

# **Banque Franco - Lao Limited**

Financial statements for the year ended  
31 December 2020

And  
Independent Auditors' Report

# **Banque Franco - Lao Limited**

<b>Contents</b>	<b>Page</b>
1 Corporate information	1
2 Management's responsibilities in respect of the financial statements	2
3 Independent auditors' report	3 - 4
4 Statement of financial position	5 - 6
5 Statement of comprehensive income	7
6 Statement of changes in equity	8
7 Statement of cash flows	9
8 Notes to the financial statements	10 - 35

# Banque Franco - Lao Limited

## Corporate Information

<b>Bank</b>	Banque Franco - Lao Limited	
<b>Investment License No.</b>	124-10/MPI4, dated 07 SEP 2010	
<b>Enterprise License No.</b>	Enterprise Registration Certificate No.0013/ERO, dated 08 JAN 2019	
<b>Board of Directors</b>	Mr. Stephane Mangiavacca	Chairman
	Mr. Nanthalath Keopaseuth	Deputy Chairman
	Mr. Olivier Klein	Director
	Mr. Guillaume Perdon	Director
	Mr. Sisamone Srithirath	Director
	Mr. Sivath Sengdoangchanh	Director
	Mr. Bernard Ramanantsoa	Director
<b>Board of Management</b>	Mr. Arnaud Caulier	Managing Director
	Mr. Bounmy Sengpachanh	Deputy Managing Director
	Ms. Daloune Southammavong	Deputy Managing Director
	Ms. Agathe Carniel	Chief Financial Officer
	Mr. Elie Behar	Chief Credit Officer
	Ms. Annette Philaphandeth	Head of Operations
	Ms. Sirivone Phimmasone	Head of Back Office
	Ms. Emilie Saves	Head of Risk and Compliance
	Mr. Bounsai Chanthong	Head of Human Resource
<b>Registered office</b>	Banque Franco-Lao Limited Lane Xang Avenue, Hatsady Neua Village Chanthabouly District, Vientiane Capital, Lao PDR P.O. Box: 5720	
<b>Auditors</b>	KPMG Lao Co., Ltd 10 <sup>th</sup> 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 2020, and the statements of comprehensive 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 5 to 35 are present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and the statements of comprehensive 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 March 2021





KPMG Lao Co., Ltd.  
10<sup>th</sup> Floor, Royal Square Office Building,  
Samsenthai Road, Nongduong Nua Village,  
Sikhotabong District, P.O.Box 6978,  
Vientiane, Lao PDR  
Tel +856 (21) 454240-7  
Website home.kpmg/la

ບໍລິສັດ ເຄມີເອັມຈີລາວ ຈຳກັດ  
ຊັ້ນ 10, ອາຄານ ໂຮໂຢລສະເຄລ  
ຖະໜົນ ສາມແສນໄທ, ບ້ານ ໜອງດຳວຽງເໜືອ,  
ເມືອງ ສີໂຄດຕະບອງ, ຖ້ ປ.ບ. 6978,  
ນະຄອນຫຼວງວຽງຈັນ, ສປປ ລາວ  
ໂທ : +856 (21) 454240-7  
ເວັບໄຊ : home.kpmg/la

## 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 2020, the statements of comprehensive 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 2020 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 (including International Independence standards) ("IESBA Code") 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.





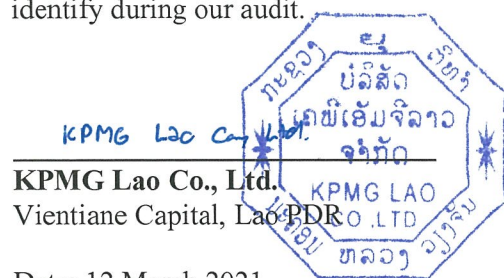
### *Auditors' Responsibilities for the Audit of the Financial Statements*

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.



Date: 12 March 2021

**Banque Franco - Lao Limited**  
**Statement of financial position**

		31 December	
	<i>Note</i>	2020	2019
		<i>(in millions LAK)</i>	<i>(in millions LAK)</i>
<b>Assets</b>			
Cash	4	33,779	32,813
Statutory deposits with Central Bank	4	132,458	102,986
Amounts due from other banks	5	205,591	135,246
Investment in securities	7	13,904	-
Loans and advances, net of specific provision	8	863,095	801,549
Intangibles	9	10,054	10,182
Right to use assets	22	14,881	9,167
Property and equipment	10	22,474	22,053
Other assets	11	20,186	17,849
<b>Total assets</b>		<b>1,316,422</b>	<b>1,131,845</b>

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

**Banque Franco - Lao Limited**  
**Statement of financial position**

		31 December	
	<i>Note</i>	2020 <i>(in millions LAK)</i>	2019 <i>(in millions LAK)</i>
<b>Liabilities, Capital and other reserves</b>			
<b>Liabilities</b>			
Interbank and money market items			
Amounts due to other banks	12	48,960	130,520
Deposits from customers	13	926,114	751,375
Other liabilities	14	29,314	32,634
<b>Total liabilities</b>		<b>1,004,388</b>	<b>914,529</b>
<b>Capital and other reserves</b>			
Paid up-share capital	1	380,000	300,000
Legal reserve	15	1,482	1,482
General provision for credit activities	8(d)	4,241	3,790
Accumulated losses		(73,689)	(87,956)
<b>Total Capital and other reserves</b>		<b>312,034</b>	<b>217,316</b>
<b>Total liabilities, Capital and other Reserves</b>		<b>1,316,422</b>	<b>1,131,845</b>

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



**Banque Franco - Lao Limited**  
**Statement of comprehensive income**

		Year ended 31 December	
	Note	2020	2019
		(in millions LAK)	(in millions LAK)
<b>OPERATING INCOME AND EXPENSES</b>			
Interest and similar income	16	70,269	72,378
Interest and similar expenses	16	(18,156)	(21,062)
<b>Net interest and similar income</b>		<b>52,113</b>	<b>51,316</b>
Fee and commission income	17	17,275	21,166
Fees and commission expenses	17	(6,739)	(8,540)
Net gain from dealing in foreign exchange transactions		23,278	7,335
<b>Net operating income</b>		<b>85,927</b>	<b>71,277</b>
<b>Other income and expenses</b>			
<b>Other operating income</b>	18	13,840	20,917
<b>Administration expenses</b>	19	<b>(56,213)</b>	<b>(48,959)</b>
Payroll and other staff costs	19(a)	(25,403)	(21,749)
Other administration expenses	19(b)	(30,810)	(27,210)
<b>Depreciation and amortization charges</b>		<b>(12,065)</b>	<b>(11,149)</b>
<b>Other operating expenses</b>	20	<b>(27,324)</b>	<b>(34,781)</b>
<b>Provision for non-performing loans</b>	8(d)	<b>10,102</b>	<b>2,713</b>
Provision for loan losses		(25,533)	(38,548)
Reversal of provision for loan losses		35,635	41,261
<b>Profit before tax</b>		<b>14,267</b>	<b>18</b>
<b>Income tax expense</b>	21	-	-
<b>Profit after tax</b>		<b>14,267</b>	<b>18</b>

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

**Banque Franco - Lao Limited**  
**Statement of changes in equity**

	<i>Note</i>	Paid up share capital LAK (in millions)	Legal reserve LAK (in millions)	General Provision for credit activities LAK (in millions)	Accumulated losses LAK (in millions)	Total LAK (in millions)
<b>Balance as at 1 January 2019</b>		<b>300,000</b>	<b>1,481</b>	<b>3,905</b>	<b>(87,972)</b>	<b>217,414</b>
Adjustment in statutory reserve		-	(1)	-	-	(1)
Profit for the year		-	-	-	18	18
Net increase (decrease) in general provision		-	-	(115)	-	(115)
Reclassified to specific provision		-	-	-	-	-
Transfer to legal reserve		-	2	-	(2)	-
<b>Balance as at 31 December 2019</b>		<b>300,000</b>	<b>1,482</b>	<b>3,790</b>	<b>(87,956)</b>	<b>217,316</b>
Increase in paid up capital		80,000	-	-	-	80,000
Adjustment in statutory reserve		-	-	-	-	-
Profit for the year		-	-	-	14,267	14,267
Net increase (decrease) in general provision	8(d)	-	-	451	-	451
Transfer to legal reserve		-	-	-	-	-
<b>Balance as at 31 December 2020</b>		<b>380,000</b>	<b>1,482</b>	<b>4,241</b>	<b>(73,689)</b>	<b>312,034</b>

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

**Banque Franco - Lao Limited**  
**Statement of cash flows**

	Year ended 31 December	
	2020	2019
	<i>(in millions LAK)</i>	
<b>Cash flows from operating activities</b>		
Profit/(loss) before income tax expense	14,267	18
<i>Adjustments for</i>		
Interest income	(70,269)	(72,378)
Interest expense	18,156	21,062
Allowance for doubtful debts	(10,102)	(2,828)
Depreciation and amortisation	12,065	11,149
Gain from fixed assets disposal	(5)	(291)
<b>Loss from operations before change in operating assets and liabilities</b>	<b>(35,888)</b>	<b>(43,268)</b>
<i>Change in operating assets / liabilities</i>		
Change in statutory deposits	(8,373)	(897)
Change in loans and advances to customers	(51,446)	57,135
Change in other assets	(10,511)	731
Change in deposits from customers	174,739	56,055
Change in deposits from banks	(52,890)	9,557
Change in other liabilities	(1,832)	2,800
Interest received	68,896	72,782
Interest paid	(19,644)	(19,472)
<b>Net cash generated from operating activities</b>	<b>63,431</b>	<b>135,423</b>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(10,203)	(5,933)
Addition of Intangibles	(3,045)	(1,555)
Change in investment in securities	(13,904)	-
Proceeds from disposal of assets	4,801	1,692
<b>Net cash used in investing activities</b>	<b>(22,351)</b>	<b>(5,796)</b>
<b>Cash flows from financing activities</b>		
Additional capital contribution	80,000	-
Loan from related party	(28,670)	(88,687)
<b>Net cash generated from/(used in) financing activities</b>	<b>51,330</b>	<b>(88,687)</b>
<b>Net change in cash and cash equivalents</b>	<b>92,410</b>	<b>(40,940)</b>
Cash and cash equivalents at 1 January	217,372	176,432
<b>Cash and cash equivalents at 31 December</b>	<b>309,782</b>	<b>217,372</b>

6

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 2020**

<b>Note</b>	<b>Contents</b>
1	Corporate information
2	Basis of preparation of the financial statements
3	Significant accounting policies
4	Cash and balances with Central Bank
5	Amounts due from other banks
6	Cash and cash equivalents
7	Investments
8	Loans and advances' net of provision for non-performing loan
9	Intangibles
10	Property and equipment
11	Other assets
12	Amounts due to banks
13	Deposits from customers
14	Other liabilities
15	Legal reserve
16	Net interest and similar income
17	Net fees and commission income
18	Other operating income
19	Administration expenses
20	Other operating expenses
21	Current corporate income tax
22	Leases
23	Related party transactions
24	Off- balance sheet items
25	Subsequent events

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**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, 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 380,000 million. As at 31 December 2020, the actual paid-up capital of the Bank is LAK 380,000 million (31 December 2019, LAK 300,000 million). The principal activities of the Bank are to provide comprehensive banking and related financial services in Lao P.D.R.

The Bank has increased its capital by 80 billion LAK as per to decision on increasing the registered capital and minimum investment of commercial banks and foreign commercial bank branches No. 752/BOL, dated 27 Aug 2019.

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

**Board of Directors**

Name	Position	Date of appointment/resignation
Mr. Stephane Mangiavacca	Chairman	Appointed on 23 April 2020
Mr. Nanthalath Keopaseuth	Deputy chairman	Appointed on 23 April 2020
Mr. Olivier Klein	Director	Appointed on 23 April 2020
Mr. Guillaume Perdon	Director	Appointed on 23 April 2020
Mr. Sisamone Srithirath	Director	Appointed on 23 April 2020
Mr. Sivath Sengdoangchanh	Director	Appointed on 23 April 2020
Mr. Bernard Ramanantsoa	Director	Appointed on 23 April 2020



**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**Management**

Name	Position	Date of appointment/resignation
Mr. Arnaud Caulier	Managing Director	Appointed on 01 June 2018
Mr. Bounmy Sengpachanh	Deputy Managing Director	Appointed on 07 March 2014
Ms. Daloune Southammavong	Deputy Managing Director	Appointed on 1 March 2018
Ms. Agathe Carniel	Chief Financial Officer	Appointed on 27 July 2018
Mr. Elie Behar	Head of credit collection	Appointed on 27 July 2018
Ms. Annette Philaphandeth	Head of Operations	Appointed on 29 December 2017
Ms. Sirivone Phimmason	Head of Back Office	Appointed on 01 July 2015
Ms. Emilie Saves	Head of Risk and Compliance	Appointed on 13 May 2019
Mr. Bounsai Chanthong	Head of Human Resource	Appointed on 16 Nov 2020

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 2020, the Bank has one (1) head office and five (5) 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 2020**

**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 2021.

**(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 comprehensive income.

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

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.

The applicable exchange rates for the LAK against major currencies were:

	31 December 2020	31 December 2019
United State Dollar (“USD”)	9,269.00	8,857.00
Thai Baht (“THB”)	329.99	299.62
Euro (“EUR”)	11,413.00	9,915.00
Great Britain Pound (“GBP”)	12,495.00	11,445.00

**(c) Fiscal Year**

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

**3 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**

**Credit Policy during COVID-19 Outbreak No. 238/ BOL dated 26 March 2020**

During the year BOL issued a decision No 238/BOL dated 26 March 2020, the objective of which was to mitigate the adverse impact of COVID-19 on the financial situation of the borrowers.

This decision can be used for individual and legal entity who has obtained the loan from the Bank and whose business is impacted due to COVID-19.

Commercial banks and institutions that follow this agreement will be exempt on applying the Decision on debt classification and reduction of classified debt of commercial bank no. 512/BOL, dated 29 June 2018, and Regulation on loan classification and provision for Micro Finance Institution no 02/BOL, dated 04 Feb 2015, and agreement on Credit Cooperatives and saving deposit no. 03/BOL, dated 20 June 2008 as follow:

- 1) For non-performing loan customers impacted from the virus, the loan classification after the restructuring can be classified as same class before restructuring and the customer classified as non-performing loan as at 1 January 2020 can be classified as Watchlist or Special Mention.

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

- 2) The loan restructuring can be made more than 2 times.
- 3) The bank can provide or disburse new loans to customers who are impacted by the COVID-19 and classified as a bad loan from 1 Jan 2020 onward.

Measure:

1. Restructure the loan to a customer who gets impacted from the COVID by renewing the contract period, principal and interest repayment, interest rate to be in line with the ability to repayment of the customer. Also provide grace period for both principal and interest for 1 year or based on the agreement between bank and the customer.
2. Provide a new loan to the customer who is impacted from Covid if they apply

**Regulation 512/BOL applicable from 1 October 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 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 either Watch or Special Mention (Group B) or 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 collateral	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%

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

Type of collateral	Maximum allowed ratio
- 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 estate	40%

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

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



**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

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 statement of comprehensive income 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 statement of financial position 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.

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 statement of comprehensive income 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 3(c).

**(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.

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

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

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 comprehensive 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 statement of comprehensive income 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 statement of financial position 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%

**(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) Legal 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

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

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

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 2020, 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) 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.

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

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 20% on total taxable income.

The Income Tax Law No. 67/NA dated 31 July 2019 reduced the profit tax rate from 24% to 20% of taxable profit for the fiscal years beginning on or after 1 January 2020.

**(n) Income recognition**

Interest income is recognised in statement of comprehensive income 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.

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**(q) Leases**

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use: and
- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

This policy is applied to contracts entered in to, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.



**Banque Franco - Lao Limited**  
**Notes to financial statements**  
**For the year ended 31 December 2020**

**4 Cash and balances with Central Bank**

	31 December 2020 LAK (in millions)	31 December 2019 LAK (in millions)
Cash on hand in LAK	23,609	23,234
Cash on hand in foreign currencies	10,170	9,579
	<b>33,779</b>	<b>32,813</b>
Balances with the BOL		
- Demand deposit.	70,412	49,313
- Compulsory deposits	62,046	53,673
	<b>132,458</b>	<b>102,986</b>
	<b>166,237</b>	<b>135,799</b>

These balances are included in Note 6 - 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 4.00% for LAK and 8.00% for USD and THB, on a bi-monthly basis, (2019: 5.00% and 10.00%), customer deposits ( $\leq 1$  year duration). During the year the bank maintained its compulsory deposit in compliance with regulation of BOL.

**5 Amounts due from other banks**

	31 December 2020 LAK (in millions)	31 December 2019 LAK (in millions)
Demand deposits with domestic banks	6,728	10,346
Demand deposits with overseas banks	198,863	114,272
Fixed deposits at domestic banks*	-	10,628
	<b>205,591</b>	<b>135,246</b>

\*These fixed deposits in domestic banks are maintained with BCEL and carry interest rate at 2.40% per annum. The change in balance is due to changes in exchange rates, as these are held in foreign currencies.

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**6 Cash and cash equivalents**

	31 December 2020 LAK (in millions)	31 December 2019 LAK (in millions)
Cash on hand (Note 4)	33,779	32,813
Demand deposit at the BOL ( Note 4)	70,412	49,313
Demand deposits at other banks ( Note 5)	205,591	135,246
	<b>309,782</b>	<b>217,372</b>

**7 Investment in securities**

	31 December 2020 LAK (in millions)	31 December 2019 LAK (in millions)
Bond issued by the BOL	13,904	-
	<b>13,904</b>	<b>-</b>

As at 31 December 2020, the Bank held bond issued by the BOL having the following terms;

Term	Issue date	Maturity date	Face value	Interest rate per annum
1 Year	27-Feb-2020	27-Feb-2021	13,904	5%

**8 Loans and advances, net of provision for non-performing loan**

	31 December 2020 LAK (in millions)	31 December 2019 LAK (in millions)
Commercial loans	868,602	817,158
Less provision for non-performing loans [Note 8(d)]	(5,507)	(15,609)
	<b>863,095</b>	<b>801,549</b>

**(a) Classified by interest rate (per annum)**

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

	31 December 2020 interest rates % per annum	31 December 2019 interest rates % per annum
Loans in LAK	5.00% - 15.00%	6.00% - 16.00%
Loans in USD	4.00% - 12.00%	5.00% - 12.00%
Loans in THB	5.00% - 12.00%	6.00% - 12.00%
Loans in EUR	3.90% - 9.00%	3.90% - 12.00%

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**(b) Classified by currency**

	31 December 2020 LAK (in millions)	31 December 2019 LAK (in millions)
Loans in LAK	327,614	258,088
Loans in USD	384,938	363,579
Loans in THB	12,804	39,841
Loans in EUR	143,246	155,650
	<b>868,602</b>	<b>817,158</b>

**(c) Classified by performance**

	31 December 2020 LAK (in millions)	31 December 2019 LAK (in millions)
Normal or Pass	848,218	757,998
Watch List or Special Mention	8,194	21,488
Non-Performing Loans	12,190	37,672
	<b>868,602</b>	<b>817,158</b>

**(d) Provision for credit activities**

Movement of provision as required by BOL during the year 2020 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	15,609	3,790	19,399
Provision for the year	25,533	782	26,315
Reversal during the year	(35,635)	(331)	(35,966)
<b>Balance at end of the year</b>	<b>5,507</b>	<b>4,241</b>	<b>9,748</b>

Movement of provision as required by BOL during the year 2019 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	18,322	3,905	22,227
Provision for the year	38,548	-	38,548
Reversal during the year	(41,261)	(115)	(41,376)
<b>Balance at end of the year</b>	<b>15,609</b>	<b>3,790</b>	<b>19,399</b>

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**9 Intangibles**

Movement of intangible assets for the year ended 31 December 2020 is as follows:

	Computer software LAK (in millions)	Construction in progress LAK (in millions)	Total LAK (in millions)
<b>Costs</b>			
As at 1 January 2020	23,075	614	23,689
Transferred from CIP	-	(614)	(614)
Additions	647	3,012	3,659
Disposals	(8,886)	-	(8,886)
As at 31 December 2020	<u>14,836</u>	<u>3,012</u>	<u>17,848</u>
<b>Accumulated amortization</b>			
As at 1 January 2020	13,507	-	13,507
Amortization charge	3,173	-	3,173
Disposals	(8,886)	-	(8,886)
As at 31 December 2020	<u>7,794</u>	<u>-</u>	<u>7,794</u>
<b>Net book value</b>			
As at 1 January 2020	<u>9,568</u>	<u>614</u>	<u>10,182</u>
As at 31 December 2020	<u>7,042</u>	<u>3,012</u>	<u>10,054</u>

Movement of intangible assets for the year ended 31 December 2019 is as follows:

	Computer software LAK (in millions)	Construction in progress LAK (in millions)	Total LAK (in millions)
<b>Costs</b>			
As at 1 January 2019	19,227	2,907	22,134
Transferred from CIP	-	(2,907)	(2,907)
Additions	3,848	614	4,462
As at 31 December 2019	<u>23,075</u>	<u>614</u>	<u>23,689</u>
<b>Accumulated amortization</b>			
As at 1 January 2019	10,685	-	10,685
Amortization charge	2,822	-	2,822
As at 31 December 2019	<u>13,507</u>	<u>-</u>	<u>13,507</u>
<b>Net book value</b>			
As at 1 January 2019	<u>8,542</u>	<u>2,907</u>	<u>11,449</u>
As at 31 December 2019	<u>9,568</u>	<u>614</u>	<u>10,182</u>

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**10 Property and equipment**

Movement of tangible fixed assets for the year ended 31 December 2020 is as follows;

	Building & improvements	Office equipment	Furniture & fixture	Motor vehicles	Construction in progress	Total
	LAK	LAK	LAK	LAK	LAK	LAK
	(in millions)	(in millions)	(in millions)	(in millions)	(in millions)	(in millions)
<b>Cost</b>						
At 1 January 2020	25,476	31,602	3,844	4,508	94	65,524
Additions	780	1,612	1,414	762	5,635	10,203
Disposals	(177)	(2,177)	(151)	(142)	(4,569)	(7,216)
At 31 December 2020	<b>26,079</b>	<b>31,037</b>	<b>5,107</b>	<b>5,128</b>	<b>1,160</b>	<b>68,511</b>
<b>Accumulated depreciation</b>						
At 1 January 2020	12,864	25,168	2,475	2,982	-	43,471
Charge for the year	1,669	2,222	536	525	-	4,952
Disposal	(121)	(1,998)	(125)	(142)	-	(2,386)
At 31 December 2020	<b>14,394</b>	<b>25,392</b>	<b>2,886</b>	<b>3,365</b>	<b>-</b>	<b>46,037</b>
<b>Net book value</b>						
At 1 January 2020	<b>12,630</b>	<b>6,434</b>	<b>1,369</b>	<b>1,526</b>	<b>94</b>	<b>22,053</b>
At 31 December 2020	<b>11,685</b>	<b>5,645</b>	<b>2,221</b>	<b>1,763</b>	<b>1,160</b>	<b>22,474</b>



**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

Movement of tangible fixed assets for the year ended 31 December 2019 is as follows;

	Building & improvements	Office equipment	Furniture & fixture	Motor vehicles	Construction in progress	Total
	LAK	LAK	LAK	LAK	LAK	LAK
	(in millions)	(in millions)	(in millions)	(in millions)	(in millions)	(in millions)
<b>Cost</b>						
At 1 January 2019	26,396	31,053	3,737	4,530	768	66,484
Additions	723	4,401	137	505	167	5,933
Disposals	(1,643)	(3,852)	(30)	(527)	(841)	(6,893)
At 31 December 2019	<b>25,476</b>	<b>31,602</b>	<b>3,844</b>	<b>4,508</b>	<b>94</b>	<b>65,524</b>
<b>Accumulated depreciation</b>						
At 1 January 2019	12,274	26,767	2,022	2,945	-	44,008
Charge for the year	1,728	2,197	475	555	-	4,955
Disposal	(1,156)	(3,796)	(22)	(518)	-	(5,492)
At 31 December 2019	<b>12,846</b>	<b>25,168</b>	<b>2,475</b>	<b>2,982</b>	<b>-</b>	<b>43,471</b>
<b>Net book value</b>						
At 1 January 2019	<b>14,122</b>	<b>4,286</b>	<b>1,715</b>	<b>1,585</b>	<b>768</b>	<b>22,476</b>
At 31 December 2019	<b>12,630</b>	<b>6,434</b>	<b>1,369</b>	<b>1,526</b>	<b>94</b>	<b>22,053</b>

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**11 Other assets**

	2020 LAK (in millions)	2019 LAK (in millions)
Accrued interest receivables	8,577	7,584
Cheques in collection	88	147
Security deposits	18	12
Prepayments	7,445	5,384
Others (*)	4,058	4,722
	<b>20,186</b>	<b>17,849</b>

(\*) Included in "Others" is mainly LAKm 3,708 being the foreclosed asset awaiting for sale.

**12 Amounts due to banks**

	2020 LAK (in millions)	2019 LAK (in millions)
Demand deposits	3,648	1,194
Savings deposits	132	405
Term deposits	-	55,000
Borrowings from other banks*	45,180	73,850
Other payables to other banks	-	71
	<b>48,960</b>	<b>130,520</b>

\*Following are the details for the loans due to Bred Banque Populaire

Borrowings from	Currency	Date-Start	Date-End	Term	Interest rate	Outstanding 2020 in LAK (in million)	Accrued interest 2020 in LAK (in million)
Bred Banque Populaire	EUR	20-Sep-17	9-Sep-24	7 years	1.5% per annum plus 3 months EURIBOR rate	45,180	28

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**13 Deposits from customers**

	2020 LAK (in millions)	2019 LAK (in millions)
<b>Demand deposits</b>	<b>401,983</b>	<b>274,263</b>
In LAK	96,978	66,346
In foreign currencies	305,005	207,917
<b>Saving deposits</b>	<b>163,554</b>	<b>140,051</b>
In LAK	18,759	16,350
In foreign currencies	144,795	123,701
<b>Term deposits</b>	<b>360,577</b>	<b>337,061</b>
In LAK	33,450	23,490
In foreign currencies	327,127	313,571
	<b>926,114</b>	<b>751,375</b>

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

	2020 Interest rate % per annum	2019 Interest rate % per annum
Saving deposits in LAK	1.91%	1.91%
Saving deposits in USD	1.25% - 1.35%	1.25% - 1.35%
Saving deposits in THB	0.90%	1.25% - 1.35%
Saving deposits in EUR	0.50% - 0.75%	0.50% - 0.75%
Term deposits in LAK	3.16% - 6.77%	3.16% - 6.77%
Term deposits in foreign currencies	0.50% - 5.15%	0.50% - 5.00%

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**14 Other liabilities**

	2020 LAK (in millions)	2019 LAK (in millions)
Accrued interest payables	8,441	9,929
Personal income tax payable	-	258
Other liabilities*	20,873	22,447
	<b>29,314</b>	<b>32,634</b>

\* Other liabilities includes payable relating to external service amounting to LAK 14,366 million, deferred revenue amounting to LAK 3,945 million against customers and guaranteed deposit amounting to 1,474 million against car loan customers.

**15 Legal reserve**

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

**16 Net interest and similar income**

	2020 LAK (in millions)	2019 LAK (in millions)
<b>Interest and similar income from</b>		
Interbank transactions	701	747
Loans and advances	69,568	71,631
	<b>70,269</b>	<b>72,378</b>
<b>Interest and similar expense for</b>		
Interbank transactions	(2,022)	(5,135)
Customer deposits	(16,134)	(15,927)
	<b>(18,156)</b>	<b>(21,062)</b>
	<b>52,113</b>	<b>51,316</b>

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**17 Net fees and commission income**

	2020 LAK (in millions)	2019 LAK (in millions)
<b>Fees and commission income from</b>		
Settlement services	5,972	8,390
Guarantee activities	188	701
Treasury activities	469	671
Fees for assistance and advising activities	10,640	11,374
Other activities	6	30
	<b>17,275</b>	<b>21,166</b>
<b>Fees and commission expenses for</b>		
Settlement services	(4,769)	(6,537)
Other activities	(1,970)	(2,003)
	<b>(6,739)</b>	<b>(8,540)</b>
<b>Net fee and commission income</b>	<b>10,536</b>	<b>12,626</b>

**18 Other operating income**

	2020 LAK (in millions)	2019 LAK (in millions)
Reversal of general provision Note 8(d)	331	115
Others*	13,509	20,802
	<b>13,840</b>	<b>20,917</b>

\*Others mainly includes written off loans collected during the year amounting to LAK 12,814 million.

**19 Administration expenses**

**(a) Payroll and other staff costs**

	2020 LAK (in millions)	2019 LAK (in millions)
Wages and salaries	(23,900)	(20,209)
Insurance expense for employees	(703)	(649)
Other staff costs	(800)	(891)
	<b>(25,403)</b>	<b>(21,749)</b>

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**(b) General administration expenses**

	2020 LAK (in millions)	2019 LAK (in millions)
Business trip	(579)	(981)
External service	(21,660)	(16,559)
Fuel	(217)	(221)
Office stationeries	(2,086)	(1,585)
Electricity and water	(581)	(673)
Telecommunication	(599)	(737)
Publication, marketing and promotion	(1,947)	(1,524)
Repairs and maintenance	-	(90)
Tools and equipment	(41)	(269)
Insurance fee	(518)	(540)
Office rental	(1,350)	(1,543)
Entertainment expenses	(78)	(64)
Others	(1,154)	(2,424)
	<b>(30,810)</b>	<b>(27,210)</b>

**20 Other operating expenses**

	2020 LAK (in millions)	2019 LAK (in millions)
Charge of general provision [Note 8(d)]	(782)	-
Others*	(26,542)	(34,781)
	<b>(27,324)</b>	<b>(34,781)</b>

\* Others mainly includes to NPL balances written off amounting to LAK 20,573 million.

**21 Current corporate income tax**

The corporate tax expense is calculated at 20% on taxable profit. The calculation of taxable income is subject to review and approval by tax authorities.

	2020 LAK (in millions)	2019 LAK (in millions)
Profit/(loss) before tax for the year	14,267	18
Carry forward losses	(14,267)	(18)
Non - deductible expenses	-	-
Taxable Profit/(loss)	-	-
<b>Tax at 20%</b>	-	-

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**22 Leases**

(a) Right-of-use asset

	2020 LAK (in millions)	2019 LAK (in million )
<b>Balance at 1 January</b>	9,167	12,539
Additions	9,654	-
Depreciation charge for the year	(3,940)	(3,372)
<b>Balance at 31 December</b>	<b>14,881</b>	<b>9,167</b>

(b) Amount recognized in statement of comprehensive income

	2020 LAK (in millions)	2019 LAK (in million )
Interest on Lease Liability	-	-
Depreciation expense	(3,940)	(3,372)
<b>Total</b>	<b>(3,940)</b>	<b>(3,372)</b>

The asset held under lease were fully paid in advance.

**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.

**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

Significant balances as of 31 December 2020 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	6,727	-
		Fixed term deposits	-	-
		Accrued interest on deposit	-	-
		Demand deposits	-	-
		Fixed term deposits	-	-
		Accrued interest on deposit	-	-
Bred Banque Populaire	Shareholder (represented by Cofibred)	Demand deposits	177,317	-
		Borrowing	-	45,180
		Accrued interest on borrowing	-	28
		Accrued bank guarantee fee	-	462
Bred IT Thailand	Subsidiary of Cofibred	Demand deposits	-	1,026
		Term deposits	-	4,290
		Accrued interest on term deposits	-	166

**Transactions with key management personnel of the Bank**

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

	2020 LAK (in millions)	2019 LAK (in millions)
Salaries	5,667	5,238
	<b>5,667</b>	<b>5,238</b>



**Banque Franco - Lao Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**24 Off-balance sheet items**

	2020 LAK (in millions)	2019 LAK (in millions)
<b>Commitment given</b>		
Letters of guarantee outstanding	11,480	15,060
Letters of credit and undisbursed loans outstanding	44,487	47,366
	<u><b>55,967</b></u>	<u><b>62,426</b></u>
<b>Collateral and Mortgages</b>		
Collaterals and mortgages for loans to customer	2,135,835	2,188,527
	<u><b>2,135,835</b></u>	<u><b>2,188,527</b></u>

**25 Subsequent events**

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2020 that significantly impacted the financial position of the Bank as at 31 December 2020.