



Banque Franco - Lao Limited

Financial statements

(in accordance with the accounting policies of the Bank and the relevant accounting regulations and notifications of Bank of the Lao People's Democratic Republic)

31 December 2025



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Corporate information

Bank	Banque Franco - Lao Limited	
Investment License No.	008-2025/MPI4, dated 17 MAR 2025	
Enterprise License No.	Enterprise Registration Certificate No.036096/ERO, dated 26 NOV 2025	
Board of Directors	Mr. Regis Barriac Mr. Nanthalath Keopaseuth Mr. Jean-Paul Julia Mr. Guillaume Perdon Mr. Somphorn Houngnachith Mr. Bernard Carayon Mr. Bernard Ramanantsoa Mr. Khouanta Phalivong	Chairman Deputy Chairman Director Director Director Director Director Director
Board of Management	Mr. Michael De Clercq Ms. Khamtan Sisounthone Mr. Nicolas Pluchart Mr. Pierre Guilet Mr. Omar Marottoli Ms. Sirivone Phimmasone Ms. Chanthanom Onevathana Ms. Benedicte Derancourt Mr. Limleevanh Sysanonh Mr. Phetdala Phoumalavong Mr. Aphixay Phoumavong Mr. Chintana Chanthaboury	Managing Director Deputy Managing Director Commercial Director Chief Financial Officer Chief Credit Officer Chief Operating Officer Head of Retail Banking Head of Risk and Compliance Head of Human Resource Head of Legal & Corporate affairs Head of Sale Corporate Head of IT
Registered office	Banque Franco - Lao Limited Lane Xang Avenue, Hatsady Neua Village Chanthabouly District, P.O. Box: 5720 Vientiane Capital, Lao PDR	Auditors PricewaterhouseCoopers (Lao) Sole Company Limited 4th Floor, AGL Building 33 Lane Xang Avenue, Hadsadi Village Chanthabouly District P.O. Box 7003 Vientiane Capital, Lao PDR

BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors (the BOD) of Banque Franco – Lao Limited (the Bank) is responsible for the preparation and ensuring that the financial statements are prepared in all material respects, the financial position of the Bank as at 31 December 2025, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended that are in accordance with accounting policies of the Bank and the relevant accounting regulations and notifications of Bank of the Lao People's Democratic Republic (BOL) described in Note 2 to the financial statements. In preparing the financial statements, the BOD is required to:

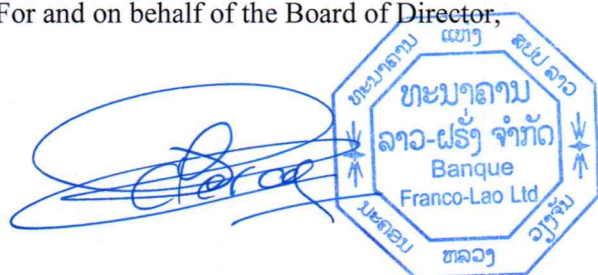
- i) Adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) Comply in accordance with accounting policies of the Bank and the relevant accounting regulations and notifications of BOL described in Note 2 to the financial statements and 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.

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

APPROVAL OF THE FINANCIAL STATEMENTS

We do hereby state that the accompanying financial statements, are prepared, in all material respects, the financial position of the Bank as at 31 December 2025 and its financial performance, statement of changes in equity and its cash flows for the year then ended and have been properly drawn up in accordance with accounting policies of the Bank and the relevant accounting regulations and notifications of BOL described in Note 2 to the financial statements.

For and on behalf of the Board of Director,



Mr. Michael De Clerq
Chief Executive Officer
31 March 2026



Independent auditor's report

To: The Board of Directors Banque Franco – Lao Limited

Our opinion

In our opinion, the financial statements of Banque Franco – Lao Limited, (the Bank) for the year ended 31 December 2025 are prepared, in all material respects, in accordance with the relevant accounting regulations and notifications of Bank of Lao People's Democratic Republic and the accounting policies as described in Note 2 to the financial statements.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2025;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as applicable to audit of financial statements of public interest entities. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of matter - Basis of preparation

We draw attention to Note 2 to the financial statements, which describes the basis of preparation. The financial statements are prepared in accordance with the relevant accounting regulations and notifications of Bank of Lao People's Democratic Republic and the accounting policies as described in Note 2 to the financial statements. Our opinion is not modified in respect to this matter.



Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements in accordance with the relevant accounting regulations and notifications of Bank of Lao People's Democratic Republic and accounting policies described in Note 2 to the financial statements, and for such internal control as the directors determine 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, the directors are 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 the directors either intend to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 auditor's 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 scepticism 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 the directors.
- Conclude on the appropriateness of the directors' 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.



We communicate with the directors 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 PricewaterhouseCoopers (Lao) Sole Company Limited



By: Apisit Thiengtrongpinyo
Partner

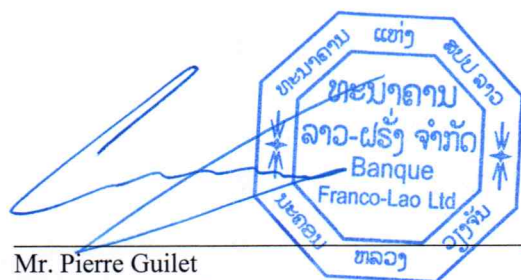
Vientiane Capital, Lao PDR
31 March 2026

Banque Franco – Lao Limited

**Statement of financial position
As at 31 December 2025**

	Notes	2025 LAK (In millions)	2024 LAK (Restated) (In millions)
Assets			
Cash	4	81,147	65,012
Balances with Central Bank	4	549,766	333,319
Amounts due from other banks	5	1,048,293	1,044,825
Investment in securities	7	390,865	-
Loans and advances to customers, net of specific provision	8	2,984,469	1,472,789
Intangible assets	9	19,649	14,356
Right-of-use assets	25	27,828	28,392
Property and equipment	10	38,709	31,529
Other assets	11	103,648	51,784
Total assets		5,244,374	3,042,006
Liabilities and equity			
Liabilities			
Amounts due to other banks	12	1,080	117,145
Deposits from customers	13	3,353,544	2,191,711
Borrowings	14	1,070,000	-
Other liabilities	15	164,294	109,052
Lease liabilities	25	39,679	61,722
Total liabilities		4,628,597	2,479,630
Equity			
Paid-up share capital	16	500,000	500,000
Legal reserves	17	16,413	11,556
General provision for credit activities	8	12,138	7,309
Retained earnings		87,226	43,511
Total equity		615,777	562,376
Total liabilities and equity		5,244,374	3,042,006

Prepared by:



Mr. Pierre Guilet
Chief Finance Officer
31 March 2026

Approved by:



Mr. Michael De Clerq
Chief Executive Officer
31 March 2026



The accompanying notes on page 10 to 29 from integral part of these financial statements.

Banque Franco – Lao Limited

Statement of comprehensive income
For the year ended 31 December 2025

	Note(s)	2025 LAK (In millions)	2024 LAK (Restated) (In millions)
Interest and similar income	18	249,152	185,231
Interest and similar expense	18	(102,308)	(57,073)
Net interest income	18	146,844	128,158
Fees and commission income	19	36,880	37,718
Fees and commission expenses	19	(36,901)	(29,511)
Net gain from dealing in foreign exchange transactions		51,537	62,997
Net operating income		198,360	199,362
Other operating income	20	14,348	18,207
Operating expenses			
Payroll and other staff costs	21	(58,782)	(47,253)
General administration expenses	22	(67,296)	(79,129)
Depreciation and amortisation charges	9,10,25	(15,857)	(12,703)
Other operating expenses	23	(6,621)	(4,128)
Total operating expenses		(148,556)	(143,213)
Provision for loan losses		(16,267)	(13,008)
Reversal of provision for loan losses		13,456	15,246
Provision for non-performing loans	8	(2,811)	2,238
Profit before tax		61,341	76,594
Income tax expense	24	(12,769)	(16,369)
Profit for the year		48,572	60,225

Prepared by:

Mr. Pierre Guilet
Chief Finance Officer
31 March 2026

Approved by:




Mr. Michael De Clerq
Chief Executive Officer
31 March 2026



The accompanying notes on page 10 to 29 from integral part of these financial statements.

Banque Franco – Lao Limited

**Statement of changes in equity
For the year ended 31 December 2025**

	Note(s)	Paid-up capital LAK (In millions)	Legal reserve LAK (In millions)	General provision for credit activities LAK (In millions)	Retained earnings/ (Deficits) LAK (In millions)	Total LAK (In millions)
Balance as at 1 January 2024		500,000	5,009	7,989	31,738	544,736
Correction of error	3	-	-	-	(41,905)	(41,905)
Restated balance at 1 January 2024		500,000	5,009	7,989	(10,167)	502,831
Profit for the year (restated)	3	-	-	-	60,225	60,225
Net decrease in general provision		-	-	(680)	-	(680)
Transfer to legal reserve		-	6,547	-	(6,547)	-
Restated balance as at 31 December 2024		500,000	11,556	7,309	43,511	562,376
Balance as at 31 December 2024 as originally presented		500,000	11,556	7,309	90,656	609,521
Correction of error	3	-	-	-	(47,145)	(47,145)
Restated balance as at 31 December 2024		500,000	11,556	7,309	43,511	562,376
Profit for the year		-	-	-	48,572	48,572
Net increase in general provision		-	-	4,829	-	4,829
Transfer to legal reserve		-	4,857	-	(4,857)	-
As at 31 December 2025		500,000	16,413	12,138	87,226	615,777

Prepared by:

Mr. Pierre Guilet
Chief Finance Officer
31 March 2026

Approved by:




Mr. Michael De Clerq
Chief Executive Officer
31 March 2026



The accompanying notes on page 10 to 29 from integral part of these financial statements.

Banque Franco – Lao Limited

Notes to the financial statements
For the year ended 31 December 2025

	Note(s)	2025 LAK (In millions)	2024 (Restated) LAK (In millions)
Cash flow from operating activities			
Profit before income tax		61,341	76,594
Adjustments for			
Interest and similar income	18	(249,152)	(185,231)
Interest and similar expense	18	102,308	57,073
Allowance for doubtful debts	8	7,640	(2,918)
Depreciation and amortisation	9,10,25	15,857	12,703
Gain from fixed assets disposal		(901)	(90)
Loss from operations before change in operating assets and liabilities		(62,907)	(41,869)
Change in operating assets / liabilities			
Change in statutory deposits		(19,212)	18,893
Change in fixed deposits with other banks		(80,000)	-
Change in loans and advances to customers		(1,514,491)	135,726
Change in other assets		(57)	230
Change in deposits from customers		1,161,833	(325,501)
Change in deposits from banks		(116,065)	105,041
Change in other liabilities		13,122	16,274
Interest received		197,345	184,383
Interest paid		(53,735)	(43,551)
Income tax paid	24	(17,036)	(13,529)
Net cash (used in)/generated from operating activities		(491,203)	36,097
Cash flow from investing activities			
Acquisition of property and equipment		(16,530)	(14,838)
Acquisition of intangible assets		(8,734)	(3,936)
Acquisition of investment in securities		(390,865)	-
Proceeds from disposals of property and equipment		1,076	254
Pre-payment of right-of-use assets		(2,677)	(1,201)
Net cash used in investing activities		(417,730)	(19,721)
Cash flow from financing activities			
Repayment of lease liability		(24,229)	-
Loan from related party		1,070,000	(163,736)
Net cash generated from/(used in) financing activities		1,045,771	(163,736)
Net change in cash and cash equivalents		136,838	(147,360)
Cash and cash equivalents at 1 January		1,289,267	1,436,627
Cash and cash equivalents at 31 December	6	1,426,105	1,289,267

Prepared by:

Mr. Pierre Guilet
Chief Finance Officer
31 March 2026

Approved by:




Mr. Michael De Clerq
Chief Executive Officer
31 March 2026

The accompanying notes on page 10 to 29 from integral part of these financial statements.

1. General information

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

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 as at 31 December 2025 is LAK 500,000 million, (31 December 2024, LAK 500,000 million). The principal activities of the Bank are to provide comprehensive banking and related financial services in Lao P.D.R.

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 2025, the Bank has one (1) head office and five (5) service units in Vientiane Capital, one (1) service unit in Champasack Province, one (1) service unit in Savanakheth Province, one (1) service unit in Luangprabang Province and one (1) service unit in Vientiane Province (Vang Vieng).

The financial statements were authorized for issue on behalf of the Board of Directors on 31 March 2026.

2. Material accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with the Bank's accounting policies, as described in the notes to the financial statements, and the relevant BOL regulations and notifications. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are not intended to present the financial position and financial performance in accordance with other jurisdictions.

Consequently, these financial statements are addressed only to those who are informed about the Bank's accounting policies and the relevant accounting regulations and notifications of BOL.

The preparation of financial statements requires management to make estimates and assumptions affecting the amounts reported as assets and liabilities, the disclosure of any contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The financial statements have been prepared under the historical cost convention.

2.2 Measurement and presentation currency

The Bank maintains its records in Lao Kip (LAK) and presents its financial statements in LAK.

2. Material accounting policies (Continued)

2.3 Foreign currency transactions and translation

Monetary assets and liabilities denominated in currencies other than LAK at year end are translated into LAK at exchange rates ruling on the statement of the financial report date. Income and expenses arising in foreign currencies during the period are converted into LAK at rates ruling on the transaction dates. Gains and losses resulting from the settlement of such transactions and from the translation of such monetary assets and liabilities are recognised in the statement of income when earned and incurred.

2.4 Recognition of interest income and expense

Interest income recognition

Interest income is recognised on an accrual basis and is recognised at the nominal interest rates stipulated in the loan contracts with clients except in relation to non-performing accounts.

As per BOL guideline no. 334/AD, dated 11 March 2019, where an account becomes non-performing, the recording of interest is suspended and interest income already recognised will be reversed. Interest income will be recognised if accrued interest on non-performing loans will be subsequently collected. Customer accounts are deemed to be non-performing where repayments are in arrears for more than three months or 89 days.

Interest expense

Interest expense on deposits from customers and banks are recognised on an accrual basis.

2.5 Recognition of fee and commission income

Fee and commission income from the various activities of the Bank is accrued using the following bases:

- Loan arrangement fees and commissions on services and facilities extended to customers are recognised on the occurrence of such transactions.
- Commitment fees and guarantees on services and facilities extended to customers are recognised as income over the period in which the services and facilities are extended.
- Service charges and processing fees are recognised when the service is provided.

2.6 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.

2.7 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.

2. Material accounting policies (Continued)

2.8 Provision for loans

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:

Group	Category	Number of days past due	Provision rate
Performing (general)			
A	Normal or pass	Within 29 days	0.5%
B	Watch list or special mention	30 to 89 days	3%
Non-Performing (Specific)			
C	Substandard	90 to 179 days	20%
D	Doubtful	180 to 359 days	50%
E	Loss	From 360 days	100%

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

Type of collateral	Maximum allowed ratio
(i) Deposits at the Bank	
- in the same currency with loans	100%
- in different currencies with those of loans	95%
(ii) Gold kept at the Bank	90%
(iii) Government bonds and BOL bonds	
- in the same currency with loans	
▪ With a remaining term of below 1 year	100%
▪ With a remaining term of between 1 year to 5 years	90%
▪ With a remaining term of over 5 years	80%
- in different currencies with those of loans	
▪ With a remaining term of below 1 year	95%
▪ With a remaining term of between 1 year to 5 years	85%
▪ With a remaining term of over 5 years	75%
(iv) Deposits at other banks or financial institutions	
▪ With a remaining term of below 1 year	80%
▪ With a remaining term of between 1 year to 5 years	75%
▪ With a remaining term of over 5 years	70%
(v) Letter of Credit or Standby Letter of Credit	95%
(vi) Letter of Guarantee or Bank Guarantee	90%
(vii) Real estate	40%

2. Material accounting policies (Continued)

2.8 Provision for loans (Continued)

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.

2.9 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.

2.10 Investment securities

Held-to-maturity securities 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.

2.11 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.

2. Material accounting policies (Continued)

2.11 Property and equipment (Continued)

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:

Category	Depreciation rate
Leasehold improvement	5-10%
Electronic equipment	20%
Furniture, fitting, and office equipment	10% - 20%
Fixture	20%
Vehicles	20%

2.12 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%.

2.13 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.

2.14 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.

2. Material accounting policies (continued)

2.15 Employee benefits

Termination benefits

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

- The worker lacks specialized skills or is not in good health and has a medical certificate, and after allowing the worker in question to undertake other, more appropriate work according to their ability and health, yet the person in question is still unable to work;
- The employer considers it necessary to reduce the number of workers in order to improve the work within the labor unit after consulting the trade union or employee representative or the majority of employees, and has reported to the Labor Administration Agency.

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay compensation allowance which is calculated on the basis of 10% of the last salary or wage multiplied by the total number of months worked. As at 31 December 2025, no employee 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.

2.16 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 profit.

2. Material accounting policies (Continued)

2.17 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.

2.18 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.

3. Correction of prior period error

During the current year, management found out that the initial measurements of right-of-use asset and lease liabilities at the initial application of IFRS 16 are incorrect. The Bank has a lease agreement for 30 years, commencing 1 December 2009 until 30 November 2039. However, only the paid portion of the lease at the end of each reporting period has been recognised as right-of-use asset and subsequently depreciated over the paid period. The management has not recognised the 'Right-of-use' asset and 'Lease Liabilities with the until 30 November 2039. The correction of errors has been accounted for retrospectively, and the comparative figures for prior periods have been restated accordingly.

The effects of the reclassifications and correction of prior period error on those financial statements are summarised below:

Statement of financial position as at 31 December 2023 (extract)	Notes	31 December 2023 LAK (In millions)	Increase/ (Decrease) LAK (In millions)	1 January 2024 (Restated) LAK (In millions)
Assets				
Right-of-use asset	25	16,231	13,902	30,133
Liabilities				
Lease liabilities	25	-	55,807	55,807
Equity				
Retained earnings/(deficits)		31,738	(41,905)	(10,167)

3. Correction of prior period error (continued)

Statement of financial position as at 31 December 2024 (extract)	Notes	31 December 2024 LAK (In millions)	Increase/ (Decrease) LAK (In millions)	31 December 2024 (Restated) LAK (In millions)
Assets				
Right-of-use asset	25	13,815	14,577	28,392
Liabilities				
Lease liabilities	25	-	61,722	61,722
Equity				
Retained earnings/(deficits)		90,656	(47,145)	43,511
Statement comprehensive income for the year ended 31 December 2024 (extract)	Notes	31 December 2024 LAK (In millions)	Increase/ (Decrease) LAK (In millions)	31 December 2024 (Restated) LAK (In millions)
Interest and similar expenses	18	(53,911)	(3,162)	(57,073)
Depreciation and amortisation charges	9,10,25	(13,378)	675	(12,703)
Net gain from dealing in foreign exchange transactions		65,750	(2,753)	62,997
Profit after tax		65,465	(5,240)	60,225
Statement of cash flows for the year ended 31 December 2024 (extract)	Notes	31 December 2024 LAK (In millions)	Increase/ (Decrease) LAK (In millions)	31 December 2024 (Restated) LAK (In millions)
Cash flow from operating activities				
Interest and similar expense	18	53,911	3,162	57,073
Depreciation and amortisation	9,10,25	13,378	(675)	12,703

Notes to the financial statements
For the year ended 31 December 2025

4. Cash and balances with Central Bank

	2025 LAK (In millions)	2024 LAK (In millions)
Cash on hand in LAK	25,233	22,206
Cash on hand in foreign currencies	55,914	42,806
Included in cash and cash equivalents (Note 6)	81,147	65,012
Demand deposit included in cash and cash equivalents (Note 6)	376,665	179,430
Compulsory deposits (i)	173,101	153,889
Balances with the Central Bank	549,766	333,319
	630,913	398,331

Demand deposits and compulsory deposits with the Central bank do not earn interest.

- (i) 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 11% 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 903/BOL dated 27 August 2024.

5. Amounts due from other banks

	2025 LAK (In millions)	2024 LAK (In millions)
Demand deposits with domestic banks	1,966	3,412
Demand deposits with overseas banks	966,327	1,041,413
Included in cash and cash equivalents (Note 6)	968,293	1,044,825
Fixed deposits with domestic banks	80,000	-
Amounts due from other banks	1,048,293	1,044,825

6. Cash and cash equivalents

	2025 LAK (In millions)	2024 LAK (In millions)
Cash on hand (Note 4)	81,147	65,012
Demand deposits with the Central Bank (Note 4)	376,665	179,430
Amount due from other banks (Note 5)	968,293	1,044,825
	1,426,105	1,289,267

7. Investment in securities

	2025 LAK (In millions)	2024 LAK (In millions)
Bonds issued by the Bank of Laos	390,865	-
	<u>390,865</u>	<u>-</u>

Bonds issued by the Bank of Laos have terms of ranging from 7 days to 6 months which earns interest at the rate of ranging from 8.45% to 9.43% per annum. The amount above includes accrued interest receivable of LAK 2,800 million.

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

	2025 LAK (In millions)	2024 LAK (In millions)
Commercial loans	2,990,913	1,476,422
Less provision for non-performing loans	(6,444)	(3,633)
	<u>2,984,469</u>	<u>1,472,789</u>

(a) Classified by interest rate (per annum)

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

	2025 interest rates % per annum	2024 interest rates % per annum
Loans in LAK	4.00% - 15.20%	4.00% - 14.50%
Loans in USD	5.00% - 13.78%	5.00% - 10.60%
Loans in THB	5.20% - 10.45%	5.20% - 10.45%
Loans in EUR	8.00% - 9.00%	-

(b) Classified by currency

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

	2025 LAK (In millions)	2024 LAK (In millions)
Loans in LAK	722,091	578,028
Loans in USD	2,127,249	859,628
Loans in THB	137,994	38,766
Loans in EUR	3,579	-
	<u>2,990,913</u>	<u>1,476,422</u>

Notes to the financial statements
For the year ended 31 December 2025

8. Loans and advances, net of provision for non-performing loan (Continued)

(c) Classified by performance

	2025 LAK (In millions)	2024 LAK (In millions)
Normal or Pass	2,966,077	1,461,722
Watch List or Special Mention	16,314	5,618
Non-Performing Loans	8,522	9,082
	2,990,913	1,476,422

(d) Provision for credit activities

Movement of provision as required by BOL during the year 2025 is as follow:

	Specific provision LAK (In millions)	General provision LAK (In millions)	Total Provision LAK (In millions)
Balance as at the beginning of the year	3,633	7,309	10,942
Provision for the year	16,267	5,962	22,229
Reversal during the year	(13,456)	(1,133)	(14,589)
Balance at end of the year	6,444	12,138	18,582

Movement of provision as required by BOL during the year 2024 is as follow:

	Specific provision LAK (In millions)	General provision LAK (In millions)	Total Provision LAK (In millions)
Balance as at the beginning of the year	5,303	7,989	13,292
Provision for the year	13,576	578	14,154
Reversal during the year	(15,246)	(1,258)	(16,504)
Balance at end of the year	3,633	7,309	10,942

9. Intangible assets

	Computer software LAK (In millions)	In progress LAK (In millions)	Total LAK (In millions)
At 1 January 2024			
Cost	21,172	9,000	30,172
Accumulated amortisation	(16,935)	-	(16,935)
Net book value	4,237	9,000	13,237
Year ended 31 December 2024			
Opening net book amount	4,237	9,000	13,237
Additions during the year	-	3,936	3,936
Transfers/write-off	9,153	(9,153)	-
Amortisation charge	(2,817)	-	(2,817)
Closing net book value	10,573	3,783	14,356
At 31 December 2024			
Cost	30,325	3,783	34,108
Accumulated amortisation	(19,752)	-	(19,752)
Net book value	10,573	3,783	14,356
Year ended 31 December 2025			
Opening net book amount	10,573	3,783	14,356
Additions during the year	-	8,734	8,734
Transfers/write-off	2,973	(2,973)	-
Amortisation charge	(3,441)	-	(3,441)
Closing net book value	10,105	9,544	19,649
At 31 December 2025			
Cost	33,298	9,544	42,842
Accumulated amortisation	(23,193)	-	(23,193)
Net book value	10,105	9,544	19,649

Banque Franco – Lao Limited
Notes to the financial statements
For the year ended 31 December 2025

10. Property and equipment

	Building & improvements LAK (In millions)	Office equipment LAK (In millions)	Furniture & fixtures LAK (In millions)	Motor vehicles LAK (In millions)	Fixed assets in progress LAK (In millions)	Total LAK (In millions)
At 1 January 2024						
Cost	23,651	39,470	8,468	5,330	4,625	81,544
Accumulated depreciation	(17,196)	(31,017)	(5,066)	(4,466)	-	(57,745)
Net book value	6,455	8,453	3,402	864	4,625	23,799
Year ended 31 December 2024						
Opening net book amount	6,455	8,453	3,402	864	4,625	23,799
Additions during the year	2,227	9,918	3,731	466	14,838	31,180
Disposals/transfers	(2)	(109)	(30)	(23)	(16,342)	(16,506)
Depreciation charge	(1,376)	(3,773)	(1,313)	(482)	-	(6,944)
Net book value	7,304	14,489	5,790	825	3,121	31,529
At 31 December 2024						
Cost	25,864	48,305	12,099	5,666	3,121	95,055
Accumulated depreciation	(18,560)	(33,816)	(6,309)	(4,841)	-	(63,526)
Net book value	7,304	14,489	5,790	825	3,121	31,529
Year ended 31 December 2025						
Opening net book amount	7,304	14,489	5,790	825	3,121	31,529
Additions during the year	-	9,201	4,245	2,540	544	16,530
Disposals	(86)	(4)	(18)	(67)	-	(3,595)
Depreciation charge	(1,358)	(5,132)	(2,081)	(604)	-	(9,175)
Net book value	5,860	18,554	7,936	2,694	3,665	38,709
At 31 December 2025						
Cost	24,272	56,462	16,260	7,331	3,665	107,990
Accumulated depreciation	(18,412)	(37,908)	(8,324)	(4,637)	-	(69,281)
Net book value	5,860	18,554	7,936	2,694	3,665	38,709

Notes to the financial statements
For the year ended 31 December 2025

11. Other assets

	2025 LAK (In millions)	2024 LAK (In millions)
Accrued interest receivables	72,356	20,549
Prepayments	13,334	14,252
Security deposits	265	132
Cheques in collection	225	90
Others	17,468	16,761
	103,648	51,784

12. Amounts due to banks

	2025 LAK (In millions)	2024 LAK (In millions)
Demand deposits	768	9,430
Savings deposits	312	310
Term deposits	-	107,405
	1,080	117,145

13. Deposits from customers

	2025 LAK (In millions)	2024 LAK (In millions)
In LAK	110,055	123,173
In foreign currencies	878,301	714,930
Demand deposits	988,356	838,103
In LAK	33,674	22,454
In foreign currencies	357,283	311,016
Saving deposits	390,957	333,470
In LAK	738,193	99,755
In foreign currencies	1,236,038	920,383
Term deposits	1,974,231	1,020,138
	3,353,544	2,191,711

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

	2025	2024
Saving deposits in LAK	3.00%	2.00%
Saving deposits in USD	1.50%	1.25%
Saving deposits in THB	1.00%	1.50%
Saving deposits in EUR	0.50%	0.50%
Term deposits in LAK	3.95% - 12.50%	3.95% - 10.70%
Term deposits in foreign currencies	0.75% - 7.00%	0.60% - 7.00%

Notes to the financial statements
For the year ended 31 December 2025

14. Borrowings

	2025 LAK (In millions)	2025 LAK (In millions)
Borrowings from related party	1,070,000	-
	1,070,000	-

Borrowing from related party carry interest of 5.25% per annum.

15. Other liabilities

	2025 LAK (In millions)	2024 LAK (In millions)
Accrued interest payables	81,981	35,542
External accounts payables	23,394	25,776
Tax income payable (Note 24)	12,267	16,369
Deferred revenue	24,197	9,993
Guarantee deposit	1,021	1,036
Other liabilities	20,679	19,645
Other tax payable	755	691
	164,294	109,052

16. Paid up share capital

	2025		2024	
	%	LAK (In millions)	%	LAK (In millions)
Shareholders	Share		Share	
Cofibred	70%	350,000	70%	350,000
Banque Pour Le Commerce Extérieur Lao Public	30%	150,000	30%	150,000
	100%	500,000	100%	500,000

In accordance with the Bank's Memorandum and Articles of Association with their respective share certificate dated 26 November 2025 the shares and registered share capital amounting to LAK 500,000 million (2024: LAK 500,000 million) is represented by 500,000 ordinary shares (2024: 500,000 shares) with a LAK 1,000,000 issue price (2024: 1,000,000).

As at 31 December 2025, the share capital is fully paid-up.

17. Legal reserve

The legal reserve is provided at the rate of at least 10% of profit for the year in accordance with the BOL regulations. Accordingly, amounts of LAK 4,857 million and LAK 6,547 million were allocated to legal reserve as of 31 December 2025 and 31 December 2024 respectively.

Notes to the financial statements
For the year ended 31 December 2025

18. Net interest income

	2025 LAK (In millions)	2024 (Restated) LAK (In millions)
Interest income from		
Interbank transactions	47,679	43,032
Loans and advances	201,473	142,199
	<u>249,152</u>	<u>185,231</u>
Interest expense for		
Interbank transactions	(18,883)	(7,117)
Customer deposits	(81,291)	(46,794)
Lease liability	(2,134)	(3,162)
	<u>(102,308)</u>	<u>(57,073)</u>
	<u>146,844</u>	<u>128,158</u>

19. Net fee and commission (expense)/income

	2025 LAK (In millions)	2024 LAK (In millions)
Fee and commission income		
Settlement services	28,523	22,397
Guarantee activities	657	298
Treasury activities	5,953	11,096
Fees for assistance and advisory activities	1,741	3,742
Other activities	6	185
	<u>36,880</u>	<u>37,718</u>
Fees and commission expense		
Settlement services	(33,595)	(27,249)
Other activities	(3,306)	(2,262)
	<u>(36,901)</u>	<u>(29,511)</u>
Net fees and commission (expense)/income	<u>(21)</u>	<u>8,207</u>

20. Other operating income

	2025 LAK (In millions)	2024 LAK (In millions)
Reversal of general provision for loan losses	1,133	1,258
Written off loans collected	11,927	16,487
Others	1,288	462
	<u>14,348</u>	<u>18,207</u>

Banque Franco – Lao Limited**Notes to the financial statements
For the year ended 31 December 2025****21. Payroll and other staff costs**

	2025 LAK (In millions)	2024 LAK (In millions)
Wages and salaries	52,263	42,036
Insurance expense for employees	1,508	1,296
Other staff costs	5,011	3,921
	58,782	47,253

22. General administration expenses

	2025 LAK (In millions)	2024 LAK (In millions)
External service	51,594	61,234
Office stationeries	4,484	4,260
Office rental	2,519	3,072
Business trip	2,263	2,184
Insurance fee	1,036	975
Electricity and water	885	1,010
Publication, marketing and promotion	842	2,187
Telecommunication	705	736
Fuel	429	539
Entertainment expenses	321	378
Others	2,218	2,554
	67,296	79,129

23. Other operating expenses

	2025 LAK (In millions)	2024 LAK (In millions)
Charge of general provision (Note 8)	5,962	578
Write-off loans during the year	-	3,397
Others	659	153
	6,621	4,128

24. 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.

a) Analysis of income tax expense

	2025 LAK (In millions)	2024 LAK (In millions)
Restated profit before tax	61,341	76,594
Add back: restatement adjustments (Note 3) (i)	-	5,240
Profit before tax as previously reported (before restatement)	61,341	81,834
Non – deductible expenses	2,509	-
Taxable profit	63,850	81,834
Tax expense at 20%	12,769	16,369

- (i) The Bank has assessed the recoverability of income tax paid in prior years, including the possibility of obtaining refunds or utilising any historical overpayments through future tax filings. Based on this assessment, management concluded that the likelihood of recovery is remote due to the uncertainty associated with such recovery mechanisms. In addition, the Bank does not intend to re-submit or amend prior-year tax filings. Accordingly, no asset or adjustment has been recognised in respect of prior year income taxes resulting from the statements.

b) Analysis of income tax payable

	2025 LAK (In millions)	2024 (Restated) LAK (In millions)
At 1 January	16,534	13,694
Income tax expense	12,769	16,369
Tax paid during the year	(17,036)	(13,529)
At 31 December	12,267	16,534

25. Leases

- (a) The following amounts are recognised in the statement of financial position relating to leases:

	2025 LAK (In millions)	2024 (Restated) LAK (In millions)
Right-of-use assets		
Building and premises	27,828	28,392
Lease liability		
Current	-	24,017
Non-current	39,679	37,705
	39,679	61,722

Additions to the right-of-use assets during 2025 were LAK 2,677 million (2024: LAK 1,201 million).

Notes to the financial statements
For the year ended 31 December 2025

25. Leases (Continued)

(b) Amounts recognised in statement of comprehensive income

	2025 LAK (In millions)	2024 (Restated) LAK (In millions)
Interest expense	(2,134)	(3,162)
Depreciation expense	(3,241)	(2,942)
	<u>(5,375)</u>	<u>(6,104)</u>

The total cash outflow for leases in 2025 was LAK 24,229 million (2024: nil).

26. 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.

Significant balances as of 31 December 2025 and 2024 with related parties are as follows:

	2025 LAK (In millions)	2024 LAK (In millions)
Amounts due from related parties		
- Banque Pour Le Commerce Extérieur Lao Public Company Limited (Shareholder)		
Demand deposits	1,752	3,143
- BRED Banque Populaire (Shareholder as represented by Cofibred)		
Demand deposits	110,280	329,884
Term deposits	807,064	251,525
Interest receivable	997	6,223

26. Related party transactions (Continued)

	2025 LAK (In millions)	2024 LAK (In millions)
Amounts due to related parties		
- Banque Pour Le Commerce Exterieur Lao Public Company Limited (Shareholder) Demand deposits	(319)	(9,071)
- BRED Banque Populaire (Shareholder as represented by Cofibred) Borrowings (Note 14)	(1,070,000)	(9,134)
Interest payable	(16,853)	-
- BRED IT (Subsidiary of BRED) Service cost payable	(9,074)	-

Significant transaction with related parties in statement of comprehensive income are as follows:

	2025 LAK (In millions)	2024 LAK (In millions)
Interest income		
- BRED Banque Populaire (Shareholder as represented by Cofibred)	23,356	37,521
Interest expense		
- Banque Pour Le Commerce Exterieur Lao Public Company Limited (Shareholder)	-	1,390
- Banque pour le commerce et l'industrie de la mer rouge	-	3,567
- BRED Banque Populaire (Shareholder as represented by Cofibred)	16,853	-
Salary and other benefits		
- Key management and board of directors	20,382	16,118
General administrative expenses		
- BRED IT (Subsidiary of BRED)	34,208	36,788

27. Off-balance sheet items

	2025 LAK (In millions)	2024 LAK (In millions)
Commitment given		
Letters of guarantee outstanding	91,502	4,781
Letters of credit and undisbursed loans outstanding	137,821	103,963
	229,323	108,744
Collateral and Mortgages		
Collaterals and mortgages for loans to customer	20,636,846	4,464,528
	20,636,846	4,464,528