

**Banque Franco - Lao Limited**

Financial statements for the year ended  
31 December 2023  
And  
Independent Auditors' Report

# Banque Franco - Lao Limited

<b>Contents</b>	<b>Page</b>
1 Corporate information	1
2 Management's responsibilities in respect of the financial statements	2
3 Independent auditors' report	3 - 4
4 Statement of financial position	5 - 6
5 Statement of comprehensive income	7
6 Statement of changes in equity	8
7 Statement of cash flows	9
8 Notes to the financial statements	10 - 34

# 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.  
10<sup>th</sup> Floor, Royal Square Office Building  
Samsenthai Road, Nongdoun Nua Village  
Sikhotabong District  
PO Box 6978  
Vientiane Capital, Lao PDR

## MANAGEMENT’S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

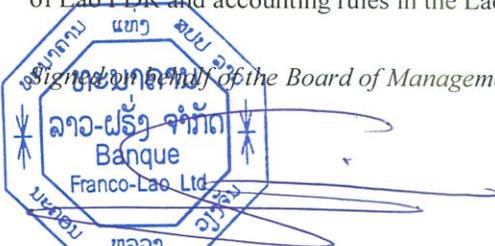
The Management of Banque Franco - Lao Limited (“the Bank”) is responsible for the preparation of the financial statements and for ensuring that the financial statements present fairly in all material respects, the financial position of the Bank as at 31 December 2023, and the statements of comprehensive income, changes in equity and of cash flows for the year then ended that are in accordance with the accounting regulations of the Bank of Lao PDR and accounting rules in the Lao PDR. In preparing the financial statements, Management is required to:

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

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

## APPROVAL OF THE FINANCIAL STATEMENTS

I, Mr. Stephane Urbain, on behalf of the Board of Management, do hereby state that the financial statements set out on pages 5 to 34 are present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and the statements of comprehensive income, changes in equity and of cash flows for the year then ended and have been properly drawn up in accordance with the accounting regulations of the Bank of Lao PDR and accounting rules in the Lao PDR.

*Signature of the Chairman of the Board of Management,*  
  
ລາວ-ຝຣັ່ງ ຈຳກັດ  
Banque  
Franco-Lao Ltd  
ທະນາຄານ  
ທລວງ

Mr. Stephane URBAIN  
Chief Executive Officer  
22 March 2024



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

ບໍລິສັດ ເຄພີເອັມຈີລາວ ຈຳກັດ  
ຊັ້ນ 10, ອາຄານ ໂຮໂຢລສະແຄລ  
ຖະໜົນ ສາມແສນໄທ, ບ້ານ ໜອງດ້ວງເໜືອ,  
ເມືອງ ສີໂຄດຕະບອງ, ຕູ້ ປ.ນ. 6978,  
ນະຄອນຫຼວງວຽງຈັນ, ສປປ ລາວ  
ໂທ: +856 (21) 454240-7  
ເວັບໄຊ: kpmg.com/la

## INDEPENDENT AUDITORS' REPORT

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

### *Opinion*

We have audited the financial statements of Banque Franco - Lao Limited (the "Bank"), which comprise the statement of financial position as at 31 December 2023, the statements of comprehensive income, changes in equity and of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with the accounting regulations of the Bank of Lao PDR and accounting rules in the Lao PDR.

### *Basis for Opinion*

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

### *Responsibilities of Management for the Financial Statements*

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material



misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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**

		31 December	
	<i>Note</i>	2023	2022
		<i>(in millions LAK)</i>	
<b>Assets</b>			
Cash	4	86,897	62,229
Statutory deposits with Central Bank	4	301,748	214,796
Amounts due from other banks	5	1,220,764	575,093
Loans and advances, net of specific provision	7	1,606,845	1,439,619
Intangible assets	8	13,237	9,739
Right of use assets	21	16,231	17,930
Property and equipment	9	23,799	20,076
Other assets	10	50,598	45,019
<b>Total assets</b>		<b>3,320,119</b>	<b>2,384,501</b>

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

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

		31 December	
	<i>Note</i>	2023	2022
		<i>(in millions LAK)</i>	
<b>Liabilities, Capital and other reserves</b>			
<b>Liabilities</b>			
Interbank and money market items			
Amounts due to other banks	<i>11</i>	175,840	188,225
Deposits from customers	<i>12</i>	2,517,212	1,689,403
Other liabilities	<i>13</i>	82,331	55,784
<b>Total liabilities</b>		<b>2,775,383</b>	<b>1,933,412</b>
<b>Paid up-share capital and other reserves</b>			
Paid up-share capital	<i>1</i>	500,000	460,000
Legal reserve	<i>14</i>	5,009	1,482
General provision for credit activities	<i>7(d)</i>	7,989	7,106
Accumulated profit/(losses)		31,738	(17,499)
<b>Total Capital and other reserves</b>		<b>544,736</b>	<b>451,089</b>
<b>Total liabilities, Capital and other Reserves</b>		<b>3,320,119</b>	<b>2,384,501</b>

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



**Banque Franco - Lao Limited**  
**Statement of comprehensive income**  
**For the year ended 31 December 2023**

	<i>Note</i>	Year ended 31 December	
		2023	2022
		<i>(in millions LAK)</i>	
<b>OPERATING INCOME AND EXPENSES</b>			
Interest and similar income	15	141,210	101,795
Interest and similar expenses	15	(34,572)	(29,740)
<b>Net interest and similar income</b>		<b>106,638</b>	<b>72,055</b>
Fee and commission income	16	26,565	19,613
Fees and commission expenses	16	(19,426)	(11,371)
Net gain from dealing in foreign exchange transactions		61,669	48,475
<b>Net operating income</b>		<b>175,446</b>	<b>128,772</b>
<b>Other income and expenses</b>			
<b>Other operating income</b>	17	12,292	13,218
<b>Administration expenses</b>	18	<b>(108,077)</b>	<b>(77,664)</b>
Payroll and other staff costs	18(a)	(42,100)	(34,464)
General administration expenses	18(b)	(65,977)	(43,200)
Depreciation and amortization charges		(11,528)	(12,462)
Other operating expenses	19	(6,507)	(9,883)
<b>Provision for non-performing loans</b>	7(d)	<b>4,329</b>	<b>(5,689)</b>
Provision for loan losses		(17,014)	(29,467)
Reversal of provision for loan losses		21,343	23,778
<b>Profit before tax</b>		<b>65,955</b>	<b>36,292</b>
<b>Income tax expense</b>	20	<b>(13,191)</b>	<b>(7,259)</b>
<b>Profit after tax</b>		<b>52,764</b>	<b>29,033</b>

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 share capital	Legal reserve	General Provision for credit activities (in millions LAK)	Accumulated profit/(losses)	Total
<b>Balance as at 1 January 2022</b>		<b>420,000</b>	<b>1,482</b>	<b>5,022</b>	<b>(46,532)</b>	<b>379,972</b>
Increase in paid up capital	I	40,000	-	-	-	40,000
Profit for the year		-	-	-	29,033	29,033
Net increase (decrease) in general provision		-	-	2,084	-	2,084
<b>Balance as at 31 December 2022</b>		<b>460,000</b>	<b>1,482</b>	<b>7,106</b>	<b>(17,499)</b>	<b>451,089</b>
Increase in paid up capital	I	40,000	-	-	-	40,000
Profit for the year		-	-	-	52,764	52,764
Net increase (decrease) in general provision	7(d)	-	-	883	-	883
Transfer to legal reserve	I4	-	3,527	-	(3,527)	-
<b>Balance as at 31 December 2023</b>		<b>500,000</b>	<b>5,009</b>	<b>7,989</b>	<b>31,738</b>	<b>544,736</b>

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**

	Note	Year ended 31 December	
		2023	2022
		<i>(in millions LAK)</i>	
<b>Cash flows from operating activities</b>			
Profit before income tax		65,955	36,292
<i>Adjustments for</i>			
Interest income		(141,210)	(101,795)
Interest expense		34,572	29,740
Allowance for doubtful debts		(3,446)	7,773
Depreciation and amortisation		11,528	12,462
Gain from fixed assets disposal		(407)	(2)
<b>Loss from operations before change in operating assets and liabilities</b>		<b>(33,008)</b>	<b>(15,530)</b>
<i>Change in operating assets / liabilities</i>			
Change in statutory deposits		(59,767)	(40,534)
Change in loans and advances to customers		(163,671)	(418,747)
Change in other assets		(1,355)	(18,722)
Change in deposits from customers		827,809	491,275
Change in deposits from banks		(38,377)	44,517
Change in other liabilities		20,775	16,806
Interest received		137,761	101,689
Interest paid		(28,801)	(24,606)
Income tax paid		(6,757)	-
Change in income tax payable		(6,434)	(7,259)
<b>Net cash generated from operating activities</b>		<b>648,175</b>	<b>128,889</b>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment		(15,871)	(3,941)
Addition of Intangibles		(6,002)	(3,248)
Change in investment in securities		-	16,769
Proceeds from disposal of assets		7,032	1,478
Addition of Right of use assets		(1,802)	(10,052)
<b>Net cash generated from (used in) investing activities</b>		<b>(16,643)</b>	<b>1,006</b>
<b>Cash flows from financing activities</b>			
Additional capital contribution		40,000	40,000
Loan from related party		25,992	32,503
<b>Net cash generated from financing activities</b>		<b>65,992</b>	<b>72,503</b>
<b>Net change in cash and cash equivalents</b>		<b>697,524</b>	<b>202,398</b>
Cash and cash equivalents at 1 January		739,103	536,705
<b>Cash and cash equivalents at 31 December</b>	6	<b>1,436,627</b>	<b>739,103</b>

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**

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

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

**1 Corporate information**

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

**Establishment and operations**

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

**Paid-up capital**

The registered and paid-up capital of the Bank as at 31 December 2023 is LAK 500,000 million, (31 December 2022, LAK 460,000 million). The principal activities of the Bank are to provide comprehensive banking and related financial services in Lao P.D.R.

During 2023, 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.

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

**Board of Directors**

<u>Name</u>	<u>Position</u>	<u>Date of appointment/resignation</u>
Mr. Stephane Mangiavacca	Chairman	Appointed on 23 April 2020
Mr. Nanthalath Keopaseuth	Deputy Chairman	Appointed on 23 April 2020
Mr. Olivier Klein	Director	Resigned on 15 September 2023
Mr. Guillaume Perdon	Director	Appointed on 23 April 2020
Mr. Sisamone Srithirath	Director	Resigned on 15 September 2023
Mr. Bernard Carayon	Director	Appointed on 12 March 2021
Mr. Bernard Ramanantsoa	Director	Appointed on 23 April 2020
Mr. Khouanta Phalivong	Director	Appointed on 15 June 2021
Mr. Jean-Paul Julia	Director	Appointed on 15 September 2023
Mr. Somphorn Houngnachith	Director	Appointed on 15 September 2023

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

**Management**

<u>Name</u>	<u>Position</u>	<u>Date of appointment/resignation</u>
Mr. Stephane Urbain	Managing Director	Appointed on 02 August 2021
Ms. Daloune Southammavong	Deputy Managing Director	Appointed on 1 March 2018
Mr. Michael De Clercq	Chief Financial Officer	Appointed on 9 December 2021
Mr. Michael Attia	Head of Corporate and Institutional Banking	Resigned on 31 July 2023
Ms. Annette Philaphandeth	Chief Operating Officer	Resigned on 15 December 2023
Ms. Chanthanom Onevathana	Head of Retail Banking	Appointed on 01 November 2022
Ms. Emilie Saves	Head of Risk and Compliance	Appointed on 13 May 2019
Mr. Bounsai Chanthong	Head of Human Resource	Appointed on 16 Nov 2020
Mr. Phetdala Phoumalavong	Head of Legal & Corporate Affairs	Appointed on 1 March 2021
Mr. Aphixay Phoumavong	Head of Sale Corporate	Appointed on 1 January 2023
Mr. Chintana Chanthaboury	Head of IT	Appointed on 1 January 2023
Mr. Omar Marottoli	Chief Credit Officer	Appointed on 1 June 2023
Ms. Sirivone Phimmason	Chief Operating Officer	Appointed on 15 December 2023

The Head Office of the Bank is located at Lane Xang Avenue, HatsadyNeua Village, Chanthabuly District, P.O. BOX: 5720, Vientiane Capital, Lao P.D.R. As at 31 December 2023, the Bank has one (1) head office and six (6) service units in Vientiane Capital, one (1) service unit in Champasack Province, one (1) service unit in Savanakheth Province, one (1) service unit in Luangprabang Province and one (1) service unit in Vientiane Province (Vang Vieng).

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

**2 Basis of preparation of the financial statements**

**(a) General basis of accounting**

**(i) Basis of preparation**

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

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

The financial statements were authorized for issue on behalf of the Board of Management on 22 March 2024.

**(ii) Basis of measurement**

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

**(iii) Use of judgments and estimates**

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

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

**(b) Foreign currency transactions**

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

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

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

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

The applicable exchange rates for the LAK against currencies were:

	31 December 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

**(c) Fiscal Year**

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

**3 Significant accounting policies**

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

**(a) Cash and cash equivalents**

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

**(b) Loans to customers**

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

**(c) Provision for loans**

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

BOL issued a decision No 238/BOL dated 26 March 2020, the objective of which was to mitigate the adverse impact of COVID-19 on the financial situation of the borrowers. The BOL has issued additional decision No. 256/BOL date May 15, 2021.

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

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



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

3. For commercial bank and institution that follow this agreement will be exempted on applying the Decision on debt classification and reduction of classified debt of commercial bank no. 512/BOL, dated 29 June 2018, and Regulation on loan classification and provision for Micro Finance Institution no 02/BOL, dated 04 Feb 2015, and agreement on Credit Cooperatives and saving deposit no. 03/BOL, dated 20 June 2008 as follow:
- 1) For non-performing loan customers impacted from the virus, the loan classification after the restructuring can be classified as same class before restructuring and the customer classified as non-performing loan as at 1 January 2020 can be classified as Watchlist or Special Mention.
  - 2) The loan restructuring can be made more than 2 times.
  - 3) The bank can provide or disburse new loans to clients who are impacted by the COVID-19 and classified as a bad loan from 1 Jan 2020 onward.

Measure:

1. Restructure the loan to a customer who gets impacted from COVID-19 by renewing the contract period, principal and interest repayment, interest rate to be in line with the ability to repayment of the customer. Also provide grace period for both principal and interest for 1 year or based on the agreement between bank and the customer.
2. Provide a new loan to the customer who is impacted from COVID-19, if they apply.

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

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

Criteria for Consideration:

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

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

**Regulation 512/BOL applicable from 1 October 2018**

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

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

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

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

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

<b>Type of collateral</b>	<b>Maximum allowed ratio</b>
(a) Deposits at the Bank - in the same currency with loans - in different currencies with those of loans	100% 95%
(b) Gold kept at the Bank	90%
(c) Government bonds and BOL bonds - in the same currency with loans <ul style="list-style-type: none"> <li>▪ With a remaining term of below 1 year</li> <li>▪ With a remaining term of between 1 year to 5 years</li> <li>▪ With a remaining term of over 5 years</li> </ul> - in different currencies with those of loans <ul style="list-style-type: none"> <li>▪ With a remaining term of below 1 year</li> <li>▪ With a remaining term of between 1 year to 5 years</li> <li>▪ With a remaining term of over 5 years</li> </ul>	100% 90% 80% 95% 85% 75%
(d) Deposits at other banks or financial institutions <ul style="list-style-type: none"> <li>▪ With a remaining term of below 1 year</li> <li>▪ With a remaining term of between 1 year to 5 years</li> <li>▪ With a remaining term of over 5 years</li> </ul>	80% 75% 70%
(e) Letter of Credit or Standby Letter of Credit	95%
(f) Letter of Guarantee or Bank Guarantee	90%
(g) Real estate	40%

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

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

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

**(d) Write-off**

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

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

**(e) Provision for off-balance sheet commitments**

In accordance with BOL 512, the Bank is not required to make provision for off-balance sheet commitments, except where the Bank has made payment under the guarantee contract on behalf of its customers, in which case the payment is classified and provision for credit losses is made in accordance with the accounting policy as described in Note 3(c).

**(f) Investment securities**

**Held-to-maturity securities**

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

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

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

**(g) Property and equipment**

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

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

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to statement of comprehensive income during the reporting period in which they are incurred. Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognized in the statement of comprehensive income on the date of retirement or disposal.

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

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

**Depreciation**

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

**(h) Intangible assets**

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

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

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

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

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

**(i) Amounts due to customers and to banks**

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

**(j) Legal reserves**

Under the requirement of the Law on commercial Bank 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.

**(k) Employee benefits**

*Termination benefits*

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

- The worker lacks specialized skills or is not in good health and has a medical certificate, and after allowing the worker in question to undertake other, more appropriate work according to their ability and health, yet the person in question is still unable to work;

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

- The employer considers it necessary to reduce the number of workers in order to improve the work within the labor unit after consulting the trade union or employee representative or the majority of employees, and has reported to the Labor Administration Agency.

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay compensation allowance which is calculated on the basis of 10% of the last salary or wage multiplied by the total number of months worked. As at 31 December 2023, there was no employee of the Bank who was dismissed under the above-mentioned grounds, therefore the Bank has not made a provision for termination allowance in the financial statements.

*Post employment benefits*

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

**(l) Taxation**

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

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

Provision is made for taxation based on the current year's total revenue as per the laws governing taxation within the Lao P.D.R. For each profitable year, the Bank is subject to the current tax rate of 20% on total taxable income.

**(m) Income recognition**

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

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

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

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

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

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

**(n) Interest expense**

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

**(o) Related parties**

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

**(p) Leases**

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

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

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

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

**(q) Comparative**

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

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

	2022 (Original) LAK (In millions)	Increase/ (Decrease) LAK (In millions)	2022 (Reclassified) LAK (In millions)
<b>Assets</b>			
Right of use assets	18,255	(325)	17,930
Other assets	44,694	325	45,019

**4 Cash and balances with Central Bank**

	31 December 2023 <i>(in millions – LAK)</i>	31 December 2022 <i>(in millions – LAK)</i>
Cash on hand in LAK	21,682	20,203
Cash on hand in foreign currencies	65,215	42,026
	<b>86,897</b>	<b>62,229</b>
Balances with the BOL		
- Demand deposit	128,966	101,781
- Compulsory deposits	172,782	113,015
	<b>301,748</b>	<b>214,796</b>
	<b>388,645</b>	<b>277,025</b>

These balances are included in Note 6 – cash and cash equivalents. Balances with the BOL include demand and compulsory deposits in compliance with the requirements of the BOL. These balances earn no interest. Under regulations of the BOL, the Bank is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 8% for LAK and 10% for foreign currency for customer deposits ( $\leq 1$  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.

**5 Amounts due from other banks**

	31 December 2023 <i>(in millions – LAK)</i>	31 December 2022 <i>(in millions – LAK)</i>
Demand deposits with domestic banks	11,029	8,653
Demand deposits with overseas banks	1,209,735	566,440
	<b>1,220,764</b>	<b>575,093</b>

**6 Cash and cash equivalents**

	31 December 2023 <i>(in millions – LAK)</i>	31 December 2022 <i>(in millions – LAK)</i>
Cash on hand (Note 4)	86,897	62,229
Demand deposit at the BOL (Note 4)	128,966	101,781
Demand deposits at other banks (Note 5)	1,220,764	575,093
	<b>1,436,627</b>	<b>739,103</b>

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

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

	31 December 2023	31 December 2022
	<i>(in millions – LAK)</i>	
Commercial loans	1,612,148	1,448,477
Less provision for non-performing loans [Note 7(d)]	(5,303)	(8,858)
	<u><b>1,606,845</b></u>	<u><b>1,439,619</b></u>

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

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

	31 December 2023	31 December 2022
	<i>interest rates</i>	<i>interest rates</i>
	<i>% per annum</i>	<i>% per annum</i>
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%

**(b) Classified by currency**

	31 December 2023	31 December 2022
	<i>(in millions – LAK)</i>	
Loans in LAK	517,413	451,011
Loans in USD	971,404	868,933
Loans in THB	52,592	13,740
Loans in EUR	70,739	114,793
	<u><b>1,612,148</b></u>	<u><b>1,448,477</b></u>



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

**(c) Classified by performance**

	31 December 2023	31 December 2022
	<i>(in millions – LAK)</i>	
Normal or Pass	1,598,173	1,421,365
Watch List or Special Mention	3,117	245
Non-Performing Loans	10,858	26,867
	<u><b>1,612,148</b></u>	<u><b>1,448,477</b></u>

**(d) Provision for credit activities**

Movement of provision as required by BOL during the year 2023 is as follow:

	Specific provision	General provision	Total Provision
	<i>(in millions – LAK)</i>		
Balance as at the beginning of the year	8,858	7,106	15,964
Provision for the year	17,788	1,271	19,059
Reversal during the year	<u>(21,343)</u>	<u>(388)</u>	<u>(21,731)</u>
<b>Balance at end of the year</b>	<u><b>5,303</b></u>	<u><b>7,989</b></u>	<u><b>13,292</b></u>

Movement of provision as required by BOL during the year 2022 is as follows:

	Specific provision	General provision	Total Provision
	<i>(in millions – LAK)</i>		
Balance as at the beginning of the year	3,265	5,022	8,287
Provision for the year	29,371	2,716	32,087
Reversal during the year	<u>(23,778)</u>	<u>(632)</u>	<u>(24,410)</u>
<b>Balance at end of the year</b>	<u><b>8,858</b></u>	<u><b>7,106</b></u>	<u><b>15,964</b></u>

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

**8 Intangible assets**

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

	Computer software	Construction in progress (in millions - LAK)	Total
<b>Costs</b>			
As at 1 January 2023	20,520	3,903	24,423
Transferred from CIP	905	(905)	-
Additions	-	6,002	6,002
Disposals	(253)	-	(253)
As at 31 December 2023	<u>21,172</u>	<u>9,000</u>	<u>30,172</u>
<b>Accumulated amortization</b>			
As at 1 January 2023	14,684	-	14,684
Amortization charge	2,464	-	2,464
Disposals	(213)	-	(213)
As at 31 December 2023	<u>16,935</u>	<u>-</u>	<u>16,935</u>
<b>Net book value</b>			
As at 1 January 2023	<u>5,836</u>	<u>3,903</u>	<u>9,739</u>
As 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	Construction in progress (in millions - LAK)	Total
<b>Costs</b>			
As at 1 January 2022	18,742	2,433	21,175
Transferred from CIP	1,778	(1,778)	-
Additions	-	3,248	3,248
As at 31 December 2022	<u>20,520</u>	<u>3,903</u>	<u>24,423</u>
<b>Accumulated amortization</b>			
As at 1 January 2022	11,101	-	11,101
Amortization charge	3,583	-	3,583
As at 31 December 2022	<u>14,684</u>	<u>-</u>	<u>14,684</u>
<b>Net book value</b>			
As at 1 January 2022	<u>7,641</u>	<u>2,433</u>	<u>10,074</u>
As at 31 December 2022	<u>5,836</u>	<u>3,903</u>	<u>9,739</u>

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

**9 Property and equipment**

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

	Building & improvements	Office equipment	Furniture & fixture	Motor vehicles	Construction in progress	Total
	<i>(in millions - LAK)</i>					
<b>Cost</b>						
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	<b>23,651</b>	<b>39,470</b>	<b>8,468</b>	<b>5,330</b>	<b>4,625</b>	<b>81,544</b>
<b>Accumulated depreciation</b>						
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	<b>17,196</b>	<b>31,017</b>	<b>5,066</b>	<b>4,466</b>	<b>-</b>	<b>57,745</b>
<b>Net book value</b>						
At 1 January 2023	7,780	6,862	2,261	1,402	1,771	20,076
At 31 December 2023	<b>6,455</b>	<b>8,453</b>	<b>3,402</b>	<b>864</b>	<b>4,625</b>	<b>23,799</b>

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

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

	Building & improvements	Office equipment	Furniture & fixture	Motor vehicles	Construction in progress	Total
	<i>(in millions - LAK)</i>					
<b>Cost</b>						
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	<b>23,793</b>	<b>35,690</b>	<b>6,559</b>	<b>5,552</b>	<b>1,771</b>	<b>73,365</b>
<b>Accumulated depreciation</b>						
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	<b>16,013</b>	<b>28,828</b>	<b>4,298</b>	<b>4,150</b>	<b>-</b>	<b>53,289</b>
<b>Net book value</b>						
At 1 January 2022	<b>9,391</b>	<b>8,452</b>	<b>2,699</b>	<b>2,019</b>	<b>548</b>	<b>23,109</b>
At 31 December 2022	<b>7,780</b>	<b>6,862</b>	<b>2,261</b>	<b>1,402</b>	<b>1,771</b>	<b>20,076</b>

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

**10 Other assets**

	31 December 2023	31 December 2022
	<i>(in millions - LAK)</i>	
Accrued interest receivables	19,133	14,909
Prepayments	11,766	9,055
Foreclosed Asset	13,223	18,388
Cheques in collection	45	188
Security deposits	141	82
Others	6,290	2,397
	<b>50,598</b>	<b>45,019</b>

**11 Amounts due to banks**

	31 December 2023	31 December 2022
	<i>(in millions - LAK)</i>	
Demand deposits	11,811	10,237
Savings deposits	293	244
Term deposits	-	40,000
Borrowings from other banks*	163,736	137,744
	<b>175,840</b>	<b>188,225</b>

\*Following are the details for the loans:

Borrowings from	Currency	Date-Start	Date-End	Term	Interest rate	Outstanding 2023 in LAK (in million)	Accrued interest 2023 in LAK (in million)
Banque pour le commerce et l'industrie de la mer rouge	USD	05-Oct-2021	04-Oct-2024	3 years	3% per year	163,736	1,081

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

**12 Deposits from customers**

	31 December 2023	31 December 2022
	<i>(in millions - LAK)</i>	
<b>Demand deposits</b>	<b>1,365,872</b>	<b>614,215</b>
In LAK	118,932	77,307
In foreign currencies	1,246,940	536,908
<b>Saving deposits</b>	<b>334,641</b>	<b>299,494</b>
In LAK	26,141	31,982
In foreign currencies	308,500	267,512
<b>Term deposits</b>	<b>816,699</b>	<b>775,694</b>
In LAK	83,230	46,087
In foreign currencies	733,469	729,607
	<b><u>2,517,212</u></b>	<b><u>1,689,403</u></b>

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

	31 December 2023	31 December 2022
	Interest rate	Interest rate
	<i>% per annum</i>	<i>% per annum</i>
Saving deposits in LAK	1.90%	1.60%
Saving deposits in USD	1.25%	1.15% - 1.25%
Saving deposits in THB	1.50%	0.75%
Saving deposits in EUR	0.5%	0.25% - 0.50%
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%

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

**13 Other liabilities**

	31 December 2023	31 December 2022
	<i>(in millions - LAK)</i>	
Accrued interest payables	25,182	19,410
External accounts payables	22,119	17,670
Deferred revenue	9,816	8,767
Tax payable	13,693	7,350
Guarantee deposit	625	423
Other liabilities	10,896	2,164
	<u>82,331</u>	<u>55,784</u>

**14 Legal reserve**

The legal reserve is provided at the rate of at least 10% of profit for the year after deducting retained losses in accordance with the BOL regulations. During the year the bank earned a net profit of LAK 65,955 million before tax and LAK 52,764 million after tax. After deducting the accumulated loss of prior year, an additional amount of LAK 3,527 million was allocated to legal reserve as at 31 December 2023.

**15 Net interest and similar income**

	2023	2022
	<i>(in millions - LAK)</i>	
<b>Interest and similar income from</b>		
Interbank transactions	16,371	1,557
Loans and advances	124,839	100,238
	<u>141,210</u>	<u>101,795</u>
<b>Interest and similar expense for</b>		
Interbank transactions	(4,301)	(3,830)
Customer deposits	(30,271)	(25,910)
	<u>(34,572)</u>	<u>(29,740)</u>
	<u>106,638</u>	<u>72,055</u>

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

**16 Net fees and commission income**

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

**17 Other operating income**

	2023	2022
	<i>(in millions - LAK)</i>	
Reversal of general provision for loan losses	388	632
Written off loans collected	11,248	12,384
Others	656	202
	<u>12,292</u>	<u>13,218</u>

**18 Administration expenses**

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

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



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

**(b) General administration expenses**

	2023	2022
	<i>(in millions - LAK)</i>	
External service	(51,980)	(33,095)
Office stationeries	(3,181)	(2,151)
Office rental	(3,018)	(1,999)
Business trip	(1,774)	(1,258)
Publication, marketing and promotion	(1,126)	(934)
Insurance fee	(858)	(638)
Electricity and water	(789)	(541)
Telecommunication	(691)	(668)
Fuel	(487)	(431)
Entertainment expenses	(362)	(71)
Tools and equipment	(15)	(4)
Others	(1,696)	(1,410)
	<u>(65,977)</u>	<u>(43,200)</u>

**19 Other operating expenses**

	2023	2022
	<i>(in millions - LAK)</i>	
Charge of general provision [Note 7(d)]	(1,271)	(2,716)
Write-off loans during the year	(5,146)	(4,600)
Others	(90)	(2,567)
	<u>(6,507)</u>	<u>(9,883)</u>

**20 Current corporate income tax**

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

	2023	2022
	<i>(in millions - LAK)</i>	
Profit before tax for the year	65,955	36,292
Carry forward losses	-	-
Non – deductible expenses	-	-
<b>Taxable Profit</b>	<u>65,955</u>	<u>36,292</u>
Tax at 20%	<u>13,191</u>	<u>7,259</u>
Prior year tax expense	-	-
<b>Total tax expense</b>	<u>13,191</u>	<u>7,259</u>

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

**21 Leases**

(a) Right-of-use assets

	2023	2022
	<i>(in millions - LAK)</i>	
<b>Balance at 1 January</b>	17,930	11,259
Additions	1,802	10,052
Depreciation charge for the year	(3,501)	(3,381)
<b>Balance at 31 December</b>	<u><u>16,231</u></u>	<u><u>17,930</u></u>

(b) Amount recognized in statement of comprehensive income

	2023	2022
	<i>(in millions - LAK)</i>	
Interest on Lease Liability	-	-
Depreciation expense	(3,501)	(3,381)
	<u><u>(3,501)</u></u>	<u><u>(3,381)</u></u>

The asset held under lease were fully paid in advance.

**22 Related party transactions**

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

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

Transactions with related parties are carried on contractually agreed terms.

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

Significant balances as of 31 December 2023 with related parties are as follows:

<b>Related party</b>	<b>Relationship</b>	<b>Transactions</b>	Receivables LAK <i>(in millions)</i>	Payables LAK <i>(in millions)</i>
Banque Pour Le Commerce 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
		Accrued interest on borrowing	-	1,081
BRED IT	Subsidiary of BRED	Service cost payable	-	9,333

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

<b>Related party</b>	<b>Relationship</b>	<b>Transactions</b>	Receivables LAK <i>(in millions)</i>	Payables LAK <i>(in millions)</i>
Banque Pour Le Commerce 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
		Accrued interest on borrowing	-	909
BRED IT	Subsidiary of BRED	Service cost payable	-	7,238

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

**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	2022
	<i>(in millions - LAK)</i>	
Salaries & Director sitting fees including bonus	16,196	12,067
	<u>16,196</u>	<u>12,067</u>

**23 Off-balance sheet items**

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

**24 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.