

Banque Franco - Lao Limited

Financial statements for the year ended
31 December 2023

And

Independent Auditors' Report

Banque Franco - Lao Limited

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Banque Franco - Lao Limited

Corporate Information

Bank Banque Franco - Lao Limited

Investment License No. 124-10/MPI4, dated 07 SEP 2010

Enterprise License No. Enterprise Registration Certificate No.0013/ERO, dated 08 JAN 2019

Board of Directors

Mr. Stephane Mangiavacca	Chairman
Mr. Nanthalath Keopaseuth	Deputy Chairman
Mr. Jean-Paul Julia	Director
Mr. Guillaume Perdon	Director
Mr. Somphorn Houngnachith	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. Omar Marottoli	Chief Credit Officer
Ms. Sirivone Phimmasone	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
Mr. Aphixay Phoumavong	Head of Sale Corporate
Mr. Chintana Chanthaboury	Head of IT

Registered office

Banque Franco - Lao Limited
Lane Xang Avenue, Hatsady Neua Village
Chanthabouly District, Vientiane Capital, Lao PDR
P.O. Box: 5720

Auditors

KPMG Lao Co., Ltd.
10th Floor, Royal Square Office Building
Samsenthai Road, Nongdoun Nua Village
Sikhotabong District
PO Box 6978
Vientiane Capital, Lao PDR



KPMG Lao Co.,Ltd.
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Sikhotabong District, P.O.Box 6978,
Vientiane, Lao PDR
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Banque Franco-Lao Limited (the "Bank"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material 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 2023 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting standards as issued by the International Accounting Standards Board (IFRS Accounting 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.

For and on behalf of KPMG Lao Co., Ltd.



Jedsada Leelawatanasuk
Statutory Auditor
ID No. SA0061/2024

Vientiane Capital, Lao PDR
Date: 22 March 2024

Banque Franco - Lao Limited
Statement of financial position
As at 31 December 2023

	<i>Note</i>	31 December 2023 <i>(in millions LAK)</i>	31 December 2022 <i>(in millions LAK)</i>
Assets			
Cash	4, 22	86,897	62,229
Interbank and money market items			
Amounts due from other banks	5	1,223,833	574,600
Statutory deposits with central bank	6	301,748	214,796
Loans and advances, net of provision	7	1,648,933	1,489,083
Property and equipment	8	23,799	20,076
Intangible assets	8	13,237	9,739
Other assets	9	31,465	30,112
Right of use assets	23	16,231	17,930
Deferred tax assets	10	29,801	24,542
Total assets		3,375,944	2,443,107

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

Banque Franco - Lao Limited
Statement of financial position
As at 31 December 2023

	<i>Note</i>	31 December 2023 <i>(in millions LAK)</i>	31 December 2022 <i>(in millions LAK)</i>
Liabilities and equity			
Liabilities			
Deposits from customers	<i>11</i>	2,541,313	1,707,229
Interbank and money market items			
Amounts due to other banks	<i>12</i>	12,104	51,153
Borrowing from related party	<i>13</i>	164,817	138,653
Other liabilities	<i>15</i>	57,765	36,968
Total liabilities		2,775,999	1,934,003
Equity			
Paid-up capital	<i>16</i>	500,000	460,000
Legal reserve		5,009	1,482
Accumulated earnings		94,936	47,622
Total equity		599,945	509,104
Total liabilities and equity		3,375,944	2,443,107

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 2023

		Year ended 31 December	
	<i>Note</i>	2023 <i>(in million LAK)</i>	2022 <i>(in million LAK)</i>
Interest and similar income	17	141,210	101,795
Interest and similar expense	18	(34,572)	(29,740)
Net interest income		106,638	72,055
Fee and commission income		26,565	19,613
Fee and commission expense		(19,426)	(11,371)
Net fee and commission income	19	7,139	8,242
Gain on foreign exchange		86,672	95,423
Other income		655	202
Total operating income		201,104	175,922
Operating Expenses			
Personnel expenses	20	(42,100)	(34,464)
Depreciation and amortization Expenses		(11,528)	(12,462)
Other operating expenses	21	(66,084)	(45,751)
Expected credit loss		(22,619)	(39,148)
Total operating expenses		(142,331)	(131,825)
Profit before income tax expense		58,773	44,097
Income tax (expense)/benefit	10,14	(7,932)	(1,821)
Profit for the year		50,841	42,276
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		50,841	42,276

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 2023

	Note	Paid-up capital LAK (in millions)	Legal reserve LAK (in millions)	Accumulated earnings LAK (in millions)	Total LAK (in millions)
Balance as at 1 January 2022		420,000	1,482	5,346	426,828
Increase in capital		40,000	-	-	40,000
Profit for the year		-	-	42,276	42,276
Balance as at 31 December 2022		460,000	1,482	47,622	509,104
Balance as at 1 January 2023		460,000	1,482	47,622	509,104
Increase in capital	16	40,000	-	-	40,000
Profit for the year		-	-	50,841	50,841
Transfer to legal reserve		-	3,527	(3,527)	-
Balance as at 31 December 2023		500,000	5,009	94,936	599,945

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 2023

	For the year ended 31 December	
	2023	2022
	LAK	LAK
Note	(in millions)	(in millions)
Cash flows from operating activities		
Profit before income tax	58,773	44,097
Adjustments for:		
Interest income	(141,210)	(101,795)
Interest expense	34,572	29,740
Provision for bad debt and doubtful loans and advances	22,851	36,872
Gain from disposal of fixed assets	(407)	(2)
Depreciation and amortisation	11,528	12,462
	(13,893)	21,374
Change in operating assets / liabilities		
Change in statutory deposits	(59,767)	(40,534)
Change in loans and advances to customers	(182,771)	(455,602)
Change in other assets	(1,353)	(18,719)
Change in deposits from customers	827,809	491,275
Change in deposits from banks	(38,377)	44,517
Change in other liabilities	20,797	16,754
Interest received	137,756	101,689
Interest paid	(28,801)	(24,606)
Income tax paid	(6,757)	-
Change in income tax payable	(6,434)	(7,259)
Net cash generated from operating activities	648,209	128,889
Cash flows from investing activities		
Acquisition of property and equipment	(15,871)	(3,941)
Acquisition of intangible assets	(6,002)	(3,248)
Investment in securities	-	16,769
Proceeds from disposal of assets	7,032	1,478
Addition of Right of use assets	(1,802)	(10,052)
Net cash generated from (used in) investing activities	(16,643)	1,006
Cash flows from financing activities		
Additional capital contribution	40,000	40,000
Loan from related party	25,992	32,503
Others	(34)	-
Net cash generated from financing activities	65,958	72,503
Net increase in cash and cash equivalents	697,524	202,398
Cash and cash equivalents at 1 January	739,103	536,705
Cash and cash equivalents at 31 December	1,436,627	739,103

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

Banque Franco - Lao Limited
Notes to the financial statements
For the year ended 31 December 2023

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Banque Franco - Lao Limited
Notes to the financial statements
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1 Reporting entity

Banque Franco - Lao Limited (“BFL” or the “Bank”) 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 and paid-up capital of the Bank is LAK 500,000 million as at 31 December 2023, (31 December 2022: LAK 460,000 million).

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

As at 31 December 2023, the Bank had 155 (2022: 157) employees.

2 Basis of preparation of the financial statements

(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 22 March 2024.

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 2022.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as stated in the significant accounting policies (Note 3).

(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.

Banque Franco - Lao Limited
Notes to the financial statements
For the year ended 31 December 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 applied to the audited financial statements as at and for the year ended 31 December 2022.

(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 2023	31 December 2022
United State Dollar ("USD")	20,467.00	17,218.00
Thai Baht ("THB")	635.44	498.14
Euro ("EUR")	22,620.00	18,340.00
Great Britain Pound("GBP")	25,923.00	20,699.00

(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.

Banque Franco - Lao Limited
Notes to the financial statements
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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.

Banque Franco - Lao Limited
Notes to the financial statements
For the year ended 31 December 2023

(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 all of 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.

Banque Franco - Lao Limited
Notes to the financial statements
For the year ended 31 December 2023

(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.

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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.

Banque Franco - Lao Limited
Notes to the financial statements
For the year ended 31 December 2023

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 a 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%.

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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.

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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

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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.

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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 29.

(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

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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.

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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.

(q) Legal reserves

Under the requirement of the Law on commercial Bank No. 39/NA dated 17 July 2023, commercial banks are required to appropriate net profit to following reserves:

- Regulatory reserve fund
- Business expansion fund and other funds

In accordance with the Law on Enterprise (Revision) No.33/NA dated 29 December 2022, the Bank is required to provide legal reserve at a rate of 10% on profit after deducting retained loss. The Bank can stop reserving when the legal reserve has reached up to 50 percentage of Registered Capital.

(r) Comparative

The Bank has reclassified the comparative information to conform to the current year presentation of the statement of financial position as below:

	2022 (Original) LAK (In millions)	Increase/ (Decrease) LAK (In millions)	2022 (Reclassified) LAK (In millions)
Assets			
Right of use assets	18,255	(325)	17,930
Other assets	29,787	325	30,112

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4 Cash

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Lao Kip (“LAK”)	21,682	20,203
United States Dollar (“USD”)	17,424	11,484
Thai Baht (“THB”)	5,554	3,361
Others	42,237	27,181
	<u>86,897</u>	<u>62,229</u>

5 Amount due from other banks

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Demand and fixed deposits with domestic banks	11,029	8,653
Demand deposits with overseas banks	1,209,735	566,440
	<u>1,220,764</u>	<u>575,093</u>
Add: Accrued interest	3,765	-
Less: Allowance for expected credit loss	(696)	(493)
	<u>1,223,833</u>	<u>574,600</u>

Amount due from other banks is classified under stage 1 as per IFRS 9 and the allowance for expected credit loss as at 31 December 2023 is LAK 696 million (31 December 2022: LAK 493 million).

a) Classified by currency

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Deposits in LAK	2,993	687
Deposits in USD	986,299	428,555
Deposits in THB	45,660	65,496
Deposits in others foreign currencies	185,812	80,355
	<u>1,220,764</u>	<u>575,093</u>

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

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6 Statutory deposits with Central Bank

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Statutory deposits on:		
Compulsory deposits	172,782	113,015
Demand deposits	128,966	101,781
	<u>301,748</u>	<u>214,796</u>
Less: Allowance for expected credit loss	-	-
	<u><u>301,748</u></u>	<u><u>214,796</u></u>

Statutory balance with Central bank is classified under stage 1 as per IFRS 9 and the allowance for expected credit loss as at 31 December 2023 is NIL (31 December 2022: NIL).

Balances with the BOL include demand and compulsory deposits in compliance with the requirements of the BOL. These balances earn no interest. Under regulations of the BOL, the Bank is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 8% for LAK and 10% for foreign currency for customer deposits (≤ 1 year duration). During the year the bank maintained its compulsory deposit in compliance with regulation of BOL.

The compulsory deposits percentages were revised by BOL through a letter 777/BOL dated 23 August 2023.

7 Loans and advances, net of provision

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Overdrafts	128,390	137,638
Loans	1,666,150	1,474,131
	<u>1,794,540</u>	<u>1,611,769</u>
Accrued interest receivable	16,606	16,917
Loans and advances to customers	<u>1,811,146</u>	<u>1,628,686</u>
Less: Allowance for expected credit loss	(162,213)	(139,603)
	<u><u>1,648,933</u></u>	<u><u>1,489,083</u></u>

a) Classified by performance

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Stage 1	1,443,015	1,247,673
Stage 2	160,021	174,368
Stage 3	191,504	189,728
	<u>1,794,540</u>	<u>1,611,769</u>

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b) Classified by currency

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
LAK	543,296	483,496
USD	1,127,913	999,741
THB	52,592	13,739
EUR	70,739	114,793
	<u>1,794,540</u>	<u>1,611,769</u>

c) Classified by interest rate (per annum)

	2023 %	2022 %
Loans in LAK	4.00% - 14.00%	4.00% - 14.00%
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	5.25%	3.90% - 9.00%

d) The changes in the allowance for expected credit loss are as follows:

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Balance at beginning of the year	139,603	102,493
Provision for ECL during the year	39,411	51,656
Reversals for ECL during the year	(16,801)	(14,546)
Balance at end of the year	<u>162,213</u>	<u>139,603</u>

8 Property and equipment and Intangible assets

	<i>Note</i>	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Property and equipment	8.1	23,799	20,076
Intangible assets	8.2	13,237	9,739
		<u>37,036</u>	<u>29,815</u>

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8.1 Property and equipment

Movement of property and equipment for the year ended 31 December 2023 is as follows:

	Building & improvements	Office equipment	Furniture & fixture	Motor vehicles	Construction in progress	Total
	LAK					
	<i>(in millions)</i>					
Cost						
At 1 January 2023	23,793	35,690	6,559	5,552	1,771	73,365
Additions	-	4,462	2,046	-	9,363	15,871
Disposals/Transfers	(142)	(682)	(137)	(222)	(6,509)	(7,692)
At 31 December 2023	23,651	39,470	8,468	5,330	4,625	81,544
Accumulated depreciation						
At 1 January 2023	16,013	28,828	4,298	4,150	-	53,289
Charge for the year	1,313	2,841	871	538	-	5,563
Disposal	(130)	(652)	(103)	(222)	-	(1,107)
At 31 December 2023	17,196	31,017	5,066	4,466	-	57,745
Net book value						
At 1 January 2023	7,780	6,862	2,261	1,402	1,771	20,076
At 31 December 2023	6,455	8,453	3,402	864	4,625	23,799

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8.1 Property and equipment (continued)

Movement of property and equipment for the year ended 31 December 2022 is as follows;

	Building & improvements	Office equipment	Furniture & fixture	Motor vehicles	Construction in progress	Total
	LAK					
	<i>(in millions)</i>					
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

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8.2 Intangible assets

Movement of intangible assets for the year ended 31 December 2023 is as follows:

	Computer software LAK <i>(in millions)</i>	Construction in progress LAK <i>(in millions)</i>	Total LAK <i>(in millions)</i>
Cost			
At 1 January 2023	20,520	3,903	24,423
Transferred from CIP	905	(905)	-
Additions	-	6,002	6,002
Disposals	(253)	-	(253)
At 31 December 2023	<u>21,172</u>	<u>9,000</u>	<u>30,172</u>
Accumulated amortization			
At 1 January 2023	14,684	-	14,684
Amortization charge	2,464	-	2,464
Disposals	(213)	-	(213)
At 31 December 2023	<u>16,935</u>	<u>-</u>	<u>16,935</u>
Net book value			
At 1 January 2023	<u>5,836</u>	<u>3,903</u>	<u>9,739</u>
At 31 December 2023	<u>4,237</u>	<u>9,000</u>	<u>13,237</u>

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

	Computer software LAK <i>(in millions)</i>	Construction in progress LAK <i>(in millions)</i>	Total LAK <i>(in millions)</i>
Cost			
At 1 January 2022	18,742	2,433	21,175
Transferred from CIP	1,778	(1,778)	-
Additions	-	3,248	3,248
At 31 December 2022	<u>20,520</u>	<u>3,903</u>	<u>24,423</u>
Accumulated amortization			
At 1 January 2022	11,101	-	11,101
Amortization charge	3,583	-	3,583
At 31 December 2022	<u>14,684</u>	<u>-</u>	<u>14,684</u>
Net book value			
At 1 January 2022	<u>7,641</u>	<u>2,433</u>	<u>10,074</u>
At 31 December 2022	<u>5,836</u>	<u>3,903</u>	<u>9,739</u>

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9 Other assets

	2023 LAK (in millions)	2022 LAK (in millions)
Prepayments	11,766	9,055
Foreclosed Asset	13,223	18,388
Cheques in collection	45	188
Security deposits	141	82
Others	6,290	2,399
	<u>31,465</u>	<u>30,112</u>

10 Deferred tax assets

	At 1 January 2023 LAK (in millions)	<u>Credited to:</u> Profit or loss LAK (in millions)	At 31 December 2023 LAK (in millions)
<i>Deferred tax asset</i>			
Allowance for ECL against Amount due from other banks	99	40	139
Allowance for ECL against loans and advances	24,325	5,212	29,537
Off Balance sheet provision	118	7	125
	<u>24,542</u>	<u>5,259</u>	<u>29,801</u>

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

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

	2023 LAK (in millions)	2022 LAK (in millions)
Loss carry forward	-	-
	<u>-</u>	<u>-</u>

The Bank does not have loss carry forward in LAO GAAP this year.

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11 Deposits from customers

a) Classified by type of deposits

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Current deposits	1,365,872	614,215
Savings deposits	334,641	299,494
Term deposits	816,699	775,694
Accrued interest	24,101	17,826
	<u>2,541,313</u>	<u>1,707,229</u>

b) Classified by currency

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
LAK	230,338	156,664
USD	1,923,393	1,237,182
THB	113,826	103,124
Others	273,756	210,259
	<u>2,541,313</u>	<u>1,707,229</u>

c) Classified by interest rate (per annum)

	2023 %	2022 %
Saving accounts		
LAK	1.90%	1.60%
USD	1.25%	1.15% - 1.25%
THB	1.50%	0.75%
EUR	0.50%	0.25% - 0.50%
Fixed deposits		
Term deposits in LAK	3.00% - 8.00%	3.16% - 8.00%
Term deposits in foreign currencies	0.60% - 7.00%	0.50% - 5.50%

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12 Amounts due to other banks

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Current deposits	12,104	10,480
Term deposit	-	40,000
Accrued interest	-	673
	<u>12,104</u>	<u>51,153</u>

a) Classified by currency

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
LAK	253	40,685
USD	293	244
THB	2,447	452
Others	9,111	9,772
	<u>12,104</u>	<u>51,153</u>

13 Borrowings from related party

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Banque pour le commerce et l'industrie de la mer rouge (BCIMR)	163,736	137,744
Accrued interest	1,081	909
	<u>164,817</u>	<u>138,653</u>

14 Tax liabilities and current tax expense

	Note	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Current tax expense			
Current year		13,191	7,259
Prior year adjustment		-	-
Deferred Tax benefit			
Movement in temporary differences	10	(5,259)	(5,438)
Total income tax expense/(benefit)		<u>7,932</u>	<u>1,821</u>
Tax liabilities at the beginning of the year		(7,259)	-
Income tax expense		(13,191)	(7,259)
Tax paid on profit during the year		6,757	-
Tax liabilities at the end of the year		<u>(13,693)</u>	<u>(7,259)</u>

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(i) Reconciliation of effective tax rate

	Rate (%)	2023 LAK (in millions)	Rate (%)	2022 LAK (in millions)
Profit before tax in accordance with IFRS	20	58,773	20	44,097
Income tax using statutory tax rate		11,755		8,819
Utilization of tax loss carry forward		-		(9,306)
Others		(3,823)		2,308
		7,932		1,821

15 Other liabilities

	2023 LAK (in millions)	2022 LAK (in millions)
External Accounts Payable	22,119	17,670
Deferred revenue	9,816	8,767
Income tax payable	13,693	7,350
Guarantee deposit	625	423
Other liabilities	10,886	2,172
Allowance for expected credit loss – off balance sheet*	626	586
	57,765	36,968

*Loan commitments and financial guarantees are classified under stage 1 as per IFRS 9 and the expected credit loss as at 31 December 2023 is LAK 626 million (31 December 2022: LAK 586 million).

16 Paid up capital

	31 December 2023		31 December 2022	
	% ownership	LAK (in millions)	% ownership	LAK (in millions)
Equity owners				
Cofibred	70%	350,000	70%	322,000
Banque Pour Le Commerce Extérieur Lao Public	30%	150,000	30%	138,000
	100%	500,000	100%	460,000

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.

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17 Interest and similar income

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Interest income from		
Interbank transactions	16,371	1,557
Loans and advances	124,839	100,238
	<u>141,210</u>	<u>101,795</u>

18 Interest and similar expense

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Interest expense from		
Interbank transactions	4,301	3,830
Customer deposits	30,271	25,910
	<u>34,572</u>	<u>29,740</u>

19 Net fee and commission income

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Fee and commission income		
Settlement services	16,434	9,912
Guarantee activities	316	792
Treasury activities	5,860	2,272
Fees for assistance and advisory activities	3,945	6,629
Other fees and services	10	8
	<u>26,565</u>	<u>19,613</u>
Fee and commission expense		
Settlement services	(16,666)	(9,803)
Other activities	(2,760)	(1,568)
	<u>(19,426)</u>	<u>(11,371)</u>
Net fees and commission income	<u>7,139</u>	<u>8,242</u>

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20 Personnel expenses

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Wages and salaries	38,732	32,346
Insurance expense for employees	910	846
Other staff cost	2,458	1,272
	<u>42,100</u>	<u>34,464</u>

21 Other operating expenses

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Business trip	1,774	1,258
External services	51,980	33,095
Office stationery	3,181	2,151
Office rental	3,018	1,999
Fuel	487	431
Electricity and water	789	541
Telecommunication	691	668
Publication, marketing and promotion	1,126	934
General and administration expenses	1,696	1,411
Tools and equipment	15	4
Insurance fees	858	638
Entertainment expenses	362	71
Others	107	2,550
	<u>66,084</u>	<u>45,751</u>

22 Cash and cash equivalents

	Note	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Cash	4	86,897	62,229
Amounts due from BOL	6	128,966	101,781
Amount due from other banks	5	1,220,764	575,093
		<u>1,436,627</u>	<u>739,103</u>

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23 Leases

Right-of-use assets	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
At 1 January	17,930	11,259
Additions	1,802	10,052
Depreciation charge for the year	(3,501)	(3,381)
At 31 December	16,231	17,930
Amount recognized in profit or loss	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Interest on lease liability	-	-
Depreciation expense	(3,501)	(3,381)
Total	(3,501)	(3,381)

24 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.

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Balances with other related parties as at 31 December 2023 are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Receivables In LAKm</i>	<i>Payables In LAKm</i>
Banque Pour Le Exterieur Lao Public Company Limited (BCEL)	Shareholder	Demand deposits	10,824	9,111
		Fixed term deposits	-	-
BRED Banque Populaire	Shareholder (represented by Cofibred)	Demand deposits	851,471	-
		Term deposits	317,770	-
		Accrued interest on term & current deposits	3,765	-
Banque pour le commerce et l'industrie de la mer rouge	Subsidiary of Cofibred	Borrowing	-	163,736
BRED IT	Subsidiary of BRED	Accrued interest on borrowing	-	1,081
		Service cost payable	-	9,333

Significant balances as of 31 December 2022 with related parties are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Receivables In LAKm</i>	<i>Payables In LAKm</i>
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	-
		Term deposits	-	-
		Accrued interest on term & current deposits	-	-
Banque pour le commerce et l'industrie de la mer rouge	Subsidiary of Cofibred	Borrowing	-	137,744
BRED IT	Subsidiary of BRED	Accrued interest on borrowing	-	909
		Service cost payable	-	7,238

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Transactions with key management personnel of the Bank

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

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Salaries and Director fees including bonus	16,196	12,067
	<u>16,196</u>	<u>12,067</u>

25 Operating lease commitments

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Within 1 year	-	-
From 1 to less than 5 years	-	-
Over 5 years	-	-
	<u>-</u>	<u>-</u>

26 Off-balance sheet items

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Commitment given		
Letters of credit and undisbursed loans outstanding	97,197	77,057
Letters of guarantee outstanding	21,732	16,830
	<u>118,929</u>	<u>93,887</u>
Collateral and Mortgages		
Collaterals and mortgages for loans to customer	3,928,937	2,949,268
	<u>3,928,937</u>	<u>2,949,268</u>

27 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

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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.

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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 COVID-19, if they apply.

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

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

Criteria for Consideration:

-Clients who will receive a deferred payment policy must be those affected by the COVID-19 outbreak who have not received their salaries or wages or received any part of it, resulting in inability to repay the payment or installment with the confirmation from the employer.

-For clients whose source of income from doing business affected by COVID-19 is considered based on financial status and actual circumstances.

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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:

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Cash	86,897	62,229
Due from Banks	851,471	538,572
	938,368	600,801

c) Impaired loans and advances, net

	2023 LAK <i>(in millions)</i>	2022 LAK <i>(in millions)</i>
Stage 1	1,423,488	1,230,806
Stage 2	130,700	142,208
Stage 3	78,139	99,152
	1,632,327	1,472,166

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.

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(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 2023 and 2022 was as follows:

	Financial institutions	Government	Service LAK (in millions)	Electricity	Others	Total
Deposits with other banks *	1,224,529	-	-	-	-	1,224,529
Statutory deposits with Central Bank	-	301,748	-	-	-	301,748
Loans and advances to customers *	-	-	682,060	70,739	1,058,347	1,811,146
	1,224,529	301,748	682,060	70,739	1,058,347	3,337,423
	Financial institutions	Government	Service LAK (in millions)	Electricity	Others	Total
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

* The balance includes accrued interest receivable

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(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.

	2023				
	12- month ECL	Lifetime ECL not credit impaired	Lifetime ECL Credit – Impaired	Purchased Credit Impaired	Total
	LAK	LAK	LAK	LAK	LAK
	(in millions)	(in millions)	(in millions)	(in millions)	(in millions)
Loans and advances to banks at amortised cost					
Grades 1- 6: Low- fair risk	1,220,764	-	-	-	1,220,764
Grades 7-9: Watch list	-	-	-	-	-
Grade 10: Substandard	-	-	-	-	-
Grade 11: Doubtful	-	-	-	-	-
Grade 12: Loss	-	-	-	-	-
Total	1,220,764	-	-	-	1,220,764
Allowance for expected credit loss	(696)	-	-	-	(696)
Carrying Amount	1,220,068	-	-	-	1,220,068
	2023				
	12- month ECL	Life time ECL not credit impaired	Life time ECL Credit – Impaired	Purchased Credit Impaired	Total
	LAK	LAK	LAK	LAK	LAK
	(in millions)	(in millions)	(in millions)	(in millions)	(in millions)
Loans and advances to customers at amortised cost					
Grades 1- 6: Low- fair risk	1,443,015	-	-	-	1,443,015
Grades 7-9: Watch list	-	160,021	-	-	160,021
Grade 10: Substandard	-	-	1,930	-	1,930
Grade 11: Doubtful	-	-	9,527	-	9,527
Grade 12: Loss	-	-	180,047	-	180,047
Total	1,443,015	160,021	191,504	-	1,794,540
Allowance for expected credit loss	(19,527)	(29,321)	(113,365)	-	(162,213)
Carrying Amount	1,423,488	130,700	78,139	-	1,632,327

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(e) Credit quality analysis (continued)

	2023				
	12- month ECL LAK (in millions)	Life time ECL not credit impaired LAK (in millions)	Life time ECL Credit – Impaired LAK (in millions)	Purchased Credit Impaired LAK (in millions)	Total LAK (in millions)
Loans Commitments					
Grades 1- 6: Low- fair risk	24,636	-	-	-	24,636
Grades 7- 12	-	-	-	-	-
Total	24,636	-	-	-	24,636
Allowance for expected credit loss	(333)	-	-	-	(333)
Carrying Amount	24,303	-	-	-	24,303
Financial guarantee contracts					
Grades 1-6: Low- fair risk	21,731	-	-	-	21,731
Grades 7-12	-	-	-	-	-
Total	21,731	-	-	-	21,731
Allowance for expected credit loss	(293)	-	-	-	(293)
Carrying amount	21,438	-	-	-	21,438
	2022				
	12- month ECL LAK (in millions)	Life time ECL not credit impaired LAK (in millions)	Life time ECL Credit – Impaired LAK (in millions)	Purchased Credit Impaired LAK (in millions)	Total LAK (in millions)
Loans and advances to banks at amortised cost					
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
Allowance for expected credit loss	(493)	-	-	-	(493)
Carrying Amount	574,600	-	-	-	574,600

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(e) Credit quality analysis (continued)

	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	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>
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
Allowance for expected credit loss	(16,867)	(32,160)	(90,576)	-	(139,603)
Carrying Amount	1,230,806	142,208	99,152	-	1,472,166

	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 Commitments	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>
Grades 1- 6: Low- fair risk	23,275	-	-	-	23,275
Grades 7- 12	-	-	-	-	-
Total	23,275	-	-	-	23,275
Allowance for expected credit loss	(359)	-	-	-	(359)
Carrying Amount	22,916	-	-	-	22,916

Financial guarantee contracts					
Grades 1-6: Low- fair risk	16,830	-	-	-	16,830
Grade 7-12	-	-	-	-	-
Total	16,830	-	-	-	16,830
Allowance for expected credit loss	(227)	-	-	-	(227)
Carrying Amount	16,603	-	-	-	16,603

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(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		Principal Type of Collateral Held
	31 December 2023	31 December 2022	
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

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.

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(g) Allowance for expected credit loss

The following tables show reconciliations from the opening to the closing balance of the allowance for expected credit loss by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 5.

	2023			
	12 - month ECL	Lifetime ECL not credit - impaired	Lifetime ECL credit - impaired	Total
	<i>LAK (in millions)</i>			
Loans and advances to banks at amortised cost				
Balance at 1 January	493	-	-	493
Financial assets derecognised during the period other than write-offs	-	-	-	-
Changes in models/risk parameters	203	-	-	203
Balance at 31 December	696	-	-	696

	2022			
	12 - month ECL	Lifetime ECL not credit - impaired	Lifetime ECL credit - impaired	Total
	<i>LAK (in millions)</i>			
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

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2023						
12 – month ECL	LAK	Lifetme ECL not credit – impaired	LAK	Lifetme ECL credit – impaired	LAK	Total
LAK	LAK	LAK	LAK	LAK	LAK	LAK
(in millions)	(in millions)	(in millions)	(in millions)	(in millions)	(in millions)	(in millions)
	16,867	32,160	90,576	139,603		
Balance at 1 January	(71)	845	-	774		
Transfer from Stage 1 to Stage 2	(57)	-	884	827		
Transfer from Stage 1 to Stage 3	-	-	-	-		
Transfer from Stage 2 to Stage 3	-	514	(679)	(165)		
Transfer from Stage 3 to Stage 2	413	(5,203)	-	(4,790)		
Transfer from Stage 2 to Stage 1	16	-	(471)	(455)		
Transfer from Stage 3 to Stage 1	(2,271)	(340)	(4,851)	(7,462)		
Financial assets derecognised during the period other than write-offs	(1,579)	(738)	27,906	25,589		
Net re-measurement of loss allowance	6,209	2,083	-	8,292		
New financial assets originated or purchased	-	-	-	-		
Write-offs	19,527	29,321	113,365	162,213		
Balance at 31 December						

Loans and advances to customers at amortised cost

Balance at 1 January	16,867	32,160	90,576	139,603
Transfer from Stage 1 to Stage 2	(71)	845	-	774
Transfer from Stage 1 to Stage 3	(57)	-	884	827
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	514	(679)	(165)
Transfer from Stage 2 to Stage 1	413	(5,203)	-	(4,790)
Transfer from Stage 3 to Stage 1	16	-	(471)	(455)
Financial assets derecognised during the period other than write-offs	(2,271)	(340)	(4,851)	(7,462)
Net re-measurement of loss allowance	(1,579)	(738)	27,906	25,589
New financial assets originated or purchased	6,209	2,083	-	8,292
Write-offs	-	-	-	-
Balance at 31 December	19,527	29,321	113,365	162,213

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	2022			
	12 - month ECL	Lifetime ECL not credit – impaired	Lifetime ECL credit - impaired	Total
	LAK	LAK	LAK	LAK
	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>
Loans and advances to customers at amortised cost				
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

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	2023			
	12 - month ECL	Lifetime ECL not credit - impaired	Lifetime ECL credit - impaired	Total
	LAK	LAK	LAK	LAK
	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>
Loans and advances to customers at amortised cost – retail customers				
Balance at 1 January	6,190	9,616	16,479	32,285
Transfer from Stage 1 to Stage 2	(71)	845	-	774
Transfer from Stage 1 to Stage 3	(57)	-	884	827
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	514	(679)	(165)
Transfer from Stage 2 to Stage 1	413	(5,203)	-	(4,790)
Transfer from Stage 3 to Stage 1	16	-	(471)	(455)
Financial assets derecognised during the period other than write-offs	(2,271)	(340)	(4,851)	(7,462)
Net re-measurement of loss allowance	454	1,265	3,676	5,395
New financial assets originated or purchased	2,269	2,083	-	4,352
Write-offs	-	-	-	-
Balance at 31 December	6,943	8,780	15,038	30,761

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	2022			
	12 - month ECL LAK	Lifetime ECL not credit - impaired LAK	Lifetime ECL credit - impaired LAK	Total LAK
	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>
Loans and advances to customers at amortised cost – retail customers				
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

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		2023	
12 - month ECL	Lifetime ECL not credit - impaired	Lifetime ECL credit - impaired	Total
LAK	LAK	LAK	LAK
<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>
10,677	22,544	74,097	107,318
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(2,033)	(2,003)	24,230	20,194
3,940	-	-	3,940
-	-	-	-
12,584	20,541	98,327	131,452

Loans and advances to customers at amortised cost – corporate customers

Balance at 1 January	10,677
Transfer from Stage 1 to Stage 2	-
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	(2,033)
New financial assets originated or purchased	3,940
Write-offs	-
Balance at 31 December	12,584

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2022

12 - month ECL in millions of Lao kip	Lifetime ECL not credit - impaired	Lifetime ECL credit - impaired	Total
LAK	LAK	LAK	LAK
(in millions)	(in millions)	(in millions)	(in millions)
13,127	16,179	41,051	70,357
(1,025)	3,656	-	2,631
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(3,047)	2,709	33,046	32,708
1,622	-	-	1,622
-	-	-	-
10,677	22,544	74,097	107,318

Loans and advances to customers at amortised cost – corporate customers

Balance at 1 January	
Transfer from Stage 1 to Stage 2	
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

New financial assets originated or purchased

Write-offs

Balance at 31 December

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	<u>2023</u>	<u>2022</u>
	12 - month ECL	12 - month ECL
	<i>LAK (in millions)</i>	
<i>Cash and cash equivalents</i>		
Balance at 1 January	1,867	2,994
Net movement in cash and cash equivalents	570	(1,127)
Balance at 31 December	<u>2,437</u>	<u>1,867</u>
<i>Loan commitments and financial guarantee contracts</i>		
Balance at 1 January	586	907
Net new loan commitments and financial guarantees issued	40	(321)
Balance at 31 December	<u>626</u>	<u>586</u>

(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	
	2023	2022	2023	2022
	LAK	LAK	LAK	LAK
	(in millions)	(in millions)	(in millions)	(in millions)
Carrying amount	1,811,146	1,628,686	-	-
Amount committed/guaranteed	-	-	118,440	93,887
Concentration by sector				
Corporate:	1,177,929	1,040,236	98,864	86,823
Service	682,060	508,338	-	-
Electricity	70,739	114,708	-	-
Other	425,130	417,190	-	-
Government	-	-	-	-
Banks	-	-	-	-
Retail	633,217	588,450	19,576	7,064
	<u>1,811,146</u>	<u>1,628,686</u>	<u>118,440</u>	<u>93,887</u>
Concentration by location				
Lao PDR	1,811,146	1,628,686	118,440	93,887
	<u>1,811,146</u>	<u>1,628,686</u>	<u>118,440</u>	<u>93,887</u>

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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.

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Financial assets and liabilities, classified by contractual maturity analysis, as of 31 December 2023 and 2022 as follows:

	2023					Total
	At call	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years <i>LAK (in million)</i>	Over 5 Years	
Financial assets						
Cash	86,897	-	-	-	-	86,897
Deposits with other banks	1,220,764	-	-	-	-	1,220,764
Statutory deposits with Central Bank	128,966	-	-	-	-	172,782
Loans to customers	-	338,555	159,723	605,470	690,792	1,794,540
Accrued interest receivables	-	20,371	-	-	-	20,371
Total financial assets	1,436,627	358,926	159,723	605,470	690,792	3,424,320
Financial liabilities						
Deposits from customers*	1,695,607	-	-	15	821,590	2,517,212
Deposits from other banks*	-	-	-	12,104	-	12,104
Borrowings*	-	-	-	163,736	-	163,736
Accrued interest payables	-	25,182	-	-	-	25,182
Total financial liabilities	1,695,607	25,182	-	175,855	821,590	2,718,234
Liquidity – net	(258,980)	333,744	159,723	429,615	(130,798)	706,086
Liquidity -accumulative net	(258,980)	74,764	234,487	664,102	533,304	706,086

* The amount is exclusive of accrued interest expense

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	2022						Total
	At call	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	No Maturity	
				<i>LAK (in millions)</i>			
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)	(250,102)	(486,828)	(126,167)	470,754	583,769	583,769

* The amount is exclusive of accrued interest expense

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b) Liquidity reserves

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

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	<i>LAK (in millions)</i>			
Balances with central banks	301,748	301,748	214,796	214,796
Cash and balances with other banks	<u>1,307,661</u>	<u>1,307,661</u>	<u>637,322</u>	<u>637,322</u>
Total liquidity reserves	<u>1,609,409</u>	<u>1,609,409</u>	<u>852,118</u>	<u>852,118</u>

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 2023					Total
	Note	Encumbered		Unencumbered		
		Pledged as collateral	Other*	Available as collateral	Other**	
	<i>LAK (in millions)</i>					
Cash and cash equivalents		-	-	-	1,436,627	1,436,627
Statutory deposits with Central Bank		-	172,782	-	-	172,782
Loans and advances		-	-	-	<u>1,794,540</u>	<u>1,794,540</u>
Total assets		<u>-</u>	<u>172,782</u>	<u>-</u>	<u>3,231,167</u>	<u>3,403,949</u>

* 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.

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	31 December 2022					Total
	Note	Encumbered		Unencumbered		
		Pledged as collateral	Other*	Available as collateral	Other**	
<i>LAK (in millions)</i>						
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.

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 2023 and 31 December 2022 are as follows:

	2023 <i>LAK (in million)</i>	2022 <i>LAK (in million)</i>
Fixed interest rates	1,794,540	1,611,769
Floating interest rates*	-	-
Total loans	1,794,540	1,611,769

* There were no loans disbursed on floating rate of interest as at 31 December 2023 and 31 December 2022.

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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 2023 and 2022 are as follows:

		2023	
	Average balance	Interest income/ expense <i>LAK (in millions)</i>	Average interest rate (%)
Financial assets			
Deposits with other banks	897,929	16,371	1.8%
Loans to customers	1,703,155	124,839	7.3%
Total financial assets	2,601,084	141,210	
Financial liabilities			
Deposits from customers	2,103,308	30,271	1.4%
Deposits from other banks	31,293	202	0.6%
Borrowings	150,740	4,099	2.7%
Total financial liabilities	2,285,341	34,572	
		2022	
	Average balance	Interest income/ Expense <i>LAK (in millions)</i>	Average interest rate (%)
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	

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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 2023 were as follows:

	2023			Total
	USD	THB	Others	
	<i>LAK (in millions)</i>			
Financial assets				
Cash	17,424	5,554	42,237	65,215
Deposits with other banks	986,299	45,660	185,812	1,217,771
Balances with Central bank	181,591	31,033	-	212,624
Loans to customer and accrued interest receivables	1,138,053	52,813	71,285	1,262,151
Total financial assets	2,323,367	135,060	299,334	2,757,761
Financial liabilities				
Deposits from customers	1,923,393	113,826	273,756	2,310,975
Deposits from other banks	293	2,447	9,111	11,851
Borrowings	-	-	163,736	163,736
Total financial liabilities	1,923,686	116,273	446,603	2,486,562
Foreign currency position of items recognised on the statement of financial position - net	399,681	18,787	(147,269)	271,199

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

	US Dollar	2022 Currency		Total
		THB	Others	
		<i>LAK (in millions)</i>		
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

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Exposure to interest rate risk

	2023						
	At call	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Non Repricing	Total
	<i>LAK (in million)</i>						
Financial assets							
Cash	86,897	-	-	-	-	-	86,897
Deposits with other banks	1,220,764	-	-	-	-	-	1,220,764
Statutory deposits with Central Bank	128,966	-	-	-	-	172,782	301,748
Loans to customers	-	338,555	159,723	605,470	690,792	-	1,794,540
Accrued interest receivables	-	20,371	-	-	-	-	20,371
Total financial assets	1,436,627	358,926	159,723	605,470	690,792	172,782	3,424,320
Financial liabilities							
Deposits from customers*	1,695,607	-	-	15	821,590	-	2,517,212
Deposits from other banks*	-	-	-	12,104	-	-	12,104
Borrowings*	-	-	-	163,736	-	-	163,736
Accrued interest payables	-	25,182	-	-	-	-	25,182
Total financial liabilities	1,695,607	25,182	-	175,855	821,590	-	2,718,234
Difference of financial reporting items	(258,980)	333,744	159,723	429,615	(130,798)	172,782	706,086

* The amount is exclusive of accrued interest expense

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Exposure to interest rate risk (continued)

	2022						
	At call	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years <i>LAK (in millions)</i>	Over 5 Years	Non Repricing	Carrying amount
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

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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 2023	Amortised cost	Total carrying amount
	<i>LAK</i>	<i>LAK</i>
	<i>(in millions)</i>	<i>(in millions)</i>
Cash and cash equivalents	1,307,661	1,310,730
Loans and advances to customers, net	1,794,540	1,648,933
Statutory deposits with Central Bank	301,748	301,748
Total financial assets	3,403,949	3,261,411
Deposits from banks	12,104	12,104
Deposits from customers	2,517,212	2,541,313
Borrowings	163,736	164,817
Total financial liabilities	2,693,052	2,718,234
31 December 2022	Amortised cost	Total carrying amount
	<i>LAK</i>	<i>LAK</i>
	<i>(in millions)</i>	<i>(in millions)</i>
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

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28 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 analysed 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:

<i>Items</i>	<i>31 December 2023 LAK (in millions)</i>	<i>31 December 2022 LAK (in millions)</i>
Tier 1 capital	487,510	414,950
Tier 2 capital	60,753	36,139
Total capital	548,263	451,089
Less: Deductions from capital (Investments in other credit and financial institutions)	-	-
Capital for CAR calculation (A)	548,263	451,089
Risk weighted balance sheet items	1,159,023	940,476
Risk weighted off balance sheet items	70,330	55,359
Total risk weighted assets (B)	1,229,353	995,835
Capital Adequacy Ratio (A/B)	44.60%	45.30%

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29 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 2022 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 entirety 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 2023 and 2022.

Financial assets and liabilities measured at fair value

The Bank has no financial assets and liabilities measured at fair value as at 31 December 2023 and 2022. Therefore, there is no analysis of financial assets and liabilities recorded at fair value by level of the fair value hierarchy.

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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			Total
		Level 1	Level 2 LAK (in millions)	Level 3	
31 December 2023					
<i>Financial assets</i>					
Cash	86,897	-	86,897	-	86,897
Interbank and money market items	1,223,833	-	1,223,833	-	1,223,833
Statutory deposits with Central Bank	301,748	-	301,748	-	301,748
Loans to customers and accrued interest receivable, net	1,648,933	-	-	1,648,933	1,648,933
Other financial assets	-	-	-	-	-
<i>Financial liabilities</i>					
Deposits	2,541,313	-	2,541,313	-	2,541,313
Interbank and money market items	12,104	-	12,104	-	12,104
Other financial liabilities	164,817	-	164,817	-	164,817
	Carrying amount		Fair value		
		Level 1	Level 2 LAK (in millions)	Level 3	Total
31 December 2022					
<i>Financial assets</i>					
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	-	-	-	-	-
<i>Financial liabilities</i>					
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

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30 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 2023 that significantly impacted the financial position of the Bank as at 31 December 2023.

31 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 2024; however, the Bank has not applied the following new or amended standards in preparing these financial statements.

IFRS Amended Standards	Topic	Year effective
IAS 1	Non-current Liabilities with Covenants	2024
IAS 1	Classification of Liabilities as Current or Non-Current	2024
IAS7 & IFRS 7	Supplier Finance Arrangements	2024
IAS 21	Lack of Exchangeability	2025

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