

Banque Franco - Lao Limited

Financial statements for the year ended
31 December 2021

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. Stephane Mangiavacca	Chairman
	Mr. Nanthalath Keopaseuth	Deputy Chairman
	Mr. Olivier Klein	Director
	Mr. Guillaume Perdon	Director
	Mr. Sisamone Srithirath	Director
	Mr. Bernard Carayon	Director
	Mr. Bernard Ramanantsoa	Director
	Mr. Khouanta Phalivong	Director

Board of Management	Mr. Stephane Urbain	Managing Director
	Mr. Bounmy Sengpachanh	Deputy Managing Director
	Ms. Daloune Southammavong	Deputy Managing Director
	Mr. Michael De Clercq	Chief Financial Officer
	Mr. Elie Behar	Chief Credit Officer
	Ms. Annette Philaphandeth	Chief Operating Officer
	Ms. Sirivone Phimmasone	Head of Back Office
	Ms. Emilie Saves	Head of Risk and Compliance
	Mr. Bounsai Chanthong	Head of Human Resource
	Mr. Phetdala Phoumalavong	Head of Legal & Corporate affairs

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.
10th 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 2021, 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. Stephane Urbain, on behalf of the Board of Management, do hereby state that the financial statements set out on pages 5 to 34 are present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, 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. Stephane URBAIN
Chief Executive Officer
18 March 2022





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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 2021, 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 2021 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.



Banque Franco - Lao Limited
Statement of financial position
As at 31 December 2021

		31 December	
	<i>Note</i>	2021	2020
		<i>(in millions LAK)</i>	
Assets			
Cash	4	31,072	33,779
Statutory deposits with Central Bank	4	263,940	132,458
Amounts due from other banks	5	314,174	205,591
Investment in securities	7	16,769	13,904
Loans and advances, net of specific provision	8	1,026,465	863,095
Intangibles	9	10,074	10,054
Right to use assets	22	11,584	14,881
Property and equipment	10	23,109	22,474
Other assets	11	25,962	20,186
Total assets		1,723,149	1,316,422

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

Banque Franco - Lao Limited
Statement of financial position
As at 31 December 2021

		31 December	
	<i>Note</i>	2021	2020
		<i>(in millions LAK)</i>	
Liabilities, Capital and other reserves			
Liabilities			
Interbank and money market items			
Amounts due to other banks	<i>12</i>	111,205	48,960
Deposits from customers	<i>13</i>	1,198,128	926,114
Other liabilities	<i>14</i>	33,844	29,314
Total liabilities		1,343,177	1,004,388
Capital and other reserves			
Paid up-share capital	<i>1</i>	420,000	380,000
Legal reserve	<i>15</i>	1,482	1,482
General provision for credit activities	<i>8(d)</i>	5,022	4,241
Accumulated losses		(46,532)	(73,689)
Total Capital and other reserves		379,972	312,034
Total liabilities, Capital and other Reserves		1,723,149	1,316,422

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

Banque Franco - Lao Limited
Statement of comprehensive income
For the year ended 31 December 2021

		Year ended 31 December	
	<i>Note</i>	2021	2020
		<i>(in millions LAK)</i>	
OPERATING INCOME AND EXPENSES			
Interest and similar income	16	72,063	70,269
Interest and similar expenses	16	(22,316)	(18,156)
Net interest and similar income		49,747	52,113
Fee and commission income	17	27,013	17,275
Fees and commission expenses	17	(6,750)	(6,739)
Net gain from dealing in foreign exchange transactions		36,699	23,278
Net operating income		106,709	85,927
Other income and expenses			
Other operating income	18	2,941	13,840
Administration expenses	19	(62,292)	(56,213)
Payroll and other staff costs	19(a)	(29,826)	(25,403)
General administration expenses	19(b)	(32,466)	(30,810)
Depreciation and amortization charges		(12,212)	(12,065)
Other operating expenses	20	(8,318)	(27,324)
Provision for non-performing loans	8(d)	329	10,102
Provision for loan losses		(10,091)	(25,533)
Reversal of provision for loan losses		10,420	35,635
Profit before tax		27,157	14,267
Income tax expense	21	-	-
Profit after tax		27,157	14,267

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

Banque Franco - Lao Limited
Statement of changes in equity
For the year ended 31 December 2021

	<i>Note</i>	Paid up share capital	Legal reserve	General Provision for credit activities (in millions LAK)	Accumulated losses	Total
Balance as at 1 January 2020		300,000	1,482	3,790	(87,956)	217,316
Increase in paid up capital	<i>1</i>	80,000	-	-	-	80,000
Profit for the year		-	-	-	14,267	14,267
Net increase (decrease) in general provision		-	-	451	-	451
Balance as at 31 December 2020		380,000	1,482	4,241	(73,689)	312,034
Increase in paid up capital	<i>1</i>	40,000	-	-	-	40,000
Profit for the year		-	-	-	27,157	27,157
Net increase (decrease) in general provision	<i>8(d)</i>	-	-	781	-	781
Balance as at 31 December 2021		420,000	1,482	5,022	(46,532)	379,972

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

Banque Franco - Lao Limited
Statement of cash flows
For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	<i>(in millions LAK)</i>	
Cash flows from operating activities		
Profit before income tax expense	27,157	14,267
<i>Adjustments for</i>		
Interest income	(72,063)	(70,269)
Interest expense	22,316	18,156
Allowance for doubtful debts	(2,242)	(10,102)
Depreciation and amortisation	12,212	12,065
Gain from fixed assets disposal	(135)	(5)
Loss from operations before change in operating assets and liabilities	(12,755)	(35,888)
<i>Change in operating assets / liabilities</i>		
Change in statutory deposits	(10,435)	(8,373)
Change in loans and advances to customers	(151,566)	(51,446)
Change in other assets	(14,342)	(10,511)
Change in deposits from customers	272,014	174,739
Change in deposits from banks	2,184	(52,890)
Change in other liabilities	(1,310)	(1,452)
Interest received	65,741	68,896
Interest paid	(16,481)	(19,644)
Net cash generated from operating activities	133,050	63,431
<i>Cash flows from investing activities</i>		
Acquisition of property and equipment	(14,317)	(10,203)
Addition of Intangibles	(3,327)	(3,045)
Change in investment in securities	2,865	(13,904)
Proceeds from disposal of assets -	8,591	4,801
Net cash used in investing activities	(6,188)	(22,351)
<i>Cash flows from financing activities</i>		
Additional capital contribution	40,000	80,000
Loan from related party	60,061	(28,670)
Net cash generated from financing activities	100,061	51,330
Net change in cash and cash equivalents	226,923	92,410
Cash and cash equivalents at 1 January	309,782	217,372
Cash and cash equivalents at 31 December	536,705	309,782

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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 2021

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Banque Franco - Lao Limited
Notes to the financial statements
For the year ended 31 December 2021

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 420 million. As at 31 December 2021, the actual paid-up capital of the Bank is LAK 420 million (31 December 2020, LAK 380,000 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 40 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

<u>Name</u>	<u>Position</u>	<u>Date of appointment/resignation</u>
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. Bernard Carayon	Director	Appointed on 12 March 2021
Mr. Bernard Ramanantsoa	Director	Appointed on 23 April 2020
Mr. Khouanta Phalivong	Director	Appointed on 15 June 2021
Mr. Sivath Sengdoangchanh	Director	Resignation on 15 June 2021

Banque Franco - Lao Limited
Notes to the financial statements
For the year ended 31 December 2021

Management

<u>Name</u>	<u>Position</u>	<u>Date of appointment/resignation</u>
Mr. Stephane Urbain	Managing Director	Appointed on 02 August 2021
Mr. Arnaud Caulier	Managing Director	Resigned on 31 August 2021
Mr. Bounmy Sengpachanh	Deputy Managing Director	Appointed on 07 March 2014
Ms. Daloune Southammavong	Deputy Managing Director	Appointed on 1 March 2018
Mr. Michael De Clercq	Chief Financial Officer	Appointed on 9 December 2021
Ms. Agathe Carniel	Chief Financial Officer	Resigned on 5 December 2021
Mr. Elie Behar	Head of Credit Collection	Appointed on 27 July 2018
Ms. Annette Philaphandeth	Chief Operating Officer	Appointed on 29 December 2017
Ms. Sirivone Phimmasone	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
Mr. Phetdala Phoumalavong	Head of Legal & Corporate Affairs	Appointed on 1 March 2021

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 2021, 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 2021

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 18 March 2022.

(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
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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 currencies were:

	31 December 2021	31 December 2020
United State Dollar (“USD”)	11,179.00	9,269.00
Thai Baht (“THB”)	347.18	329.99
Euro (“EUR”)	12,689.00	11,413.00
Great Britain Pound (“GBP”)	15,005.00	12,495.00

(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 March 26, 2020 and No. 256/BOL date May 15, 2021.

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. The BOL has issued additional decision No. 256/BOL date May 15, 2021.

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.

1. Bank and financial institutions to provide the postponement on the loan repayment which includes both principal and interest payment, reduction of the interest rate, and fees for the client as reasonable.
2. Provide or disburse new Loan to clients who gets impact from the COVID-19 to improve their business.

Banque Franco - Lao Limited
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For the year ended 31 December 2021

3. For commercial bank and institution that follow this agreement will be exempted 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.
 - 2) The loan restructuring can be made more than 2 times.
 - 3) The bank can provide or disburse new loans to clients 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 COVID-19 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-19, if they apply.

Additional policy according to decision No. 256 / BOL Dated May 13, 2021

-Commercial banks, Microfinance Institutions that accept deposits and non-deposits should postpone the repayment of both costs and interest to loan customers (types of loans for consumption) for 3 months from May to July 2021 in accordance with the conditions stipulated below.

Criteria for Consideration:

- Clients who will receive a deferred payment policy must be those affected by the COVID-19 outbreak who have not received their salaries or wages or received any part of it, resulting in inability to repay the payment or installment with the confirmation from the employer.
- For clients whose source of income from doing business affected by COVID-19 is considered based on financial status and actual circumstances.

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:

Banque Franco - Lao Limited
Notes to the financial statements
For the year ended 31 December 2021

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%
- 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.

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(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.

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:

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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

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;

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- 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 2021, 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.

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.

(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.

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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.

(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.

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4 Cash and balances with Central Bank

	31 December 2021	31 December 2020
	<i>(in millions - LAK)</i>	
Cash on hand in LAK	18,613	23,609
Cash on hand in foreign currencies	12,459	10,170
	31,072	33,779
Balances with the BOL		
- Demand deposit	191,459	70,412
- Compulsory deposits	72,481	62,046
	263,940	132,458
	295,012	166,237

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 3.00% for LAK and 5.00% for USD and THB, on a bi-monthly basis, (2020: 4.00% and 8.00%), customer deposits (≤ 1 year duration). During the year the bank maintained its compulsory deposit in compliance with regulation of BOL.

The compulsory deposits percentages were revised by BOL through a letter 272/BOL dated 26 May 2021.

5 Amounts due from other banks

	31 December 2021	31 December 2020
	<i>(in millions - LAK)</i>	
Demand deposits with domestic banks	12,295	6,728
Demand deposits with overseas banks	301,879	198,863
	314,174	205,591

6 Cash and cash equivalents

	31 December 2021	31 December 2020
	<i>(in millions - LAK)</i>	
Cash on hand (Note 4)	31,072	33,779
Demand deposit at the BOL (Note 4)	191,459	70,412
Demand deposits at other banks (Note 5)	314,174	205,591
	536,705	309,782

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7 Investment in securities

	31 December 2021 (in millions - LAK)	31 December 2020
Bond issued by the BOL	16,769	13,904
	16,769	13,904

As at 31 December 2021, 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	22-Mar-2021	22-Mar-2022	16,769	5%

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

	31 December 2021 (in millions - LAK)	31 December 2020
Commercial loans	1,029,730	868,602
Less provision for non-performing loans [Note 8(d)]	(3,265)	(5,507)
	1,026,465	863,095

(a) Classified by interest rate (per annum)

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

	31 December 2021 interest rates % per annum	31 December 2020 interest rates % per annum
Loans in LAK	5.00% - 15.00%	5.00% - 15.00%
Loans in USD	5.00% - 11.00%	4.00% - 12.00%
Loans in THB	5.00% - 9.00%	5.00% - 12.00%
Loans in EUR	3.90% - 9.00%	3.90% - 9.00%

b) Classified by currency

	31 December 2021 (in millions - LAK)	31 December 2020
Loans in LAK	339,956	327,614
Loans in USD	564,601	384,938
Loans in THB	5,828	12,804
Loans in EUR	119,345	143,246
	1,029,730	868,602

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c) Classified by performance

	31 December 2021	31 December 2020
	<i>(in millions - LAK)</i>	
Normal or Pass	1,004,469	848,218
Watch List or Special Mention	19,400	8,194
Non-Performing Loans	5,861	12,190
	1,029,730	868,602

d) Provision for credit activities

Movement of provision as required by BOL during the year 2021 is as follow:

	Specific provision	General provision	Total Provision
	<i>(in millions - LAK)</i>		
Balance as at the beginning of the year	5,507	4,241	9,748
Provision for the year	8,178	1,082	9,260
Reversal during the year	(10,420)	(301)	(10,721)
Balance at end of the year	3,265	5,022	8,287

Movement of provision as required by BOL during the year 2020 is as follows:

	Specific provision	General provision	Total Provision
	<i>(in millions - LAK)</i>		
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)
Balance at end of the year	5,507	4,241	9,748

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9 Intangibles

Movement of intangible assets for the year ended 31 December 2021 is as follows:

	Computer software	Construction in progress <i>(in millions - LAK)</i>	Total
Costs			
As at 1 January 2021	14,836	3,012	17,848
Transferred from CIP	3,906	(3,906)	-
Additions	-	3,327	3,327
As at 31 December 2021	<u>18,742</u>	<u>2,433</u>	<u>21,175</u>
Accumulated amortization			
As at 1 January 2021	7,794	-	7,794
Amortization charge	3,307	-	3,307
As at 31 December 2021	<u>11,101</u>	<u>-</u>	<u>11,101</u>
Net book value			
As at 1 January 2021	<u>7,042</u>	<u>3,012</u>	<u>10,054</u>
As at 31 December 2021	<u>7,641</u>	<u>2,433</u>	<u>10,074</u>

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

	Computer software	Construction in progress <i>(in millions - LAK)</i>	Total
Costs			
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>
Accumulated amortization			
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>
Net book value			
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>

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10 Property and equipment

Movement of tangible fixed assets for the year ended 31 December 2021 is as follows:

	Building & improvements	Office equipment	Furniture & fixture	Motor vehicles	Construction in progress	Total
	<i>(in millions - LAK)</i>					
Cost						
At 1 January 2021	26,079	31,037	5,107	5,128	1,160	68,511
Additions	26	5,212	1,178	1,049	6,852	14,317
Disposals	(1,552)	(908)	(39)	(625)	(7,464)	(10,588)
At 31 December 2021	24,553	35,341	6,246	5,552	548	72,240
Accumulated depreciation						
At 1 January 2021	14,394	25,392	2,886	3,365	-	46,037
Charge for the year	1,655	2,247	695	629	-	5,226
Disposal	(887)	(750)	(34)	(461)	-	(2,132)
At 31 December 2021	15,162	26,889	3,547	3,533	-	49,131
Net book value						
At 1 January 2021	11,685	5,645	2,221	1,763	1,160	22,474
At 31 December 2021	9,391	8,452	2,699	2,019	548	23,109

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

	Building & improvements	Office equipment	Furniture & fixture <i>(in millions - LAK)</i>	Motor vehicles	Construction in progress	Total
Cost						
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	26,079	31,037	5,107	5,128	1,160	68,511
Accumulated depreciation						
At 1 January 2020	12,846	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	14,394	25,392	2,886	3,365	-	46,037
Net book value						
At 1 January 2020	12,630	6,434	1,369	1,526	94	22,053
At 31 December 2020	11,685	5,645	2,221	1,763	1,160	22,474

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11 Other assets

	31 December 2021	31 December 2020
	<i>(in millions - LAK)</i>	
Accrued interest receivables	14,899	8,577
Prepayments	7,333	7,445
Foreclosed Asset	3,354	3,707
Cheques in collection	60	88
Security deposits	67	18
Others	249	351
	25,962	20,186

12 Amounts due to banks

	31 December 2021	31 December 2020
	<i>(in millions - LAK)</i>	
Demand deposits	5,807	3,648
Savings deposits	157	132
Borrowings from other banks*	105,241	45,180
	111,205	48,960

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

Borrowings from	Currency	Date-Start	Date-End	Term	Interest rate	Outstanding 2021 in LAK (in million)	Accrued interest 2021 in LAK (in million)
BRED Banque Populaire	EUR	20-Sep-17	9-Sep-24	7 years	1.5% per annum plus 3 months LIBOR rate	15,809	9
Banque pour le commerce et l'industrie de la mer rouge	USD	5-Oct-21	4-Oct-24	3 years	3% (gross rate)	89,432	590

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13 Deposits from customers

	31 December 2021	31 December 2020
	<i>(in millions - LAK)</i>	
Demand deposits	395,145	401,983
In LAK	67,641	96,978
In foreign currencies	327,504	305,005
Saving deposits	209,373	163,554
In LAK	24,697	18,759
In foreign currencies	184,676	144,795
Term deposits	593,610	360,577
In LAK	48,808	33,450
In foreign currencies	544,802	327,127
	1,198,128	926,114

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

	31 December 2021	31 December 2020
	Interest rate	Interest rate
	<i>% per annum</i>	<i>% per annum</i>
Saving deposits in LAK	1.60%	1.91%
Saving deposits in USD	1.15% - 1.25%	1.25% - 1.35%
Saving deposits in THB	0.75%	0.90%
Saving deposits in EUR	0.25% - 0.50%	0.50% - 0.75%
Term deposits in LAK	3.16% - 6.77%	3.16% - 6.77%
Term deposits in foreign currencies	0.50% - 5.00%	0.50% - 5.15%

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14 Other liabilities

	31 December 2021	31 December 2020
	<i>(in millions - LAK)</i>	
Accrued interest payables	14,276	8,441
External accounts payables	11,644	14,070
Deferred revenue	6,204	3,555
Guarantee deposit	779	1,474
Personal income tax payable	78	-
Other liabilities	863	1,774
	33,844	29,314

15 Legal reserve

The legal reserve is provided at the rate of at least 10% of profit for the year after deducting retained losses in accordance with the BOL regulations. During the year the bank earned a net profit of LAK 27,157 million. However, no allocation of loan was provided as the bank has accumulated losses of LAK 46,532 million as at 31 December 2021.

16 Net interest and similar income

	2021	2020
	<i>(in millions - LAK)</i>	
Interest and similar income from		
Interbank transactions	689	701
Loans and advances	71,374	69,568
	72,063	70,269
Interest and similar expense for		
Interbank transactions	(1,134)	(2,022)
Customer deposits	(21,182)	(16,134)
	(22,316)	(18,156)
	49,747	52,113

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17 Net fees and commission income

	2021	2020
	<i>(in millions - LAK)</i>	
Fees and commission income from		
Settlement services	5,226	5,972
Guarantee activities	221	188
Treasury activities	1,490	469
Fees for assistance and advising activities	19,910	10,640
Other activities	166	6
	<u>27,013</u>	<u>17,275</u>
Fees and commission expenses for		
Settlement services	(5,266)	(4,769)
Other activities	(1,484)	(1,970)
	<u>(6,750)</u>	<u>(6,739)</u>
Net fee and commission income	<u>20,263</u>	<u>10,536</u>

18 Other operating income

	2021	2020
	<i>(in millions - LAK)</i>	
Reversal of general provision Note 8(d)	301	331
Written off loans collected	2,401	12,814
Others	239	695
	<u>2,941</u>	<u>13,840</u>

19 Administration expenses

(a) Payroll and other staff costs

	2021	2020
	<i>(in millions - LAK)</i>	
Wages and salaries	(27,941)	(23,900)
Insurance expense for employees	(720)	(703)
Other staff costs	(1,165)	(800)
	<u>(29,826)</u>	<u>(25,403)</u>

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(b) General administration expenses

	2021	2020
	<i>(in millions - LAK)</i>	
Business trip	(873)	(579)
External service	(23,143)	(21,660)
Fuel	(213)	(217)
Office stationeries	(1,805)	(2,086)
Electricity and water	(613)	(581)
Telecommunication	(708)	(599)
Publication, marketing and promotion	(1,334)	(1,947)
Tools and equipment	(20)	(41)
Insurance fee	(526)	(518)
Office rental	(1,856)	(1,350)
Entertainment expenses	(107)	(78)
Others	(1,268)	(1,154)
	<u>(32,466)</u>	<u>(30,810)</u>

20 Other operating expenses

	2021	2020
	<i>(in millions - LAK)</i>	
Charge of general provision [Note 8(d)]	(1,082)	(782)
Write-off loans during the year	(2,600)	(20,573)
Others	(4,636)	(5,969)
	<u>(8,318)</u>	<u>(27,324)</u>

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.

	2021	2020
	<i>(in millions - LAK)</i>	
Profit before tax for the year	27,157	14,267
Carry forward losses	(27,157)	(14,267)
Non - deductible expenses	-	-
Taxable Profit	<u>-</u>	<u>-</u>
Tax at 20%	<u>-</u>	<u>-</u>

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22 Leases

(a) Right-of-use asset

	2021	2020
	<i>(in millions - LAK)</i>	
Balance at 1 January	14,881	9,167
Additions	382	9,654
Depreciation charge for the year	(3,679)	(3,940)
Balance at 31 December	11,584	14,881

(b) Amount recognized in statement of comprehensive income

	2021	2020
	<i>(in millions - LAK)</i>	
Interest on Lease Liability	-	-
Depreciation expense	(3,679)	(3,940)
	(3,679)	(3,940)

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.

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Significant balances as of 31 December 2021 with related parties are as follows:

Related party	Relationship	Transactions	Receivables LAK (in millions)	Payables LAK (in millions)
Banque Pour Le Commerce Exterieur Lao Public Company Limited (BCEL)	Shareholder	Demand deposits	12,183	-
		Fixed term deposits	-	5,492
BRED Banque Populaire	Shareholder (represented by Cofibred)	Demand deposits	283,819	-
		Borrowing	-	15,809
		Accrued interest on borrowing	-	9
		Accrued bank guarantee fee	-	514
Banque pour le commerce et l'industrie de la mer rouge	Subsidiary of Cofibred	Borrowing	-	89,432
		Accrued interest on borrowing	-	590

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 Exterieur Lao Public Company Limited (BCEL)	Shareholder	Demand deposits	6,727	-
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	Saving deposits	-	1,026
		Term deposits	-	4,290
		Accrued interest on term deposits	-	166

Banque Franco - Lao Limited
Notes to the financial statements
For the year ended 31 December 2021

Transactions with key management personnel of the Bank

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

	2021	2020
	<i>(in millions - LAK)</i>	
Salaries & Director sitting fees	7,661	5,667
	7,661	5,667

24 Off-balance sheet items

	2021	2020
	<i>(in millions - LAK)</i>	
Commitment given		
Letters of guarantee outstanding	12,125	11,480
Letters of credit and undisbursed loans outstanding	113,378	44,487
	125,503	55,967
Collateral and Mortgages		
Collaterals and mortgages for loans to customer	2,183,443	2,135,835
	2,183,443	2,135,835

25 Subsequent events

At the end of February 2022, the Russian Federation launched a major military action in Ukraine. Although Ukraine is not a member of NATO, the Western reaction was strong. The European Union, the United States and many other countries adopted a series of unprecedented sanctions, including the freezing of the Russian Central Bank's foreign assets, the exclusion of Russian banks from SWIFT, and the announcement by many Western groups of their withdrawal from the Russian Federation.

Even if the essential subject of energy and natural gas remains for the moment outside the scope of measures taken by both sides, the United States and Great Britain have announced their intention to ban the import of Russian oil and gas. In addition, new economic measures and sanctions could be adopted, notably by the European Union and the United States, and retaliatory economic measures and sanctions could be adopted by the Russian Federation. This conflict could have major consequences for the Russian economy, but also for Western economies and more generally for the world economy. The risk of default on Russian debt, rising inflation and the loss of purchasing power for the Russian population are significant. A questioning of growth prospects and increased inflationary pressure cannot be ruled out in both the United States and Europe.

In addition, there is a risk that the Russian authorities may take expropriation measures against foreign companies in retaliation for Western sanctions.

As of December 31, 2021, the BFL has no exposure to Russian, Ukrainian or Belarusian counterparties.