 31 March 2023 and 2022 were based on the profit for the period attributable to ordinary shareholders of the Bank and the weighted average number of ordinary shares outstanding during the period as follows:

	For the three-month period of quarter I ended 31 March 2023	For the three-month period of quarter I ended 31 March 2022
Profit attributable to ordinary shareholders of the Bank (LAKm)	126.194	(159.205)
Weighted average number of ordinary shares for basic earnings per share (shares)	207.723.300	207.723.300
Earnings per share (LAK)	608	(766)

Net operating profit for the three-month period of quarter I ended 31 March 2023 is LAK 119.133 million which loss per share is 574 LAK per share and operating loss For the three-month period of quarter I ended 31 March 2022 was LAK (163.773) million which loss per share was (788) LAK per share.

9. DUE FROM BANKS

	Unaudited 31 March 2023 LAKm	Audited 31 December 2022 LAKm
Current and saving accounts	7.087.329	7.033.415
- In LAK	10.749	255.257
- In foreign currencies	7.076.580	6.778.158
Term deposits	4.790.050	4.722.038
- In LAK	2.685.000	3.105.000
- In foreign currencies	2.105.050	1.617.038
Accrued interest receivable	42.725	100.266
	11.920.104	11.855.719

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

	31 March 2023 % Per annum	31 December 2022 % Per annum
Demand deposits	0,07 - 1,20	0,15 - 1,20
Saving deposits	0,07 - 2,16	2,16
Term deposits	3,50 - 7,50	2,00 - 7,50

Condensed notes to the interim financial information (Unaudited)
For the three-month period of quarter I ended 31 March 2023

10. LOANS TO CUSTOMERS

	Unaudited 31 March 2023 LAKm	Audited 31 December 2022 LAKm
Gross loans	42.444.287	42.808.801
Less: Allowance for impairment losses	(1.771.562)	(1.809.562)
Accrued interest receivable	6.050.213	6.236.133
	46.722.937	47.235.372

Changes in the allowance for impairment losses of loans to customers during the three-month ended 31 March 2023 as follows:

	LAKm
Balance as at 1 January 2023 - audited	1.809.562
Net change during the period	214.777
Non-performing loans written-off	(244.049)
Foreign exchange differences	(8.728)
Balance as at 31 March 2023 - unaudited	1.771.562

Break down of allowance for impairment losses of loans to customers as at 31 March 2023 are as follows:

	31 March 2023		31 December 2022	
	Outstanding balance LAKm	Impairment LAKm	Outstanding balance LAKm	Impairment LAKm
Individually impaired	5.611.890	1.470.992	5.764.485	1.586.358
Collectively impaired	36.832.397	300.571	37.044.316	223.205
	42.444.287	1.771.562	42.808.801	1.809.562

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

	31 March 2023 % Per annum	31 December 2022 % Per annum
Loans denominated in LAK	3,00 - 16,00	5,00 - 16,00
Loans denominated in USD	4,99 - 16,00	4,99 - 16,00
Loans denominated in THB	6,00 - 11,50	6,00 - 11,50

Condensed notes to the interim financial information (Unaudited)
For the three-month period of quarter I ended 31 March 2023

10. LOANS TO CUSTOMERS (CONTINUED)

Analysis of loan portfolio by currency:

	Unaudited 31 March 2023 LAKm	Audited 31 December 2022 LAKm
Loans denominated in LAK	12.960.065	12.763.474
Loans denominated in USD	24.181.143	24.790.269
Loans denominated in THB	5.303.079	5.255.058
	42.444.287	42.808.801

Analysis of loan portfolio by original maturity:

	Unaudited 31 March 2023 LAKm	Audited 31 December 2022 LAKm
Short-term loans	4.540.712	4.560.760
Medium-term loans	24.791.137	24.929.587
Long-term loans	13.112.438	13.318.454
	42.444.287	42.808.801

11. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

The Bank has investment in share of EDL-Generation Public Company which is a listed company on LSX and the fair value at 31 March 2023 is LAK 89.739 million.

12. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

Significant movement of financial investment – held to maturity is as below:

	LAKm
Balance as at 1 January 2023 - audited	4.967.151
Additions	37.900
Amortise during the period	5.564
Collection	(415.980)
Balance as at 31 March 2023 - unaudited	4.594.633

Condensed notes to the interim financial information (Unaudited)
For the three-month period of quarter I ended 31 March 2023

13. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Significant movement of investment in associates and joint ventures is as below:

	LAKm
Balance as at 1 January 2023 - audited	691.081
Share of profit and loss of associates and joint ventures	7.061
Invest in associates and joint venture	-
Less: Dividends received during the period	(1.773)
Balance as at 31 March 2023 - unaudited	696.369

Investment in associated and joint ventures as at 31 March 2023 were as follows:

	Ownership interest		Cost		Equity	
	31 March 2023	31 December 2022	Unaudited 31 March 2023	Audited 31 December 2022	Unaudited 31 March 2023	Audited 31 December 2022
	(%)		LAKm			
BCEL - Krung Thai Securities Company Limited	70	70	70.000	70.000	76.786	76.392
Lao Viet Joint Venture Bank	25	25	197.839	197.839	264.485	260.080
Banque Franco - Lao Limited	30	30	138.000	138.000	149.316	148.156
Lao China Bank Company Limited	39,87	39,87	151.458	151.458	181.642	181.030
Lao-Viet Insurance Joint Venture Company	35	35	9.168	9.168	16.321	17.549
Lao National Payment Network Company Limited	20	20	6.800	6.800	7.818	7.874
Total			573.265	573.265	696.369	691.081

Condensed notes to the interim financial information (Unaudited)
For the three-month period of quarter I ended 31 March 2023

14. PROPERTY AND EQUIPMENT

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

	LAKm
Balance as at 1 January 2023- audited	540.325
Additions*	13.188
Transfer to other assets	(1.121)
Write off/Disposal, net	(388)
Depreciation charge	(20.962)
Balance as at 31 March 2023 - unaudited	531.042

* In this period, the most additions to property and equipment were servers, IT equipment, money sorting machine etc.

15. INTANGIBLE ASSETS

Movements of intangible asset for the period are as follows:

	LAKm
Balance as at 1 January 2023 - audited	283.285
Additions	758
Depreciation charge	(2.896)
Balance as at 31 March 2023 - unaudited	281.146

16. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	Unaudited 31 March 2023 LAKm	Audited 31 December 2022 LAKm
Demand deposits	5.924.721	5.260.211
- In LAK	1.935.702	1.744.986
- In foreign currencies	3.989.019	3.515.225
Saving deposits	291.617	356.226
- In LAK	133.740	94.772
- In foreign currencies	157.877	261.454
Term deposits	545.329	975.367
- In LAK	233.585	238.485
- In foreign currencies	311.744	736.882
Others	21.060	17.718
- In LAK	14.223	17.689
- In foreign currencies	6.837	29
Accrued interest payable	1.611	29.661
	6.784.338	6.639.183

Condensed notes to the interim financial information (Unaudited)
For the three-month period of quarter I ended 31 March 2023

16. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

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

	31 March 2023	31 December 2022
	% Per annum	% Per annum
Demand deposits	0,00 – 0,30	0,00 – 0,30
Saving deposits	No interest	No interest
Term deposits	2,50 – 3,50	0,56 – 6,65

17. DUE TO CUSTOMERS

	Unaudited	Audited
	31 March 2023	31 December 2022
	LAKm	LAKm
Demand deposits	11.244.751	10.938.271
Demand deposits in LAK	4.401.429	4.438.412
Demand deposits in FC	6.843.322	6.499.859
Savings deposits	46.513.746	42.874.328
Demand saving deposits in LAK	20.695.134	17.924.403
Demand saving deposits in FC	25.818.612	24.949.925
Term deposits	26.754.438	26.007.200
Term deposits in LAK	9.301.420	8.885.920
Term deposits in FC	17.453.018	17.121.280
Margin deposits	132.710	370.732
Margin deposits in LAK	35.683	290.574
Margin deposits in FC	97.026	80.158
Other payables to customers	349.206	139.691
Accrued interest payable	672.604	663.849
	85.667.455	80.994.071

Saving deposits from customers denominated in LAK, USD, THB and CNY bear interest at rate ranging of 1,25% – 1,60%, 0,60% - 1,00%, 0,45% – 0,55% and 0,00% - 0,20% per annum respectively.

Fixed term deposits in LAK, USD, THB and CNY have terms of 3, 6, 9, 12 months and more than 1 year and are subject to interest rates ranging of 3,16% – 7,00%, 1,35% - 7,75%, 1,10% – 7,55% and 1,00% - 1,30% per annum respectively.

Condensed notes to the interim financial information (Unaudited)
For the three-month period of quarter I ended 31 March 2023

18. BORROWINGS FROM OTHER BANKS

Movements in long term borrowings as at 31 March 2023 were as follow:

	LAKm
Balance as at 1 January 2023 - audited	3.635.601
Additions	-
Repayments	-
Loss on exchange rate	(72.234)
Accrued interest payable	505.457
Balance as at 31 March 2023 - unaudited	4.068.824

	Unaudited 31 March 2023 LAKm	Audited 31 December 2022 LAKm
Borrowings from the BOL	3.542.367	3.614.601
Borrowings from others bank	21.000	21.000
Total	3.563.367	3.635.601
 Accrued interest payable	 505.457	 470.182
	4.068.824	4.105.783

19. SHARE CAPITAL

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

20. STATUTORY RESERVES

There has been no change to Statutory Reserves during the period.

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21. ADDITIONAL CASH FLOW INFORMATION

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

	Unaudited 31 March 2023 LAKm	Unaudited 31 March 2022 LAKm
Cash and cash equivalents on hand	4.632.314	3.430.036
Demand deposits with the BOL	24.400.633	16.779.784
Current accounts with other banks	7.087.328	7.237.489
Term deposit due within 90 days	965.000	950.937
	37.085.276	28.398.247

22. COMMITMENTS

	31 March 2023 LAKm	31 December 2022 LAKm
Un-drawn commitments to lend for customers (ii)	7.905.779	2.890.791
Letter of credit and bank guarantees (i)	401.478	796.757
At sight letters of credit	739.074	698.175
Deferred payment letters of credit	81.171	-
	9.127.502	4.385.723

(i) Letter of credit and bank guarantees

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

(ii) Un-drawn commitments to lend

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

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

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23. CAPITAL MANAGEMENT

The Bank maintains minimum regulatory capital in accordance with Regulation No. 536/BFSD/BOL dated 14 October 2009 by the Governor of Commercial Bank Supervision Department of BOL and other detailed guidance. The primary objective of the Bank's capital management is 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 includes 2 tiers:

- ▶ Tier 1 capital, which includes charter capital, regulatory reserve fund, business expansion fund and other funds, and retained earnings;
- ▶ Tier 2 capital, which is the lower of: 1,25% of total risk weighted balance sheet items; or outstanding balance of general provision and provision for risk and other expense during the six-month period.

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

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

	31 March 2023 LAKm	31 December 2022 LAKm
Tier 1 capital	2.483.790	2.357.960
Tier 2 capital		-
Total capital	2.483.790	2.357.960
Less: Deductions from capital (Investments in other entities)	(696.369)	(691.081)
Capital for CAR calculation (A)	1.787.421	1.666.879
Risk weighted balance sheet items	24.599.590	24.106.080
Risk weighted off balance sheet items	4.837.537	2.408.986
Total risk weighted assets (B)	29.437.127	26.515.066
Capital Adequacy Ratio (A/B)	6,07%	6,29%

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24. RELATED PARTY DISCLOSURES

- a) The major shareholders of the Bank are the Government Lao., holding 60% of the Bank's shares. The Bank's remaining shares are widely held.

Information on the Bank's interests in associated and joint ventures is provided in Note 13.

- b) Significant transactions as at 31 March 2023 with related parties were as follows:

	31 March 2023	31 March 2022
	LAKm	LAKm
Interest income and other		
Parent company	71.498	82.447
Interest expense and other		
Related party	(46.619)	(30.989)

Transactions with key management personnel of the Bank

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

	31 March 2023	31 March 2022
	LAKm	LAKm
Salaries	508	451
Responsibility allowance	239	268
	747	719

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- d) Outstanding balances arising from interest income, interest expense and other.

The outstanding balances at the end of the reporting period in relation to transactions with related parties are as follows:

	31 March 2023 LAKm	31 December 2022 LAKm
Receivables		
Parent company	4.673.552	5.051.632
Associate and Joint venture	100.000	309.308
Related party	26.433.154	25.646.355
Payables		
Associate and Joint venture	1.924.557	1.968.187
Related party	4.047.055	4.084.469