

Banque Pour Le Commerce Exterieur Lao

Report of the Board of Directors and

Audited Separate Financial Statements in accordance with
the Enterprise Accounting Law of Lao P.D.R and other
relevant accounting regulations as stipulated by Bank of
the Lao P.D.R

as at and for the year ended 31 December 2010

Banque Pour Le Commerce Exterieur Lao

CONTENTS

	<i>Pages</i>
REPORT OF THE BOARD OF DIRECTORS	1 - 3
AUDITED SEPARATE FINANCIAL STATEMENTS	
Independent auditor's report	4 - 5
Separate income statement	6
Separate balance sheet	7 - 9
Separate statement of changes in owner's equity	10
Separate cash flow statement	11
Notes to the separate financial statements	12 - 42

Banque Pour Le Commerce Exterieur Lao

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Banque Pour Le Commerce Exterieur Lao (“the Bank”) is pleased to present its report and the Bank’s separate financial statements as at and for the year ended 31 December 2010.

THE BANK

Establishment

Banque Pour Le Commerce Exterieur Lao (herein referred to as “the Bank”) is a state-owned commercial bank incorporated and registered in the Lao People’s Democratic Republic.

The Bank operates under the Banking Business License No. 129/BOL granted by the Bank of the Lao People’s Democratic Republic (“Bank of the Lao P.D.R” or “BOL”) which was effective from 01 November 1989, and its Amended Business Licenses; with the latest amended Business License No. 4284/BOL issued by the BOL on 11 November 2010.

Registered Capital

According to the decisions of the Board of Directors of the Bank and the approval from the Ministry of Finance (“MOF”), its chartered capital has been increased to LAK 610,433 million as at 31 December 2010 as follows:

<i>Decision/Bond issuance</i>	<i>Date</i>	<i>Unit: LAK Chartered Capital</i>
No. 129/BOL	01 November 1989	1,933,000,000
Capitalization bonds	01 February 2006	130,933,000,000
Capitalization bonds	01 March 2007	228,933,000,000
Capitalization bonds	01 March 2009	326,933,000,000
Capitalization bonds	01 October 2010	610,433,000,000

Operations

The principal activities of the Bank are to provide services on mobilizing and receiving short, medium and long term deposit funds from various organizations and individuals; lending on a short, medium and long term basis to various organizations and individuals up to the nature and ability of the Bank’s capital resources; conducting foreign currency transactions; international trade finance services, discounting of commercial notes, bonds and valued papers; providing transaction services between customers; and other banking services as approved by the Bank of the Lao P.D.R.

Locations and the Network

The Head Office of the Bank is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane, Lao P.D.R. As at 31 December 2010, the Bank has one (01) Head Office, two (02) subsidiaries, three (03) joint ventures, eighteen (18) main branches, twenty five (25) services units, and eleven (11) exchange units all over Lao P.D.R.

Equitisation of the Bank

On 14 December 2010, the Bank’s equitisation plan had been approved by the Prime Minister Office according to Decision No. 181/PMO. Under the equitisation plan, the current capital of the Ministry of Finance in the Bank remains unchanged with additional shares to be issued on the condition that the Ministry of Finance still holds 80% of chartered capital of the Bank after equitisation. On 23 December 2010, the Bank successfully completed the Initial Public Offering of 27,315,520 shares equivalent to 20% of its chartered capital. Of the shares issued, 20,490,160 shares were subscribed by the public and 6,825,360 shares were offered to the employees. On 10 January 2011, the Bank had received the Operating License No. 0061/LRO issued by the Business License Registration Office of the Lao P.D.R which is effective from 10 January 2011. Accordingly, the Bank has formally been transformed into joint stock bank under the new name of Banque Pour Le Commerce Exterieur Lao Public.

Banque Pour Le Commerce Exterieur Lao

REPORT OF THE BOARD OF DIRECTORS (continued)

OPERATIONAL RESULTS

In accordance with the Enterprise Accounting Law of Lao P.D.R and other relevant accounting regulations as stipulated by Bank of the Lao P.D.R, the net profit after tax for the year ended 31 December 2010 is LAK 109,210 million (the unaudited net profit after tax for the year ended 31 December 2009 was LAK 89,251 million).

THE BOARD OF DIRECTORS

The members of the Board of Directors during the year 2010 and at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mrs. Viengthong Siphandone	Chairman	Appointed on 17 September 2007
Mr. Khamlien Pholsena	Vice Chairman	Appointed on 17 September 2007
Mr. Sonexay Sitphasay	Member	Appointed on 16 March 2003
Mr. Onekeo Damlongboun	Member	Appointed on 17 September 2007
Mr. Vanhkham Voravong	Member	Appointed on 17 September 2007
Mr. Khamhou Thongthavy	Member	Appointed on 16 March 2003
Mrs. Palamy Souannavong	Member	Appointed on 17 September 2007

THE BOARD OF MANAGEMENT

The members of the Board of Management during the year 2010 and at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Sonexay Sitphasay	General Managing Director	Appointed on 16 January 2003
Mr. Onekeo Damlongboun	Deputy Managing Director	Appointed on 02 February 2007
Mr. Vanhkham Voravong	Deputy Managing Director	Appointed on 08 May 2005
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 6 June 2008
Mr. Phoukhong Chanthachack	Deputy Managing Director	Appointed on 8 May 2005

EVENTS SINCE THE SEPARATE BALANCE SHEET DATE

On 10 January 2011, the Bank was granted with the Operating License No. 0061/LRO for the transformation from a 100% state-owned commercial bank into a joint stock bank. The following summarizes some key information about the newly-transformed entity:

Registered Bank name:	Banque Pour Le Commerce Exterieur Lao Public
Address:	No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane, Lao P.D.R
Operating activities:	Financial services, insurance services, and other banking services
Chartered capital:	LAK 682,888,000,000
Chartered capital structure:	The Ministry of Finance (109,262,080 shares, equivalent to 80% shareholdings) Others (27,315,520 shares, equivalent to 20% shareholdings)

Banque Pour Le Commerce Exterieur Lao

REPORT OF THE BOARD OF DIRECTORS (continued)

AUDITORS

The auditors, Ernst & Young Lao Limited, have expressed their willingness to accept reappointment.

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE SEPARATE FINANCIAL STATEMENTS

The Bank's Management is responsible for preparation of the separate financial statements of each financial year which give a true and fair view of the financial position of the Bank and of its operational results and cash flows for the year in accordance with the Enterprise Accounting Law of the Lao P.D.R and other relevant accounting regulations as stipulated by Bank of the Lao P.D.R. In preparing those separate financial statements, the management of the Bank is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the separate financial statements; and
- ▶ prepare the separate financial statements on the going concern since the newly-formed entity, i.e. Banque Pour Le Commerce Exterieur Lao Public, will carry on all the rights and obligations from the previous 100% state-owned bank, i.e. Banque Pour Le Commerce Exterieur Lao.

The Bank's Management has confirmed to the Board of Directors that the Bank has complied with the above requirements in preparing the separate financial statements for the year ended at 31 December 2010.

The Bank's Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Bank and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

We hereby approve the accompanying separate financial statements.

On behalf of the Board of Directors

Mr. Khamlien Pholsena
Vice Chairman

Vientiane, Lao P.D.R

18 March 2011

INDEPENDENT AUDITORS' REPORT

**To: The Board of Directors
Banque Pour Le Commerce Exterieur Lao**

We have audited the accompanying separate financial statements of Banque Pour Le Commerce Exterieur Lao ("the Bank"), which comprise the separate balance sheet as at 31 December 2010, the related separate income statement, separate cash flow statement and separate statement of changes in owner's equity for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 42.

Management's Responsibility for the Separate Financial Statements

The Bank's management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the Enterprise Accounting Law of Lao P.D.R and other relevant accounting regulations as stipulated by Bank of the Lao P.D.R. The responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of these separate financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. Except as discussed in the qualification paragraph, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the separate financial statements.

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

Qualification

The separate financial statements of the Bank for the year ended 31 December 2009 were not audited by us and, therefore, we do not express an opinion on the opening balances of the accompanying separate financial statements for the year ended 31 December 2010.

Opinion

In our opinion, except for the matter referred to in the qualification paragraph, the accompanying separate financial statements give a true and fair view of the financial position of the Bank as at 31 December 2010, the results of its operations and the cash flows for the year then ended in accordance with the Enterprise Accounting Law of the Lao P.D.R and in compliance with other relevant accounting regulations as stipulated by Bank of the Lao P.D.R as presented in Note 2 - Summary of Significant Accounting Policies to the accompanying separate financial statements.

Vientiane, Lao P.D.R

18 March 2011

Banque Pour Le Commerce Exterieur Lao

SEPARATE INCOME STATEMENT
for the year ended 31 December 2010

Currency: LAKm

Code	ITEMS	Notes	2010	2009 Unaudited
A.	OPERATING INCOME AND EXPENSES			
1.	Interest and similar income	3	270,587	184,417
1.1	Interest and similar income from interbanks		18,785	11,018
1.2	Interest and similar income from customers		198,070	160,037
1.3	Other interest and similar income		53,732	13,362
2.	Interest and similar expense	3	(146,909)	(95,454)
2.1	Interest and similar expense for interbanks		(3,562)	(5)
2.2	Interest and similar expense for customers		(143,347)	(95,449)
2.3	Other interest and similar income		-	-
I.	NET INTEREST AND SIMILAR INCOME	3	123,678	88,963
3	Net gain/(loss) from trading gold and other precious metals	8	12,356	3,595
8	Net gain/(loss) from equity investments	4	16,510	3,517
9	Fee and commission income	5	105,040	85,998
10	Fee and commission expense	6	(6,264)	(5,273)
11	Net gain/(loss) from securities investment	7	1,289	23,529
12	Net gain/(loss) from dealing in foreign currencies	8	41,667	36,862
II.	NET OPERATING INCOME		294,276	237,191
B	OTHER INCOME AND EXPENSES			
15	Other operating income	9	58,067	42,906
16	Administration expenses		(129,867)	(94,597)
16.1	Payroll and other staff costs	10	(68,675)	(53,951)
16.2	Other administrative expenses	11	(53,909)	(36,715)
16.3	Other expenses		(7,283)	(3,931)
17	Depreciation and amortization charges		(23,692)	(16,101)
18	Other operating expenses	12	(16,270)	(26,879)
19	Net specific provision charges/reversal for loans to customers		(19,061)	(7,173)
19.1	Specific provision expenses for loans to customers		(47,422)	(12,859)
19.2	Reversal of specific provision for loans to customers		28,361	5,686
III.	TOTAL PROFIT BEFORE TAX		163,453	135,347
23	Current enterprise income tax		(54,243)	(46,096)
IV.	PROFIT AFTER TAX		109,210	89,251

Prepared by:
Mr. Phonenalath Kongvongsa
Accountant

Approved by:
Mrs. Thonglith Saochanethala
Deputy Chief of Accounting
Division

Approved by:
Mr. Onekeo Damlongboun
Deputy Managing Director

Vientiane, Lao P.D.R

18 March 2011

The accompanying notes from 1 to 33 form part of these separate financial statements.

Banque Pour Le Commerce Extérieur Lao

SEPARATE BALANCE SHEET
as at 31 December 2010

Currency: LAKm

Code	ASSETS	Notes	31 December 2010	31 December 2009 Unaudited
I	Cash and accounts with the BOL	13	3,119,051	1,555,285
	1. Cash on hand		717,636	440,770
	2. Demand deposits		2,283,225	1,031,251
	3. Term deposits		118,190	83,264
II	Amounts due from other banks	14	1,832,916	1,870,999
	1. Demand deposits		867,262	900,867
	2. Term deposits		738,683	921,778
	3. Net loans to other banks (net of specific provisions)		226,971	48,354
III	Securities purchased under resale agreements		-	-
IV	Investment in securities	15	1,429,796	885,338
	1. Trading securities		-	-
	2. Available-for-sale securities		100,000	-
	3. Held-to-maturity securities		1,329,796	885,338
V	Loans and advances to customers (net of specific provisions)	16	2,705,476	1,903,181
VI	Investment in subsidiaries, joint-ventures and other long-term investment	18	239,099	95,813
VII	Leasing and ordinary lease transactions		-	-
VIII	Fixed assets		180,075	141,812
	1. Construction in progress and fixed assets in transit		23,935	15,675
	2. Intangible fixed assets	19	23,977	16,993
	3. Tangible fixed assets	20	132,163	109,144
IX	Registered Capital deposited		-	-
X	Other assets		72,259	118,385
	1. Accrued interest income	21	38,862	26,849
	2. Other assets	22	33,397	91,536
	TOTAL ASSETS		9,578,672	6,570,813

The accompanying notes from 1 to 33 form part of these separate financial statements.

Banque Pour Le Commerce Exterieur Lao

SEPARATE STATEMENT OF CHANGES IN OWNER'S EQUITY for the year ended 31 December 2010

Currency: LAKm

Code	LIABILITIES AND CAPITAL	Notes	31 December 2010	31 December 2009 Unaudited
I	Amounts due to other banks	23	682,759	388,480
	1. Demand deposits		580,495	359,766
	2. Term deposits		13,291	-
	3. Borrowings from other banks		78,566	21,547
	4. Other payables to other banks		10,407	7,167
II	Amounts due to customers	24	7,838,612	5,664,080
	1. Demand deposits		5,753,728	4,272,683
	2. Term deposits		1,944,255	1,377,097
	3. Other payables to customers		140,629	14,300
III	Securities sold under repurchased agreements		-	-
IV	Debt payable related to issuing securities		-	-
V	Other liabilities		272,514	100,237
	1. Accrued interest expense	25	36,178	35,348
	2. Tax and other payables to the State	27	50,566	46,096
	3. Other liabilities	26	185,770	18,793
	TOTAL LIABILITIES		8,793,885	6,152,797
VI	Capital and reserves		784,787	418,016
	1. Chartered capital		610,433	326,933
	2. Regulatory reserve fund		4,204	34,949
	3. Business expansion fund		114,858	71,008
	4. Other reserves		-	-
	5. General provision for credit activities		28,964	39,009
	6. Retained earnings		25,226	(56,150)
	7. Subventions		1,102	2,267
	TOTAL CAPITAL		784,787	418,016
	TOTAL LIABILITES AND CAPITAL		9,578,672	6,570,813

The accompanying notes from 1 to 33 form part of these separate financial statements.

Banque Pour Le Commerce Exterieur Lao

SEPARATE STATEMENT OF CHANGES IN OWNER'S EQUITY for the year ended 31 December 2010

Currency: LAKm

Code	OFF BALANCE SHEET ITEMS	Notes	31 December 2010	31 December 2009 Unaudited
I	Commitments given			
A	Commitments for financing given	30	2,680,001	1,748,400
1	Commitments for financing given to other banks		-	-
2	Commitments for financing given to customers		2,680,001	1,748,400
B	Commitments for guarantees given	30	106,075	98,460
3	Commitments for guarantees given to other banks		-	-
4	Commitments for guarantees given to customers		106,075	98,460
	TOTAL COMMITMENTS GIVEN		2,786,076	1,846,860

Code	OFF BALANCE SHEET ITEMS	Note	31 December 2010	31 December 2009 Unaudited
II	Collaterals and Mortgages			
A	Collaterals and Mortgages for loans	29	(11,151,907)	(37,984,187)
1	Collaterals and Mortgages for loans to other banks		-	-
2	Collaterals and Mortgages for loans to customers		(11,151,907)	(37,984,187)
B	Collaterals and Mortgages for guarantees given		-	-
3	Collaterals and Mortgages for guarantees given to other banks		-	-
4	Collaterals and Mortgages for guarantees given to customers		-	-
	TOTAL COLLATERALS AND MORTGAGES		(11,151,907)	(37,984,187)

Prepared by:
Mr. Phonenalath Kongvongsa
Accountant

Approved by:
Mrs. Thonglith Saochanethala
Deputy Chief of Accounting
Division

Approved by:
Mr. Onekeo Damlongboun
Deputy Managing Director

Vientiane, Lao P.D.R

18 March 2011

The accompanying notes from 1 to 33 form part of these separate financial statements.

Banque Pour Le Commerce Exterieur Lao

SEPARATE STATEMENT OF CHANGES IN OWNER'S EQUITY for the year ended 31 December 2010

	<i>Paid-up capital LAKm</i>	<i>Regulatory reserve fund LAKm</i>	<i>Business expansion fund LAKm</i>	<i>General provision for credit activities LAKm</i>	<i>Subventions LAKm</i>	<i>Accumulated losses LAKm</i>	<i>Total LAKm</i>
Balances as at 1 January 2009	228,933	34,949	72,628	13,977	3,435	(145,401)	208,521
Net profit for the year 2009	-	-	-	-	-	89,249	89,249
Transfer of profit for the year 2009 to the MOF	-	-	-	-	-	(14,726)	(14,726)
Capital increase during the year 2009	98,000	-	-	-	-	-	98,000
Appropriation to reserves for the year 2009 based on the profit reported under the Lao Accounting System	-	8,925	31,237	25,032	-	(40,162)	25,032
Subventions allocated to the Separate income statement	-	-	-	-	(1,168)	-	(1,168)
Reclassification of tax liabilities to other payables	-	-	(1,621)	-	-	-	(1,621)
Balances as at 31 December 2009, restated	326,933	43,874	102,244	39,009	2,267	(111,040)	403,287
Net profit for the year 2010	-	-	-	-	-	109,210	109,210
Transfer of profit for the year 2010 to the MOF	-	-	-	-	-	-	-
Capital increase during the year 2010	283,500	-	-	-	-	-	283,500
Transfer legal reserve to retained earnings	-	(43,874)	-	-	-	43,874	-
Appropriation to reserves for the year 2010 based on the profit reported under the Lao Accounting System	-	4,204	12,613	-	-	(16,817)	-
Net decrease in the year (see Note 17)	-	-	-	(10,045)	-	-	(10,045)
Subventions allocated to the Separate income statement	-	-	-	-	(1,165)	-	(1,165)
Balances as at 31 December 2010	610,433	4,204	114,858	28,964	1,102	25,226	784,787

Prepared by:
Mr. Phonnalath Kongvongsa
Accountant

Approved by:
Mrs. Thonglith Saochanethala
Deputy Chief of Accounting
Division

Approved by:
Mr. Onekeo Damlongboun
Deputy Managing Director

Vientiane, Lao P.D.R

18 March 2011

The accompanying notes from 1 to 33 form part of these separate financial statements.

Banque Pour Le Commerce Exterieur Lao

SEPARATE CASH FLOW STATEMENTS for the year ended 31 December 2010

	Notes	2010 LAKm	2009 Unaudited LAKm
Net profit after tax		109,210	89,251
<i>Adjustments for:</i>			
Corporate tax expenses payable		54,243	46,096
Depreciation and amortization charges		23,692	16,101
Provision for doubtful debts		9,897	32,191
(Profits)/ losses from investing activities		(16,510)	(3,643)
Cash flows from operating profit before changes in operating assets and liabilities		180,532	179,996
(Increase)/Decrease in operating assets			
Balances with other banks		(30,448)	(450,751)
Loans and advances to customers		(821,387)	(515,934)
Other financial assets		(257,018)	(295,328)
Accrued interest income		(12,013)	(688)
Other assets		58,139	10,310
(Increase)/Decrease in operating liabilities			
Amounts due to other banks		237,260	229,670
Customer deposits and other amounts due to customers		2,174,532	1,371,328
Corporate tax paid during the year	27.1	(49,774)	(59,562)
Other liabilities		3,563	(106,563)
Net cash flows from operating activities		1,483,386	362,478
INVESTING ACTIVITIES			
Purchase and construction of fixed assets and other long-term assets		(68,153)	(84,654)
Payments for investments in other entities		(143,286)	(24,349)
Proceeds from sale of investments in other entities		8,039	-
Interest and dividends received		8,472	3,643
Net cash flows used in investing activities		(194,928)	(105,360)
FINANCING ACTIVITIES			
Capital contribution and issuance of shares		163,364	-
Drawdown of borrowings		59,186	15,609
Repayment of borrowings		(1,046)	(1,103)
Transfer profit to the MOF		(14,726)	-
Net cash flows used in financing activities		206,778	14,506
Net increase in cash and cash equivalents		1,495,236	271,624
Cash and cash equivalents at the beginning of the year		2,372,887	2,101,263
Cash and cash equivalents at the end of the year	28	3,868,123	2,372,887

Prepared by:
Mr. Phonenalath Kongvongsa
Accountant

Vientiane, Lao P.D.R

18 March 2011

Approved by:
Mrs. Thonglith Saochanethala
Deputy Chief of Accounting
Division

Approved by:
Mr. Onekeo Damlongboun
Deputy Managing Director

The accompanying notes from 1 to 33 form part of these separate financial statements.

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
as at 31 December 2010 and for the year then ended

1. CORPORATE INFORMATION

Banque Pour Le Commerce Exterieur Lao is a 100% state-owned commercial bank (herein referred to as the “Bank”) which is incorporated and registered in the Lao People’s Democratic Republic.

Establishment and operations

The Bank operates under the Banking Business License No. 129/BOL granted by the Bank of Lao People’s Democratic Republic (“Bank of the Lao P.D.R”) which was effective from 01 November 1989, and its Amended Business Licenses; with the latest amended business license No. 4284/BOL issued by the BOL on 11 November 2010.

The principal activities of the Bank are to provide services on mobilizing and receiving short, medium and long term deposit funds from various organizations and individuals; lending on a short, medium and long term basis to various organizations and individuals up to the nature and ability of the Bank’s capital resources; conducting foreign currency transactions; international trade finance services, discounting of commercial notes, bonds and valued documents; providing transaction services between customers; and other banking services as approved by the Bank of the Lao P.D.R.

Equitisation of the Bank

On 14 December 2010, the Bank’s equitisation plan had been approved by the Prime Minister Office according to Decision No. 181/PMO. Under the equitisation plan, the current capital of the Ministry of Finance in the Bank remains unchanged with additional shares to be issued on the condition that the Ministry of Finance still holds 80% of chartered capital of the joint stock bank after equitisation. On 23 December 2010, the Bank successfully completed the Initial Public Offering of 27,315,520 shares equivalent to 20% of its chartered capital. Of the shares issued, 20,490,160 shares were subscribed by the public and 6,825,360 shares were offered to the employees. On 10 January 2011, the Bank had received the Operating License No. 0061/LRO issued by the Business License Registration Office of the Lao P.D.R which is effective from 10 January 2011. Accordingly, the Bank has formally been transformed into joint stock bank under the new name of Banque Pour Le Commerce Exterieur Lao Public.

Chartered capital

The initial chartered capital of the Bank is 1,933 millions of KIP (“LAKm”). According to the decisions of the Board of Directors of the Bank and the approval from the Ministry of Finance, its chartered capital has been increased to LAK 610,433 million as at 31 December 2010 as follows:

<u>Decision/Bond issuance</u>	<u>Date</u>	<u>Chartered capital (LAK)</u>
No. 129/BOL	01 November 1989	1,933,000,000
Capitalization bonds	01 February 2006	130,933,000,000
Capitalization bonds	01 March 2007	228,933,000,000
Capitalization bonds	01 March 2009	326,933,000,000
Capitalization bonds	01 October 2010	610,433,000,000

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

1. CORPORATE INFORMATION (continued)

Board of Directors

The members of the Board of Directors during the year 2010 and at the date of this report are:

<u>Name</u>	<u>Position</u>	<u>Date of appointment</u>
Mrs. Viengthong Siphandone	Chairman	Appointed on 17 September 2007
Mr. Khamlien Pholsena	Vice Chairman	Appointed on 17 September 2007
Mr. Sonexay Sitphasay	Member	Appointed on 16 March 2003
Mr. Onekeo Damlongboun	Member	Appointed on 17 September 2007
Mr. Vanhkham Voravong	Member	Appointed on 17 September 2007
Mr. Khamhou Thongthavy	Member	Appointed on 16 March 2003
Mrs. Palamy Souannavong	Member	Appointed on 17 September 2007

Board of Management

The members of the Board of Management during the year 2010 and at the date of this report are:

<u>Name</u>	<u>Position</u>	<u>Date of appointment</u>
Mr. Sonexay Sitphasay	General Managing Director	Appointed on 16 January 2003
Mr. Onekeo Damlongboun	Deputy Managing Director	Appointed on 02 February 2007
Mr. Vanhkham Voravong	Deputy Managing Director	Appointed on 08 May 2005
Mr. Phansana Khounnouvong	Deputy Managing Director	Appointed on 6 June 2008
Mr. Phoukhong Chanthachack	Deputy Managing Director	Appointed on 8 May 2005

Location and network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengneun, Chanthabouly District, Vientiane, Lao P.D.R. As at 31 December 2010, the Bank has one (01) Head Office, two (02) subsidiaries, three (03) joint ventures, eighteen (18) main branches, twenty five (25) services units, and eleven (11) exchange units all over Lao P.D.R.

Subsidiaries

As at 31 December 2010, the Bank has two (02) subsidiaries as follows:

<u>Name</u>	<u>Business License No.</u>	<u>Industry</u>	<u>% owned by the Bank</u>
BCEL Leasing Company Limited	011/09 dated 17 November 2009 by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R	Banking & Finance	100%
BCEL - Krung Thai Securities Company Limited	180-10 dated 14 December 2010 by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R	Securities	70%

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

1. CORPORATE INFORMATION (continued)

Joint ventures

As at 31 December 2010, the Bank has three (03) joint ventures as follows:

<i>Name</i>	<i>Business License No.</i>	<i>Industry</i>	<i>% owned by the Bank</i>
Lao Viet Joint Venture Bank	01/NHNN dated 31 March 2000 by the Bank of the Lao P.D.R	Banking & Finance	50%
Banque Franco - Lao Company Limited	121-09/MPI dated 26 August 2009 by the Ministry of Planning and Investment of the Lao P.D.R	Banking & Finance	46%
Lao-Viet Insurance Joint Venture Company	077/08/FIMC dated 09 June 2008 by the Foreign Investment Management Committee of the Lao P.D.R	Insurance	29%

Employees

The number of the Bank's employees as at 31 December 2010 is 997 persons (the number of the Bank's employees as at 31 December 2009 was 800 persons).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these separate financial statements are set out below:

2.1 *Statement of compliance with the Enterprise Accounting Law of Lao P.D.R and other relevant accounting regulations as stipulated by the Bank of the Lao P.D.R*

The Board of Management of the Bank states that the accompanying separate financial statements have been prepared in compliance with the Enterprise Accounting Law of Lao P.D.R and other relevant accounting regulations as stipulated by the Bank of the Lao P.D.R.

2.2 *Basis of preparation*

The Bank maintains its records in Lao Kip ("LAK") and prepared its separate financial statement in million of LAK ("LAKm") in accordance with the Decree No. 02/PR by the Prime Minister of Lao P.D.R dated 22 March 2000 on the accounting system applicable to BOL and other financial institutions.

The accompanying separate financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Lao P.D.R. Accordingly, the accompanying separate balance sheet and the notes thereto are not designed for those who are not informed about Lao P.D.R's accounting principles, procedures and practices and furthermore are not intended to present the financial position of the Bank and results of its operations and its cash flows in accordance with accounting principles and practices generally accepted in countries other than Lao P.D.R.

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 *Basis of preparation* (continued)

As at 31 December 2010, the Bank has equity investments in subsidiaries and joint ventures as presented in Note 1. As at the date of these accompanying separate financial statements, the authorities of Lao P.D.R have not issued any accounting standards or regulations on the preparation of consolidated financial statements according to Generally Accepted Accounting Principles. As such, the Bank has not prepared such consolidated financial statements for the year ended 31 December 2010 but presents its investments in subsidiaries and joint ventures at cost only as described in the accounting policy in Notes 2.15 and 2.16 to the accompanying separate financial statements. Consequently, the accompanying separate financial statements have been prepared to reflect the financial position, the results of its separate operations and its separate cash flows of the Head Office and its branches only and have not included the operations of subsidiaries.

2.3 *Restatement of opening balances*

Certain figures in the prior year's separate financial statements are reclassified in order to conform to this year's presentation.

The opening balances of the Bank's other capital included LAKm 1,620 as the Bank's tax liabilities for previous years that have not been finalised by the Tax Authority yet. This amount should be recorded under "Other liabilities" other than "Other capital". Accordingly, the opening balances of the unaudited separate financial statements were restated as follows:

Extracted from the unaudited separate balance sheet as at 31 December 2009:

Impact on total liabilities and owner's equity

	<i>31/12/2009</i>		<i>31/12/2009</i>
	<i>Unaudited</i>	<i>Restatement</i>	<i>Restated</i>
	<i>LAKm</i>	<i>LAKm</i>	<i>LAKm</i>
Other liabilities	17,172	1,620	18,792
Other reserves	3,887	(1,620)	2,267
Impact on total liabilities and owner's equity	-	-	-

2.4 *Registered accounting documentation system*

The registered accounting documentation system is the General Ledger.

2.5 *Fiscal year*

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

2.6 *Recognition of interest income and expense*

Interest income and expense are recognized in the separate income statement on accrual basis using straight line method and the interest rates as stipulated in the lending/depositing contracts with clients.

The recognition of accrued interest income is suspended when the loans becoming non-performing or when the management believes that the borrower has no ability to repay the interest and principal. Interest income on such loans is only recorded in the separate income statement when actually received.

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 *Recognition of fee and commission income*

Fees and commissions consist of fees received for fund transfer (including cheque settlement), fees arising from foreign currency exchange transactions, fees arising from financial guarantees.

Fee and commission income is recognized in the separate income statement on cash basis.

2.8 *Recognition of dividend income*

Dividend income on equity investment is recognized in the separate income statement when the Bank's right to receive the payment is established.

2.9 *Net gain/(loss) from dealing in foreign currency*

Net gain/(loss) from dealing in foreign currencies comprise realised and unrealised foreign exchange differences arising from foreign currencies trading and translation of foreign currencies monetary assets and liabilities. Net gain/(loss) from dealing in foreign currencies during the year are converted into LAK at rates ruling at the month end. Gain/(loss) represents the difference between the amount of foreign currency translated into Lao Kip at month-end ruling rate and the current position on book. Translation of monetary items originated in foreign currencies at the month end are also recorded as income or expense during the financial year.

2.10 *Cash and cash equivalents*

Cash and cash equivalents consist of cash and highly liquid short-term investments with an original maturity of less than 30 days that are readily convertible to known amounts of cash and accounts due from banks with original maturity of less than 30 days.

2.11 *Loans and advances to customers*

Loans and advances to customers are recognized at cost and presented at outstanding balance less specific provision for loans and advances to customers as at 31 December 2010.

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Specific provision for credit losses

In accordance with Regulation 06/BOL (“BOL6”) dated 11 May 2004, the Bank is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into *Performing loans* or *Non-performing loans* based on the payment arrears status and other qualitative factors. Loans classified as either *Current (Group A, B)* or *Special mention (Group C1)* are considered as *Performing loans*. Loans classified as either *Substandard (Group C2)* or *Doubtful (Group D)* or *Loss (Group E)* are considered as *Non-performing loans*.

According to Regulation 06/BOL, it is not required to create specific provision for Performing loans. Specific provision for non-performing loans is established by multiplying the outstanding balance of each loan item with the provision rates applicable to that loan classification as follows:

<i>Group</i>	<i>Category</i>	<i>Specific provision rate</i>
A	Current	0%
B	Current	0%
C1	Special mention	0%
C2	Substandard	20%
D	Doubtful	50%
E	Loss	100%

Changes in specific provision is recorded to the separate income statement as “*Net specific provision charges/(reversal) for loans to customers*”. Accumulated specific provision reserve is recorded in the separate balance sheet in “*Loans and advances to customers (net of specific provisions)*”.

Details on the loan classification and specific provision and the provision amount that are actually booked by the Bank as at 31 December 2010 are presented in Note 16.

2.13 General provision for credit activities

In accordance with BOL6, a general provision is created for credit activities with both other banks and customers which are yet to be identified during the loan classification process and in specific provision as well as in case of the Bank’s potential financial difficulty due to deterioration in loan quality. Accordingly, the Bank is required to create a general provision for loan losses at the rate ranging from 0.50% to 3.00% of the total balance of performing loans as at the separate balance sheet date. The Bank applied the rate of 0.98% to 1.00% to create general provision for loans to other banks and loans and advances to customers for the year ended 31 December 2010 respectively (2009: 2.00%).

In accordance with the relevant accounting regulations as stipulated by the Bank of the Lao P.D.R, changes in general provision for credit activities are recorded to the separate income statement as “*Other operating expenses*” and general provision reserve is recorded in the separate balance sheet in “*General provision for credit activities*” under capital and reserves of the Bank.

Details of change in general provision for credit activities are presented in Note 17.

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 *Investment securities*

2.14.1 *Held-to-maturity securities*

Held-to-maturity investment securities are debt securities with fixed or determinable payments and maturities, which the Bank has intention and ability to hold to maturity for interest earnings. These securities will not be sold before maturity date or reclassified as trading securities or available-for-sale securities. These securities have determined values and maturities. When they are sold before maturity date, these securities will be reclassified as trading securities or available-for-sale securities.

Held-to-maturity securities are recognized at face value as at transaction date. Any accrued interest of securities before the purchased date (for debt securities with interest payment in arrears) or accrued interest pending for amortisation (for debt securities with interest payment in advance), is recorded in one separate account. Any discount/premium, which is the difference between original cost and the amount that include par value plus accrued interest income (for debt securities with interest payment in arrears) or minus accrued interest income (for debt securities with interest payment in advance), is also recorded in one separate account.

In the subsequent holding period, these securities are recognised at face values. Any discount/premium, of held-to-maturity is amortised in the separate income statement on straight-line basis till the maturity date. Accrued interest income is calculated and recognized in the separate income statement on straight-line basis. Interest income is recognized in the separate income statement as "*Interest and similar income*".

Periodically, the held-to-maturity securities are subject to review for impairment. Provision for impairment of these securities is made when there has been a significant or prolonged decline in the fair value below their cost. Provision for impairment is recognized as "*Net gain/(loss) from securities investments*" in the separate income statement.

2.14.2 *Available-for-sale securities*

Available-for-sale investments include equity instruments and other debt instruments that the Bank has intention to hold for investment and that are ready for trading. These securities are not frequently traded but could be sold at any time the transactions yield benefit. The Bank is not founding shareholder; or strategic investor; or has impact on the investing enterprises' foundation, determination of financial and operating policies under agreements to appoint members to Board of Directors/ Board of Management.

Available-for-sale equity securities are recognized at cost as at transaction date, and continuously at cost for the subsequent holding periods.

Available-for-sale debt securities are recognized at face values at transaction date, any accrued interest income of the securities before being bought (for debt securities with interest payment in arrears) or accrued interest income pending for allocation (for debt securities with interest payment in advance), is recorded in a separated account. Any discount/premium which is the difference between original cost and the amount that include par value plus accrued interest income (for debt securities with interest payment in arrears) or minus accrued interest income (for debt securities with interest payment in advance), is also recorded in one separated account.

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 *Investment securities* (continued)

2.14.2 *Available-for-sale securities* (continued)

In the subsequent holding period, these securities are recorded at face values, discount/premium (if any) of the available-for-sale securities and amortized in the separate income statement on straight-line basis over the estimated remaining holding period of the securities. Accrued interest income is calculated and recognized in the separate income statement on straight-line basis. Interest income is recognized in the separate income statement as *"Interest and similar income"*.

Periodically, the available-for-sale securities are subject to review for impairment. Provision for impairment of these securities is made when there has been a significant or prolonged decline in the fair value below their cost. Provision for impairment is recognized as *"Net gain/(loss) from securities investment"* in the separate income statement.

2.15 *Investments 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 recognised in the separate income statement. Distributions from sources other than from such profits are considered as a recovery of investment and are deducted from the cost of the investment.

Details of investments in subsidiaries are presented in Note 18.

2.16 *Investment in joint ventures*

The Bank's investment in joint ventures is recognized at cost and subsequently reflected at cost on the separate balance sheet. Dividend and income transferred from the joint ventures are recognized in the separate income statement as *"Gain/(loss) from equity investment"*.

The investments in Lao Viet Joint Venture Bank, Banque Franco - Lao Company Limited, and Lao-Viet Insurance Joint Venture Company were made in the United States dollar ("USD"). Accounting policies applicable for the translation of capital contributed to Lao Viet Joint Venture Bank, Banque Franco - Lao Company Limited, and Lao-Viet Insurance Joint Venture Company is derived from the guidance issued by the BOL. On 28 January 2010, the Bank of the Lao P.D.R issued a guidance to allow commercial banks to translate the paid-up capital which is contributed in foreign currencies into Lao Kip by using the BOL exchange rate on the separate balance sheet date of 31 January 2010.

Details of the Bank's investment in joint ventures are presented in Note 18.

2.17 *Other long-term investment*

Other long-term investment is investment in other entities in which the Bank has right to receive dividends at fixed rate, basing on the contributed capital and regardless the operational results of the invested entity. Other long-term investment is carried at cost.

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Fixed assets

Fixed assets include tangible, intangible fixed assets and land use right. Tangible fixed assets consist of buildings, furniture and fixtures, office equipments, vehicles and others. Intangible fixed assets consist of computer software.

Fixed asset are stated at cost less accumulated depreciation, if any.

The cost of an asset comprises its purchase price plus any directly attributable costs of bringing the asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are capitalized and expenditures for maintenance and repairs are charged to the separate income statement, if any.

When assets are sold or retired, their cost and accumulated depreciation are removed from the separate balance sheet and any gains or losses resulting from their disposal are posted to the separate income statement.

2.19 Depreciation and amortization

Depreciation and amortization of fixed assets are provided on the straight line basis at prescribed rates over their estimated useful life in accordance with the Tax Law of Lao P.D.R issued by the Ministry of Finance dated 26 October 1995. The following are the annual rates used:

Buildings and building improvements	5%
Office equipment	10%
Furniture and fixtures	10%
Motor vehicles	20%
Land use right	No amortization
Software	20%

2.20 Statutory reserves

Under the requirements of the Law on Commercial Bank dated 16 January 2007, commercial banks are required to appropriate net profit to the following reserves: (i) regulatory reserve fund; (ii) business expansion fund; and (iii) other funds. In addition, according to the Regulation on Capital Adequacy (BOL 01) by the Bank of the Lao P.D.R, commercial banks are required to provide regulatory reserve fund at the rate from 5.00% to 10.00% or more of the profit after tax, depending on the decision of the Board of Directors. Accordingly, in the year 2010, the Bank has provided the following reserves:

<i>Reserve</i>	<i>% of profit after tax (less accumulated losses, if any)</i>
Regulatory reserve fund	10
Business expansion fund	30

2.21 Taxation

Provision is made for taxation on the current year's profits, based on the Tax Law governing taxation within Lao P.D.R. The Bank is obliged to pay the higher amount of tax between 35% on total profit before tax and 1% on total revenue. The Bank's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations to 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.

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Foreign currency transactions

The Bank maintains its accounting system and records all transactions in original currencies. Monetary assets and liabilities denominated in foreign currencies at year end are translated into LAK at exchange rates ruling on the separate balance sheet date (see the list of exchange rates of applicable foreign currencies against LAK on 31 December 2010 as presented below). Income and expenses arising in foreign currencies during the year are converted into LAK at rates ruling on the transaction dates. Unrealized exchange differences arising from the translation of monetary assets and liabilities on the balance sheet date are recognized in the separate income statement.

	<i>31 December 2010</i>	<i>31 December 2009</i>
	<i>LAK</i>	<i>LAK</i>
United State Dollar ("USD")	8,041.51	8,483.20
Thai baht ("THB")	267.14	255.01
Euro ("EUR")	10,667.00	12,164.00

2.23 Employee benefits

Post employment benefits

Post employment benefits are paid to retired employees of the Bank by the Social Security Fund Department which belongs to the Ministry of Labour and Social Welfare. The Bank is required to contribute to these post employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 6.00% of employee's basic salary on a monthly basis. The Bank has no further obligation concerning post employment benefits for its employees other than this.

Termination benefits

The Bank has the obligation, under the prevailing Labour Code, to pay allowance for employees who are dismissed on one of the following circumstances:

- where the employees concerned lacks the required specialized skills;
- where the employees are not in good health and therefore cannot continue to work; or
- where the Bank considers it necessary to reduce the number of workers in order to improve the organization of work within the labour unit

The allowance is equal to 10% and 15% of the basic monthly salary for every month of service for dismissed employees who have worked for the Bank for less than three years and more than three years, respectively.

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

3. NET INTEREST AND SIMILAR INCOME

	2010 LAKm	2009 Unaudited LAKm
Interest and similar income:	270,587	184,417
Interest income due from other banks	18,786	11,018
Interest income from loans to customers	198,070	160,037
Other interest and similar income	53,123	11,433
- <i>Interest income from available-for-sale securities</i>	-	-
- <i>Interest income from held-to-maturity securities</i>	53,123	11,433
Other income from credit activities	608	1,929
Interest and similar expense:	(146,909)	(95,454)
Interest expense from due to other banks	(2,481)	(5)
Interest expense from customer deposits	(143,347)	(95,449)
Other interest and similar expenses	(1,081)	-
Net interest and similar income	123,678	88,963

4. NET GAIN/(LOSS) FROM EQUITY INVESTMENTS

	2010 LAKm	2009 Unaudited LAKm
Dividends received in the period	8,472	3,642
- <i>from equity trading securities</i>	-	-
- <i>from equity investment securities</i>	617	36
- <i>from investments in joint ventures</i>	7,855	3,606
Income from disposal of equity investments	8,038	1
Expenses from equity investments	-	(126)
	16,510	3,517

5. FEE AND COMMISSION INCOME

	2010 LAKm	2009 Unaudited LAKm
Fees and commission income from:		
Settlement services	8,345	777
Treasury activities	94,473	75,684
Other fees and commissions	2,222	9,537
	105,040	85,998

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

6. FEE AND COMMISSION EXPENSE

	2010 LAKm	2009 Unaudited LAKm
Fees and commission expenses from:		
Settlement services	322	694
Treasury activities	2,855	2,308
Other fees and commissions	3,087	2,271
	6,264	5,273

7. NET GAIN/(LOSS) FROM SECURITIES INVESTMENT

	2010 LAKm	2009 Unaudited LAKm
Income from trading of investment securities	1,289	23,529
Expense from trading of investment securities	-	-
Provision for impairment of investment securities	-	-
	1,289	23,529

8. NET GAIN / (LOSS) FROM DEALING IN FOREIGN CURRENCIES AND GOLD

	2010 LAKm	2009 Unaudited LAKm
Net gain/(loss) from trading gold and other precious metals	12,356	3,595
Net gain/(loss) from dealing in foreign currencies	41,667	36,862
Income from foreign exchange spot rate differences	63,648	81,285
Expense from foreign exchange spot rate differences	(21,981)	(44,423)
	54,023	40,457

9. OTHER OPERATING INCOME

	2010 LAKm	2009 Unaudited LAKm
Reversal of general provision for credit activities (see Note 17)	25,090	1,180
Recovery of bad debts written off	28,027	38,409
Others	4,950	3,317
	58,067	42,906

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

10. PAYROLL AND OTHER STAFF COST

	2010 LAKm	2009 Unaudited LAKm
Salary, wages and allowances	43,513	33,415
Social insurance	24,388	19,997
Training expenses	774	539
Other staff costs	-	-
	68,675	53,951

11. OTHER ADMINISTRATIVE EXPENSES

	2010 LAKm	2009 Unaudited LAKm
External services expenses	24,976	16,894
Repair and maintenance expenses	3,724	2,161
Publication, marketing and promotion expenses	3,541	1,945
Office rental expenses	8,408	7,431
Telecommunication expenses	1,745	1,473
Training, meeting and seminar expenses	6,590	5,098
Tax and other duties expense	14	129
Other expenses	4,911	1,584
	53,909	36,715

12. OTHER OPERATING EXPENSES

	2010 LAKm	2009 Unaudited LAKm
General provision for loans to other banks and loans to customers (see Note 9)	15,926	26,198
Other expenses	344	681
	16,270	26,879

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

13. CASH ON HAND AND ACCOUNTS WITH THE BOL

	31/12/2010 LAKm	31/12/2009 Unaudited LAKm
Cash on hand	717,636	440,770
Cash on hand in LAK	318,042	194,242
Cash on hand in foreign currencies	399,153	245,664
Gold and precious metal	-	-
Cheques collection	441	864
Demand deposits with BOL	2,283,225	1,031,251
Compulsory deposit	402,666	349,264
Demand deposits	1,880,559	681,987
Term deposits with BOL	118,190	83,264
	<u>3,119,051</u>	<u>1,555,285</u>

Balances with the BOL include settlement, compulsory and time deposits. These balances bear no interest.

Under regulations of the BOL, the Bank is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 5.00% and 10.00%, on a bi-monthly basis, (2009: 5.00% and 10.00%) of customer deposits having original maturities of less than 12 months, in LAK and in foreign currencies, respectively.

In the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

In accordance with Decree No. 02/PR of the President of Lao P.D.R on Credit Institutions, the Bank is required to deposit twenty-five percent of the registered capital into a block deposit account with the BOL within ninety days from the date of registration. This deposit amount is considered as a guarantee for the operations of the Bank.

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

14. AMOUNT DUE FROM OTHER BANKS

	31/12/2010 LAKm	31/12/2009 Unaudited LAKm
Demand deposits at other banks	867,262	900,867
Domestic banks	242,426	322,544
- <i>Demand deposits</i>	242,426	322,544
- <i>Saving deposits</i>	-	-
- <i>Call deposits</i>	-	-
Foreign banks	624,836	578,323
- <i>Demand deposits</i>	485,513	472,234
- <i>Saving deposits</i>	127,094	82,135
- <i>Call deposits</i>	12,229	23,954
Term deposits at other banks	738,683	921,778
Domestic banks	29,467	55,167
Foreign banks	709,216	866,611
Loans to other banks	226,971	48,354
Domestic banks	226,971	48,354
Foreign banks	-	-
	<u>1,832,916</u>	<u>1,870,999</u>

As at 31 December 2010, the Bank is obliged to provide 1.00% general provision on total loans to other banks, as regulated in Regulation 06/BOL ("BOL6") dated 11 May 2004 issued by the Bank of the Lao P.D.R. Changes in general provisions for loans to other banks are as follows:

	General provision (*) LAKm	Total LAKm
Opening balance	967	967
Provision charged to expense in the year	1,303	1,303
Reversal of provision in the year	-	-
Closing balance at 31 December 2010	2,270	2,270
Utilization for bad debts written off	-	-
Total provision in accordance with BOL6	<u>2,270</u>	<u>2,270</u>

(*): *General provision for loans to other banks is recorded in capital and reserves (see Note 17)*

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

15. INVESTMENT IN SECURITIES

	31/12/2010 LAKm	31/12/2009 Unaudited LAKm
Trading securities	-	-
Available-for-sale securities	100,000	-
Equity securities issued by local credit institutions	-	-
Equity securities issued by local corporate	100,000	-
Provision for available-for-sale securities	-	-
Held-to-maturity securities	1,329,796	885,338
Debt securities		
- Debt securities issued by the Bank of the Lao P.D.R	1,315,103	877,674
- Debt securities issued by foreign credit institutions	14,693	7,664
	1,429,796	885,338

15.1 Available-for-sale securities

Details of the Bank's equity securities - available-for-sale as at 31 December 2010 are as follows:

	31/12/2010 LAKm	31/12/2009 Unaudited LAKm
Listed	-	-
Unlisted	100,000	-
	100,000	-

15.2 Held-to-maturity securities

	31/12/2010 LAKm	31/12/2009 Unaudited LAKm
Treasury bills	115,000	47,472
Bonds issued by the Ministry of Finance	678,280	394,780
Bonds issued by the Bank of the Lao P.D.R	521,823	435,407
Other securities (investment fund units)	14,693	7,679
	1,329,796	885,338

15.2.1 Treasury bills

Treasury bills carry a term of 1 year and bear interest at rate of 7.00% per annum. Interest is paid on maturity date.

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

15. INVESTMENT IN SECURITIES (continued)

15.2 Held-to-maturity securities (continued)

15.2.2 Bonds issued by the Ministry of Finance

	31/12/2010 LAKm	31/12/2009 Unaudited LAKm
Triangle bonds	29,780	29,780
Capitalization bonds	608,500	325,000
Bonds for settlement of defaulted LC	40,000	40,000
	678,280	394,780

- Triangle bonds represent the bonds which were issued by the Ministry of Finance to either settle the balances due from the MOF or settle the debts owed to the Bank by customers who were in turn owed money by the MOF. The bonds are not transferrable and could be required to be extended on maturity by the MOF. The bonds carry a term of 17 years and bear no interest.
- Capitalization bonds were issued by the MOF to increase the Bank's chartered capital with the details as following:

<u>Issuance date</u>	<u>Face value</u>	<u>Term</u>	<u>Interest rate (% per annum)</u>
01 February 2006	129,000,000,000	5 years	7.80%
01 March 2007	98,000,000,000	5 years	7.80%
01 March 2009	98,000,000,000	5 years	7.80%
01 October 2010	<u>283,500,000,000</u>	5 years	1.00%
	<u>608,500,000,000</u>		

- Bonds for settlement of defaulted LC are bonds issued by the MOF on 07 June 2007 under Decision No. 1330 in order to settle overdue letters of credit of customers which had been categorized as "Non-performing" since the year 1999. These bonds have maturities of 4 years and bear no interest.

15.2.3 Bonds issued by the Bank of the Lao P.D.R

Bonds issued by the Bank of the Lao P.D.R in LAK and USD have term of 3 months, bear interest rates ranging from 2.00% to 3.50% per annum. Interest is paid on the maturity date

15.2.4 Other securities

Investment fund units are the units which the Bank purchased through CIMB Thai Bank Public Company Limited. The fund units have terms ranging from 9 to 11 months and bear the interest rates ranging from 1.50% to 2.10% per annum. Interest is paid on the maturity date.

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

16. LOANS AND ADVANCES TO CUSTOMERS (NET OF SPECIFIC PROVISION)

	31/12/2010 <i>LAKm</i>	31/12/2009 <i>Unaudited LAKm</i>
Commercial loans	2,737,641	1,916,254
Less specific provision for credit losses	(32,165)	(13,073)
	<u>2,705,476</u>	<u>1,903,181</u>

Commercial loans comprise overdrafts, short-term, medium-term and long-term loans lent by the Bank in LAK, USD and THB. Commercial loans denominated in LAK earn interest rates varying from 8.00% to 20.00% per annum depending on the terms of the loans. Commercial loans denominated in USD and THB earn interest rates ranging from 5.00% to 14.00% per annum.

16.1 Analysis of loan portfolio by currency

	31/12/2010 <i>LAKm</i>	31/12/2009 <i>Unaudited LAKm</i>
Loans and advances denominated in LAK	1,024,628	550,839
Loans and advances denominated in USD	1,371,167	1,106,600
Loans and advances denominated in THB	341,846	258,815
	<u>2,737,641</u>	<u>1,916,254</u>

16.2 Analysis of loan portfolio by quality

	31/12/2010 <i>LAKm</i>	31/12/2009 <i>Unaudited LAKm</i>
Performing loans	2,669,456	1,902,100
Non-performing loans	68,185	14,154
	<u>2,737,641</u>	<u>1,916,254</u>

16.3 Analysis of loan portfolio by original term

	31/12/2010 <i>LAKm</i>	31/12/2009 <i>Unaudited LAKm</i>
Short-term loans	1,075,430	626,872
Medium-term loans	1,442,876	614,502
Long-term loans	219,335	674,880
	<u>2,737,641</u>	<u>1,916,254</u>

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

16. LOANS AND ADVANCES TO CUSTOMERS (NET OF SPECIFIC PROVISION) (continued)

16.4 Analysis of loan portfolio by type of industrial sectors

	31/12/2010 LAKm	31/12/2009 Unaudited LAKm
Industrial services companies	327,197	292,206
Construction companies	649,813	408,438
Technical instruments enterprises	79,052	-
Agricultural and forestry	47,967	48,824
Trading companies	829,556	640,465
Transportation companies	122,597	-
Services companies	656,026	526,321
Other loans	25,433	-
	2,737,641	1,916,254

16.5 Changes in provision for credit losses

	Specific provision LAKm	General provision (*) LAKm	Total LAKm
Opening balance	13,073	38,042	51,115
Provision charged to expense in the year	47,422	14,623	62,045
Reversal of provision in the year	(28,361)	(25,090)	(53,451)
Foreign exchange difference	31	(960)	(929)
Others	-	79	79
Closing balance at 31 December 2010	32,165	26,694	58,859
Utilization for bad debts	-	-	-
Total provision in accordance with BOL6	32,165	26,694	58,859

(*): General provision for loans to customers is recorded in general provision for credit activities (see Note 17).

In accordance with BOL Notification No. 15/BOL dated 19/01/2007 on general provision for performing loan (PL), the Bank is required to make a general loan loss provision at the rate ranging from 0.50% to 3.00% of total remaining loan balance after deducting non-performing loans. For the year ended 31 December 2010, the Bank applied the provision rate of 0.98% to make general provision for credit activities

The breakdown of loan classification and provision as required by Decision 06/BOL and 15/BOL and the Bank's own policy as at 31 December 2010 are as follows:

Classification	Loan balance LAKm	Specific provision LAKm	General provision LAKm	Total provision LAKm
Performing loans	2,669,456	-	(26,694)	(26,694)
Non-performing loans (NPL)	68,185	(32,165)	-	(32,165)
Total	2,737,641	(32,165)	(26,694)	(58,859)

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

17. GENERAL PROVISION FOR CREDIT ACTIVITIES

	<i>General provision for loans to other banks LAKm</i>	<i>General provision for loans to customers LAKm</i>	<i>Total LAKm</i>
Opening balance	967	38,042	39,009
Provision charged to expense in the year (see Note 12)	1,303	14,623	15,926
Reversal of provision in the year (see Note 9)	-	(25,090)	(25,090)
Foreign exchange difference	-	(960)	(960)
Others	-	79	79
Closing balance at 31 December 2010	2,270	26,694	28,964
Loan balance	226,971	2,737,641	2,964,612
Provision rate	1.00%	0.98%	0.98%

In accordance accounting regulations as stipulated by the Bank of Lao P.D.R, general provision for credit activities in recorded in the separate balance sheet as capital and reserves. General provision expense is recorded in "Other operating expenses" (see Note 12). Reversal of general provision is recorded in "Other operating income" (see Note 9).

18. INVESTMENT IN SUBSIDIARIES, JOINT VENTURES AND OTHER LONG-TERM INVESTMENT

	<i>31 December 2010</i>		<i>31 December 2009 Unaudited</i>	
	<i>Book value LAKm</i>	<i>Ownership %</i>	<i>Book value LAKm</i>	<i>Ownership %</i>
Investment in subsidiaries				
BCEL Leasing Company Limited	9,000	100%	9,000	100%
BCEL - Krung Thai Securities Company Limited	21,000	70%	-	-
Investment in joint ventures				
Lao Viet Joint Venture Bank	63,530	50%	63,624	50%
Banque Franco - Lao Company Limited	138,000	46%	15,609	46%
Lao-Viet Insurance Joint Venture Company	7,369	29%	7,380	29%
Other long-term investment				
Money Changer Counter	200	20%	200	20%
	239,099		95,813	

- BCEL Leasing Company Limited is incorporated in the Lao P.D.R under the Business License No. 011/09 granted by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R on 17 November 2009. Its head office is located in Vientiane and it engages in providing leasing services.
- BCEL - Krung Thai Securities Company Limited is incorporated in the Lao P.D.R under the Business License No. 180-10 granted by the Investment Promotion Department of the Ministry of Planning and Investment of the Lao P.D.R on 14 December 2010. The company's principal activities are brokerage services, proprietary trading, finance and securities investment advisory services, custody services, underwriting for share issues and other value added services.

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

18. INVESTMENT IN SUBSIDIARIES, JOINT VENTURES AND OTHER LONG-TERM INVESTMENT (continued)

- Lao Viet Joint Venture Bank (“LVB”) is incorporated in the Lao P.D.R 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 P.D.R for a period of 30 years. The legal capital of LVB is USD 15,000,000 and had been fully contributed by partners as at 31 December 2009. As at 31 December 2010, LVB’s chartered capital had been approved to increase to USD 22,500,000, yet both the Bank and the Bank for Investment and Development of Vietnam had not contributed the additional chartered capital. The Bank has received dividend income of LAKm 6,072 from the investment for the year 2010 (2009: LAKm 3,606).
- Banque Franco - Lao Company Limited (“BFL”) is incorporated in the Lao P.D.R 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 P.D.R. 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. The total amount of USD 1,840,000 and LAK 122,414,077,600 was contributed by the Bank as at 31 December 2010.
- Lao-Viet Insurance Joint Venture Company (“LVI”) is incorporated as a joint venture company in the Lao P.D.R 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.

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

19. INTANGIBLE FIXED ASSETS

Movement of the balance of intangible assets for the year ended 31 December 2010 is as follows:

	<i>Land use right</i> <i>LAKm</i>	<i>Software</i> <i>LAKm</i>	<i>Total</i> <i>LAKm</i>
Cost:			
As at 1 January 2010	8,518	20,817	29,335
Additions	5,406	5,376	10,782
Disposal	(748)	(9,313)	(10,061)
As at 31 December 2010	<u>13,176</u>	<u>16,880</u>	<u>30,056</u>
Accumulated amortization:			
As at 1 January 2010	-	12,342	12,342
Charge for the year 2010	-	3,045	3,045
Disposal	-	(9,308)	(9,308)
As at 31 December 2010	<u>-</u>	<u>6,079</u>	<u>6,079</u>
Net book value:			
As at 1 January 2010	<u>8,518</u>	<u>8,475</u>	<u>16,993</u>
As at 31 December 2010	<u>13,176</u>	<u>10,801</u>	<u>23,977</u>

Movement of the balance of intangible assets for the year ended 31 December 2009 was as follows:

	<i>Land use right</i> <i>Unaudited</i> <i>LAKm</i>	<i>Software</i> <i>Unaudited</i> <i>LAKm</i>	<i>Total</i> <i>Unaudited</i> <i>LAKm</i>
Cost:			
As at 1 January 2009	2,783	14,230	17,013
Additions	5,735	6,587	12,322
Disposal	-	-	-
As at 31 December 2009	<u>8,518</u>	<u>20,817</u>	<u>29,335</u>
Accumulated amortization:			
As at 1 January 2009	-	10,751	10,751
Charge for the year 2009	-	1,591	1,591
Disposal	-	-	-
As at 31 December 2009	<u>-</u>	<u>12,342</u>	<u>12,342</u>
Net book value:			
As at 1 January 2009	<u>2,783</u>	<u>3,478</u>	<u>6,261</u>
As at 31 December 2009	<u>8,518</u>	<u>8,475</u>	<u>16,993</u>

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

20. TANGIBLE FIXED ASSETS

Movement of the balance of property and equipment for the year ended 31 December 2010 is as follows:

	<i>Building & improvement</i> <i>LAKm</i>	<i>Office equipment</i> <i>LAKm</i>	<i>Furniture & fixtures</i> <i>LAKm</i>	<i>Motor vehicles</i> <i>LAKm</i>	<i>Total</i> <i>LAKm</i>
Cost:					
As at 1 January 2010	72,681	61,399	6,316	12,367	152,763
Additions	16,630	20,670	7,160	4,651	49,111
Disposal	(3,141)	(9,135)	(332)	(1,144)	(13,752)
As at 31 December 2010	86,170	72,934	13,144	15,874	188,122
Accumulated depreciation:					
As at 1 January 2010	11,211	26,305	720	5,383	43,619
Charge for the year 2010	5,216	11,811	929	2,690	20,646
Disposal	(1,366)	(6,202)	(101)	(637)	(8,306)
As at 31 December 2010	15,061	31,914	1,548	7,436	55,959
Net book value:					
As at 1 January 2010	61,469	35,094	5,596	6,985	109,144
As at 31 December 2010	71,109	41,020	11,596	8,438	132,163

Movement of the balance of property and equipment for the year ended 31 December 2009 was as follows:

	<i>Building & improvement</i> <i>Unaudited</i> <i>LAKm</i>	<i>Office equipment</i> <i>Unaudited</i> <i>LAKm</i>	<i>Furniture & fixtures</i> <i>Unaudited</i> <i>LAKm</i>	<i>Motor vehicles</i> <i>Unaudited</i> <i>LAKm</i>	<i>Total</i> <i>Unaudited</i> <i>LAKm</i>
Cost:					
As at 1 January 2009	32,820	45,651	1,591	10,271	90,333
Additions	43,830	21,076	4,958	2,468	72,332
Disposal	(3,969)	(5,328)	(233)	(372)	(9,902)
As at 31 December 2009	72,681	61,399	6,316	12,367	152,763
Accumulated depreciation:					
As at 1 January 2009	7,880	18,083	449	3,635	30,047
Charge for the year 2009	3,683	8,672	93	2,063	14,511
Disposal	(352)	(450)	178	(315)	(939)
As at 31 December 2009	11,211	26,305	720	5,383	43,619
Net book value:					
As at 1 January 2009	24,940	27,568	1,142	6,636	60,286
As at 31 December 2009	61,470	35,094	5,596	6,984	109,144

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

21. ACCRUED INTEREST INCOME

	31/12/2010 LAKm	31/12/2009 Unaudited LAKm
Accrued interest income – balance with the BOL	267	87
Accrued interest income – due from banks	2,017	1,407
Accrued interest income – loans to customers	19,859	14,085
Accrued interest income – securities investments	16,719	11,270
	38,862	26,849

22. OTHER ASSETS

	31/12/2010 LAKm	31/12/2009 Unaudited LAKm
Stationeries and other tools	6,110	6,591
Checks in collection	7,673	46,741
Assets waiting for sales	7,914	8,185
Prepaid expenses to be allocated	8,164	6,576
Prepayments	1,558	22,392
Others	1,978	1,051
	33,397	91,536

Prepaid expenses to be allocated consists of operating expenses which are not eligible to be recorded as fixed assets and other prepaid expenses arising in the year. These costs will be allocated to the separate income statement within 2 years.

23. AMOUNT DUE TO OTHER BANKS

	31/12/2010 LAKm	31/12/2009 Unaudited LAKm
Demand deposits at other banks	580,495	359,766
Domestic banks	255,897	257,268
Foreign banks	396	871
National treasury	324,141	101,410
Other government institutions	61	217
Term deposits from other banks	13,291	-
Domestic banks	13,291	-
Borrowings from other banks	78,566	21,547
Bank of the Lao P.D.R	78,566	21,547
Foreign banks	-	-
Other payables to other banks	10,407	7,167
	682,759	388,480

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

23. AMOUNT DUE TO OTHER BANKS (continued)

Borrowings from the BOL include:

- Borrowing from the BOL represents the long-term loan of USD 570,000 as at 31 December 2010 (original loan amount is USD 2,000,000) from the BOL for the purpose of investment in Lao Viet Joint Venture Bank. The loan's principal is paid annually from 2000 to 2014. The loan does not bear interest if the principal repayment is on time.
- Other borrowings from the BOL represents the long-term loan of USD 9,200,000 as at 31 December 2010 (original loan amount is USD 9,200,000) from the BOL for the purpose of investment in Banque Franco - Lao Company Limited. The loan's principal is paid annually from 2010 to 2023 with the interest rate of 0.25% per annum.

24. AMOUNTS DUE TO CUSTOMERS

	31/12/2010 LAKm	31/12/2009 Unaudited LAKm
Demand deposits	2,629,244	1,798,319
Demand deposits in LAK	1,558,682	655,355
Demand deposits in FC	1,070,562	1,142,964
Daily deposits	1,294	1,446
Daily deposits in LAK	992	922
Daily deposits in FC	302	524
Saving deposits	3,069,164	2,328,641
Saving deposits in LAK	725,647	515,181
Saving deposits in FC	2,343,517	1,813,460
Fixed term deposits	1,944,256	1,377,097
Fixed term deposits in LAK	974,992	591,563
Fixed term deposits in FC	969,264	785,534
Margin deposits	54,027	144,275
Margin deposits in LAK	8,474	9,263
Margin deposits in FC	45,553	104,556
	-	30,456
Other amount due to customers	140,627	14,302
	7,838,612	5,664,080

Customer saving accounts in LAK, THB, and USD bear interest at rates of 3.50%, 1.00% and 1.50% per annum, respectively.

Fixed term deposits in LAK have terms of 3, 6, and 12 months and are subject to interest rates of 6.00%, 8.00%, and 10.00% per annum respectively. Fixed term deposits in foreign currencies have the same range of terms and bear interest rates ranging from 1.25% to 2.25% per annum for THB and from 1.75% to 3.00% per annum for USD.

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

25. ACCRUED INTEREST EXPENSE

	31/12/2010 LAKm	31/12/2009 Unaudited LAKm
Accrued interest expense – balance with the BOL	63	5
Accrued interest expense – customer deposits	36,115	35,343
	36,178	35,348

26. OTHER LIABILITIES

	31/12/2010 LAKm	31/12/2009 Unaudited LAKm
Payables to employees (*)	14,250	12,162
Payable to suppliers	2,583	1,709
Termination allowances	2,796	2,097
Payables related to the bank's IPO (**)	163,364	-
Other payables	2,777	2,825
	185,770	18,793

(*): Including the bonus payables to the Bank's employees for the financial year 2010 in accordance with Decision No. 02/BOD dated 10 January 2011 of the Bank's Board of Directors.

(**): The amount received from the issuing of additional shares to new shareholders, equivalent to 27,315,520 additional shares. As at the date of these separate financial statements, the equitisation process has not yet been completed, therefore, those payables have not yet been finalized by authoritative bodies.

27. TAXATION

Major components of tax expense for the years 2010 and 2009 were as follows:

	2010 LAKm	2009 Unaudited LAKm
Enterprise Income Tax expense in accordance with statutory tax regulations		
- Current	54,243	46,096
Total tax expense for the year	54,243	46,096

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

27. TAXATION (continued)

27.1 Current Enterprise Income Tax

In accordance with the Lao Tax Law dated 14 October 1995 as stipulated by the President of the National Assembly, and the following Agreement 553/TO dated 27 June 1997 issued by the Tax Authority, income tax is payable at the higher of the minimum tax of 1.00% on total income ("1.00% method") or at 35% on the taxable profit of the Bank reported under the Lao Accounting System.

	2010 LAKm	2009 Unaudited LAKm
Profit before tax in accordance with Lao Accounting System	163,453	135,347
<i>Less</i>		
Income exempt from EIT (dividend and interest income from the Bank's joint ventures)	8,472	3,644
Taxable income/business revenue	154,981	131,703
Current Enterprise Income Tax expense, at the statutory rate of 35%	54,243	46,096
EIT payable at the beginning of the year	46,096	59,562
EIT paid during the year	(49,774)	(59,562)
Net EIT payable at the end of the year	50,566	46,096

The Bank's tax returns are subject to periodic examination by the tax authorities. Because the application of tax laws and regulations in many types of transactions is susceptible to varying interpretations, amounts reported in the separate financial statements could be changed at a later date upon final determination by the tax authorities. The tax assessments for the years from 2002 to 2008 have not been finalized by the tax authorities.

28. CASH AND CASH EQUIVALENTS

	31/12/2010 LAKm	31/12/2009 Unaudited LAKm
Cash on hand	717,636	440,770
Current accounts with the BOL	2,283,225	1,031,251
Current accounts with other banks	867,262	900,866
Term deposits due within 30 days	-	-
	3,868,123	2,372,887

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

29. COLLATERALS AND MORTGAGES

	<i>Book value (LAKm)</i>		<i>Carrying value (LAKm)</i>	
	<i>31/12/2010</i>	<i>31/12/2009 Unaudited</i>	<i>31/12/2010</i>	<i>31/12/2009 Unaudited</i>
Real estate properties	5,205,767	3,999,168	5,205,767	3,999,168
Movable assets	2,115,777	65,131	2,115,777	65,131
Valuable papers	3,827,315	33,910,780	3,827,315	33,910,780
Other assets	3,048	9,108	3,048	9,108
	11,151,907	37,984,187	11,151,907	37,984,187

30. CONTINGENT LIABILITIES AND COMMITMENTS

In normal course of business, the Bank is a party to financial instruments which are recorded as off-balance sheet items. These financial instruments mainly comprise financial guarantees and commercial letters of credit. These instruments involve elements of credit risk in excess of the amounts recognized in the separate balance sheet.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract.

Financial guarantees are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party including guarantee for borrowings, settlement, and performing contracts and bidding. The credit risk involved in issuing guarantees is essentially the same as that involved in extending facilities to other customers.

Commercial at sight letters of credit represent a financing transaction by the Bank to its customer where the customer is usually the buyer/importer of goods and the beneficiary is typically the seller/exporter. Credit risk is limited as the merchandise shipped serves as collateral for the transaction.

Deferred payment letters of credits represent the amounts at risk should the contract be fully drawn upon and the client defaults in repayment to the beneficiary. Deferred payment letters of credit that were defaulted by clients are recognized by the Bank as granting of a compulsory loan with a corresponding liability representing the financial obligation of the Bank to pay the beneficiaries and to fulfil the guarantor obligation.

The Bank requires margin deposits to support credit-related financial instruments when it is deemed necessary. The margin deposit required varies from nil to 100% of the value of a commitment granted, depending on the creditworthiness of clients as assessed by the Bank.

The outstanding commitments and contingent liabilities as at 31 December are as follows:

	<i>31/12/2010 LAKm</i>	<i>31/12/2009 Unaudited LAKm</i>
Financial letter of guarantees	105,923	98,460
At sight letters of credit	326,253	547,877
Deferred payment letters of credit	432,767	87,455
Credit limit given to customers	1,920,981	1,113,068
Others	152	-
	2,786,076	1,846,860

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

31. TRANSACTIONS WITH RELATED PARTIES

Related party transactions include all transactions undertaken with other parties to which the Bank is related. A party is related to the Bank if:

(a) directly, or indirectly through one or more intermediaries, the party:

- ▶ controls, is controlled by, or is under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries);
- ▶ has an interest in the Bank that gives it significant influence over the Bank; or
- ▶ has joint control over the Bank.

(b) the party is a joint venture in which the Bank is a venture;

(c) the party is a member of the key management personnel of the Bank or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (d);

(e) the party is an Bank that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Bank resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any Bank that is a related party of the Bank.

Significant transactions with related parties during the year 2010 were as follows:

<u>Related party</u>	<u>Relationship</u>	<u>Transactions</u>	<u>in LAKm</u>
BCEL - Krung Thai Securities Company Limited	Subsidiary	Agent expenses	7,239
BCEL Leasing Company	Subsidiary	Loans interest income	6,282
Lao-Viet Insurance Joint Venture Company	Joint venture	Insurance expenses	340
Lao Viet Joint Venture Bank	Joint venture	Interest expenses	1,529
The Bank of the Lao P.D.R	Direct controller	Interest income	994
The Bank of the Lao P.D.R	Direct controller	Interest income from BOL's bonds	17,723
The Ministry of Finance of the Lao P.D.R	Direct owner	Interest income from MOF bonds	35,227

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

31. TRANSACTIONS WITH RELATED PARTIES (continued)

Balances with related parties at 31 December 2010 are as follow:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Receivable LAKm</i>	<i>Payable LAKm</i>
BCEL Leasing Company	Subsidiary	Current accounts	-	4,134
BCEL Leasing Company	Subsidiary	Loans	164,299	-
BCEL - Krung Thai Securities Company Limited	Subsidiary	Current accounts	-	13,360
Lao Viet Joint Venture Bank	Joint venture	Current accounts	-	29,944
Lao Viet Joint Venture Bank	Joint venture	BCEL's deposits at LVB	24,467	-
Banque Franco - Lao Company Limited	Joint venture	Current accounts	-	6,909
Banque Franco - Lao Company Limited	Joint venture	BCEL's demand deposits at BFL	14,365	-
Lao-Viet Insurance Joint Venture Company	Joint venture	Prepaid insurance expenses	255	-
Lao-Viet Insurance Joint Venture Company	Joint venture	Current accounts	-	418
Money Changer Counter	Long-term investment	Current accounts	-	118
The Bank of the Lao P.D.R	Direct controller	Borrowings from the BOL	-	78,566
The Bank of the Lao P.D.R	Direct controller	BCEL's demand deposits at BOL	1,377,866	-
The Bank of the Lao P.D.R	Direct controller	BCEL's compulsory deposits at BOL	402,666	-
The Bank of the Lao P.D.R	Direct controller	BCEL's term deposits at BOL	118,190	-
The Bank of the Lao P.D.R	Direct controller	Investment in BOL's bonds	521,823	-
The Bank of the Lao P.D.R	Direct controller	Accrued interest income from BOL's bonds	1,541	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Capitalization bonds	608,500	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Accrued interest income from capitalization bonds	10,021	-
The Ministry of Finance of the Lao P.D.R	Direct owner	Investment in MOF's bonds	69,780	-

32. EVENTS AFTER THE SEPARATE BALANCE SHEET DATE

On 10 January 2011, the Bank had received the Operating License No. 0061/LRO issued by the Business License Registration Office of the Lao P.D.R which is effective from 10 January 2011. Accordingly, the Bank has formally been transformed into joint stock bank under the new name of Banque Pour Le Commerce Exterieur Lao Public and the chartered capital is LAK 682,888,000,000.

Banque Pour Le Commerce Exterieur Lao

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

33. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST LAO KIP AS AT 31 DECEMBER 2010

	<u>31/12/2010</u>	<u>31/12/2009</u>
	<u>LAK</u>	<u>LAK</u>
USD	8,041.51	8,483.20
EUR	10,667.00	12,164.00
GBP	12,386.00	13,444.50
CHF	8,469.00	8,138.50
JPY	98.00	91.87
SGD	6,170.00	6,014.50
CAD	7,981.00	8,101.50
AUD	8,129.00	7,548.00

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18 March 2011