Banque Franco - Lao Limited

Financial statements for the year ended
31 December 2022
And
Independent Auditor's Report

Banque Franco - Lao Limited

Contents

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
	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. Chanthanom Onevathana	Head of Retail Banking
	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, Nongdoung Nua Village Sikhotabong District PO Box 6978 Vientiane Capital, Lao PDR	

KPMG Lao Co.,Ltd.
10th 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: kpmg.com/la

ບໍລິສັດ ເຄພີເອັມຈີລາວ ຈຳກັດ
ຊັ້ນ 10, ອາຄານ ໂຣໂຢລສະແຄລ
ຖະໜົນ ສາມແສນໄທ, ບ້ານ ໜອງດ້ວງເໜືອ,
ເມືອງ ສີໂຄດຕະບອງ, ຕູ້ ປ.ນ. 6978,
ນະຄອນຫຼວງວຽງຈັນ, ສປປ ລາວ
ໂທ: +856 (21) 454240-7
ເວັບໄຊ: kpmg.com/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 2022, the statements of profit or loss and other comprehensive income, changes in equity and 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 2022 and its financial performance and cash flows for the year then ended in accordance with IFRS standards as issued by the International Accounting Standards Board (IFRS Standards).

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 IFRS Standards, 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.

KPMG Lao Co., Ltd.

ບໍລິສັດ ເຄພີເອັມຈີລາວ ຈໍາກັດ
KPMG LAO CO. LTD

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

Date: 29 MAR 2023

Banque Franco - Lao Limited
Statement of financial position
As at 31 December 2022

	Note	31 December 2022 *(in millions LAK)*	31 December 2021 *(in millions LAK)*
Assets			
Cash	*4, 23*	62,229	31,072
Interbank and money market items			
Amounts due from other banks	*5*	574,600	313,764
Investment in securities	*6*	-	17,001
Statutory deposits with central bank	*7*	214,796	263,940
Loans and advances, net of provision	*8*	1,489,083	1,070,255
Property, plant and equipment	*9*	20,076	23,109
Intangible assets	*9*	9,739	10,074
Other assets	*10*	29,787	11,069
Right to use assets	*24*	18,255	11,584
Deferred tax asset	*11*	24,542	19,104
Total assets		**2,443,107**	**1,770,972**

The accompanying notes form an integral part of these financial statements

Banque Franco - Lao Limited
Statement of financial position
As at 31 December 2022

	Note	31 December 2022 *(in millions LAK)*	31 December 2021 *(in millions LAK)*
Liabilities and equity			
Liabilities			
Deposits from customers	*12*	1,707,229	1,211,807
Interbank and money market items			
Amounts due to other banks	*13*	51,153	5,965
Borrowing from related party	*14*	138,653	105,840
Other liabilities	*16*	36,968	20,532
Total liabilities		**1,934,003**	**1,344,144**
Equity			
Paid-up capital	*17*	460,000	420,000
Legal reserve		1,482	1,482
Accumulated earnings		47,622	5,346
Total equity		**509,104**	**426,828**
Total liabilities and equity		**2,443,107**	**1,770,972**

The accompanying notes form an integral part of these financial statements

Banque Franco - Lao Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2022

	Note	Year ended 31 December 2022 *(in million LAK)*	2021 *(in million LAK)*
Interest and similar income	*18*	101,795	72,063
Interest and similar expense	*19*	(29,740)	(22,316)
Net interest income		**72,055**	**49,747**
Fee and commission income		19,613	27,013
Fee and commission expense		(11,371)	(6,750)
Net fee and commission income	*20*	**8,242**	**20,263**
Gain on foreign exchange		95,423	52,590
Other income		202	239
Total operating income		**175,922**	**122,839**
Operating Expenses			
Personnel expenses	*21*	(34,464)	(29,826)
Depreciation and amortization Expenses		(12,462)	(12,212)
Other operating expenses	*22*	(45,751)	(36,105)
Impairment allowance		(39,148)	(38,841)
Total operating expenses		**(131,825)**	**(116,984)**
Profit before income tax expense		**44,097**	**5,855**
Income tax (expense)/benefit	*15*	(1,821)	7,891
Profit for the year		**42,276**	**13,746**
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		**42,276**	**13,746**

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 2022

	Note	Paid-up capital LAK *(in millions)*	Accumulated losses LAK *(in millions)*	Legal reserve LAK *(in millions)*	Total LAK *(in millions)*
Balance as at 1 January 2021		**380,000**	**(8,400)**	**1,482**	**373,082**
Increase in capital		40,000	-	-	40,000
Profit for the year		-	13,746	-	13,746
Balance as at 31 December 2021		**420,000**	**5,346**	**1,482**	**426,828**
Balance as at 1 January 2022		**420,000**	**5,346**	**1,482**	**426,828**
Increase in capital	*17*	40,000	-	-	40,000
Profit for the year		-	42,276	-	42,276
Balance as at 31 December 2022		**460,000**	**47,622**	**1,482**	**509,104**

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 2022

	Note	2022 LAK (in millions)	2021 LAK (in millions)
		For the year ended 31 December	
Cash flows from operating activities			
Profit before income tax		44,097	5,855
Adjustments for:			
Interest income		(101,795)	(72,063)
Interest expense		29,740	22,316
Provision for bad debt and doubtful loans and advances		36,872	37,994
Gain from disposal of fixed assets		(2)	(135)
Depreciation and amortisation		12,462	12,212
		21,374	**6,179**
Change in operating assets / liabilities			
Change in statutory deposits		(40,534)	(10,435)
Change in loans and advances to customers		(455,602)	(177,418)
Change in other assets		(18,719)	(2,756)
Change in deposits from customers		491,275	272,014
Change in deposits from banks		44,517	2,184
Change in other liabilities		16,754	(6,030)
Interest received		101,689	65,741
Interest paid		(24,606)	(16,481)
Income tax payable		(7,259)	-
Net cash generated from operating activities		**128,889**	**132,998**
Cash flows from investing activities			
Acquisition of property and equipment		(3,941)	(14,317)
Acquisition of intangibles		(3,248)	(3,327)
Investment in securities		16,769	2,865
Proceeds from disposal of assets		1,478	8,591
Addition of Right of use assets		(10,052)	-
Net cash generated from (used in) investing activities		**1,006**	**(6,188)**
Cash flows from financing activities			
Additional capital contribution		40,000	40,000
Loan from related party		32,503	60,061
Others		-	53
Net cash generated from financing activities		**72,503**	**100,114**
Net increase in cash and cash equivalents		**202,398**	**226,924**
Cash and cash equivalents at 1 January		536,705	309,781
Cash and cash equivalents at 31 December	*23*	**739,103**	**536,705**

The accompanying notes form an integral part of these financial statements

Note	Contents

1 Reporting entity

Banque Franco - Lao Limited ("BFL") is a joint – venture bank incorporated and registered in Lao People's Democratic Republic ("Lao PDR"). The Bank was established by Cofibred – a company representing BRED Banque Populaire, a Bank registered in France and located at No. 18 Quai de la Rapee, Paris, 75012 France and Banque Pour Le Commerce Exterieur Lao Public ("BCEL"), a bank registered in Lao PDR and located at No. 01 Pangkham Street, Ban Xiengnyun, Chanthabouly District, Vientiane, Lao PDR.

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).

The registered charter capital of the Bank is 460,000 million of KIP ("LAKm"). As at 31 December 2022, the actual charter capital of the Bank is LAKm 460,000 (31 December 2021: LAKm 420,000).

The principal activities of the Bank are to provide comprehensive banking and related financial services in the Lao PDR.

As at 31 December 2022, the Bank had 157 (2021: 170) employees.

2 Basis of financial statement preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements of the Bank were authorised for issue on behalf of the Board of Management on 29 March 2023.

In preparing these financial statements, the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as of and for the year ended 31 December 2021.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as stated in the significant accounting policies (Note 4).

(c) Functional and presentation currency

These accompanying financial statements are presented in Lao Kip ("LAK"), which is the Bank's functional currency. All financial information presented in LAK has been rounded in the financial statements and the accompanying notes to the nearest million, unless otherwise stated.

(d) Use of judgements and estimates

In preparing this financial statement, management has made judgments, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In preparing these financial statements, the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited financial statements as at and for the year ended 31 December 2021.

(e) Fiscal Year

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

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates at the reporting date.

Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated into the functional currency at the exchange rate at the date of the transaction.

Foreign currency differences arising from the translation are recognised in the profit or loss.

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

	31 December 2022	31 December 2021
United State Dollar (“USD”)	17,218.00	11,179.00
Thai Baht (“THB”)	498.14	347.18
Euro (“EUR”)	18,340.00	12,689.00
Great Britain Pound(“GBP”)	20,699.00	15,005.00

(b) Financial assets and financial liabilities

(i) Recognition

The Bank initially recognises loans and advances, deposits on the date on which they are originated. A financial asset or financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL;

- The asset is held within business model whose objective is to hold assets to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL;

- The asset is held within business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI.

In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Banks' business model reflects how it manages the assets to generate cash flows. Whether it is solely to collect the contractual cash flows from the asset or both the contractual cash flows and from sale of asset. Factors considered by the Bank in determining the business models for group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed.

Assessment whether contractual cash flows are solely payments of principal and interest

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represents solely payment of principal and interest. In making this assessment, the Bank considers whether the contractual cash flows are consistent with basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

(iii) Derecognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially of all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured on initial recognition, minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any impairment allowance.

(vi) Impairment

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued;
- loan commitments issued;

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Interbank and money market items on which credit risk has not increased significantly since their initial recognition.

Measurement of ECL

Credit loss allowances are measured using a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD)

These parameters are generally derived from Basel prudential rules.
Details of these statistical parameters/inputs are as follows:

PD – The probability of default is an estimate of the likelihood of default over a given time horizon.

EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Assessment of significant increase in credit risk

The expected credit loss model requires the recognition of credit losses based on 12 months of expected losses for performing loans and the recognition of lifetime expected losses on loans that have experienced a SICR since origination. The determination of a SICR takes into account many different macro-economic factors and will vary by product and risk segment. The main factors considered in making this determination are relative changes in probability- weighted probability of default since origination and certain criteria such as 30 days past due and watch list status. The assessment of SICR will require experienced credit judgement.

The bank considers a financial instrument having a significant increase in credit risk based on the following factors:

In order to assess as to whether the credit quality of an exposure has deteriorated, the following main credit events are used:

- Delinquencies;
- Unauthorized Overdrafts.

A 6 months observation period is deemed necessary in order to:
- ensure that temporary credit difficulties faced by clients are indeed cured when they return to stage 1
- avoid undue variability in the Stage 1 / Stage 2 balance in the case of short, yet regular, periods of credit difficulties

An exposure will therefore be deemed belonging to stage 2 category in case of a delinquency or unauthorized overdraft that lasted more than 30 days in the last 6 months.

As credit difficulties could materialize in other ways than the sole delinquencies and overdrafts, and in order to better align with the operational processes within the bank, another criterion is added: any exposure belonging to the BFL watch list will fall under stage 2 category.

Computation of stage 1 impairment loss

The 1 year expected loss is by definition:

1 year default probability (PD) x Exposure At Default (EAD) x Loss Given Default (LGD).

As the bank lacks both number of data points and aging of the observations to statistically assess each of these parameters, default values derived from Basel prudential rules are used.

Loss Given Default

Default value is set at 45% which corresponds to the Basel IRBF parameter for senior claims on corporates, sovereigns and banks.

Exposure At Default

Computation of Exposure At Default also complies with prudential requirements stating that the exposure value of an asset item shall be its remaining accounting value with additional value adjustments. The exposure value of an off-balance sheet item shall be the following percentage of its nominal value:

(a) 100 % if it is a full-risk item such as a letters of credit;
(b) 50 % if it is a medium-risk item such as Revolving Credit Facilities;
(c) 20 % if it is a medium/low-risk item such as trade finance transactions;
(d) 0 % if it is a low-risk item such as uncommitted credit facilities.

As most transactions in BFL portfolio can be listed as high to medium risk, it is deemed adequate and prudent to set Exposure at Default 100% of drawn and undrawn exposures.

In the absence of sufficient series related to the credit quality of the bank's portfolio, it was decided to refer to the prudential scale used by BRED Group to compute own funds requirements on sovereign exposure.

As most of the countries where BRED has international subsidiaries are rated 6 on BRED sovereign scale, the related PD of 3.19% is chosen for all of them in order to ensure an homogeneous process at the Group level.

PD is subsequently rounded to 3% and multiplied by LGD of 45% to obtain the impairment rate of 1.35% for Stage 1 exposures.

Computation of stage 2 impairment loss

Loss Given Default

Default value was set at 45% which corresponds to the Basel IRBF parameter for senior claims on corporates, sovereigns and banks that are not secured by recognized collateral.

Exposure at Default

As for the one year expected loss, a 100% factor is applied to drawn and undrawn committed exposures.

For the sake of simplicity a linear amortization of Exposure at default over 15 years is chosen. Given the practice of the bank in terms of loan profile, with rather long term maturity, the 15 years duration appeared consistent.

Probability of Defaults

As Stage 2 exposures encompass Watch List exposures, prudential PD used for credit risk own funds requirements on Watch list exposures is taken into account. The bank credit granting policy follows general principles and rules defined in accordance with BRED Group credit granting approach.. As a consequence, watch listed items are expected to process from similar credit granting processes and display similar behaviour in terms of default.

As per BRED Group Watch List methodology, credit exposures ranked on credit grades 14 and higher are included in the Watch List. Such exposures bear a PD at least equal to 11.73%.

Marginal PD are then multiplied by the amortization factor (15 years linear amortization as mentioned above), which gives an average weighted PD of 39.4% over the lifetime.

This leads to a provisioning rate of 17.7 % for Stage 2 exposures.

Computation of stage 3 impairment loss

For stage 3 borrowers, Bank follow central bank provisioning model while taking the benefit of collateral held against the exposure with a minimum provision of 20%.

Presentation of loss allowance for ECL in statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision.

Write-off

The Bank writes off certain loans and advances, either partially or in full, and any related allowance for impairment losses, when they determine that there is no realistic prospect of recovery.

(c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of one month or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(d) Loans and advances

Loans and advances in the statement of financial position are loans and advances measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(e) Deposits from customers

Deposits are the Bank's sources of debt funding. Deposits are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(f) Property and equipment

(i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property comprises major components having different useful lives, the components are accounted for as separate items of property and equipment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

(ii) Depreciation of property and equipment is charged to the profit or loss on a straight line basis over the estimated useful lives of the individual assets at the following annual rates:

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

(iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. Ongoing repairs and maintenance are expensed as incurred.

(iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the profit or loss on the date of retirement or disposal.

(v) Fully depreciated property and equipment is retained on the balance sheet until disposed of or written off.

(g) Intangible asset

Computer software acquired by the Bank is measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on computer software is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Computer software is amortised on a straight-line-basis in profit or loss over its estimated useful life, from the date on which it is available for use at the following annual rate:

The intangible assets are amortized using straight line method at an annual rate of 20%.
Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Interest income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(i) Fee and commission

Fee and commission income that are integral to the effective interest rate on the financial asset or financial liability is included in the effective interest rate.
The Bank earns fees and commission income from a diverse range of services it provides to its customers.

Fee income from providing transaction services

Fee and commission income consist of fees received for fund transfer (including trade settlement), fees arising for foreign currency exchange transactions, fees arising from financial guarantees, loan approval, loan collateral, settlement, renegotiation, and penalty charges to customers.
Fees or components of fees that are linked to a certain performance are recognised as the related services are performed.
Other fee and commission expense relate mainly to transaction and service fee, which are expensed as services are received.

(j) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, which reflects the significance of inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e.derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on unobservable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The hierarchy used by the Bank is set out in note 30.

(k) Income tax

Income tax expense for the year comprises current and deferred tax. It is recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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.

In accordance with the Law on the Promotion and Management of Foreign investment in the Lao PDR No. 01/94 dated 14 March 1994, the tax rate applied for foreign invested entities is 20% on the taxable profit of the Bank reported under the Lao accounting rules ("LAR").

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

(l) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(m) Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'Other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised amount and the amount of loss allowance, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the income statement in 'Credit loss expense'. The premium received is recognised in the income statement in 'Net fees and commission income' on a straight-line basis over the life of the guarantee.

(n) Provision for contingent liabilities

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

(o) 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.

(p) 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.

4 Cash

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Lao Kip ("LAK")	20,203	18,613
United States Dollar ("USD")	11,484	4,967
Thai Baht ("THB")	3,361	2,097
Others	27,181	5,395
	62,229	**31,072**

5 Amount due from other banks

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Demand and fixed deposits with domestic banks	8,653	12,295
Demand deposits with overseas banks	566,440	301,879
	575,093	**314,174**
Less: Allowance for expected credit loss	(493)	(410)
	574,600	**313,764**

Amount due from other banks is classified under stage 1 as per IFRS 9 and the expected credit loss as at 31 December 2022 is LAK 493 million (31 December 2021: LAK 410 million).

a) Classified by currency

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Deposits in LAK	687	1,070
Deposits in USD	428,555	240,190
Deposits in THB	65,496	39,162
Deposits in others foreign currencies	80,355	33,752
	575,093	**314,174**

Demand deposits at domestic and overseas banks are non-interest earning items.

6 Investment in securities

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Held-to-maturity securities		
Bonds issued by Bank of Lao (BOL)	-	16,769
Accrued interests	-	232
	-	**17,001**

The bond issued by BOL matured at 22 March 2022 and was not renewed.

7 Statutory deposits with Central Bank

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Statutory deposits on:		
Compulsory deposits	113,015	72,481
Demand deposits	101,781	191,459
	214,796	**263,940**
Less: Allowance for expected credit loss	-	-
	214,796	**263,940**

Statutory balance with Central bank is classified under stage 1 as per IFRS 9 and the expected credit loss as at 31 December 2022 is NIL (31 December 2021: NIL).

Balances with the BOL include demand deposits and compulsory deposits. These balances bear no interest. Under the BOL regulations, the Bank is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 5% and 5%, on a bi-monthly basis of customer deposits having original maturities not more than 12 months, in LAK and in THB and USD, respectively. During the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

The compulsory deposits percentages were revised by BOL through a letter 375/BOL dated 17 May 2022.

8 Loans and advances, net of provision

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Overdrafts	137,638	71,971
Loans	1,474,131	1,084,196
	1,611,769	**1,156,167**
Accrued interest receivable	16,917	16,581
Loans and advances to customers	**1,628,686**	**1,172,748**
Less: Allowance for expected credit loss	(139,603)	(102,493)
	1,489,083	**1,070,255**

a) Classified by performance

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Performing loans	1,422,042	1,025,618
Non-performing loans	189,727	130,549
	1,611,769	**1,156,167**

b) Classified by currency

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
LAK	483,496	373,534
USD	999,741	657,460
THB	13,739	5,827
EUR	114,793	119,346
	1,611,769	**1,156,167**

c) Classified by interest rate (per annum)

	2022 %	2021 %
Loans in LAK	4.00% - 14.00%	5.00% - 15.00%
Loans in USD	5.00% - 11.00%	5.00% - 11.00%
Loans in THB	5.00% - 9.00%	5.00% - 9.00%
Loans in EUR	3.90% - 9.00%	3.90% - 9.00%

d) The changes in the provision for bad debts and doubtful loans and advances are as follows:

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Balance at beginning of the year	102,493	64,652
Provision for loan losses during the year	51,656	46,304
Reversals for loan losses during the year	(14,546)	(8,463)
Balance at end of the year	**139,603**	**102,493**

9 Property, plant and equipment and Intangible assets

	Note	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Tangible fixed assets	*9.1*	20,076	23,109
Intangible assets	*9.2*	9,739	10,074
		29,815	**33,183**

9.1 Tangible fixed assets

Movement of tangible fixed assets for the year ended 31 December 2022 is as follows;

	Building & improvements	Office equipment	Furniture & fixture	Motor vehicles	Construction in progress	Total
			LAK *(in millions)*			
Cost						
At 1 January 2022	24,553	35,341	6,246	5,552	548	72,240
Additions	-	1,006	353	-	2,582	3,941
Disposals	(760)	(657)	(40)	-	(1,359)	(2,816)
At 31 December 2022	**23,793**	**35,690**	**6,559**	**5,552**	**1,771**	**73,365**
Accumulated depreciation						
At 1 January 2022	15,162	26,889	3,547	3,533	-	49,131
Charge for the year	1,562	2,535	784	617	-	5,498
Disposal	(711)	(596)	(33)	-	-	(1,340)
At 31 December 2022	**16,013**	**28,828**	**4,298**	**4,150**	-	**53,289**
Net book value						
At 1 January 2022	**9,391**	**8,452**	**2,699**	**2,019**	**548**	**23,109**
At 31 December 2022	**7,780**	**6,862**	**2,261**	**1,402**	**1,771**	**20,076**

9.1 Tangible fixed assets (continued)

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
			LAK *(in millions)*			
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**

9.2 Intangible assets

Movement of intangible assets for the year ended 31 December 2022 is as follows:

	Computer software LAK *(in millions)*	Construction in progress LAK *(in millions)*	Total LAK *(in millions)*
Cost			
At 1 January 2022	**27,628**	**2,433**	**30,061**
Transferred from CIP	1,778	(1,778)	-
Additions	-	3,248	3,248
At 31 December 2022	**29,406**	**3,903**	**33,309**
Accumulated amortization			
At 1 January 2022	**19,987**	-	**19,987**
Amortization charge	3,583	-	3,583
At 31 December 2022	**23,570**	-	**23,570**
Net book value			
At 1 January 2022	**7,641**	**2,433**	**10,074**
At 31 December 2022	**5,836**	**3,903**	**9,739**

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

	Computer software LAK *(in millions)*	Construction in progress LAK *(in millions)*	Total LAK *(in millions)*
Cost			
At 1 January 2021	**23,722**	**3,012**	**26,734**
Transferred from CIP	3,906	(3,906)	-
Additions	-	3,327	3,327
At 31 December 2021	**27,628**	**2,433**	**30,061**
Accumulated amortization			
At 1 January 2021	**16,679**	-	**16,679**
Amortization charge	3,308	-	3,308
At 31 December 2021	**19,987**	-	**19,987**
Net book value			
At 1 January 2021	**7,043**	**3,012**	**10,055**
At 31 December 2021	**7,641**	**2,433**	**10,074**

10 Other assets

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Prepayments	8,730	7,333
Foreclosed Asset	18,388	3,354
Cheques in collection	188	60
Security deposits	82	67
Others	2,399	255
	29,787	**11,069**

11 Deferred tax asset

	At 1 January 2022 LAK *(in millions)*	Credited to: Profit or loss LAK *(in millions)*	**At 31 December 2022** LAK *(in millions)*
Deferred tax asset			
Provision against Amount due from other banks	82	17	99
Provision against loans and advances	18,841	5,484	24,325
Off Balance sheet provision	181	(63)	118
	19,104	**5,438**	**24,542**

The bank only recognised the deferred tax asset on the differences between the provision calculated as per regulatory requirements and IFRS 9.

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Loss carry forward	-	59,564
	-	**59,564**

The tax losses expired during the year. The deductible temporary differences do not expire under current tax legislation. However, the Bank does not have loss carry forward in LAO GAAP this year.

12 Deposits from customers

a) Classified by type of deposits

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Current deposits	614,215	395,145
Savings deposits	299,494	209,373
Term deposits	775,694	593,610
Accrued interest	17,826	13,679
	1,707,229	**1,211,807**

b) Classified by currency

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
LAK	156,664	142,147
USD	1,237,182	878,538
THB	103,124	56,037
Others	210,259	135,085
	1,707,229	**1,211,807**

c) Classified by interest rate (per annum)

	2022 %	2021 %
Saving accounts		
LAK	1.60%	1.60%
USD	1.15% - 1.25%	1.15% - 1.25%
THB	0.75%	0.75%
EUR	0.25% - 0.50%	0.25% - 0.50%
Fixed deposits		
Term deposits in LAK	3.16% - 8.00%	3.16% - 6.77%
Term deposits in foreign currencies	0.50% - 5.50%	0.50% - 5.00%

13 Amounts due to other banks

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Current deposits	10,480	5,965
Term deposit	40,000	-
Accrued interest	673	-
	51,153	**5,965**

a) Classified by currency

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
LAK	40,685	13
USD	244	157
THB	452	303
Others	9,772	5,492
	51,153	**5,965**

14 Borrowings from related party

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
BRED Banque Populaire	-	15,809
BCIMR	137,744	89,432
Accrued interest	909	599
	138,653	**105,840**

15 Tax liabilities and current tax

	Note	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Current tax expense			
Current year		7,259	-
Prior year adjustment		-	-
Deferred Tax benefit			
Movement in temporary differences	11	(5,438)	(7,891)
Total income tax (expense)/benefit		**1,821**	**(7,891)**
Tax liabilities at the beginning of the year		-	-
Reversal of liability		-	-
Income tax expense		(7,259)	-
Tax paid on profit during the year		-	-
Tax liabilities at the end of the year		**(7,259)**	-

(i) Reconciliation of effective tax rate

	Rate (%)	2022 LAK *(in millions)*	Rate (%)	2021 LAK *(in millions)*
Profit before tax in accordance with IFRS	20	44,097	20	5,855
Income tax using statutory tax rate		8,819		1,171
Permanent difference		(6,998)		(9,062)
		1,821		**(7,891)**

16 Other liabilities

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
External Accounts Payable	17,670	11,644
Deferred revenue	8,767	6,204
Tax payable	7,350	78
Guarantee deposit	423	779
Other liabilities	2,172	920
Allowance for expected credit loss – off balance sheet*	586	907
	36,968	**20,532**

*Loan commitments and financial guarantees are classified under stage 1 as per IFRS 9 and the expected credit loss as at 31 December 2022 is LAK 586 million (31 December 2021: LAK 907 million)

17 Paid up capital

	31 December 2022		**31 December 2021**	
Equity owners	% ownership	LAK (in millions)	% ownership	LAK (in millions)
Cofibred	70%	322,000	70%	294,000
Banque Pour Le Commerce Exterieur Lao Public	30%	138,000	30%	126,000
	100%	**460,000**	**100%**	**420,000**

The Bank has increased its capital by LAK 40 billion 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.

18 Interest and similar income

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Interest income from		
Interbank transactions	1,557	689
Loans and advances	100,238	71,374
	101,795	**72,063**

19 Interest and similar expense

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Interest expense from		
Interbank transactions	3,830	1,134
Customer deposits	25,910	21,182
	29,740	**22,316**

20 Net fee and commission income

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Fee and service income		
Settlement services	9,912	5,226
Guarantee activities	792	221
Treasury activities	2,272	1,490
Fees for assistance and advisory activities	6,629	19,910
Other fees and services	8	166
	19,613	**27,013**
Fee and service expense		
Settlement services	(9,803)	(5,266)
Other activities	(1,568)	(1,484)
	(11,371)	**(6,750)**
Fees and service income, net	**8,242**	**20,263**

21 Personnel expenses

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Staff salaries	32,346	27,941
Social security costs	846	720
Other staff cost	1,272	1,165
	34,464	**29,826**

22 Other operating expenses

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Business trip	1,258	873
External services	33,095	23,143
Fuel	431	213
Office stationery	2,151	1,805
Electricity and water	541	613
Telecommunication	668	708
Publication, marketing and promotion	934	1,334
General and administration expenses	1,411	1,261
Tools and equipment	4	20
Insurance fees	638	526
Office rental	1,999	1,856
Entertainment expenses	71	107
Others	2,550	3,646
	45,751	**36,105**

23 Cash and cash equivalents

	Note	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Cash	*4*	62,229	31,072
Amounts due from BOL	*7*	101,781	191,459
Amount due from other banks	*5*	575,093	314,174
		739,103	**536,705**

24 Leases

Right-of-use asset	2022 LAK *(in millions)*	2021 LAK *(in millions)*
At 1 January	11,584	14,881
Additions	10,052	382
Depreciation charge for the year	(3,381)	(3,679)
At 31 December	**18,255**	**11,584**

Amount recognized in profit or loss	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Interest on lease liability	-	-
Depreciation expense	(3,381)	(3,679)
Total	**(3,381)**	**(3,679)**

25 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.

Balances with other related parties as at 31 December 2022 are as follows:

Related party	*Relationship*	*Transactions*	*Receivables In LAKm*	*Payables In LAKm*
Banque Pour Le Exterieur Lao Public Company Limited (BCEL)	Shareholder	Demand deposits	8,482	
		Fixed term deposits	-	39,772
BRED Banque Populaire	Shareholder (represented by Cofibred)	Demand deposits	538,572	-
		Borrowing	-	-
		Accrued interest on borrowing	-	-
		Accrued bank guarantee fee	-	-
Banque pour le commerce et l'industrie de la mer rouge	Subsidiary of Cofibred	Borrowing	-	137,744
		Accrued interest on borrowing	-	909
BRED IT	Subsidiary of BRED	Service cost payable	-	7,238

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

Related party	*Relationship*	*Transactions*	*Receivables In LAKm*	*Payables In LAKm*
Banque Pour Le 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
BRED IT	Subsidiary of BRED	Service cost payable	-	3,444

Transactions with key management personnel of the Bank

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

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Salaries and Director fees	11,235	7,661
	11,235	**7,661**

26 Operating lease commitments

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Within 1 year	-	-
From 1 to less than 5 years	-	-
Over 5 years	-	-
	-	-

27 Off-balance sheet items

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Commitment given		
Letters of credit and undisbursed loans outstanding	77,057	113,378
Letters of guarantee outstanding	16,830	12,125
	93,887	**125,503**
Collateral and Mortgages		
Collaterals and mortgages for loans to customer	2,949,268	2,183,443
	2,949,268	**2,183,443**

28 Financial risk management policies

Introduction

Risk is inherent in the Bank's activities, which is managed through a process of ongoing identification, measurement and monitoring and subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to various operating risks.

The Bank's policies are also to monitor business risks arising from changes in the environment, technology and industry through the Bank's strategic planning process.

Risk management structure

The Bank's risk management strategies and principles are approved by the Board of Directors, who is responsible for the overall risk management approach.

The Board has appointed Risk - Compliance Department which has the responsibility to monitor the overall risk process within the Bank.

The Risk - Compliance Department has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk - Compliance Department is responsible for managing risk decisions and monitoring risk levels and reports to the Board of Directors.

The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. The Internal Audit then discusses the results of the audit with the Bank's Management and reports all findings and recommendations to the Audit Committee.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counter parties failed to discharge their contractual obligations.

a) Credit risk management

BFL's credit risk management involves decisions involving a balance between acceptable risk and commercial judgment and it is guided through the risk management framework and credit risk principles and policies approved by the Board of Directors. The risk management unit performs the monitoring function, to ensure that day to day credit operations are in line with the risk management framework.

Some of key specific mitigating controls and processes are outlined below.

i) All credit facilities are measured at 100% of the exposure and no risk weights are applied.
ii) Credit checks are performed whereas a credit report is obtained to help assess the credit worthiness of an individual or business customer seeking credits.
iii) Concentration limits are currently applied based on regulatory limit controlling the maximum exposure to a borrower (and related parties) to 25% of the Bank's capital.
iv) Credit Loss Review is performed to identify causes of credit loss and improvement opportunities in credit management and credit processes. Any losses or expected losses must be approved by the Managing Director.
v) Country limits must be applied and recorded on the Credit Memorandum when transactions involve cross border risk. Cross border risk arises whenever payment or discharges of a transaction involves a flow of funds from one country to another.
vi) Sharing of risk between customer and any third party (e.g., guarantor) is subject to independent consumer or business credit assessments.
vii) Any request to vary the current maximum long terms needs to be formally supported by Head of Department and approved by Managing Director.
viii) Customer groups that are assessed with increased risk or high risk are subject to more stringent monitoring and controls.

Credit Policy during COVID-19 Outbreak No. 238/ BOL dated March 26, 2020 and No. 256/BOL date May 15, 2021.

Local regulatory body (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.

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 to improve their business.

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, and Regulation on loan classification and provision for Micro Finance Institution, and agreement on Credit Cooperatives and saving deposit as follow:

(1) the loan classification after the restructuring can classified as the old class for the customer who is impacted from the virus and classified as a bad loan since 1 Jan 2020 can classify as watch list 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 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 COVD-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.

b) Credit quality

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external historical information about the counter party default rates:

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Cash	62,229	31,072
Due from Banks	538,572	283,819
	600,801	**314,891**

c) Impaired loans and advances, net

	2022 LAK *(in millions)*	2021 LAK *(in millions)*
Stage 1	1,230,806	844,651
Stage 2	142,208	131,527
Stage 3	99,152	77,496
	1,472,166	**1,053,674**

The balances above are stated at loan balances after deducting provision and not including accrued interest.

Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

(d) Credit risk concentrations by industry

Maximum exposure to credit risk for the components of the statement of financial position by industry without taking into account of any collateral, margin deposit as at 31 December 2022 and 2021 was as follows:

	2022					
	Financial institutions	Government	Service	Electricity	Others	Total
	LAK (*in millions*)					
Deposits with other banks	575,093	-	-	-	-	575,093
Statutory deposits with Central Bank	-	214,796	-	-	-	214,796
Loans and advances to customers *	-	-	508,338	114,708	1,005,640	1,628,686
	575,093	**214,796**	**508,338**	**114,708**	**1,005,640**	**2,418,575**

	2021					
	Financial institutions	Government	Service	Electricity	Others	Total
	LAK (*in millions*)					
Deposits with other banks	314,174	-	-	-	-	314,174
Statutory deposits with Central Bank	-	263,940	-	-	-	263,940
Loans and advances to customers *	-	-	407,010	119,046	646,692	1,172,748
	314,174	**263,940**	**407,010**	**119,046**	**646,692**	**1,750,862**

* *The balance includes accrued interest receivable*

(e) Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3.

	2022				
	12- month ECL	Lifetime ECL not credit impaired	Lifetime ECL Credit – Impaired	Purchased Credit Impaired	Total
	LAK	LAK	LAK	LAK	LAK
Loans and advances to banks at amortised cost	*(in millions)*	*(in millions)*	*(in millions)*	*(in millions)*	*(in millions)*
Grades 1- 6: Low- fair risk	575,093	-	-	-	575,093
Grades 7-9: Watch list	-	-	-	-	-
Grade 10: Substandard	-	-	-	-	-
Grade 11: Doubtful	-	-	-	-	-
Grade 12: Loss	-	-	-	-	-
Total	**575,093**	-	-	-	**575,093**
Loss allowance	(493)	-	-	-	(493)
Carrying Amount	**574,600**	-	-	-	**574,600**

	2022				
	12- month ECL	Life time ECL not credit impaired	Life time ECL Credit – Impaired	Purchased Credit Impaired	Total
	LAK	LAK	LAK	LAK	LAK
Loans and advances to customers at amortised cost	*(in millions)*	*(in millions)*	*(in millions)*	*(in millions)*	*(in millions)*
Grades 1- 6: Low- fair risk	1,247,673	-	-	-	1,247,673
Grades 7-9: Watch list	-	174,368	-	-	174,368
Grade 10: Substandard	-	-	38,321	-	38,321
Grade 11: Doubtful	-	-	2,023	-	2,023
Grade 12: Loss	-	-	149,384	-	149,384
Total	**1,247,673**	**174,368**	**189,728**	-	**1,611,769**
Loss allowance	(16,867)	(32,160)	(90,576)	-	(139,603)
Carrying Amount	**1,230,806**	**142,208**	**99,152**	-	**1,472,166**

(e) Credit quality analysis (continued)

	2022				
	12- month ECL	Life time ECL not credit impaired	Life time ECL Credit – Impaired	Purchased Credit Impaired	Total
Loans Commitments	LAK *(in millions)*	LAK *(in millions)*	LAK *(in millions)*	LAK *(in millions)*	LAK *(in millions)*
Grades 1- 6: Low- fair risk	23,275				23,275
Grades 7- 12	-	-	-	-	-
Total Loss allowance	(359)	-	-	-	(359)
Carrying Amount	**22,916**	-	-	-	22,916
Financial guarantee contracts					
Grades 1-6: Low- fair risk	16,830	-	-	-	16,830
Grades 7-12	-	-	-	-	-
Loss allowance	(227)	-	-	-	(227)
Carrying amount	**16,603**	-	-	-	16,603

	2021				
	12- month ECL	Life time ECL not credit impaired	Life time ECL Credit – Impaired	Purchased Credit Impaired	Total
Loans and advances to banks at amortised cost	LAK *(in millions)*	LAK *(in millions)*	LAK *(in millions)*	LAK *(in millions)*	LAK *(in millions)*
Grades 1- 6: Low- fair risk	314,174	-	-	-	314,174
Grades 7-9: Watch list	-	-	-	-	-
Grade 10: Substandard	-	-	-	-	-
Grade 11: Doubtful	-	-	-	-	-
Grade 12: Loss	-	-	-	-	-
Total	**314,174**	-	-	-	**314,174**
Loss allowance	(410)	-	-	-	(410)
Carrying Amount	**313,764**	-	-	-	**313,764**

(e) Credit quality analysis (continued)

	2021				
	12- month ECL	Life time ECL not credit impaired	Life time ECL Credit – Impaired	Purchased Credit Impaired	Total
	LAK	LAK	LAK	LAK	LAK
Loans and advances to customers at amortised cost	*(in millions)*	*(in millions)*	*(in millions)*	*(in millions)*	*(in millions)*
Grades 1- 6: Low- fair risk	864,443	-	-	-	864,443
Grades 7-9: Watch list	-	161,175	-	-	161,175
Grade 10: Substandard	-	-	1,795	-	1,795
Grade 11: Doubtful	-	-	4,532	-	4,532
Grade 12: Loss	-	-	124,222	-	124,222
Total	**864,443**	**161,175**	**130,549**	-	**1,156,167**
Loss allowance	(19,792)	(29,648)	(53,053)	-	(102,493)
Carrying Amount	**844,651**	**131,527**	**77,496**	-	**1,053,674**

	2021				
	12- month ECL	Life time ECL not credit impaired	Life time ECL Credit - Impaired	Purchased Credit Impaired	Total
	LAK	LAK	LAK	LAK	LAK
Loans Commitments	*(in millions)*	*(in millions)*	*(in millions)*	*(in millions)*	*(in millions)*
Grades 1- 6: Low- fair risk	55,070	-	-	-	55,070
Grades 7- 12					
Loss allowance	(743)	-	-	-	(743)
Carrying Amount	**54,327**	-	-	-	**54,327**
Financial guarantee contracts					
Grades 1-6: Low- fair risk	12,125	-	-	-	12,125
Grade 7-12					
Loss allowance	(164)	-	-	-	(164)
Carrying Amount	**11,961**	-	-	-	**11,961**

(f) Collateral Held and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures.

The following table sets out the principal types of collateral held against different types of financial assets.

Type of Credit Exposure	Percentage of Collateral that is Subject to collateral requirements 31 December 2022	31 December 2021	Principal Type of Collateral Held
Loans and advances to banks	-	-	-
Loans and advances to retail customers	100%	100%	Mortgage, Cash collateral
Loans and advances to corporate customers	100%	100%	Mortgage, Cash collateral

Loans and advances to corporate customers

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Because of the Bank's focus on corporate customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely.

Assets obtained by taking possession of collateral

During the year, the Bank obtained possession of collateral held as security against loans and advances from Savan Service Apartment valued at LAK 13 billion.

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank does not generally use the non-cash collateral for its own operations. During the period, there was no change in the Bank's collateral policies.

(g) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 6(vi).

	2022			
	12 - month ECL	Lifetime ECL not credit - impaired	Lifetime ECL credit - impaired	Total
	LAK (in millions)			
Loans and advances to banks at amortised cost				
Balance at 1 January	410	-	-	410
Financial assets derecognised during the period other than write-offs	-	-	-	-
Changes in models/risk parameters	83	-	-	83
Balance at 31 December	**493**	-	-	**493**

	2021			
	12 - month ECL	Lifetime ECL not credit - impaired	Lifetime ECL credit - impaired	Total
	LAK (in millions)			
Loans and advances to banks at amortised cost				
Balance at 1 January	382	-	-	382
Financial assets derecognised during the period other than write-offs	(155)	-	-	(155)
Changes in models/risk parameters	183	-	-	183
Balance at 31 December	**410**	-	-	**410**

	2022			
	12 – month ECL	Lifetime ECL not credit – impaired	Lifetime ECL credit - impaired	Total
	LAK	LAK	LAK	LAK
Loans and advances to customers at amortised cost	*(in millions)*	*(in millions)*	*(in millions)*	*(in millions)*
Balance at 1 January	19,792	29,648	53,053	102,493
Transfer from Stage 1 to Stage 2	(4,443)	10,703	-	6,260
Transfer from Stage 1 to Stage 3	(3,040)	-	4,854	1,814
Transfer from Stage 2 to Stage 3	-	(1,514)	1,959	445
Transfer from Stage 3 to Stage 2	-	42	(63)	(21)
Transfer from Stage 2 to Stage 1	144	(1,708)	-	(1,564)
Transfer from Stage 3 to Stage 1	-	-	-	-
Financial assets derecognised during the period other than write-offs	(1,787)	(5,881)	(1,031)	(8,699)
Net re-measurement of loss allowance	1,925	714	47,303	49,942
New financial assets originated or purchased	4,276	156	-	4,432
Write-offs	-	-	(15,499)	(15,499)
Balance at 31 December	**16,867**	**32,160**	**90,576**	**139,603**

	2021			
	12 - month ECL	Lifetime ECL not credit – impaired	Lifetime ECL credit - impaired	Total
	LAK	LAK	LAK	LAK
Loans and advances to customers at amortised cost	*(in millions)*	*(in millions)*	*(in millions)*	*(in millions)*
Balance at 1 January	17,509	5,327	41,816	64,652
Transfer from Stage 1 to Stage 2	(2,787)	25,444	-	22,657
Transfer from Stage 1 to Stage 3	(24)	-	399	375
Transfer from Stage 2 to Stage 3	-	(572)	684	112
Transfer from Stage 3 to Stage 2	-	503	(604)	(101)
Transfer from Stage 2 to Stage 1	30	(378)	-	(348)
Transfer from Stage 3 to Stage 1	279	-	(873)	(594)
Financial assets derecognised during the period other than write-offs	(3,020)	(2,003)	(847)	(5,870)
Net re-measurement of loss allowance	3,364	325	12,539	16,228
New financial assets originated or purchased	4,441	1,002	-	5,443
Write-offs	-	-	(61)	(61)
Balance at 31 December	**19,792**	**29,648**	**53,053**	**102,493**

	2022			
	12 - month ECL	Lifetime ECL not credit - impaired	Lifetime ECL credit - impaired	Total
	LAK	LAK	LAK	LAK
Loans and advances to customers at amortised cost – retail customers	*(in millions)*	*(in millions)*	*(in millions)*	*(in millions)*
Balance at 1 January	6,665	13,469	12,002	32,136
Transfer from Stage 1 to Stage 2	(3,418)	7,047	-	3,629
Transfer from Stage 1 to Stage 3	(3,040)	-	4,854	1,814
Transfer from Stage 2 to Stage 3	-	(1,514)	1,959	445
Transfer from Stage 3 to Stage 2	-	42	(63)	(21)
Transfer from Stage 2 to Stage 1	144	(1,708)	-	(1,564)
Transfer from Stage 3 to Stage 1	-	-	-	-
Financial assets derecognised during the period other than write-offs	(1,787)	(5,881)	(1,031)	(8,699)
Net re-measurement of loss allowance	4,972	(1,995)	14,257	17,234
New financial assets originated or purchased	2,654	156	-	2,810
Write-offs	-	-	(15,499)	(15,499)
Balance at 31 December	**6,190**	**9,616**	**16,479**	**32,285**

	2021			
	12 - month ECL	Lifetime ECL not credit - impaired	Lifetime ECL credit - impaired	Total
	LAK	LAK	LAK	LAK
Loans and advances to customers at amortised cost – retail customers	*(in millions)*	*(in millions)*	*(in millions)*	*(in millions)*
Balance at 1 January	6,736	3,589	11,556	21,881
Transfer from Stage 1 to Stage 2	(1,862)	13,228	-	11,366
Transfer from Stage 1 to Stage 3	(24)	-	399	375
Transfer from Stage 2 to Stage 3	-	(572)	686	114
Transfer from Stage 3 to Stage 2	-	503	(604)	(101)
Transfer from Stage 2 to Stage 1	30	(378)	-	(348)
Transfer from Stage 3 to Stage 1	279	-	(873)	(594)
Financial assets derecognised during the period other than write-offs	(3,020)	(2,003)	(847)	(5,870)
Net re-measurement of loss allowance	2,790	(1,900)	1,746	2,636
New financial assets originated or purchased	1,736	1,002	-	2,738
Write-offs	-	-	(61)	(61)
Balance at 31 December	**6,665**	**13,469**	**12,002**	**32,136**

	2022			
	12 - month ECL	Lifetime ECL not credit - impaired	Lifetime ECL credit - impaired	Total
	LAK	LAK	LAK	LAK
Loans and advances to customers at amortised cost – corporate customers	*(in millions)*	*(in millions)*	*(in millions)*	*(in millions)*
Balance at 1 January	13,127	16,179	41,051	70,357
Transfer from Stage 1 to Stage 2	(1,025)	3,656	-	2,631
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-
Net re-measurement of loss allowance	(3,047)	2,709	33,046	32,708
New financial assets originated or purchased	1,622	-	-	1,622
Write-offs	-	-	-	-
Balance at 31 December	**10,677**	**22,544**	**74,097**	**107,318**

	2021			
	12 - month ECL *in millions of Lao kip*	Lifetime ECL not credit - impaired	Lifetime ECL credit – impaired	Total
	LAK	LAK	LAK	LAK
Loans and advances to customers at amortised cost – corporate customers	*(in millions)*	*(in millions)*	*(in millions)*	*(in millions)*
Balance at 1 January	10,773	1,738	30,260	42,771
Transfer from Stage 1 to Stage 2	(926)	12,215	-	11,289
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-
Net re-measurement of loss allowance	575	2,226	10,791	13,592
New financial assets originated or purchased	2,705	-	-	2,705
Write-offs	-	-	-	-
Balance at 31 December	**13,127**	**16,179**	**41,051**	**70,357**

	2022	2021
	12 - month ECL	Total
	LAK (in millions)	
Cash and cash equivalents		
Balance at 1 January	2,994	1,332
Net movement in cash and cash equivalents	(1,127)	1,662
Balance at 31 December	**1,867**	**2,994**
Loan commitments and financial guarantee contracts		
Balance at 1 January	907	783
Net new loan commitments and financial guarantees issued	(321)	124
Balance at 31 December	**586**	**907**

(h) Concentrations of credit risk

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and advances, loan commitments and financial guarantees is shown below.

	Loans and advances to customers		**Loan commitments and financial guarantees issued**	
	2022	**2021**	**2022**	**2021**
	LAK (in millions)	LAK (in millions)	LAK (in millions)	LAK (in millions)
Carrying amount	1,628,686	1,172,748	-	-
Amount committed/guaranteed	-	-	93,887	125,503
Concentration by sector				
Corporate:	1,040,236	747,999	86,823	117,827
Service	508,338	407,010	-	-
Electricity	114,708	119,046	-	-
Other	417,190	221,943	-	-
Government	-	-	-	-
Banks	-	-	-	-
Retail	588,450	424,749	7,064	7,676
	1,628,686	**1,172,748**	**93,887**	**125,503**
Concentration by location				
Lao PDR	1,628,686	1,172,748	93,887	125,503
	1,628,686	**1,172,748**	**93,887**	**125,503**

Liquidity Risk

a) Exposure to liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations as they fall due because of an inability to liquidate assets or obtain sufficient funding in a timely manner at an appropriate cost which could result in losses.

The Bank manages its liquidity risk under Bank of Laos's liquidity reserve regulations and other applicable regulations by sourcing for short-term and long-term funding, investing in highly liquid assets in both domestic and foreign currencies, maintaining liquidity ratio in order to ensure that the Bank has sufficient liquidity to support net cash outflows under liquidity stress scenario, and setting up various tools and limits for risk measurement, monitoring and control, and reporting such as Liquidity Gap 1-month. Moreover, the Bank also ensures that its liquidity position is suitable and sufficient for operations under both normal and critical situations.

Financial assets and liabilities, classified by contractual maturity analysis, as of 31 December 2022 and 2021 as follows:

	2022						
	At call	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	No Maturity	Total
				LAK (in million)			
Financial assets							
Cash	62,229	-	-	-	-	-	62,229
Deposits with other banks	575,093	-	-	-	-	-	575,093
Statutory deposits with Central Bank	101,781	-	-	-	-	113,015	214,796
Loans to customers	-	286,945	48,452	679,451	596,921	-	1,611,769
Accrued interest receivables	-	16,917	-	-	-	-	16,917
Total financial assets	**739,103**	**303,862**	**48,452**	**679,451**	**596,921**	**113,015**	**2,480,804**
Financial liabilities							
Deposits from customers*	913,709	309,380	285,268	181,046	-	-	1,689,403
Deposits from other banks*	10,480	40,000	-	-	-	-	50,480
Borrowings*	-	-	-	137,744	-	-	137,744
Accrued interest payables	-	19,408	-	-	-	-	19,408
Total financial liabilities	**924,189**	**368,788**	**285,268**	**318,790**	**-**	**-**	**1,897,035**
Liquidity – net	**(185,086)**	**(64,926)**	**(236,816)**	**360,661**	**596,921**	**113,015**	**583,769**
Liquidity -accumulative net	**(185,086)**	**(250,012)**	**(486,828)**	**(126,167)**	**470,754**	**583,769**	**583,769**

* The amount is exclusive of accrued interest expense

	2021						
	At call	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	No Maturity	Total
				LAK (in millions)			
Financial assets							
Cash	31,072	-	-	-	-	-	31,072
Deposits with other banks	314,174	-	-	-	-	-	314,174
Statutory deposits with Central Bank	191,459	-	-	-	-	72,481	263,940
Loans to customers	-	148,078	14,969	648,273	344,847	-	1,156,167
Accrued interest receivables	-	16,581	-	-	-	-	16,581
Total financial assets	**536,705**	**164,659**	**14,969**	**648,273**	**344,847**	**72,481**	**1,781,934**
Financial liabilities							
Deposits from customers	601,948	-	-	549,173	47,007	-	1,198,128
Deposits from other banks	-	-	-	5,965	-	-	5,965
Borrowings	-	-	-	105,241	-	-	105,241
Accrued interest payables	-	14,279	-	-	-	-	14,279
Total financial liabilities	**601,948**	**14,279**	**-**	**660,379**	**47,007**	**-**	**1,323,613**
Liquidity – net	**(65,243)**	**150,380**	**14,969**	**(12,106)**	**297,840**	**72,481**	**458,321**
Liquidity -accumulative net	**(65,243)**	**85,137**	**100,106**	**88,000**	**385,840**	**458,321**	**458,321**

* The amount is exclusive of accrued interest expense

b) Liquidity reserves

The following table sets out the components of the Bank's liquidity reserves

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	LAK (in millions)			
Balances with central banks	214,796	214,796	263,940	263,940
Cash and balances with other banks	637,322	637,322	345,246	345,246
Total liquidity reserves	**852,118**	**852,118**	**609,186**	**609,186**

c) Financial assets available to support future funding

The following table sets out the availability of the Bank's financial assets to support future funding.

		31 December 2022				
		Encumbered		Unencumbered		
	Note	Pledged as collateral	Other*	Available as collateral	Other**	Total
		LAK (in millions)				
Cash and cash equivalents		-	-	-	739,103	739,103
Statutory deposits with Central Bank		-	113,015	-	-	113,015
Loans and advances		-	-	-	1,611,769	1,611,769
Total assets		-	**113,015**	-	**2,350,872**	**2,463,887**

* Represents assets that are not pledged but that the Bank believes it is restricted from using to secure funding, for legal or other reasons.

** Represents assets that are not restricted for use as collateral, but that the Bank would not consider readily available to secure funding in the normal course of business.

		31 December 2021				
		Encumbered		Unencumbered		
	Note	Pledged as collateral	Other*	Available as collateral	Other**	Total
				LAK (in millions)		
Cash and cash equivalents		-	-	-	536,705	536,705
Statutory deposits with Central Bank		-	72,481	-	-	72,481
Loans and advances		-	-	-	1,156,167	1,156,167
Total assets		-	**72,481**	-	**1,692,872**	**1,765,353**

* Represents assets that are not pledged but that the Bank believes it is restricted from using to secure funding, for legal or other reasons.

** Represents assets that are not restricted for use as collateral, but that the Bank would not consider readily available to secure funding in the normal course of business.

Market risk

Market risk may arise from changes in interest rate, foreign exchange, securities and commodity prices. There are two major market risks that affect the Bank which are changes in interest rate and foreign exchange. These changes affect the Bank's present and future income, capital, as well as the value of financial assets and liabilities. Essential infrastructures and processes have been developed to appropriately and timely manage market risk.

d) Interest rate risk

Interest rate risk is the risk arising from changes in interest rates which may affect the value of the Bank's financial instruments, or may cause volatility in the Bank's earnings, capital, financial assets and liabilities, both the current reporting period and in the future. The Bank has employed various tools to manage interest rate risk, such as interest rate gap and net interest income (NII) sensitivity.

An analysis of loans at fixed and floating interest rates as of 31 December 2022 and 31 December 2021 are as follows:

	2022 *LAK (in million)*	2021 *LAK (in million)*
Fixed interest rates	1,611,769	1,156,167
Floating interest rates*	-	-
Total loans	**1,611,769**	**1,156,167**

* There were no loans disbursed on floating rate of interest as at 31 December 2022 and 31 December 2021.

The average balances of the interest-bearing financial assets and liabilities of the Bank, calculated by using monthly average, and the average interest rates for the year ended 31 December 2022 and 2021 are as follows:

	2022		
	Average balance	Interest income/ expense	Average interest rate (%)
		LAK (in millions)	
Financial assets			
Deposits with other banks	444,634	1,557	0.4%
Loans to customers	1,383,968	100,238	7.2%
Total financial assets	**1,828,602**	**101,795**	
Financial liabilities			
Deposits from customers	1,443,764	25,910	1.8%
Deposits from other banks	28,223	675	2.4%
Borrowings	121,493	3,155	2.6%
Total financial liabilities	**1,593,480**	**29,740**	

	2021		
	Average balance	Interest income/ Expense	Average interest rate (%)
		LAK (in millions)	
Financial assets			
Deposits with other banks	259,883	689	0.3%
Loans to customers	1,067,458	71,374	6.7%
Total financial assets	**1,327,341**	**72,063**	
Financial liabilities			
Deposits from customers	1,062,121	21,182	2.0%
Deposits from other banks	4,873	306	6.3%
Borrowings	75,210	828	1.1%
Total financial liabilities	**1,142,204**	**22,316**	

e) Foreign exchange rate risk

Foreign exchange rate risk is the risk that occurs from changes in exchange rates which may affect the value of the Bank's financial instruments or may cause volatility in the Bank's earnings, capital, financial assets and liabilities, both in the current reporting period and in the future. Example of the tools adopted for managing foreign exchange rate risk are, for instance, open position limit (OPL) and management action trigger (MAT).

Foreign currency positions in LAK equivalent, as of 31 December 2022 were as follows:

	2022 Currency			
	USD	THB	Others	Total
	LAK (in millions)			
Financial assets				
Cash	11,484	3,361	27,181	42,026
Deposits with other banks	428,555	65,496	80,355	574,406
Balances with Central bank	128,329	31,721	-	160,050
Loans to customer and accrued interest receivables	1,009,600	13,802	115,420	1,138,822
Total financial assets	**1,577,968**	**114,380**	**222,956**	**1,915,304**
Financial liabilities				
Deposits from customers	1,237,182	103,124	210,259	1,550,565
Deposits from other banks	244	452	9,772	10,468
Borrowings	-	-	137,744	137,744
Total financial liabilities	**1,237,426**	**103,576**	**357,775**	**1,698,777**
Foreign currency position of items recognised on the statement of financial position - net	**340,542**	**10,804**	**(134,819)**	**216,527**

Foreign currency positions in LAK equivalent, as of 31 December 2021 were as follows:

	2021			
	Currency			
	US Dollar	THB	Others	Total
	LAK (in millions)			
Financial assets				
Cash	4,967	2,097	5,395	12,459
Deposits with other banks	240,190	39,162	33,752	313,104
Balances with Central bank	155,523	15,223	-	170,746
Loans to customer and accrued interest receivables	665,606	5,881	119,973	791,460
Total financial assets	**1,066,286**	**62,363**	**159,120**	**1,287,769**
Financial liabilities				
Deposits from customers	878,538	56,037	135,085	1,069,660
Deposits from other banks	157	303	5,492	5,952
Borrowings	89,432	-	15,809	105,241
Total financial liabilities	**968,127**	**56,340**	**156,386**	**1,180,853**
Foreign currency position of items recognised on the statement of financial position - net	**98,159**	**6,023**	**2,734**	**106,916**

Exposure to interest rate risk

	2022						
	At call	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Non Repricing	Total
	LAK (in million)						
Financial assets							
Cash	62,229	-	-	-	-	-	62,229
Deposits with other banks	575,093	-	-	-	-	-	575,093
Statutory deposits with Central Bank	101,781	-	-	-	-	113,015	214,796
Loans to customers	-	286,945	48,452	679,451	596,921	-	1,611,769
Accrued interest receivables	-	16,917	-	-	-	-	16,917
Total financial assets	**739,103**	**303,862**	**48,452**	**679,451**	**596,921**	**113,015**	**2,480,804**
Financial liabilities							
Deposits from customers*	913,709	309,380	285,268	181,046	-	-	1,689,403
Deposits from other banks*	10,480	40,000	-	-	-	-	50,480
Borrowings*	-	-	-	137,744	-	-	137,744
Accrued interest payables	-	19,408	-	-	-	-	19,408
Total financial liabilities	**924,189**	**368,788**	**285,268**	**318,790**	**-**	**-**	**1,897,035**
Difference of financial reporting items	**(185,086)**	**(64,926)**	**(236,816)**	**360,661**	**596,921**	**113,015**	**583,769**

* The amount is exclusive of accrued interest expense

Exposure to interest rate risk (continued)

				2021			
	At call	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Non Repricing	Carrying amount
				LAK (in millions)			
Financial assets							
Cash	31,072	-	-	-	-	-	31,072
Deposits with other banks	314,174	-	-	-	-	-	314,174
Statutory deposits with Central Bank	191,459	-	-	-	-	72,481	263,940
Loans to customers	-	148,078	14,969	648,273	344,847	-	1,156,167
Accrued interest receivables	-	16,581	-	-	-	-	16,581
Total financial assets	**536,705**	**164,659**	**14,969**	**648,273**	**344,847**	**72,481**	**1,781,934**
Financial liabilities							
Deposits from customers*	601,948	-	-	549,173	47,007	-	1,198,128
Deposits from other banks*	-	-	-	5,965	-	-	5,965
Borrowings*	-	-	-	105,241	-	-	105,241
Accrued interest payables	-	14,279	-	-	-	-	14,279
Total financial liabilities	**601,948**	**14,279**	**-**	**660,379**	**47,007**	**-**	**1,323,613**
Difference of financial reporting items	**(65,243)**	**150,380**	**14,969**	**(12,106)**	**297,840**	**72,481**	**458,321**

* The amount is exclusive of accrued interest expense

Financial assets and financial liabilities

- **Classification of financial assets and financial liabilities**

The following table provides a reconciliation between significant line items in the statement of financial position and categories of financial instruments.

31 December 2022	Amortised cost	Total carrying amount
	LAK (in millions)	*LAK (in millions)*
Cash and cash equivalents	637,322	636,829
Loans and advances to customers, net	1,611,769	1,489,083
Statutory deposits with Central Bank	214,796	214,796
Total financial assets	**2,463,887**	**2,340,708**
Deposits from banks	50,480	51,153
Deposits from customers	1,689,403	1,707,229
Borrowings	137,744	138,653
Total financial liabilities	**1,877,627**	**1,897,035**

31 December 2021	Amortised cost	Total carrying amount
	LAK (in millions)	*LAK (in millions)*
Cash and cash equivalents	345,246	344,836
Loans and advances to customers, net	1,156,167	1,070,255
Statutory deposits with Central Bank	263,940	263,940
Total financial assets	**1,765,353**	**1,679,031**
Deposits from banks	5,965	5,965
Deposits from customers	1,198,128	1,211,807
Borrowings	105,241	105,840
Total financial liabilities	**1,309,334**	**1,323,612**

29 Capital management

The Bank maintains minimum regulatory capital in accordance with Regulation No 536/BFSD/BOL dated 14 October 2009 by the Governor of Commercial Bank Supervision Department of BOL and other detailed guidance. The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements by the BOL. The Bank recognises the need to maintain effectiveness of assets and liabilities management to balance its profit and capital adequacy.

In accordance with Regulation 536/BFSD/BOL the Bank's regulatory capital is analyzed into two tiers:

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

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

An analysis of the Bank's capital based on financial information based on BOL GAAP financial statements as at 31 December is as follows:

Items	*31 December 2022 LAK (in millions)*	*31 December 2021 LAK (in millions)*
Tier 1 capital	414,950	347,793
Tier 2 capital	36,139	32,179
Total capital	**451,089**	**379,972**
Less: Deductions from capital (Investments in other credit and financial institutions)	-	-
Capital for CAR calculation (A)	**451,089**	**379,972**
Risk weighted balance sheet items	940,476	666,822
Risk weighted off balance sheet items	55,359	68,814
Total risk weighted assets (B)	**995,835**	**735,636**
Capital Adequacy Ratio (A/B)	**45.30%**	**51.65%**

30 Fair value of financial assets and liabilities

Methods and assumptions used by the Bank in estimating the fair values of financial assets and liabilities are as follows:

The fair value of cash, interbank and money market items (assets), statutory deposits with Central Bank, other financial assets, deposits, interbank and money market items (liabilities), liabilities payables on demand and other financial liabilities are approximately based on their carrying values at the reporting date due to their short-term duration.

The fair value of fixed-rate loans and advances to customers is estimated using discounted cash flow analysis and interest rates currently being offered for loans and advances to customers with similar credit quality. As at 31st December 2021 there were no loans outstanding on floating interest rates.

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Bank uses market observable data as far as possible. Fair value measurements for assets and liabilities are categorised into different levels in the fair value hierarchy based on the inputs used in valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on unobservable market data (unobservable input).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the year ended 31 December 2022 and 2021.

Financial assets and liabilities measured at fair value

The Bank has no financial assets and liabilities measured at fair value as at 31 December 2022 and 2021. Therefore, there is no analysis of financial assets and liabilities recorded at fair value by level of the fair value hierarchy.

Financial assets and liabilities not measured at fair value

The following table analyses financial assets and liabilities not measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
			LAK *(in millions)*		
31 December 2022					
Financial assets					
Cash	62,229	-	62,229	-	62,229
Interbank and money market items	574,600	-	574,600	-	574,600
Statutory deposits with Central Bank	214,796	-	214,796	-	214,796
Loans to customers and accrued interest receivable, net	1,489,083	-		1,489,083	1,489,083
Other financial assets	-	-	-	-	-
Financial liabilities					
Deposits	1,707,229	-	1,707,229	-	1,707,229
Interbank and money market items	51,153	-	51,153	-	51,153
Other financial liabilities	138,653	-	138,653	-	138,653

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
			LAK *(in millions)*		
31 December 2021					
Financial assets					
Cash	31,072	-	31,072	-	31,072
Interbank and money market items	313,764	-	313,764	-	313,764
Statutory deposits with Central Bank	263,940	-	263,940	-	263,940
Loans to customers and accrued interest receivable, net	1,070,255	-	-	1,070,255	1,070,255
Other financial assets	-	-	-	-	-
Financial liabilities					
Deposits	1,211,807	-	1,211,807	-	1,211,807
Interbank and money market items	5,965	-	5,965	-	5,965
Other financial liabilities	105,840	-	105,840	-	105,840

31 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 2022 that significantly impacted the financial position of the Bank as at 31 December 2022.

32 International Financial Reporting Standards (IFRS) not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022; however. the Bank has not applied the following new or amended standards in preparing these financial statements.

IFRS	Topic	Year effective
New Standards		
IFRS 17	Insurance contract	2023
Amended Standards		
IAS 8	Definition of Accounting Estimate	2023
IAS 1	Disclosure of Accounting Policies (Amended to IAS 1 and IFRS Practice Statements 2)	2023
IAS 1	Classification of Liabilities as Current or Non-Current	2023

The Bank is assessing the potential impact on its financial statements resulting from the application of these new standards.