

Banque Franco - Lao Limited

Financial statements for the year ended
31 December 2018
and
Independent Auditor's Report

Banque Franco - Lao Limited

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Banque Franco - Lao Limited

Corporate Information

Bank	Banque Franco - Lao Limited	
Investment License No.	124-10/MPI4, dated 07 SEP 2010	
Enterprise License No.	Enterprise Registration Certificate No.0013/ERO, dated 08 JAN 2019	
Board of Directors	Mr. Marc Robert	Chairman
	Mr. Nanthalath Keopaseuth	Deputy Chairman
	Mr. Olivier Klein	Director
	Mr. Guillaume Perdon	Director
	Mr. Xaythong Phomphithack	Director
	Mr. Sivath Sengdoangchanh	Director
	Mr. Bernard Ramanantsoa	Director
Board of Management	Mr. Arnaud Caulier	Managing Director
	Mr. Bounmy Sengpachanh	Deputy Managing Director
	Mr. Elie Behar	Chief Credit Officer
	Mr. Kamal Benchabane	Chief Risk Officer
	Ms. Agathe Carniel	Chief Financial Officer
	Ms. Lungnapah Phapaseuth	Head of Credit
	Ms. Annette Philaphandeth	Head of Operations
	Ms. Sirivone Phimmasone	Head of Back Office
	Ms. Pascale Rouzies	Director of Administration, Corporate affairs and Human Resources
Registered office	Banque Franco-Lao Limited Lane Xang Avenue, Hatsady Neua Village Chanthabouly District, Vientiane Capital, Lao PDR P.O. Box: 5720	
Auditors	KPMG Lao Co., Ltd 10 th Floor, Royal Square Office Building Samsenthai Road, Nongdoun Nua Village Sikhotabong District PO Box 6978 Vientiane Capital, Lao PDR	

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Management of Banque Franco - Lao Limited ("the Bank") is responsible for the preparation of the financial statements and for ensuring that the financial statements present fairly in all material respects, the financial position of the Bank as at 31 December 2018, and the statements of income, changes in equity and of cash flows for the year then ended that are in accordance with the accounting regulations of the Bank of Lao PDR and accounting rules in the Lao PDR. In preparing the financial statements, Management is required to:

- i) Adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) Comply with the accounting regulations of the Bank of Lao PDR and accounting rules in the Lao PDR, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) Maintain adequate accounting records and an effective system of internal controls;
- iv) Take reasonable steps for safeguarding the assets of the Bank and for preventing and detecting fraud, error and other irregularities;
- v) Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- vi) Effectively control and direct the Bank and be involved in all material decisions affecting the Bank's operations and performance and ascertain that such have been properly reflected in the financial statements.

Management confirms that they have complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

I, Mr. Arnaud Caulier, on behalf of the Board of Management, do hereby state that the financial statements set out on pages 6 to 37 are present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and the statements of income, changes in equity and of cash flows for the year then ended and have been properly drawn up in accordance with the accounting regulations of the Bank of Lao PDR and accounting rules in the Lao PDR.

Signed on behalf of the Board of Management,



Mr. Arnaud CAULIER
Chief Executive Officer

12 MAR 2019



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INDEPENDENT AUDITORS' REPORT

**To: The Board of Directors
Banque Franco - Lao Limited**

Opinion

We have audited the financial statements of Banque Franco - Lao Limited (the "Bank"), which comprise the statement of financial position as at 31 December 2018, the statements of income, changes in equity and of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018 and its financial performance and cash flows for the year then ended in accordance with the accounting regulations of the Bank of Lao PDR and accounting rules in the Lao PDR.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting regulations of the Bank of Lao PDR and accounting rules in the Lao PDR, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

KPMG Lao Co., Ltd. a Company licensed under the Foreign Investment Law of Lao PDR, is a member of KPMG International, a Swiss cooperative.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Lao



KPMG Lao Co., Ltd.
Vientiane Capital, Lao PDR

Date: 12 March 2019.

Banque Franco - Lao Limited
Statement of financial position

		31 December	1 January
		2018	2017
	<i>Note</i>		(Restated)
		<i>(in millions LAK)</i>	
Assets			
Cash	6	31,828	54,328
Statutory deposits with Central Bank	6	83,149	224,172
Amounts due from other banks	7	114,231	144,378
Investment in securities		-	20,000
Loans and advances to customers, net of specific provision	9	855,973	864,945
Intangibles	10	11,449	1,319
Property and equipment	11	22,476	31,680
Other assets	12	31,522	55,288
Total assets		1,150,628	1,396,110

The accompanying notes form an integral part of these financial statements.

Banque Franco - Lao Limited
Statement of financial position

		31 December 2018	31 December 2017 (Restated) <i>(in millions LAK)</i>	1 January 2017 (Restated)
	<i>Note</i>			
Liabilities, Capital and other reserves				
Liabilities				
Interbank and money market items				
Amounts due to other banks	13	209,650	335,600	392,701
Deposits from customers	14	695,320	683,368	665,868
Other liabilities	15	28,244	29,745	27,154
Total liabilities		933,214	1,048,713	1,085,723
Capital and other reserves				
Paid up-share capital	1	300,000	300,000	300,000
Statutory reserve	16	1,481	1,481	1,481
General provision for credit activities	9(d)	3,905	5,726	4,298
Retained earnings		(87,972)	(28,426)	4,608
Total Capital and other reserves		217,414	278,781	310,387
Total liabilities, Capital and other reserves		1,150,628	1,327,494	1,396,110

The accompanying notes form an integral part of these financial statements.

Banque Franco - Lao Limited
Statement of income

		Year ended 31 December	
	Note	2018	2017 (Restated)
		(in millions LAK)	(in millions LAK)
OPERATING INCOME AND EXPENSES			
Interest and similar income	17	81,595	87,944
Interest and similar expenses	17	(25,902)	(23,725)
Net interest and similar income		55,693	64,219
Fee and commission income	18	12,798	18,636
Fees and commission expenses	18	(13,375)	(7,035)
Net gain from dealing in foreign exchange transactions		4,820	9,025
Net operating income		59,936	84,845
Other income and expenses			
Other operating income	19	6,312	1,883
Administration expenses	20	(55,096)	(47,988)
Payroll and other staff costs	20(a)	(22,709)	(18,569)
Other administration expenses	20(b)	(32,387)	(29,419)
Depreciation and amortization charges		(7,049)	(7,886)
Other operating expenses	21	(112,079)	(2,946)
Net specific provision charges	9(d)	48,430	(60,942)
Specific provision expense		(49,497)	(60,942)
Reversal of specific provision		97,927	-
Loss before tax		(59,546)	(33,034)
Income tax expense	22	-	-
Loss after tax		(59,546)	(33,034)

The accompanying notes form an integral part of these financial statements.

Banque Franco - Lao Limited
Statement of changes in equity (Restated)

	Paid up share capital LAK (in millions)	Statutory reserve LAK (in millions)	General Provision for credit activities LAK (in millions)	Retained Earnings/(losses) LAK (in millions)	Total LAK (in millions)
Balance as at 1 January 2017	300,000	1,481	4,298	10,056	315,835
Impact of change in accounting policy	-	-	-	(5,448)	(5,448)
Balance as at 1 January 2017	300,000	1,481	4,298	4,608	310,387
Loss for the year	-	-	-	(33,034)	(33,034)
Net increase in general provision	-	-	1,428	-	1,428
Balance as at 31 December 2017	300,000	1,481	5,726	(28,426)	278,781
Loss for the year	-	-	-	(59,546)	(59,546)
Net decrease in general provision	-	-	(1,141)	-	(1,141)
Reclassified to specific provision	-	-	(680)	-	(680)
Balance as at 31 December 2018	300,000	1,481	3,905	(87,972)	217,414

The accompanying notes form an integral part of these financial statements.

Banque Franco - Lao Limited
Statement of cash flows

	<i>Note</i>	Year ended 31 December 2018	2017 (Restated) (in millions LAK)
Cash flows from operating activities			
Loss before income tax expense		(59,546)	(33,034)
<i>Adjustments for</i>			
Interest income		(81,595)	(87,944)
Interest expense		25,902	23,725
Allowance for doubtful debts		(50,251)	62,370
Depreciation and amortisation		7,049	7,886
Gain from fixed assets disposal		(121)	(372)
Loss from operations before change in operating assets and liabilities		(158,562)	(27,369)
<i>Change in operating assets / liabilities</i>			
Change in statutory deposits		(756)	146
Change in loans and advances to customers		157,843	(162,501)
Change in other assets		2,322	22,537
Change in deposits from customers		12,225	17,499
Change in deposits from banks		(2,154)	(179,854)
Change in other liabilities		(1,443)	2,593
Interest received		85,678	87,097
Interest paid		(26,232)	(22,878)
Advance income tax paid		-	(3,369)
Net cash generated from/ (used in) operating activities		68,921	(266,099)
<i>Cash flows from investing activities</i>			
Acquisition of property and equipment		(3,670)	(2,808)
Addition of Intangibles		(3,089)	(9,280)
Sales proceed from disposal of Investment		-	20,000
Proceeds from disposal of assets		2057	732
Net cash from/(used in) investing activities		(4,702)	8,644
<i>Cash flows from financing activities</i>			
Loan from related party		(123,796)	122,752
Net cash (used in)/from financing activities		(123,796)	122,752
Net change in cash and cash equivalents		(59,577)	(134,703)
Cash and cash equivalents at 1 January		236,009	370,712
Cash and cash equivalents at 31 December	8	176,432	236,009

The accompanying notes form an integral part of these financial statements.

Banque Franco - Lao Limited
Notes to the financial statements
For the year ended 31 December 2018

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Banque Franco - Lao Limited
Notes to the financial statements
For the year ended 31 December 2018

1 Corporate information

Banque Franco - Lao Limited (BFL or the Bank) is a joint-venture bank incorporated and registered in the Lao People's Democratic Republic (Lao P.D.R). The Bank was established by the Cofibred - a company representing BRED Banque Populaire, a Bank registered in France and located at 18 quai de la Rapée, Paris, F-75012 France - and Banque Pour Le Commerce Extérieur Lao Public, a Bank registered in Lao P.D.R and located at 01 Pangkham Street, Ban Xiengnyum, Chanthabouly District, Vientiane, Lao P.D.R (BCEL).

Establishment and operations

The Bank was established under the Investment License Decision No. 1211/09 dated 26 August 2009 issued by the Ministry of Planning and Investment which was then amended by decision No. 124/10 dated 7 September 2010 issued by the same Ministry; and Decision No.12 BOL dated 16 July 2010 issued by the Bank of Lao P.D.R (the BOL).

Paid-up capital

The registered charter capital of the Bank is LAK 300,000 million. As at 31 December 2018, the actual paid-up capital of the Bank is LAK 300,000 million (31 December 2017, LAKm 300,000). The principal activities of the Bank are to provide comprehensive banking and related financial services in Lao P.D.R.

Details of member of Board of Directors and Management are as follows:

Board of Directors

Name	Position	Date of appointment/resignation
Mr. Marc Robert	Chairman	Appointed on 22 January 2017
Mr. Nanthalath Keopaseuth	Deputy chairman	Appointed on 22 January 2017
Mr. Olivier Klein	Director	Appointed on 22 January 2017
Mr. Guillaume Perdon	Director	Appointed on 22 January 2017
Mr. Xaythong Phomphithack	Director	Appointed on 22 January 2017
Mr. Sivath Sengdoangchanh	Director	Appointed on 22 January 2017
Mr. Bernard Ramanantsoa	Director	Appointed on 22 January 2017

Banque Franco - Lao Limited
Notes to the financial statements
For the year ended 31 December 2018

Management

Name	Position	Date of appointment/resignation
Mr. Arnaud Caulier	Managing Director	Appointed on 1 st June 2018
Mr. Bounmy Sengpachanh	Deputy Managing Director	Appointed on 07 March 2014
Mr. Elie Behar	Chief Credit Officer	Appointed on 27 July 2018
Mr. Kamal Benchabane	Chief Risk Officer	Appointed on 15 October 2016
Ms. Agathe Carniel	Chief Financial Officer	Appointed on 27 July 2018
Ms. Annette Philaphandeth	Head of Operations	Appointed on 29 December 2017
Ms. Lungnapah Phapaseuth	Head of Credit	Appointed on 01 July 2015
Ms. Sirivone Phimmasone	Head of Back Office	Appointed on 01 July 2015
Ms. Pascale Rouzies	Director of Administration, Corporate affairs and Human Resources	Appointed on 01 May 2009

The Head Office of the Bank is located at Lane Xang Avenue, HatsadyNeua Village, Chanthabuly District, P.O. BOX: 5720, Vientiane Capital, Lao P.D.R. As at 31 December 2018, the Bank has one (1) head office and seven (7) service units in Vientiane Capital, one (1) service unit in Champasack Province, one (1) service unit in Savanakheth Province, one (1) service unit in Luangprabang Province and one (1) service unit in Vientiane Province (Vang Vieng).

Banque Franco - Lao Limited
Notes to the financial statements
For the year ended 31 December 2018

2 Basis of preparation of the financial statements

(a) General basis of accounting

(i) Basis of preparation

The accompanying financial statements are expressed in Lao Kip (“LAK”), in accordance with Decree No. 02/PR by the Prime Minister of Lao PDR dated 22 March 2000 and the Enterprise Accounting Law of Lao PDR and accounting regulations of the Bank of Lao PDR and accounting rules in the Lao PDR. This is also the functional currency of the Bank.

The financial statements have been prepared in accordance with accounting regulations of the Bank of Lao PDR and accounting rules in the Lao PDR, which may differ in some material respects from International Financial Reporting Standards and the generally accepted accounting principles and standards of other countries. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations, changes in equity, cash flows and notes thereto in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than the Lao PDR. Furthermore, their utilization is not designed for those who are not informed about the Lao PDR’s accounting rules, procedures and practices.

The financial statements were authorized for issue on behalf of the Board of Management on 12 March 2019.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except as stated in the accounting policies. The accounting policies have been consistently applied by the Bank and are consistent with those used in the previous year except otherwise stated.

(iii) Use of judgments and estimates

The preparation of the Bank’s financial statements requires management to make judgments, estimates and assumptions based on the management’s best knowledge of current events and actions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and the disclosures of contingent liabilities at the reporting date.

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual outcomes may differ from management’s assessment and such differences could require revisions that are recognized in the period in which the estimates are revised and in any future periods affected.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency at exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rates at the reporting date. All realized and unrealized foreign exchange differences arising from translation are recognized in the statement of income.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the function currency at the exchange rates at the dates of transactions.

Banque Franco - Lao Limited
Notes to the financial statements
For the year ended 31 December 2018

The applicable exchange rates for the LAK against currencies were:

	31 December 2018	31 December 2017
United State Dollar (“USD”)	8,530.00	8,285.00
Thai Baht (“THB”)	269.11	253.91
Euro (“EUR”)	9,757.00	9,866.00
Great Britain Pound (“GBP”)	10,659.00	10,956.00

(c) Fiscal Year

The Bank reporting period starts on 1 January and ends on 31 December.

3 Regulation 512/BOL

On 29 June 2018, the Bank of the Lao P.D.R (“BOL”) issued Regulation 512/BOL (“BOL 512”) effective from 1 October 2018 on classification and impairment provision for loans to replace Regulation 324/BOL (“BOL 324”) dated 19 April 2011.

BOL 512 largely retains the existing requirements in BOL 324 for the classification of loans based on the payment arrears status and other qualitative factors. The requirements of BOL 512 are stated below:

(a) Classification of performing loans and non-performing loans

In accordance with BOL 512, loans classified as Normal or Pass (Group A) are considered as performing loans. Loans classified as Special Mention (Group B) are considered as watch list or special mention customers and loans classified as Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as non-performing loans

For more details on how the Bank classifies its loan, see Note 5 (c).

(b) General provision for performing loans

In accordance with BOL 512, the Bank is required to create a general provision for performing loans at the fixed rate of 0.5% of the total balance of Normal or Pass loans. Provision for Watch or Special Mention loans is considered as specific provision together with provision for Substandard, Doubtful and Loss loans. Under the previous regulation, the general provision also included 3.0% of the total balance of Watch or Special Mention loans, and the general provision rate for Normal or Pass loans was not fixed but was in the range of 0.5% to 1.0% in accordance with the Official Letter No. 242/BOL issued by the Bank of Lao P.D.R on 2 April 2011.

For more details on how the Bank makes provision in compliance with BOL 512, see Note 5 (c)

(c) Specific provision for non-performing loans

Under BOL 512, specific provision includes provision for Watch or Special Mention, Substandard, Doubtful and Loss loans. This provision is established by multiplying the outstanding balance of each loan item less the value of collaterals (if any) in accordance with the regulation of BOL with the provision rates applicable to that loan classification. Value of collateral was taken into account when calculating provision under previous regulation.

For more details on how the Bank makes provision in compliance with BOL 512, see Note 5(c).

Banque Franco - Lao Limited
Notes to the financial statements
For the year ended 31 December 2018

(d) Write-off

In accordance with BOL 512, loans in Loss category (Group E) must be written off not later than 90 days after being classified to Loss category. Under the previous regulation, the writing-off of loans in Loss category was carried out at the end of each quarter but not later than the end of the last quarter of the calendar year.

For more details on the Bank's policy on its bad debts written off in compliance with BOL 512, see Note 5 (d).

(e) Provision for off-balance sheet commitments

In accordance with BOL 512, the Bank has to classify and make provision for off-balance sheet commitments if a payment under the guarantee contract has been made by the Bank on behalf of its customers. The classification and provisioning for off-balance sheet commitments were not mentioned under the previous regulation.

For more details on the Bank's policy on classification and provisioning for off-balance sheet commitments in compliance with BOL 512, see Note 5 (e).

(f) Transition

Management assesses the provision considering recoverability of each customer and the BOL regulation. The regulation BOL 512 has been applied prospectively (effective date 1 October 2018) in the financial statements. This has resulted in a reclassification from general to specific provision amounting 680 million LAK in the statement of changes in equity and the bank has taken collateral benefit amounting to LAK 43,985 million before calculating the provision on non-performing loans.

4 Change in accounting policy

With effect from 1 January 2018, the Bank has changed its policy for recording of interest income. Interest income is now recognised in profit or loss using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash receipts through the expected life of the financial asset (or where appropriate the shorter period) to the carrying amount of the financial asset. When calculating the effective interest rate, the Bank estimated future cash flows considering all contractual terms of the financial instruments. The calculation of the effective interest rates includes all transaction costs and fees and points received that are an integral part of the effective interest rate. Transaction cost include incremental cost that are directly attributable to the acquisition of a financial asset.

The change in accounting policy has been applied retrospectively which impacts the opening retained earnings of the comparative financial year, the related account balances in the statement of financial position and the statement of income.

Banque Franco - Lao Limited
Notes to the financial statements
For the year ended 31 December 2018

The following table summarises the impact of the changes in accounting policy.

	Before Restatement (in million LAK)	Impact of change in accounting policy (in million LAK)	After Restatement (in million LAK)
Statement of financial position as at 1 January 2017			
Liabilities			
Other liabilities	21,706	5,448	27,154
Capital and other reserves			
Retained Earning	10,056	(5,448)	4,608
Statement of financial position as at 31 December 2017			
Liabilities			
Other liabilities	25,914	3,831	29,745
Capital and other reserves			
Retained Earning	(24,595)	(3,831)	(28,246)
Statement of Income for the year 31 December 2017			
Interest income			
Loans and advances	85,593	1,617	87,210

5 Significant accounting policies

The significant accounting policies set out below have been adopted by the Bank in the preparation of the financial statements.

(a) Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid short-term investments with an original maturity of less than or equal to 3 months that are readily convertible to known amount of cash and accounts due from banks with original maturity of less than or equal to 3 months.

(b) Loans to customers

Loans and advances are originated by the Bank providing money to a customer for purposes other than short-term profit taking. They are stated at the outstanding principal balances less an impairment allowance for bad debt and doubtful loans and advances, to reflect the estimated recoverable amount. Loans and advances, except bank overdrafts, are shown exclusive of accrued interest receivable.

(c) Provision for loans

Regulation 512/BOL applicable from 1 October 2018

Banque Franco - Lao Limited
Notes to the financial statements
For the year ended 31 December 2018

In accordance with Regulation 512/BOL (“BOL 512”) dated 29 June 2018 and effective from 1 October 2018, the bank is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into performing loans or Watch List or non-performing loans based on the payment arrears status and other qualitative factors. Loans classified as Normal or Pass (Group A) are considered as performing loans, loans classified as Watch or Special Mention (Group B) is considered as Watch List or Special Mention customers and loans classified as Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as non-performing loans.

According to BOL 512, general provision is created at the rate of 0.5% of the total balance of Normal or Pass loans as at the reporting date. Concurrently, specific provision for Watch or Special Mention, Substandard, Doubtful and Loss loans is established by multiplying the outstanding balance of each loan item less the value of collaterals (if any) in accordance with the regulation of BOL with the provision rates applicable to that loan classification as follows:

Classification	Number of days past due	Provision rate
Normal or Pass (A)	0-29 days	0.5%
Watch or Special mention (B)	30-89 days	3%
Substandard (C)	90-179 days	20%
Doubtful (D)	180-359 days	50%
Loss (E)	Over 360 days	100%

Maximum ratio of collateral benefits allowed under BOL 512 are as follows:

Type of collaterals	Maximum allowed ratio
(a) Deposits at the Bank	
- in the same currency with loans	100%
- in different currencies with those of loans	95%
(b) Gold kept at the Bank	90%
(c) Government bonds and BOL bonds	
- in the same currency with loans	
▪ With a remaining term of below 1 year	100%
▪ With a remaining term of between 1 year to 5 years	90%
▪ With a remaining term of over 5 years	80%
- in different currencies with those of loans	
▪ With a remaining term of below 1 year	95%
▪ With a remaining term of between 1 year to 5 years	85%
▪ With a remaining term of over 5 years	75%
(d) Deposits at other banks or financial institutions	
▪ With a remaining term of below 1 year	80%
▪ With a remaining term of between 1 year to 5 years	75%
▪ With a remaining term of over 5 years	70%
(e) Letter of Credit or Standby Letter of Credit	95%
(f) Letter of Guarantee or Bank Guarantee	90%
(g) Real estates	40%

Changes in provision for non-performing loans is recorded to the income statement as “Net provision charges for non-performing loans”. Accumulated specific provision reserve for non-performing loans is recorded in the balance sheet in “Loans and advances to customers, net of specific provision for NPL”.

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

Regulation 324/BOL applicable before 1 October 2018

In accordance with Regulation 324/BOL (“BOL324”) dated 19 April 2011, the Bank is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into Performing loans or Non-performing loans based on the payment arrears status and other qualitative factors. Loans classified as either Normal or Pass (Group A) or Watch or Special Mention (Group B) are considered as performing loans. Loans classified as either Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as Non-performing loans.

According to BOL324, provision for loans to customers is established by multiplying the outstanding balance of each loan item with the provision rates applicable to that loan classification as follows:

Classification	Number of days past due	Provision
Normal or Pass (A)	0-29 days	0.5% - 1%
Watch or Special mention (B)	30-89 days	3%
Substandard (C)	90-179 days	20%
Doubtful (D)	180-359 days	50%
Loss (E)	Over 360 days	100%

Changes in provision for non-performing loans is recorded to the income statement as “Net provision charges for non-performing loans”. Accumulated specific provision reserve for non-performing loans is recorded in the balance sheet in “Loans and advances to customers, net of specific provision for NPL”.

In accordance with BOL324, the Bank is required to create a general provision for loan losses at the rate of 3% of the total balance of Watch or Special Mention loans as at the reporting date and general provision made for Normal or Pass loans shall be upon the BoL’s notification for each year. For the period before 1 October 2018, the general provision rate for Normal or Pass loans is ranging from 0.5% to 1% in accordance with the Official Letter No. 242/BOL issued by the Bank of Lao P.D.R on 2 April 2011. Accordingly, the Bank provided general provision at rate of 0.5% out of total balance of Normal or Pass loans.

The Bank complied with BOL 324 on general provision provided for Normal or Pass and Watch or Special loans for the period before 1 October 2018.

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

(d) Write-off

In accordance with BOL 512, loans are written off not later than 90 days after being classified to Loss group.

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Loans written off are recorded as off-balance sheet items for following up and collection. The amounts collected from the loans previously written-off, including the proceeds from sales of collaterals against those debts, are recognised in the income statement upon receipt.

(e) Provision for off-balance sheet commitments

In accordance with BOL 512, the Bank is not required to make provision for off-balance sheet commitments, except where the Bank has made payment under the guarantee contract on behalf of its customers, in which case the payment is classified and provision for credit losses is made in accordance with the accounting policy as described in Note 5(f).

(f) Investment securities

Held-to-maturity securities

These are investments with a fixed or determinable or determinable payments and fixed maturities which the Bank has the intention and ability to hold till maturity.

Held-to-maturity securities are initially recognized at cost and subsequently measured at cost.

Periodically, the held-to-maturity securities are subject to review for impairment.

(g) Property and equipment

Property and equipment consist of building and improvements, office equipment, furniture and fixtures, motor vehicles, construction in progress and project at development phases.

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

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and

Maintenance are charged to statement of income during the reporting period in which they are incurred. Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognized in the income statement on the date of retirement or disposal.

Property and equipment are stated at cost less accumulated depreciation, if any fully depreciated assets are retained on the balance sheets until disposed of or written off depreciation and amortization of fixed assets are provided on the straight line basis at prescribed rates over their estimated useful life. The following are the annual rates use for:

Depreciation

Leasehold improvement	5-10%
Electronic equipment	20%
Furniture, fitting and office equipment	10%
Vehicle	20%

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(h) Intangible asset

The Bank's intangible assets include the value of computer software.

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

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalized costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenances, are expensed when incurred.

Intangible assets are stated at cost less accumulated depreciation, if any.

The intangible assets are amortized using straight line method at an annual rate of 20-50%

(i) Amounts due to customers and to banks

Amounts due to customers and to banks are deposits from customers and other banks are stated at placement value.

(j) Reserves

Under the requirement of the Law on commercial Bank dated 16 January 2007, commercial banks are required to appropriate net profit to following reserves:

- Regulatory reserve fund
- Business expansion fund and other funds

In accordance with the Law on Enterprise (Revision) No.46/NA dated 26 December 2013, the Bank is required to provide statutory reserve at a rate of 10% on profit after deducting retained loss. The Bank can stop reserving when the statutory reserve has reached up to 50 percentage of Registered Capital.

(k) Employee benefits

Termination benefits

In accordance with Article 82 of the Amended Labor Law issued by the President of Lao People's Democratic Republic on 24 December 2013, the Bank has the obligation to pay compensation for employees who are terminated in the following cases:

- The worker lacks specialized skills or is not in good health and has a medical certificate, and after allowing the worker in question to undertake other, more appropriate work according to their ability and health, yet the person in question is still unable to work;
- The employer considers it necessary to reduce the number of workers in order to improve the work within the labor unit after consulting the trade union or employee representative or the majority of employees, and has reported to the Labor Administration Agency.

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For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay compensation allowance which is calculated on the basis of 10% of the last salary or wage multiplied by the total number of months worked. As at 31 December 2018, there was no employee of the Bank who was dismissed under the above-mentioned grounds, therefore the Bank has not made a provision for termination allowance in the financial statements.

Post employment benefits

Post employment benefits are paid to retired employees of the Bank by the Social Security organisation which belongs to the Ministry of Labor and Social Welfare of Government of Lao P.D.R. The Bank is required to contribute to these post employment benefits by paying to the Security Welfare at the rate of 6.00% of SSO threshold on a monthly basis (maximum SSO threshold is LAK 4,500,000, new max threshold effective from 1 Jan 2017). The Bank has no further obligation concerning post-employment benefits for its employees other than this.

(l) Operating lease - for lessee

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Bank as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to make to the lessor by way of penalty is recognized as expense in the period in which termination takes place.

(m) Taxation

The taxation system in the Lao PDR is relatively new and is characterised by numerous taxes and frequently changing legislation and can be subject to interpretations. Taxes are subject to review and investigation by a number of authorities. These facts may create tax risks in Lao PDR substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions of amounts payable to the tax authorities.

Provision is made for taxation based on the current year's total revenue as per the laws governing taxation within the Lao P.D.R. For each profitable year, the Bank is subject to the current tax rate of 24% on total taxable income.

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(n) Income recognition

Interest income is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or where appropriate the shorter period) to the carrying amount of the financial asset. When calculating the effective interest rate, the Bank estimated future cash flows considering all contractual terms of the financial instruments. The calculation of the effective interest rates includes all transaction costs and fees and points received that are an integral part of the effective interest rate. Transaction cost include incremental cost that are directly attributable to the acquisition of a financial asset.

Where an account becomes non-performing, the recording of interest as income is suspended until it is realized on a cash basis. Customers' accounts are deemed to be non-performing where repayments are in arrears for more than 90 days, in accordance with BoL regulations.

Fees and commissions consist of fees received from fund transfer transactions, trade settlement, foreign currency exchange transactions, ATM transaction fee, financial guarantees, facility approval fees, maintaining and administering existing facilities and others.

Income from the various activities of the Bank is accrued using the following bases:

- (i) Loan arrangement fees and commissions on services and facilities extended to customers are recognized on the occurrence of such transactions;
- (ii) Commitment fees and guarantee fees on services and facilities extended to customers are recognized as income over the period in which the services and facilities are extended; and
- (iii) Service charges and processing fees are recognized when the service is provided.

(o) Interest expense

Interest expense on deposits is recognized on a daily accrual basis.

(p) Related parties

Parties are considered to be related to the Bank if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or where the Bank and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

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6 Cash and balances with Central Bank

	31 December 2018 LAK (in millions)	31 December 2017 LAK (in millions)
Cash on hand in LAK.	18,336	31,776
Cash on hand in foreign currencies (FC).	13,492	19,360
	31,828	51,136
Balances with the BOL		
- Demand deposit.	30,373	81,063
- Compulsory deposits	52,776	52,020
	83,149	133,083
	114,977	184,219

These balances are included in Note 8 - cash and cash equivalents balances with the BOL include demand and compulsory deposits in compliance with the requirements of the BOL. These balances earn 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% for LAK and 10.00% for USD and THB, on a bi-monthly basis, (2017:5.00% and 10.00%), customer deposits. During the year the bank maintained its compulsory deposit in compliance with regulation of BOL.

7 Amount due from other banks

	31 December 2018 LAK (in millions)	31 December 2017 LAK (in millions)
Demand deposits with domestic banks	8,304	17,596
Demand deposits with overseas banks	95,691	86,214
Fixed deposits at domestic banks	10,236	-
	114,231	103,810

These deposits are maintained with BCEL and carry interest rate at 2.95% per annum.

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8 Cash and cash equivalents

	31 December 2018 LAK (in millions)	31 December 2017 LAK (in millions)
Cash on hand (Note 6)	31,828	51,136
Demand deposit at the BOL (Note 6)	30,373	81,063
Demand deposits at other banks (Note 7)	114,231	103,810
	176,432	236,009

9 Loans to customers' net of specific provision.

	31 December 2018 LAK (in millions)	31 December 2017 LAK (in millions)
Commercial loans	874,295	1,032,138
Less provision for non-performing loans (Note 9(d))	(18,322)	(66,752)
	855,973	965,386

(a) Classified by interest rate (per annum)

Interest rates for commercial loans as at the balance sheet date are as follows:

	31 December 2018 interest rates % per annum	31 December 2017 interest rates % per annum
Loans in LAK	7.00% - 14.00%	8.00% - 12.00%
Loans in USD	7.00% - 10.00%	5.00% - 10.50%
Loans in THB	8.00% - 10.00%	5.00% - 10.50%
Loans in EUR	8.00%	4.00% - 9.50%

(b) Classified by currency

	31 December 2018 LAK (in millions)	31 December 2017 LAK (in millions)
Loans in LAK	246,325	254,934
Loans in USD	410,961	557,459
Loans in THB	47,494	48,093
Loans in EUR	169,515	171,652
	874,295	1,032,138

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(c) Classified by performance

	31 December 2018 LAK (in millions)	31 December 2017 LAK (in millions)
Normal or Pass	781,198	857,076
Watch list or special mention	23,849	48,024
Non-performing loans	69,248	127,038
	874,295	1,032,138

(d) Provision for credit activities

Movement of provision as required by BOL during the year 2018 is as follow:

	Specific provision LAK (in millions)	General provision LAK (in millions)	Total Provision LAK (in millions)
Balance as at the beginning of the year	66,752	5,726	72,478
Provision for the year	48,817	4,586	53,403
Reversal during the year	(97,927)	(5,727)	(103,654)
Reclassified from general to specific provision during the year	680	(680)	-
Balance at end of the year	18,322	3,905	22,227

Movement of provision as required by BOL during the year 2017 is as follows:

	Specific provision LAK (in millions)	General provision LAK (in millions)	Total Provision LAK (in millions)
Balance as at the beginning of the year	5,810	4,298	10,108
Provision for the year	60,942	1,709	62,651
Reversal of provision in the year	-	(281)	(281)
Balance at end of the year	66,752	5,726	72,478

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10 Intangibles

Movement of intangible assets for the year ended 31 December 2018 is as follows:

	Computer software LAK (in millions)	Construction in progress LAK (in millions)	Total LAK (in millions)
Costs			
As at 1 January 2018	9,268	9,777	19,045
Transferred from CIP	-	(10,194)	(10,194)
Additions	9,959	3,324	13,283
As at 31 December 2018	<u>19,227</u>	<u>2,907</u>	<u>22,134</u>
Accumulated amortization			
As at 1 January 2018	9,016	-	9,016
Amortization charge	1,669	-	1,669
As at 31 December 2018	<u>10,685</u>	<u>-</u>	<u>10,685</u>
Net book value			
As at 1 January 2018	<u>252</u>	<u>9,777</u>	<u>10,029</u>
As at 31 December 2018	<u>8,542</u>	<u>2,907</u>	<u>11,449</u>

Movement of intangible assets for the year ended 31 December 2017 is as follows:

	Computer software LAK (in millions)	Construction in progress LAK (in millions)	Total LAK (in millions)
Costs			
As at 1 January 2017	8,974	790	9,764
Transferred from CIP	-	(141)	(141)
Additions	294	9,128	9,422
As at 31 December 2017	<u>9,268</u>	<u>9,777</u>	<u>19,045</u>
Accumulated amortization			
As at 1 January 2017	8,445	-	8,445
Amortization charge	571	-	571
As at 31 December 2017	<u>9,016</u>	<u>-</u>	<u>9,016</u>
Net book value			
As at 1 January 2017	<u>529</u>	<u>790</u>	<u>1,319</u>
As at 31 December 2017	<u>252</u>	<u>9,777</u>	<u>10,029</u>

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11 Property and equipment

Movement of tangible fixed assets for the year ended 31 December 2018 is as follows;

Cost	Building & improvements	Office equipment	Furniture & fixture	Motor vehicles	Construction in progress	Total
	LAK	LAK	LAK	LAK	LAK	LAK
	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>
At 1 January 2018	28,878	29,799	2,915	4,459	-	66,051
Additions	-	1,425	822	813	768	3,828
Disposals	(2,482)	(171)	-	(742)		(3,395)
At 31 December 2018	26,396	31,053	3,737	4,530	768	66,484
Accumulated depreciation						
At 1 January 2018	11,613	24,229	1,689	2,397	-	39,928
Charge for the year	1,830	2,624	333	752		5,539
Disposal	(1,169)	(86)	-	(204)		(1,459)
At 31 December 2018	12,274	26,767	2,022	2,945	-	44,008
Net book value						
At 1 January 2018	17,265	5,570	1,226	2,062	-	26,123
At 31 December 2018	14,122	4,286	1,715	1,585	768	22,476

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Movement of tangible fixed assets for the year ended 31 December 2017 is as follows;

	Building & improvements LAK (in millions)	Office equipment LAK (in millions)	Furniture & fixture LAK (in millions)	Motor vehicles LAK (in millions)	Construction in progress LAK (in millions)	Total LAK (in millions)
Cost						
At 1 January 2017	28,135	29,131	2,871	4,620	1,030	65,787
Transferred from CIP	-	-	-	-	(1,030)	(1,030)
Additions	1,021	670	103	1,356		3,150
Disposals	(278)	(2)	(59)	(1,517)	-	(1,856)
At 31 December 2017	28,878	29,799	2,915	4,459	-	66,051
Accumulated depreciation						
At 1 January 2017	9,778	20,079	1,402	2,848	-	34,107
Charge for the year	1,964	4,152	316	873	-	7,305
Disposal	(129)	(2)	(29)	(1,324)	-	(1,484)
At 31 December 2017	11,613	24,229	1,689	2,397	-	39,928
Net book value						
At 1 January 2017	18,357	9,052	1,469	1,772	1,030	31,680
At 31 December 2017	17,265	5,570	1,226	2,062	-	26,123

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12 Other assets

	2018 LAK (in millions)	2017 LAK (in millions)
Accrued interest receivables	7,987	12,070
Cheques in collection	644	441
Security deposits	8	197
Prepayments	16,737	18,398
Payments made on behalf of BRED	-	754
Others (*)	6,146	6,067
	31,522	37,927

(*) Included in "Others" is LAKm 4,954 (2017: LAKm 3,355) being the POS transactions awaiting for settlement from VISA and Master card.

13 Amount due to banks

	2018 LAK (in millions)	2017 LAK (in millions)
Demand deposits	1,111	49,267
Savings deposits	119	-
Term deposits	45,000	-
Borrowings from other banks	162,537	286,333
Other payables to other banks	883	-
	209,650	335,600

***Following are the details for the loans due to BRED Banque Populaire**

Borrowings from	Currency	Date-Start	Date-End	Term	Interest rate	Outstanding 2018 in LAK (in million)	Accrued interest 2018 in LAK (in million)
Bred Banque Populaire	EUR	20-Sep-17	9-Sep-24	7 years	1.8% per annum plus 3 months LIBOR rate	87,207	330
Bred Banque Populaire	USD	21-Nov-16	21-Nov-23	7 years	1.8% per annum plus 6 months LIBOR rate	75,330	303

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14 Deposit from customers

	2018 LAK (in millions)	2017 LAK (in millions)
Demand deposits	234,560	260,511
In LAK	38,104	49,525
In foreign currencies	196,456	210,986
Saving deposits	147,692	119,459
In LAK	19,123	20,680
In foreign currencies	128,569	98,779
Term deposits	313,068	303,398
In LAK	27,909	28,823
In foreign currencies	285,159	274,575
	695,320	683,368

Interest rates for customer deposits during the year are as follows:

	2018 Interest rate % per annum	2017 Interest rate % per annum
Saving deposits in LAK	1.91%	1.91%
Saving deposits in USD	1.25% - 1.35%	1.25% - 1.75%
Saving deposits in THB	1.25% - 1.35%	1.25% - 1.75%
Saving deposits in EUR	0.50% - 0.75%	0.50% - 1.00%
Term deposits in LAK	3.16% - 6.77%	3.34% - 8.00%
Term deposits in foreign currencies	2.00% - 5.00%	1.10% - 5.00%

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15 Other liabilities

	2018 LAK (in millions)	2017 (Restated) LAK (in millions)
Accrued interest payables	8,339	8,669
Corporate Income tax payable	-	-
Personal income tax payable	1,782	305
Other liabilities	18,123	20,771
	<u>28,244</u>	<u>29,745</u>

*Other liabilities includes payable relating to VISA card and deferred revenue amounting to LAK 5,496 million and interest suspended against NPL loans. Last year figure has been restated due to the impact of effective interest rate with corresponding effect in opening retained earnings.

16 Statutory reserve

The statutory reserve is provided at the rate of at least 10% of profit for the year in accordance with the BOL regulations. During the year the bank suffered a net loss of 59,547 million as a result statutory reserve was not provided.

17 Net interest and similar income

	2018 LAK (in millions)	2017(Restated) LAK (in millions)
Interest and similar income from		
Interbank transactions	143	7
Loans and advances*	81,452	87,210
Held-to-maturity securities	-	727
	<u>81,595</u>	<u>87,944</u>
Interest and similar expense for		
Interbank transactions	(10,166)	(7,083)
Customer deposits	(15,736)	(16,642)
	<u>(25,902)</u>	<u>(23,725)</u>
	<u>55,693</u>	<u>64,219</u>

*The amount has been restated due to effective interest rate impact.

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18 Net fees and commission income

	2018 LAK (in millions)	2017 LAK (in millions)
Fees and commission income from		
Settlement services	9,111	8,745
Guarantee activities	297	716
Treasury activities	751	5,565
Fees for assistance and advising activities	2,635	3,374
Other activities	4	236
	<u>12,798</u>	<u>18,636</u>
Fees and commission expenses for		
Settlement services	(6,287)	(5,302)
Other activities	(7,088)	(1,733)
	<u>(13,375)</u>	<u>(7,035)</u>
Net fee and commission income	<u>(577)</u>	<u>11,601</u>

19 Other operating income

	2018 LAK (in millions)	2017 LAK (in millions)
Reversal of general provision Note 9(d)	5,727	281
Others	585	1,602
	<u>6,312</u>	<u>1,883</u>

20 Administration expenses

(a) Payroll and other staff costs

	2018 LAK (in millions)	2017 LAK (in millions)
Wages and salaries	20,985	16,475
Insurance expense for employees	769	753
Other staff costs	955	1,341
	<u>22,709</u>	<u>18,569</u>

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(b) General administration expenses

	2018 LAK (in millions)	2017 LAK (in millions)
Business trip	938	226
External service	17,887	12,779
Fuel	223	202
Office stationeries	2,144	2,453
Electricity and water	834	903
Telecommunication	1,050	1,636
Publication, marketing and promotion	1,327	1,604
General and administration	2,127	1,021
Repairs and maintenance	81	1,560
Tools and equipment	6	713
Insurance fee	686	846
Office rental	5,007	5,379
Entertainment expenses	77	97
	32,387	29,419

21 Other operating expenses

	2018 LAK (in millions)	2017 LAK (in millions)
Charge of general provision [Note 9(d)]	3,906	1,709
Others*	108,173	1,237
	112,079	2,946

* Other expenses includes to NPL balances written off amounting to LAK 102,813 million.

22 Current corporate income tax

The corporate tax expense is calculated at 24% on taxable profit. The calculation of taxable income is subject to review and approval by tax authorities.

	2018 LAK (in millions)	2017(Restated) LAK (in millions)
Loss before tax for the year	(59,546)	(33,034)
Non - deductible expenses	-	135
Taxable Loss	(59,546)	(32,899)
Tax at 24%	-	-

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Because the application of tax laws and regulations in many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

23 Related party transactions

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

- (a) directly, or indirectly through one or more intermediaries, the party:
 - controls, is controlled by, or is under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the Bank that gives it significant influence over the Bank; or
 - has joint control over the Bank.
- (b) the party is a joint venture in which the Bank is a venture;
- (c) the party is a member of the key management personnel of the Bank or its parent;
- (d) the party is a close member of the family of any individual referred to in (a) or (d);
- (e) the party is 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); or
- (f) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any bank that is a related party of the Bank.

Transactions with related parties are carried on contractually agreed terms.

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Significant balances as of 31 December 2017 with related parties are as follows:

Related party	Relationship	Transactions	Receivables LAK (in millions)	Payables LAK (in millions)
Banque Pour Le Commerce Extérieur Lao Public	Shareholder	Demand deposits	2,371	-
		Fixed term deposits	10,236	-
		Accrued interest on deposit	127	-
		Fixed term deposits	-	10,000
		Accrued interest on deposit	-	167
Bred Banque Populaire	Shareholder (represented by Cofibred)	Demand deposits	84,674	-
		Borrowing	-	162,537
		Accrued interest on borrowing	-	384
		Accrued bank guarantee fee	-	249
Bred IT Thailand	Subsidiary of Cofibred	Saving deposits	-	559
		Term deposits	-	3,498
		Accrued interest on term deposits	-	135

Transactions with key management personnel of the Bank

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

	2018 LAK (in millions)	2017 LAK (in millions)
Salaries	7,068	4,759
	7,068	4,759

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24 Operating lease commitments

	2018 LAK (in millions)	2017 LAK (in millions)
Within 1 year	81	2,313
From 1 to less than 5 years	15,879	18,795
Over 5 years	39,832	35,917
	<u>55,792</u>	<u>57,025</u>

25 Off-balance sheet items

	2018 LAK (in millions)	2017 LAK (in millions)
Commitment given		
Letters of guarantee outstanding	21,265	23,889
Letters of credit outstanding	13,979	11,777
	<u>35,244</u>	<u>35,666</u>
Collateral and Mortgages		
Collaterals and mortgages for loans to customer	2,254,121	7,090,232
	<u>2,254,121</u>	<u>7,090,232</u>