Banque Pour Le Commerce Exterieur Lao Public
(formerly known as Banque Pour Le Commerce Exterieur Lao)

Interim consolidated financial statements
in accordance with International Financial Reporting Standards

for the period from 01 January 2011 to 30 June 2011

Banque Pour Le Commerce Exterieur Lao Public
(formerly known as Banque Pour Le Commerce Exterieur Lao)

CONTENTS

Pages

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Report on review of interim consolidated financial statements	1
Interim consolidated income statement	2
Interim consolidated statement of comprehensive income	3
Interim consolidated statement of financial position	4
Interim consolidated statement of changes in equity	5
Interim consolidated statement of cash flows	6
Notes to the interim consolidated financial statements	7 - 45

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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

We have reviewed the accompanying interim consolidated statement of financial position of Banque Pour Le Commerce Exterieur Lao Public ("the Bank") and its subsidiaries as at 30 June 2011 and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity, interim consolidated statement of cash flow for the six-month period then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 2 to 45. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view of (or do not present fairly, in all material respects) the financial position of the Bank and its subsidiaries as at 30 June 2011 and of their financial performance and their cash flows for the six-month period then ended in accordance with IAS 34 – "Interim Financial Reporting".

We note that the period from 01 January 2011 to 30 June 2011 is the first interim accounting period of the Bank and its subsidiaries. Accordingly, the Bank has used the figures in 2010's IFRS audited financial statements as the opening balances and presented them on the interim consolidated financial statements for reference purposes.

Ernst & Young Lao Ltd.

ERNST & YOUNG
LAO CO.,LTD

Vientiane, Lao P.D.R

15 August 2011

Banque Pour Le Commerce Exterieur Lao Public
(formerly known as Banque Pour Le Commerce Exterieur Lao)

INTERIM CONSOLIDATED INCOME STATEMENT
for the six-month period ended 30 June 2011

	Notes	*For the six-month period ended 30 June 2011 LAKm*	*2010 LAKm*
Interest and similar income	5	182,929	266,143
Interest and similar expense	6	(107,065)	(146,909)
Net interest and similar income		**75,864**	**119,234**
Fee and commission income	7	68,870	143,273
Fee and commission expense	7	(4,064)	(38,926)
Net fee and commission income		**64,806**	**104,347**
Net trading income	8	37,125	37,720
Net gain/(loss) from trading gold and other precious metals		2,493	12,356
Net share of profit in associates and joint ventures		31,195	3,839
Other operating income	9	32,294	42,921
TOTAL OPERATING INCOME		243,777	320,417
Credit loss expenses	10	(39,596)	(85,756)
Reversal of provision for credit losses	10	37,720	53,451
Reversal of impairment losses on financial investments		6,752	8,039
NET OPERATING INCOME		248,653	296,151
Personnel expenses	11	(38,821)	(68,733)
Depreciation and amortization	21,22	(14,157)	(23,784)
Other operating expenses	12	(30,829)	(63,346)
TOTAL OPERATING EXPENSES		(83,807)	(155,863)
PROFIT BEFORE TAX		**164,846**	**140,288**
Income tax expense	27	(7,842)	(47,516)
PROFIT AFTER TAX		**157,004**	**92,772**
Non-controlling interest		(427)	(564)
Net profit after tax attributable to the equity holders of the Bank		**156,577**	**92,208**
Earnings per share (LAK/share)	**32**	**1,146**	**-**

Prepared by:	Approved by:	Approved by:
Mr. Phonenalath Kongvongsa	Mrs. Thonglith Saochanethala	Mr. Onekeo Damlongboun
Accountant	Deputy Chief of Accounting Division	Deputy Managing Director

Vientiane, Lao P.D.R

15 August 2011

The accompanying notes from 1 to 42 form part of these interim consolidated financial statements

Banque Pour Le Commerce Exterieur Lao Public
(formerly known as Banque Pour Le Commerce Exterieur Lao)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six-month period ended 30 June 2011

	Note	*For the six-month period ended 30 June 2011 LAKm*	*2010 LAKm*
NET PROFIT FOR THE PERIOD		157,004	92,772
Other comprehensive income		-	-
Net (loss)/gain on hedge of net investments		-	-
Exchange differences on translation of foreign operations		-	-
Net gain on cash flow hedges		-	-
Net (loss)/gain on available-for-sale financial assets		(17,364)	39,458
Income tax related to components of other comprehensive income		6,078	(13,810)
Other comprehensive income for the period from 01 January to 30 June 2011, net of tax		-	-
Total comprehensive income for the period from 01 January to 30 June 2011, net of tax		**145,718**	**118,420**
Non-controlling interest		**(427)**	**(564)**
Total comprehensive income for the period from 01 January to 30 June 2011 attributable to the equity holders, net of tax		**145,291**	**117,856**

Prepared by:
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Deputy Chief of Accounting Division

Approved by:
Mr. Onekeo Damlongboun
Deputy Managing Director

Vientiane, Lao P.D.R

15 August 2011

The accompanying notes from 1 to 42 form part of these interim consolidated financial statements

Banque Pour Le Commerce Exterieur Lao Public
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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2011

	Notes	30 June 2011 LAKm	31 December 2010 LAKm
ASSETS			
Cash and cash equivalents on hand	13	1,022,185	717,647
Balances with the Bank of the Lao P.D.R ("the BOL")	14	1,688,876	2,434,382
Placements and loans to other banks	15	2,645,776	1,834,933
Loans and advances to customers, net of provision	16	3,601,323	2,694,031
Financial instruments, Held for trading		95	-
Financial investments - Available-for-sale	18	122,094	139,458
Financial investments - Held-to-maturity	19	2,653,111	1,346,514
Investments in joint-ventures	20	239,122	210,030
Investment properties		7,914	-
Property and equipment	21	143,335	134,705
Intangible assets	22	26,322	24,210
Other assets	23	116,352	56,871
TOTAL ASSETS		**12,266,505**	**9,592,781**
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES			
Due to banks	24	1,866,006	590,900
Borrowings from the BOL	25	73,087	78,628
Due to customers	26	9,368,484	7,863,831
Current tax liabilities		2,512	52,689
Deferred tax liabilities	27.2	3,577	4,882
Other liabilities	28	36,725	205,767
TOTAL LIABILITIES		**11,350,391**	**8,796,697**
OWNERS' EQUITY			
Chartered capital	29	610,433	610,433
Statutory reserves	30	118,926	119,530
Available-for-sale reserve	31	14,362	25,648
Retained earnings/(Accumulated losses)		162,966	31,472
TOTAL OWNERS' EQUITY		**906,687**	**787,083**
NON-CONTROLLING INTEREST		**9,427**	**9,001**
TOTAL LIABILITIES, OWNERS' EQUITY AND NON-CONTROLLING INTEREST		**12,266,505**	**9,592,781**

Prepared by:	Approved by:	Approved by:
Mr. Phonenalath Kongvongsa	Mrs. Thonglith Saochanethala	Mr. Onekeo Damlongboun
Accountant	Deputy Chief of Accounting Division	Deputy Managing Director

Vientiane, Lao P.D.R

15 August 2011

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Banque Pour Le Commerce Exterieur Lao Public
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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six-month period ended 30 June 2011

	Chartered capital LAKm	*Statutory reserves LAKm*	*Available-for-sale reserve LAKm*	*Accumulated gain/(losses) LAKm*	*Total LAKm*
Balances as at 1 January 2010	**326,933**	**102,246**	-	**(29,022)**	**400,157**
Net profit for the year 2010	-	-	-	92,772	92,772
Transfer profit 2010 to MOF	-	-	-	(14,726)	(14,726)
Capital increase during the year 2010	283,500	-	-	-	283,500
Appropriation to reserves for the year 2010 based on the profit reported under the Lao Accounting System	-	17,284	-	(17,284)	-
Net change in fair value of available-for-sale financial investments	-	-	25,648	-	25,648
Others	-	-	-	(268)	(268)
Balances as at 31 December 2010, restated	**610,433**	**119,530**	**25,648**	**31,472**	**787,083**
Net profit for the period from 01 January to 30 June 2011	-	-	-	156,577	156,577
Capital increase during the period from 01 January to 30 June 2011					
Transfer profit 2011 to MOF	-	-	-	(26,101)	(26,101)
Net change in fair value of available-for-sale financial investments	-	-	(11,286)	-	(11,286)
Others	-	(604)	-	1,018	414
Balances as at 30 June 2011	**610,433**	**118,926**	**14,362**	**162,966**	**906,687**

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Deputy Managing Director

Vientiane, Lao P.D.R

15 August 2011

The accompanying notes from 1 to 42 form part of these interim consolidated financial statements

Banque Pour Le Commerce Exterieur Lao Public
(formerly known as Banque Pour Le Commerce Exterieur Lao)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
for the six-month period ended 30 June 2011

	Notes	*For the six-month period ended 30 June 2011*	*2010*
		LAKm	*LAKm*
Net profit before tax		**164,846**	**140,288**
Adjustments for:			
Depreciation and amortization charges		14,157	23,784
Provision for doubtful debts		1,992	32,305
Investment losses/(income)		22	(12,252)
Interest income		(182,929)	-
Interest expense		107,065	-
Disposal income		(29)	-
Cash flows from operating profit before changing in operating assets and liabilities		**105,124**	**184,125**
(Increase)/Decrease in operating assets			
Balances with other banks		(411,226)	(30,449)
Loans and advances to customers		(901,566)	(825,140)
Other financial assets		-	(260,958)
Accrued interest income		-	(12,281)
Other assets		(67,394)	57,952
(Increase)/Decrease in operating liabilities			
Amounts due to other banks		1,271,445	223,968
Customer deposits and other amounts due to customers		1,503,783	2,169,934
Other liabilities		(169,043)	24,720
Cash generated from operations		**1,331,123**	**1,531,871**
Interest paid		(107,090)	-
Corporate tax paid during the period		(53,246)	(47,133)
Interest received		163,097	-
Net cash flows from operating activities		**1,333,884**	**1,484,738**
INVESTING ACTIVITIES			
Purchase and construction of fixed assets and other long-term assets		(25,637)	(70,579)
Proceeds from disposals of fixed assets and other long-term assets		768	-
Payments for investments in other entities		(29,091)	(119,420)
Proceeds from sale of investments in other entities		-	8,039
Interest and dividends received		-	6,690
Financial instruments, Held for trading		(117)	-
Financial investments, Held-to-maturity		(1,295,049)	-
Net cash flows used in investing activities		**(1,349,126)**	**(175,270)**
FINANCING ACTIVITIES			
Capital contribution and issuance of shares		-	172,364
Drawdown of borrowings		-	59,186
Repayment of borrowings		(988)	(1,046)
Transfer the profit to MOF		(26,101)	(14,726)
Statutory reserves		415	-
Net cash flows used in financing activities		**(26,674)**	**215,778**
Net increase in cash and cash equivalents		(41,916)	1,525,246
Cash and cash equivalents at the beginning of the period		3,900,834	2,375,588
Cash and cash equivalents at the end of the period	**33**	**3,858,918**	**3,900,834**

Prepared by:	Approved by:	Approved by:
Mr. Phonenalath Kongvongsa	Mrs. Thonglith Saochanethala	Mr. Onekeo Damlongboun
Accountant	Deputy Chief of Accounting Division	Deputy Managing Director

Vientiane, Lao P.D.R
15 August 2011

The accompanying notes from 1 to 45 form part of these interim consolidated financial statements

1. CORPORATE INFORMATION

Banque Pour Le Commerce Exterieur Lao Public (herein referred to as “the Bank”) is a joint-stock commercial bank 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 Bank operates as a universal commercial bank providing a full range of financial, monetary, credit, banking and non-banking products and services in accordance with the law, including: banking services (comprehensive packages of both traditional and modern banking services), insurance services (insurance, re-insurance all types of non-life insurance services); securities (securities brokerage, securities custody, investment consulting business, underwriting, portfolio management), financial investments (investment securities: bonds, stocks); capital investment in new projects.

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. On 15 July 2011, the Bank continues to sell 10% of the total ordinary shares (equivalent 13,657,759 shares) to CofiBred in accordance with the Ordinary Shares Purchase Agreement between Ministry of Finance and CofiBred. CofiBred remitted to the Ministry of Finance the total purchase price of LAK 150,235,349,000 from 25 July to 29 July 2011.

Chartered capital

The initial chartered capital of the Bank was 1,933 millions of KIP (“LAKm”) and subsequently supplemented based on the approval of its equity holders. The actual charter capital as at 30 June 2011 was LAKm 610,433. (As at 31 December 2010: LAKm 610,433)

Operational results

The consolidated net profit after tax for the period from 01 January to 30 June 2011 was LAKm 157,004 (the consolidated net profit after tax for the year ended 31 December 2010 was LAKm 92,772).

1. CORPORATE INFORMATION (continued)

Board of Directors

The members of the Board of Directors during the first 6 months of year 2011 and at the date of this report are:

Name	*Position*	*Date of appointment*
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 first 6 months of year 2011 and at the date of this report are:

Name	*Position*	*Date of appointment*
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 06 June 2008
Mr. Phoukhong Chanthachack	Deputy Managing Director	Appointed on 08 May 2005

Location and Network

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane, Lao P.D.R. As at 30 June 2011, the Bank has one (01) Head Office, eighteen (18) main branches, twenty five (25) services units, and eleven (11) exchange units all over Lao P.D.R.

Subsidiaries

As at 30 June 2011 the Bank has two (02) subsidiaries as follows:

Name	*Established in accordance with Business License No.*	*Business sector*	*% owned by the Bank*
BCEL Leasing Company	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%

1. CORPORATE INFORMATION (continued)

Joint ventures

As at 30 June 2011, the Bank has three (03) joint ventures as follows:

Name	*Business License No.*	*Business Sector*	*% owned by the Bank*
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 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

Total number of employees of the Bank and its subsidiaries as at 30 June 2011 is 1,019 persons (the number of employees of the Bank and its subsidiaries as at 31 December 2010 was 1,019 persons).

2. BASIS OF PREPARATION

2.1 Basis of preparation for consolidated financial statements

The Bank maintains its records in Lao Kip ("LAK") and prepares its interim consolidated financial statements in millions of LAK ("LAKm") in accordance with the "Decree of the President on Commercial Banks" numbered 03/NA dated 26 December 2006 and the Enterprise Accounting Law of Lao P.D.R and other relevant accounting regulations as stipulated by Bank of the Lao P.D.R ("LAS").

The Bank also prepares its interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") by conversion of data from LAS to IFRS. However, the Bank does not apply the following IFRS or IAS while preparing the interim consolidated financial statements:

- Disclosures on risk management under IFRS 7 - "Financial Instruments: Disclosures";
- Accounting for initial recognition of investment securities at fair value (under IAS 39 - Financial Instruments: Recognition and Measurement); and
- Supplementary information on risk management and other disclosures on the operations of the Bank (under International Financial Reporting Standard 7 - "Financial Instruments: Disclosures").

2.2 Fiscal year

The Bank's fiscal year starts on 01 January and ends on 31 December.

2. BASIS OF PREPARATION (continued)

2.3 Basis of consolidation

The interim consolidated financial statements comprise the interim financial statements of the Bank and its subsidiaries for the period from 01 January 2011 to 30 June 2011. The interim financial statements of the Bank's subsidiaries are prepared for the same reporting period and using consistent accounting policies as well as of the Bank.

All intra-group balances, transactions, income and expenses are eliminated in full.

Subsidiaries (as disclosed in Note 1) are fully consolidated from the date on which control is transferred to the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the interim consolidated income statement from the date of acquisition or up to the date of disposal.

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Bank and are presented separately in the interim consolidated income statement and within equity in the interim consolidated statement of financial position, separately from the Bank's equity.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Bank's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the interim consolidated financial statements. The most significant uses of judgments and estimates are as follows:

3.1 Going concern

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

3.2 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the interim consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.3 Impairment losses on loans and advances

The Bank and its subsidiaries review their individually significant loans and advances at each consolidated statement of financial position date to assess whether an impairment loss should be recorded in the interim consolidated income statement. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgments about the borrower’s financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilization, loan to collateral ratios etc.), and judgments to the effect of concentrations of risks and economic data (including unemployment rate, country risk, and the performance of different individual groups).

The impairment loss on loans and advances to customers is disclosed in more details in Notes 16 and 17.

3.4 Impairment of available-for-sale financial investments

The Bank and its subsidiaries review their debt securities classified as available-for-sale investments at each consolidated statement of financial position date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Bank in the period from 01 January to 30 June 2011 are consistent with those used in the previous year.

4.1 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 period end are translated into LAK at exchange rates ruling on the interim consolidated statement of financial position date (see the list of exchange rates of applicable foreign currencies against LAK on 30 June 2011 as presented below). Income and expenses arising in foreign currencies during the period 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 interim consolidated statement of financial position date are recognized in the interim consolidated income statement.

	30 June 2011 *LAK*	*31 December 2010* *LAK*
United State Dollar ("USD")	8,010.00	8,041.51
Thai baht ("THB")	259.97	267.14
Euro ("EUR")	11,575.00	10,667.00

4.2 Financial instruments – initial recognition and subsequent measurement

4.2.1 Date of recognition

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

4.2.2 Initial measurement of financial instruments

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

4.2.3 Financial assets or financial liabilities held-for-trading

Financial assets or financial liabilities held-for-trading are recorded in the interim consolidated statement of financial position at fair value. Changes in fair value are recognised in "*net trading income*". Interest and dividend income or expense are also recorded in "*net trading income*" according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equites and short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Financial instruments – initial recognition and subsequent measurement (continued)

4.2.4 'Day 1' profit or loss

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

4.2.5 Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealized gain or losses are recognised directly in equity in the "*Available-for-sale reserve*". When the investment is disposed, the cumulative gain or loss previously recognised in equity is recognised in the interim consolidated income statement in "*Other operating income*". Where the Bank holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognised in the interim consolidated income statement as "*Other operating income*" when the Bank's entitlement to receive the dividend is established. The losses arising from impairment of such investments are recognised in the interim consolidated income statement in "*Impairment losses on financial investments*" and removed from the "*Available-for-sale reserve*".

4.2.6 Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized costs using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in "*Interest and similar income*" in the interim consolidated income statement. The losses (if any) arising from impairment of such investments are recognised in the interim consolidated income statement line *"Impairment losses on financial investments*".

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Financial instruments – initial recognition and subsequent measurement (continued)

4.2.7 Due from banks and loans and advances to customers

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

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

After initial measurement, *"due from banks and loans"* and *"loans and advances to customers"* are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in *"Interest and similar income"* in the interim consolidated income statement. The losses arising from impairment are recognized in the interim consolidated income statement in *"Credit loss expense"*.

4.2.8 Reclassification of financial assets

Effective from 1 July 2008, the Bank was permitted to reclassify, in certain circumstances, non-derivative financial assets out of the 'Held-for-trading' category and into the 'Available-for-sale', 'Loans and receivables', or 'Held-to-maturity' categories. From this date it was also permitted to reclassify, in certain circumstances, financial instruments out of the 'Available-for-sale' category and into the 'Loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost. For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to the interim consolidated income statement.

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

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Bank does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Derecognition of financial assets and financial liabilities

4.3.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and
- either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

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

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

4.3.2 Financial liabilities

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Determination of fair value

The fair value for financial instruments traded in active markets at the interim consolidated statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank’s best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded (‘Day 1’ profit or loss) is deferred and recognized only when the inputs become observable or on derecognition of the instrument (see Note 4.2)

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 39.

4.5 Impairment of financial assets

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Impairment of financial assets (continued)

4.5.1 Financial assets carried at amortized cost

For financial assets carried at amortized cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the interim income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR (Refer Note 4.2.8 above) determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Impairment of financial assets (continued)

4.5.2 Available-for-sale financial investments

For available-for-sale financial investments, the Bank assesses at each consolidated statement of financial position date whether its financial investments are impaired.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as "*due from banks and loans and advances to customers*". However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the interim consolidated income statement.

Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for measuring the impairment loss. The interest income is recorded as part of *"Interest and similar income"*. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the interim consolidated income statement, the impairment loss is reversed through the interim consolidated income statement.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The Bank treats 'significant' generally as 20% and 'prolonged' as greater than 6 months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the interim consolidated income statement - is removed from equity and recognized in the interim consolidated income statement. Impairment losses on equity investments are not reversed through the interim consolidated income statement; increases in the fair value after impairment are recognized directly in equity.

4.6 Offsetting financial instruments

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

4.7 Leasing

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

4.7.1 Bank as a lessee

Leases which do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the interim consolidated income statement on a straight line basis over the lease term. Contingent rental payable are recognized as an expense in the period in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Leasing (continued)

4.7.2 Bank as a lessor

Leases where the Bank does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

4.8 Recognition of income and expense

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

4.8.1 Recognition of interest and similar income and expense

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as *"Other operating income"*. However, for a reclassified financial asset for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate.

Once the recorded value of a financial asset of a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

4.8.2 Fees and commission income

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

- *Fee income earned from services that are provided over a certain period of time*: Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

- *Fee income from providing transaction services*: Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Recognition of income and expense (continued)

4.8.3 Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income, expense and dividends for financial assets and financial liabilities held for trading.

4.8.4 Dividend income

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

4.9 Cash and cash equivalents

Cash and cash equivalents as referred to in the interim consolidated statement of cash flows comprises cash on hand, current account with the Bank of Lao P.D.R ("the BOL") and amounts due from banks on demand or with an original maturity of three months or less.

4.10 Interests in joint ventures

The Bank has an interest in a joint venture whereby there is a contractual agreement that establishes joint control over the economic activities of the entity. The Bank recognizes its interest in the joint venture using the equity accounting method, where it is recognized to present its aggregate share of the profit or loss of joint ventures in its interim consolidated income statement. Also, the investment needs to be presented as non-current assets in the interim consolidated statement of financial position.

The financial statements of the joint ventures are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

Upon loss of joint control and provided the former joint control entity does not become a subsidiary or associate, the Bank measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investments and proceeds from disposal is recognized in the interim consolidated income statement. Where the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

4.11 Property and equipment

Property and equipment, comprising of buildings and structures, machinery, equipment, vehicles and others, are stated at cost excluding day-to-day servicing less accumulated depreciation and accumulated impairment in value (if any). Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate and treated as changes in accounting estimates.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

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

Intangible assets with indefinite useful lives are not amortized but annually reviewed for impairment. Any impairment losses are recognized in the interim consolidated income statement.

4.13 Depreciation and amortization

Depreciation and amortization of fixed assets and intangible assets is calculated on a straight-line basis over the estimated useful lives of these assets, which are as follows:

Buildings and fixtures	10 - 20 years
Machines and equipment	5 - 10 years
Motor vehicles	5 years
Others	5 - 10 years
Land use rights	No amortization
Computer software	5 - 7 years

The land use right of the Bank was not amortized as land use rights has indefinite term and was granted by the Government of Lao P.D.R.

4.14 Impairment of non-financial assets

The Bank assesses at each consolidated statement of financial position date whether there is indication that an asset, excluding investment property and deferred tax asset, is impaired. If any indication exists, the Bank estimates the asset's recoverable amount. If the carrying value of the asset exceeds its recoverable amount, provision for impairment is made for the difference between the carrying value and recoverable amount.

4.15 Enterprise income tax

4.15.1 Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the interim consolidated statement of financial position date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Enterprise income tax (continued)

4.15.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences at the interim consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- ► Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- ► In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- ► Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- ► In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each consolidated statement of financial position date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Provisions for contingent liabilities

Provisions for contingent liabilities are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.17 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not reported in the interim consolidated financial statements since they are not assets of the Bank.

4.18 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 Labor 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 Labor 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 labor 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.

5. INTEREST AND SIMILAR INCOME

	For the six-month period ended 30 June 2011	*2010*
	LAKm	*LAKm*
Interest income from lending	148,618	211,981
Interest income from deposits	607	1,039
Interest income from investment securities	33,704	53,123
	182,929	**266,143**

6. INTEREST AND SIMILAR EXPENSE

	For the six-month period ended 30 June 2011 LAKm	*2010 LAKm*
Interest expense on deposits	103,821	144,429
Interest expense on borrowings	3,244	2,480
	107,065	**146,909**

7. NET FEES AND COMMISSION INCOME

	For the six-month period ended 30 June 2011 LAKm	*2010 LAKm*
Fees and commission income from:		
Settlement services	23,544	32,379
Guarantee activities	11,726	7,291
Treasury activities	2,260	6,383
Agency services	12,497	22,002
Advisory services	614	43,475
Other fees and commission	18,229	31,743
	68,870	**143,273**
Fees and commission expense for:		
Settlement services	1,568	3,178
Other direct fees and commission expenses	2,496	35,748
	4,064	**38,926**
Net fees and commission income	**64,806**	**104,347**

8. NET TRADING INCOME

	For the six-month period ended 30 June 2011 LAKm	*2010 LAKm*
Gains from foreign exchange trading	38,275	59,733
Loss from foreign exchange trading	(1,150)	(22,013)
	37,125	**37,720**

9. OTHER OPERATING INCOME

	For the six-month period ended 30 June 2011 LAKm	*2010 LAKm*
Other income from financial services	43	62
Income from sale of tangible fixed assets	29	326
Income from disposal of equity investments	686	1,289
Recovery of the customers debts written off	20,147	28,027
Other income	11,389	13,217
	32,294	**42,921**

10. PROVISION FOR CREDIT LOSSES

	For the six-month period ended 30 June 2011 LAKm	*2010 LAKm*
Provision for credit losses of loans and advances to customers *(see Note 17)*	(39,596)	(85,756)
Reversal of provision for credit losses	37,720	53,451
	(1,876)	**(32,305)**

11. PERSONNEL EXPENSES

	For the six-month period ended 30 June 2011 LAKm	*2010 LAKm*
Salary expense	31,300	44,271
Insurance expense for employees	-	118
Provision expense for employment termination	30	928
Bonus and pension expense	-	13,800
Other expenses	7,491	9,616
	38,821	**68,733**

12. OTHER OPERATING EXPENSES

	For the six-month period ended 30 June 2011	*2010*
	LAKm	*LAKm*
Fuel and travelling expenses	6,786	9,918
Training and education expenses	531	775
Deposit insurance	678	1,250
Telecommunication expenses	2,023	1,773
Publication, marketing and promotion expenses	7,698	18,027
Repair and maintenance expenses	1,728	3,737
Materials, tools and equipment expenses	1,642	3,704
Electricity and water supply	4,327	6,268
Office rental	5,720	8,642
Other general and administration expenses	(304)	9,252
	30,829	**63,346**

13. CASH AND CASH EQUIVALENTS ON HAND

	30 June 2011	*31 December 2010*
	LAKm	*LAKm*
Cash on hand in LAK	418,916	318,053
Cash on hand in foreign currencies (“FC”)	602,992	399,153
Travelers’ cheques and others	277	441
	1,022,185	**717,647**

14. BALANCES WITH THE BANK OF LAO P.D.R (“THE BOL”)

	30 June 2011	*31 December 2010*
	LAKm	*LAKm*
Compulsory deposit	519,062	402,933
Demand deposit	1,053,939	1,913,259
Term deposit	115,617	118,190
Accrued interest	258	-
	1,688,876	**2,434,382**

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, (2010: 5.00% and 10.00%) of customer deposits having original maturities of less than 12 months, in LAK and in foreign currencies, respectively. Accordingly, total required compulsory deposits (in both LAK and foreign currencies) as at 30 June 2011 are LAKm 519,062 (as at December 2010: LAKm 402,933)

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

15. DUE FROM BANKS

	30 June 2011 LAKm	*31 December 2010 LAKm*
Current accounts		
- In LAK	*10,674*	*3,595*
- In foreign currencies	*1,772,120*	*863,666*
Term deposits		
- In LAK	*20,000*	*-*
- In foreign currencies	*831,440*	*738,683*
Loans		
- In LAK	*-*	*-*
- In foreign currencies	*8,952*	*226,971*
Accrued interest	2,590	2,018
	2,645,776	**1,834,933**

16. LOANS AND ADVANCES TO CUSTOMERS

	30 June 2011 LAKm	*31 December 2010 LAKm*
Gross loans and advances	3,642,038	2,740,472
Accrued interest related to loan to customers	28,769	21,051
Less provision for impairment losses	(69,484)	(67,492)
	3,601,323	**2,694,031**

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 13.00% per annum depending on the terms of the loans. Commercial loans denominated in USD and THB earn interest rates ranging from 6.50% to 9.00% per annum.

The loan portfolio as at 30 June 2011 comprised loans to entities in the following sectors:

	30 June 2011 LAKm	*%*	*31 December 2010 LAKm*	*%*
Industrial services companies	619,181	17.00%	353,438	12.90%
Construction companies	871,781	23.94%	735,051	26.82%
Technical instruments enterprises	133,290	3.66%	79,052	2.88%
Agricultural & forestry	44,098	1.21%	49,776	1.82%
Trading companies	1,089,337	29.91%	829,923	30.28%
Transportation companies	132,882	3.65%	122,597	4.47%
Services companies	723,224	19.86%	545,202	19.89%
Others	28,245	0.77%	25,433	0.94%
	3,642,038	**100%**	**2,740,472**	**100%**

16. LOANS AND ADVANCES TO CUSTOMERS (continued)

Analysis of loan portfolio by type of business entity:

	30 June 2011 LAKm	*%*	*2010 LAKm*	*%*
State-owned enterprises	367,080	10.08%	197,235	7.20%
Non-State-owned enterprises and individuals	3,274,958	89.92%	2,543,237	92.80%
	3,642,038	**100%**	**2,740,472**	**100%**

17. PROVISION FOR IMPAIRMENT LOSSES

Changes in the provision for impairment losses consisted of the following:

	For the six-month period ended 30 June 2011 LAKm	*2010 LAKm*
Opening balance	67,492	36,037
Provision for impairment losses charged during the period	39,596	85,756
Reversal of provision	(37,720)	(53,451)
Non-performing loans written-off	-	-
Other	116	(850)
Ending balance	**69,484**	**67,492**

The grading of the loan portfolio as at 30 June 2011 is as follows:

	Principal LAKm	*Specific provision LAKm*	*Ratio of provision/ outstanding balance %*
Risk classification			
Current	2,469,369	0	0%
Special Mention	1,021,979	15,925	2%
Substandard	61,391	23,826	39%
Doubtful	50,035	1,946	4%
Loss	39,264	27,787	71%
	3,642,038	**69,484**	**100%**

In accordance with BOL 6 dated 11 May 2004 issued by the Bank of Lao P.D.R, a loan write-off can be made by the Bank when the loan is either: (i) overdue as agreed in the terms of the loan agreement, whether in interest or principal from 360 days; (ii) considered uncollectible or of such little value that their continuance as an asset on the books of the Bank is not warranted.

18. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

This was the purchase of EDL Generation Public Company's shares in December 2010.

	30 June 2011 LAKm	*31 December 2010 LAKm*
Equity securities issued by local corporate	122,094	139,458
	122,094	**139,458**

Effect of changes in fair value of AFS securities

	30 June 2011		
	Cost LAKm	*Fair value LAKm*	*Difference LAKm*
Changes in fair value of AFS equity securities	100,000	122,094	22,094
	100,000	**122,094**	**22,094**

Tax effect arising from changes in fair value of available-for-sale securities is presented in Note 27.2.

19. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

	30 June 2011 LAKm	*31 December 2010 LAKm*
Treasury bills	298,000	115,000
Bonds issued by the Ministry of Finance	395,258	678,280
Bills issued by the Bank of the Lao P.D.R	1,909,490	521,824
Securities issued by foreign credit institutions	22,097	14,693
	2,624,845	**1,329,797**
Accrued interest related to bonds	28,266	16,717
	2,653,111	**1,346,514**

19.1 Treasury bills

Treasury bills carry a term of 1 year and bear interest rate of 7.00% and 7.50% per annum. Interest is paid on maturity date. Details of the bills as at 30 June 2011 are as follows:

Term	*Issue date*	*Maturity*	*Face value*	*Interest rate per annum (nominal)*	*Interest accrual (at nominal rate)*	*Carrying value at 31 December 2010*
1 year	3 Aug 2010	3 Aug 2011	65,000	7.00%	4,251	69,251
1 year	8 Feb 2011	8 Feb 2012	116,500	7.50%	3,463	119,963
1 year	15 Feb 2011	15 Feb 2012	116,500	7.50%	3,273	119,773
			298,000		**10,987**	**308,987**

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

19.2 Bonds issued by the Ministry of Finance

	30 June 2011 LAKm	*31 December 2010 LAKm*
Triangle bonds	29,780	29,780
Capitalization bonds	325,000	608,500
Bonds for settlement of defaulted LC	30,000	40,000
Infrastructure bond	10,478	-
	395,258	**678,280**

- 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:

Term	*Issue date*	*Maturity*	*Face value*	*Interest rate per annum (nominal)*	*Interest accrual (at nominal rate)*	*Carrying value at 31 December 2010*
17 years	3-Jul-06	3-Jul-23				
3 years	1-Feb-11	1-Feb-14				
5 years	1-Mar-07	1-Mar-12				
5 years	1-Mar-09	1-Mar-14				

3 years	Oct-2011	Oct-2014			-	30,000
1 years	10-Jan-11	10-Jan-12	10,478	6.0%	471	10,949
			395,258		**8,635**	**403,893**

- 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.

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

19.3 Bills issued by the Bank of the Lao P.D.R

Bills issued by the Bank of the Lao P.D.R in LAK and USD have term of 3 months, 6 months and 1 year bear interest rates ranging from 2.00% to 6.50% per annum. Interest is paid on the maturity date.

Details of the bills issued by the Bank of the Lao P.D.R as at 30 June 2011 are as follows:

Term	*Issue date*	*Maturity*	*Face value*	*Currency*	*Interest rate per annum (nominal)*	*Interest accrual (at nominal rate)*	*Carrying value at 30 June 2011*
3 months	14-Jun-11	14-Sep-11	500,000	LAK	3.50%	830	500,830
3 months	12-Apr-11	12-Jul-11	40,050	USD	2.00%	188	40,238
3 months	3-May-11	3-Aug-11	40,050	USD	2.00%	138	40,188
3 months	10-May-11	10-Aug-11	40,050	USD	2.00%	121	40,171
3 months	17-May-11	17-Aug-11	40,050	USD	2.00%	105	40,155
3 months	24-May-11	24-Aug-11	16,340	USD	2.00%	36	16,376
3 months	31-May-11	31-Aug-11	40,050	USD	2.00%	71	40,121
6 months	22-Mar-11	22-Sep-11	105,000	LAK	4.50%	1,401	106,401
6 months	12-Apr-11	12-Oct-11	123,800	LAK	4.50%	1,305	125,105
6 months	26-Apr-11	26-Oct-11	103,000	LAK	4.50%	893	103,893
6 months	31-May-11	30-Nov-11	670,000				
6 months	7-Jun-11	7-Dec-11					
6 months	14-Jun-11	14-Dec-11					
1 years	31-May-11	31-May-12					

	1,909,490	**8,539**	**1,918,029**

19.4 Other securities

Investment fund units are purchased through CIMB Thai Bank Public Company Limited. The fund units have terms ranging from 3 to 11 months and bear the interest rates ranging from 2.00% to 3.00% per annum. Interest is paid on the maturity date.

Details of these bonds as at 30 June 2011 are as follows:

Term	*Issue date*	*Maturity*	*Face value*	*Currency*	*Interest rate per annum (nominal)*	*Interest accrual (at nominal rate)*	*Carrying value at 30 June 2011*
3 months	29-Jun-11	27-Sep-11	3,900	THB	2.80%	-	3,900
6 months	15-Jun-11	16-Dec-11	12,999	THB	3.00%	16	13,015
11 months	20-Aug-10	20-Jul-11	5,198	THB	2.00%	89	5,287
			22,097			**105**	**22,202**

20. INVESTMENT IN JOINT VENTURES

	Investments in joint ventures LAKm	*Total LAKm*
Balance as at 1 January 2011	210,030	210,030
Net share of profit/loss in the period using equity method	29,413	29,413
Foreign exchange translation (*)	(321)	(321)
Balance as at 30 June 2011	**239,122**	**239,122**

20.1 Investments in joint ventures

	30 June 2011				*31 December 2010*			
	Cost in USD	*Cost in LAKm equiv.*	*Carrying value in LAKm*	*% owned by the Bank*	*Cost in USD*	*Cost in LAKm Equiv.*	*Carrying value in LAKm*	*% owned by the Bank*
Investments in other financial institutions								
Lao Viet Joint Venture Bank	7,500,000	63,624	100,291	50%	7,500,000	63,624	70,166	50%
Banque Franco - Lao Limited	16,322,230 (*)	138,023	132,535	46%	16,322,230 (*)	138,023	133,886	46%
Investments in local economic entities								
Lao-Viet Insurance Joint Venture Company	870,000	7,380	6,296	29%	870,000	7,380	5,978	29%
		209,027	**239,122**			**209,027**	**210,030**	

(*): This includes USD 1,840,000 & LAKm 122,414

- 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.

- Banque Franco - Lao 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 30 June 2011.

- 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.

21. PROPERTY AND EQUIPMENT

Movements of the balance of property and equipment for the period from 01 January to 30 June 2011 are as follows:

	Buildings and fixtures LAKm	*Machines and equipments LAKm*	*Motor vehicles LAKm*	*Others LAKm*	*Total LAKm*
Cost					
As at 1 January 2011	87,651	73,816	16,100	13,183	190,750
Additions	8,160	9,737	663	2,867	21,427
Disposals	(511)	(245)	-	-	(756)
As at 30 June 2011	95,300	83,308	16,763	16,050	211,421
Accumulated depreciation					
As at 1 January 2011	15,061	31,954	7,480	1,550	56,045
Charge for the period	2,838	7,344	1,480	707	12,369
Disposals	(92)	(236)	-	-	(328)
As at 30 June 2011	17,807	39,062	8,960	2,257	68,086
Net book value					
As at 1 January 2011	72,590	41,862	8,620	11,633	134,705
As at 30 June 2011	77,493	44,246	7,803	13,793	143,335

Movements of the balance of property and equipment for the year ended 31 December 2010 were as follows:

	Buildings and fixtures LAKm	*Machines and equipments LAKm*	*Motor vehicles LAKm*	*Others LAKm*	*Total LAKm*
Cost					
As at 1 January 2010	72,681	61,608	12,581	6,325	153,195
Additions	18,111	21,343	4,663	7,191	51,308
Disposals	(3,141)	(9,135)	(1,144)	(333)	(13,753)
As at 31 December 2010	87,651	73,816	16,100	13,183	190,750
Accumulated depreciation					
As at 1 January 2010	11,211	26,305	5,383	720	43,619
Charge for the year	5,216	11,851	2,734	931	20,732
Disposals	(1,366)	(6,202)	(637)	(101)	(8,306)
As at 31 December 2010	15,061	31,954	7,480	1,550	56,045
Net book value					
As at 1 January 2010	61,470	35,303	7,198	5,605	109,576
As at 31 December 2010	72,590	41,862	8,620	11,633	134,705

22. INTANGIBLE ASSETS

Movements in intangible assets during the period from 01 January to 30 June 2011 are as follows:

	Land use rights LAKm	*Computer software LAKm*	*Total LAKm*
Cost			
As at 1 January 2011	13,176	17,119	30,295
Additions	1,557	2,653	4,210
Disposals	(250)	(291)	(541)
As at 30 June 2011	14,483	19,481	33,964
Accumulated amortization			
As at 1 January 2011	-	6,085	6,085
Charge for the period	-	1,788	1,788
Decrease	-	(231)	(231)
As at 30 June 2011	-	7,642	7,642
Net book value			
As at 1 January 2011	13,176	11,034	24,210
As at 30 June 2011	14,483	11,839	26,322

Movements in intangible assets during the year ended 31 December 2010 were as follows:

	Land use rights LAKm	*Computer software LAKm*	*Total LAKm*
Cost			
As at 1 January 2010	8,518	20,826	29,344
Additions	5,406	5,606	11,012
Disposals	(748)	(9,313)	(10,061)
As at 31 December 2010	13,176	17,119	30,295
Accumulated amortization			
As at 1 January 2010	-	12,342	12,342
Charge for the year	-	3,052	3,052
Decrease	-	(9,309)	(9,309)
As at 31 December 2010	-	6,085	6,085
Net book value			
As at 1 January 2010	8,518	8,484	17,002
As at 31 December 2010	13,176	11,034	24,210

23. OTHER ASSETS

	30 June 2011 LAKm	*31 December 2010 LAKm*
Assets waiting for sales	-	7,914
Stationeries and other tools	4,870	6,384
Checks in collection	-	2,368
Fixed assets in transit	47,315	23,935
Prepaid expenses to be allocated	16,048	8,322
Other receivables	48,119	7,948
	116,352	**56,871**

24. DUE TO BANKS

	30 June 2011 LAKm	*31 December 2010 LAKm*
Demand deposits from other banks		
- In LAK	818,300	290,310
- In foreign currencies	901,662	276,891
Term deposits from other banks		
- In LAK	-	4,526
- In foreign currencies	-	8,765
Others		
- In LAK	103,187	4,015
- In foreign currencies	42,857	5,470
Accrued interest payables	-	**923**
	1,866,006	**590,900**

Demand deposits from other banks are non-interest bearing items.

25. BORROWINGS FROM THE BOL

	30 June 2011 LAKm	*31 December 2010 LAKm*
Short-term borrowings for state directed loans	-	4,584
Long-term borrowings for state directed loans	72,994	73,982
Accrued interest payables	93	62
	73,087	**78,628**

Borrowings from the BOL include:

- Borrowing from the BOL represents the long-term loan of USD 570,000 as at 30 June 2011 (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 8,542,857 as at 30 June 2011 (original loan amount is USD 9,200,000) from the BOL for the purpose of investment in Banque Franco - Lao Limited. The loan's principal is paid annually from 2010 to 2023 with the interest rate of 0.25% per annum.

26. AMOUNTS DUE TO CUSTOMERS

	30 June 2011 LAKm	*31 December 2010 LAKm*
Demand deposits		
Demand deposits in LAK	1,334,327	1,548,834
Demand deposits in FC	1,653,592	1,069,603
Demand savings		
Demand saving deposits in LAK	874,546	725,647
Demand saving deposits in FC	2,864,361	2,343,517
Term deposits		
Term deposits in LAK	1,365,225	974,992
Term deposits in FC	1,093,283	969,264
Margin deposits		
Margin deposits in LAK	8,835	8,462
Margin deposits in FC	83,182	45,565
Pending remittance	28	7,317
Cheque payables	44,713	128,201
Others	9,408	6,313
	9,331,500	**7,827,715**
Accrued interest payables	**36,984**	**36,116**
	9,368,484	**7,863,831**

Demand deposits denominated in LAK and in foreign currencies do not bear interest. Term deposits include deposits in terms of 3, 6, 12 and more than 12 months. Customers could withdraw term deposits before the due date subject to the negotiation with the Bank.

Interest rates for demand saving deposits and term deposits in LAK are presented in the following tables:

Deposits in LAK	*Individual % per annum*	*Corporate % per annum*	*Financial institutions % per annum*
Savings	3.00%	1.50%	1.00%
3-month term	6.00%	3.00%	2.00%
6-month term	8.00%	5.00%	3.00%
12-month term	9.00%	6.00%	5.00%
24-month term	12.00%	9.00%	7.00%
36-month term	13.00%	10.00%	9.00%

Interest rates for demand saving deposits and term deposits in foreign currencies are presented in the following table:

	USD			*THB*		
Deposits in FC	*(% p.a.)*	*(% p.a.)*	*(%p.a.)*	*(% p.a.)*	*(% p.a.)*	*(%p.a.)*
Savings	1.25%	0.75%	0.25%	1.00%	0.50%	0.25%
3-month term	1.75%	1.00%	0.75%	1.25%	0.75%	0.50%
6-month term	2.50%	1.75%	1.25%	2.00%	1.50%	1.00%
12-month term	3.25%	2.25%	1.50%	3.00%	2.00%	1.25%
24-month term	4.50%	4.00%	3.00%	4.00%	3.75%	2.75%

36-month term	6.50%	6.00%	5.50%	6.50%	6.00%	5.50%

27. TAXATION

Major components of tax expense for the period from 01 January to 30 June 2011 and for the year 2010 were as follows:

	30 June 2011 LAKm	*2010 LAKm*
Enterprise Income Tax expense in accordance with statutory tax regulations		
- Current	3,069	56,444
- Deferred tax income	-	(8,928)
- Deferred tax expense	4,773	-
Total tax expense for the period	**7,842**	**47,516**

27.1 Current Enterprise Income Tax

In accordance with tax regulation of Lao P.D.R, current enterprise income tax is calculated at the higher of 35% of taxable profit and the 1% of business revenue recognized in the consolidated income statement.

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

The Bank temporarily estimated current income tax expense for the period from 01 January 2011 to 30 June 2011 at 1% out of business revenue and will finalize when preparing the consolidated financial statements for the whole year 2011.

27.2 Deferred tax assets/(liabilities)

	Tax base LAKm	*Carrying value LAKm*	*Taxable temporary difference LAKm*	*Deferred tax assets (tax rate of 35%) LAKm*
Adjustments to the interim consolidated income statement:				
Provision for impairment loss	23,715	70,326	46,611	16,314
Revert general provision	34,738	-	(34,738)	(12,158)
	58,453	**70,326**	**11,873**	**4,156**
Adjustments to equity:				
Change in fair value of available-for-sale financial investments	-	(22,094)	(22,094)	(7,733)
Net deferred tax liabilities	**58,453**	**48,232**	**(10,221)**	**(3,577)**

28. OTHER LIABILITIES

	30 June 2011	*31 December 2010*
	LAKm	*LAKm*
Payables to employees (*)	-	14,250
Payable to suppliers	2,938	18,940
Termination allowances	3,224	2,821
Subventions received from ADB	-	1,102
Proceeds from issuing additional shares (**)	-	163,364
Others	30,563	5,290
	36,725	**205,767**

(*): 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.

(**): Including the amount of LAK 163,364 million received from the issuing of additional shares to new shareholders, equivalent to 27,315,520 additional shares. As at the date of these interim consolidated financial statements, the equitisation process has not yet been completed, therefore, those payables have not yet been finalized by authoritative bodies.

29. CHARTERED CAPITAL

There is no change in chartered capital over the period from 01 January to 30 June 2011.

30. STATUTORY RESERVES

	Regulatory reserve fund	*Business expansion fund*	*Total*
	LAKm	*LAKm*	*LAKm*
As at 1 January 2010	-	102,246	102,246
Additional/(reverse) appropriations to reserves for the year 2009 from the profit reported under LAS	4,432	12,852	17,284
As at 31 December 2010	4,432	115,098	119,530
Other charges	(151)	(453)	(604)
As at 30 June 2011	**4,281**	**114,645**	**118,926**

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 period from 01 January to 30 June 2011, the Bank has provided the following reserves:

Reserve	*% of profit after tax (less accumulated losses, if any)*
Regulatory reserve fund	10%

Business expansion fund	30%

31. AVAILABLE-FOR-SALE RESERVE

	30 June 2011	*31 December 2010*
	LAKm	*LAKm*
Opening balance	25,648	-
Net increase relating to fair value revaluation of financial assets	(11,286)	25,648
	14,362	**25,648**

32. EARNINGS PER SHARE

Earnings per share are calculated by net profit after tax attributable to the equity holders of the Bank divided to weighted average number of ordinary shares in the period. Details of earnings per share of the Bank are as follows:

	For the six-month period ended 30 June 2011
	LAKm
Net profit after tax attributable to the equity holders of the Bank	156,577
Weighted average number of ordinary shares (shares)	136,577,590
Earnings per share (LAK/share)	**1,146**

33. CASH AND CASH EQUIVALENTS

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

	30 June 2011	*31 December 2010*
	LAKm	*LAKm*
Cash and cash equivalents on hand (Note 13)	1,022,185	717,647
Balances with the Bank of Lao P.D.R ("BOL")	1,053,939	2,315,925
Current accounts with other banks and National Treasury	1,782,794	867,262
	3,858,918	**3,900,834**

34. CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business, the Bank trades with financial instruments which are recorded as contingent liabilities and commitments. 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 interim consolidated statement of financial position.

Credit risk for off- statement of financial position financial instruments is defined as the possibility of sustaining a loss since 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, performance bonds and bid bonds. The credit risk involved in issuing guarantees is essentially the same as that involved in extending facilities to customers.

Letters of credit are payment commitments of the bank under which the bank is to pay beneficiary when the beneficiary presents the documents in accordance with the terms and conditions of the Letter of Credit.

At sight/ deferred payment letter of credit are payment commitments of the bank under which the bank is to make immediate payment / payment on the due date in the future after receiving the documents accordingly.

Letter of credit transaction risks will arise when customers do not pay the beneficiary on the maturity date and the bank has to pay instead. The payment of this change is recorded as compulsory bank loans for customers.

The Bank requires margin deposits to secure credit-related financial instruments when it is necessary. The margin deposit required varies from 0% to 100% of the value of a commitment granted, depending on the creditworthiness of clients as assessed by the Bank.

Details of contingent liabilities and commitments are as follows:

	30 June 2011	*31 December 2010*
	LAKm	*LAKm*
Financial letter of guarantees	128,840	105,923
At sight letters of credit	489,486	326,253
Deferred payment letters of credit	185,162	432,767
Credit limit given to customer	2,675,273	1,920,981
Others	180,646	152
	3,659,407	**2,786,076**

35. RELATED PARTY DISCLOSURES

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 by 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 venturer (see IAS 31 - Interests in Joint Ventures) or the party is an associate of the Bank (see IAS 28 - Investments in Associates);

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

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

(e) the party is a 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)

Significant transactions with related parties during the period from 01 January to 30 June 2011 are as follows:

Related party	*Relationship*	*Transactions*	*in LAKm*
The Bank of the Lao P.D.R	Direct controller	Interest expense from borrowings	88
The Bank of the Lao P.D.R	Direct controller	Interest income from deposits	607
The Bank of the Lao P.D.R	Direct controller	Interest income from bonds	10,596
The Ministry of Finance of the Lao P.D.R	Major shareholder	Interest income from capitalization bonds	12,675

35. RELATED PARTY DISCLOSURES (continued)

Balances with related parties at 30 June 2011 are as follow:

Related party	*Relationship*	*Transactions*	*Receivable LAKm*	*Payable LAKm*
The Bank of the Lao P.D.R	Direct controller	Borrowings from the BOL	-	72,994
The Bank of the Lao P.D.R	Direct controller	BCEL's demand deposits at BOL	1,049,158	-
The Bank of the Lao P.D.R	Direct controller	BCEL's compulsory deposits at BOL	516,262	-
The Bank of the Lao P.D.R	Direct controller	BCEL's term deposit at BOL	115,617	-
The Bank of the Lao P.D.R	Direct controller	Accrued interest income from term deposit at BOL	258	-
The Bank of the Lao P.D.R	Direct controller	Investment in BOL's bonds	1,909,490	-
The Bank of the Lao P.D.R	Direct controller	Accrued interest income from BOL's bonds	8,539	-
The Ministry of Finance of the Lao P.D.R	Major shareholder	Surplus from selling shares transferred to MOF	-	15,662
The Ministry of Finance of the Lao P.D.R	Major shareholder	Accrued interest income from capitalization bonds	8,164	-
The Ministry of Finance of the Lao P.D.R	Major shareholder	Investment in MOF's bonds	395,258	-

36. RISK MANAGEMENT POLICIES CONCERNING FINANCIAL INSTRUMENTS

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

37. INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. The Bank manages this risk by matching the re-pricing of assets and liabilities through risk management strategies. Due to the nature of the Bank's records, the Bank is unable to prepare the interest rate risk sensitivity analysis.

38. CURRENCY RISK

Currency risk is the risk exposed to the Bank due to changes in foreign exchange rates which adversely impact the Bank's foreign currency positions. The Bank has set limits on positions by currency, based on its internal risk assessment system and the BOL's regulations. Positions are monitored on a daily basis to ensure positions are maintained within the established limits.

Breakdown of assets and liabilities which has been converted into LAKm as at 30 June 2011 are as follows:

	LAK in LAKm	*USD in LAKm*	*THB in LAKm*	*Others in LAKm*	*Total in LAKm*
ASSETS					
Cash and cash equivalents on hand	418,916	435,847	162,443	4,979	1,022,185
Balances with the Bank of Lao P.D.R ("the BOL")	708,586	458,814	521,468	8	1,688,876
Placement and loan to other banks	(122,165)	1,606,763	71,007	1,090,171	2,645,776
Loans and advances to customers, excluding provision for impairment loss	1,504,873	1,801,636	363,944	-	3,670,453
Financial investments – Held for trading	95	-	-	-	95
Financial investments – Available-for-sale	122,094	-	-	-	122,094
Financial investments – Held to maturity	2,323,829	296,707	22,097	10,478	2,653,111
Investment in joint venture, excluding provision for impairment loss	46,755	192,367	-	-	239,122
Investment properties	7,914	-	-	-	7,914
Property and equipment	143,335	-	-	-	143,335
Intangible assets and land use right	26,322	-	-	-	26,322
Other assets	88,068	26,139	2,075	70	116,352
TOTAL ASSETS	**5,268,622**	**4,818,273**	**1,143,034**	**1,105,706**	**12,335,635**
LIABILITIES AND EQUITY					
LIABILITIES					
Due to banks	771,185	1,055,113	39,671	37	1,866,006
Borrowings from the BOL	-	73,087	-	-	73,087
Due to customers	3,626,902	4,221,988	1,445,552	74,042	9,368,484
Current tax liabilities	2,512	-	-	-	2,512
Deferred tax liabilities	3,577	-	-	-	3,577
Other liabilities	22,629	11,508	2,588	-	36,725
TOTAL LIABILITIES	**4,426,805**	**5,361,696**	**1,487,811**	**74,079**	**11,350,391**
OWNERS' EQUITY	**906,687**	**-**	**-**	**-**	**906,687**
Non-controlling interest	**9,427**	**-**	**-**	**-**	**9,427**
TOTAL LIABILITIES AND OWNERS' EQUITY	**5,342,919**	**5,361,696**	**1,487,811**	**74,079**	**12,266,505**
NET EXPOSURE	**(74,297)**	**(543,423)**	**(344,777)**	**1,031,627**	**69,130**

39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

40. CAPITAL MANAGMENT

The Bank maintains minimum regulatory capital in accordance with Regulation No 01/BOL dated 28 August 2001 by the Governor of Lao PDR and other detailed guidance. The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements by BOL. The Bank recognizes the need to maintain effectiveness of assets and liabilities management to balance profit and capital adequacy

In accordance with Regulation No 01/BOL, the Bank's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes chartered capital, regulatory reserve fund, business expansion fund and other funds, and retained earnings;
- Tier 2 capital, which includes qualifying subordinated liabilities, general provisions and the element of fair value reserve relating to unrealized gains/losses on equity instruments classified as available for sale.

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

An analysis of the Bank's capital based on financial information deprived from interim IFRS consolidated financial statements as at 30 June 2011 is as follows:

Items	*30 June 2011*	
	IFRS LAKm	*LAS LAKm*
Tier 1 capital	887,390	873,683
Tier 2 capital	14,362	0
Total capital	**901,752**	**873,683**
Less: Deductions from capital (Investments in other credit and financial institutions)	(232,826)	(197,868)
Capital for CAR calculation (A)	**668,926**	**675,815**
Risk weighted balance sheet items	4,557,305	4,600,092
Risk weighted off balance sheet items	401,744	401,744
Total risk weighted assets (B)	**4,959,049**	**5,001,836**
Capital Adequacy Ratio (A/B)	**13.49%**	**13.51%**

41. EVENTS AFTER THE REPORTING PERIOD

On 15 July 2011, the Bank continues to sell 10% of the total ordinary shares (equivalent 13,657,759 shares) to CofiBred in accordance with the Ordinary Shares Purchase Agreement between Ministry of Finance and CofiBred. CofiBred remitted to the Ministry of Finance the total purchase price of LAK 150,235,349,000 from 25 July to 29 July 2011. Other than as disclosed above, at the date of this report, there was no other event, which occurred subsequent to 30 June 2011 that significantly impacted the interim consolidated financial position of the Bank and its subsidiaries as at 30 June 2011.

42. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST LAK AT 30 JUNE 2011

	30 June 2011 LAK	*31 December 2010 LAK*
USD	8,010.00	8,041.51
THB	259.97	267.14

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Vientiane, Lao P.D.R

15 August 2011