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开泰银行 KASIKORNTHAIBANK



KASIKORNTHAI BANK LIMITED

ANNUAL REPORT



January - December 2017



Contents

Business Opportunities in AEC+3	4
KASIKORNTHAI BANK Limited Vision, Mission and Core Values	5
KASIKORNTHAI BANK Limited Financial Highlights	6
Chairman Message	8
Part I Corporate Background	9
1.1 Corporate Information	
1.2 Overview of KASIKORNBANK PUBLIC COMPANY LIMITED	
Part II Management Discussion and Analysis	11
2.1 Lao PDR Economic Overview	
2.2 2017 Business Performance and Business Directions of KASIKORNTHAI BANK Limited for Year 2018	
Part III Organization Structure	15
3.1 Shareholders	
3.2 Board of Directors	
3.3 Risk Management Committee	
3.4 Audit Committee	
3.5 Governance Committee	
Part IV Financial Report	19
4.1 Corporate Information	
4.2 Management's Responsibility in Respect of the Financial Statements	
Independent Auditors' Report	21
Part V Events	62

Business Opportunities in AEC+3

Robust economic growth in a number of ASEAN markets over the past few decades has caught the attention of investors and business worldwide. Despite recent macroeconomic instability, the outlook for developing Asia remains positive, with GDP set to grow by 5.1 percent in 2017 and ASEAN is believed to be the only remaining economic bloc globally with respectable economic growth.

This enviable economic position was further strengthened by the official formation of the ASEAN Economic Community (AEC) in 2015, through which the region can enhance its competitive advantages through the freer flow of goods, services, skilled labors and capital between member states. Moreover, with the linkages of China, Japan and Korea, the AEC+3 has led to greater connectivity and positive steps towards creating an open and fair regional trade and investment which will bring numerous opportunities to businesses in this region.

China – Laos Railway Project is one of the best show cases of the regional connectivity development. The construction is scheduled for 5 years and expected to be completed by 2021 with total investment of 5.9 billion USD. Once finished, Laos will be the land-linked bridging between 5 countries in the region; China, Lao PDR, Thailand, Malaysia and Singapore. As a consequence, this will enhance economic ties among these nations and provide impetus to the growth of intra-ASEAN trade and investment.

To help our customers take advantage of this exceptional opportunity, international business has been prioritized to the top of KBank's strategic agenda through the creation of AEC+3 strategy. We have continuously developed both financial solutions and non-financial services as well as expanded our international facilities to ensure that KBank will be the uniquely qualified partner for all financial service needs in AEC+3.

KASIKORNTHAI BANK Limited

Vision, Mission and Core Values



Vision

KASIKORNTHAI BANK Limited aims to be a most innovative, dynamic, and proactive customer-centric financial institution that creates sustainability for all stakeholders.

Mission

KASIKORNTHAI BANK Limited aims to harmoniously combine technology and human resources to sustainably create world-class-quality financial services, so as to achieve optimal benefits for all stakeholders.

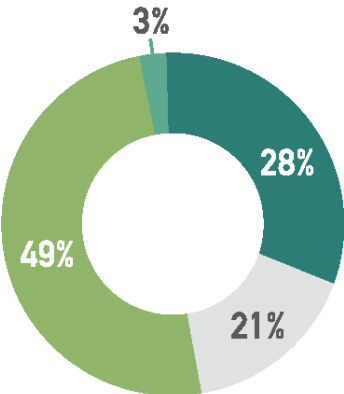
Core Values

- Customer Centricity
- Organization-Wide Teamwork
- Professionalism
- Innovation

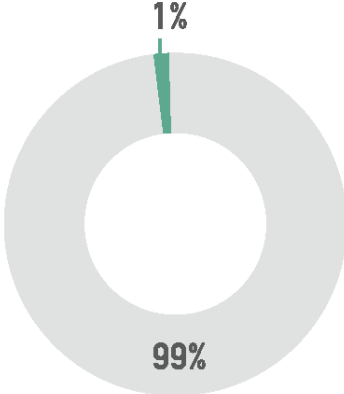
KASIKORNTHAI BANK Limited

Financial Highlights

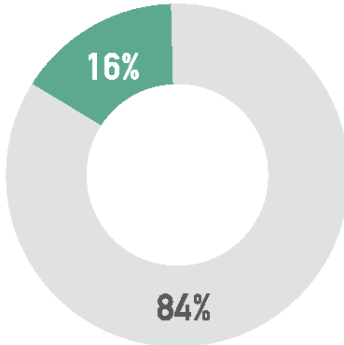
Total Assets



Total Liabilities



Net Operating Income



- Cash and Cash Equivalents
- Interbank and Money Market
- Loans and Advances to Customers
- Others

- Deposits
- Others

- Net Interest Income
- Net Fee and Commission Income

Unit : Thousand of LAK

	1 January 2016 to 31 December 2016	1 January 2017 to 31 December 2017
Net Interest Income	7,650,642	12,148,655
Net Fee and Commission Income	1,638,599	2,396,269
Net Operating Income	9,289,241	14,544,924
Total Operating Income	13,035,915	17,937,166
Total Operating Expense	11,595,262	14,722,991
Profit before Income Tax	1,440,653	3,214,175
Net Profit	1,105,019	2,442,773

Total Assets

As of December 31, 2017, KASIKORNTHAI BANK Limited (“KBank Lao PDR”) has total assets in equivalent to LAK 798,407,865 thousand with loan size, to both public and private sectors, at LAK 389,310,457 thousand in total. KBank Lao PDR also maintains sustainable liquidity for increase of loan in year 2018.

Total Liabilities

Total liabilities as of December 31, 2017 is LAK 494,873,341 thousand with deposits totaled LAK 489,018,271 thousand from customers and other financial institution.

Net Operating Income

For the year ended 2017, KBank Lao PDR has net operating income totaled LAK 14,544,924 thousand which comprises of net interest income totaled LAK 12,148,655 thousand, net fee and commission income totaled LAK 2,396,269 thousand. In comparison with 2016 full year operation, net operating income has mainly increased from interest income, deriving from loans.

Net Profit

KBank Lao PDR has profit before income tax totaled LAK 3,214,175 thousand and net profit for the year 2017 totaled LAK 2,442,773 thousand which significantly increased from year 2016 by LAK 1,337,754 thousand.

Chairman Message



As one of ASEAN fast-growing economy, Lao PDR has registered significant growth with the GDP improving constantly every year at an average of 7 percent. Government strategic plan has been released with the aspiration to be the battery of Asia and enhance its infrastructures in a bid for the state to become the region's transit service center which attract huge amount of foreign investment to the country. The economy has enjoyed rapid growth resulting in job creation and increase per capita income which improve Laotian quality of life.

To accommodate a growing economy in Lao PDR and to facilitate cross-border services and solutions in AEC+3 countries, KASIKORNTHAI BANK Limited opened a new head office at Lane Xang Avenue in year 2017 which marked as important milestone for the bank. Furthermore, with adherence to our "Bank of AEC+3" strategy, KASIKORNBANK now offers services at six ASEAN locations ; Thailand, Lao PDR, Cambodia, Myanmar, Vietnam, Indonesia plus other presences in China, Japan and USA.

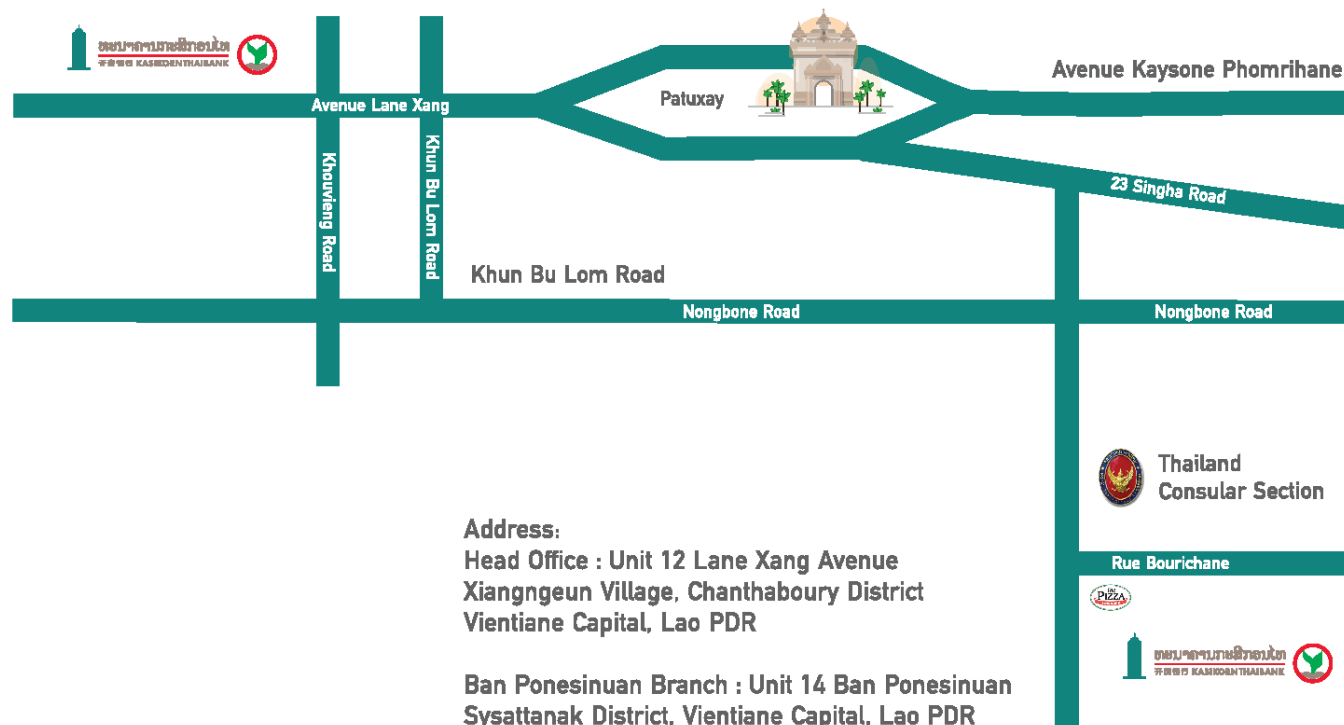
Besides developing comprehensive financial product to our customer, we also recognize the importance of insightful market intelligence as key to excelling in this highly complex and diverse region. The consultations on investment for potential investors from Thailand and elsewhere will be conducted through business matching and business advisory activities. Customers will be better prepared in many ways while also getting clued up about relevant laws and regulations. Likewise, the investors from Laos who want to extend their reach beyond the domestic market will confidently step into new market with KASIKORNBANK as their trustworthy partner. These arrangements should help bolster the economy and lead to trade connectivity among regional countries and Lao PDR.

Finally, on behalf of the Board of Directors and KASIKORNTHAI BANK Limited, I would like to take this opportunity to thank Bank of Lao PDR, the regulators, the partner banks, the business alliances, the shareholders and the customers for their continuous confidence and support, as well as the staffs of KASIKORNTHAI BANK Limited for their contribution and dedication throughout 2017. I reaffirm that KASIKORNTHAI BANK Limited will continue to adhere to our established "Customer Centricity" philosophy via the delivery of an impressive experience to all customer segments.

Part I Corporate Background

1.1. Corporate Information

Registered Name	KASIKORNTHAI BANK Limited
Enterprise Registration No.	0188 / ERO
Bank License No.	06 / BOL
Registered Capital	LAK 300,000 Million
Established Date	October 16, 2014
Chairman	Mr. Pattanapong Tansomboon
Country Director	Mr. Barvorn Srisangatrakul
Registered Office.	Unit 12, Lane Xang Avenue, Xiangngeun Village, Chanthaboury District, Vientiane Capital, Lao PDR
Telephone No.	+856 21 410 888
Website	http://www.kasikornbank.com.la



1.2 Overview of KASIKORNBANK PUBLIC COMPANY LIMITED

The KASIKORNBANK Public Company Limited (KBank) was established on June 8, 1945 and listed on the Stock Exchange of Thailand since 1976. For over 70 years of operation, our main focus is to deliver impressive service and innovative products that best respond to customer needs. KBank places equal importance on both domestic and regional economic direction, consumer behavior, government policies and market competition. These factors are assessed to define new strategies for KBank to enhance business operations and adapt to coming changes while sustainably upholding the superiority and relevance to customers' lives.

Furthermore, to better serve customer in all dimensions, KBank has established 6 wholly-owned subsidiaries (K Companies) which specialize in different fields:

- KASIKORN ASSET MANAGEMENT CO., LTD. (KAsset)
- KASIKORN RESEARCH CENTER CO., LTD.(KResearch)
- KASIKORN SECURITIES PCL (KSecurities)
- KASIKORN LEASING CO., LTD. (KLeasing)
- KASIKORN FACTORY & EQUIPMENT CO., LTD. (KF&E)
- KASIKORN BUSINESS-TECHNOLOGY GROUP (KBTG)

KBank is also a major shareholder of our locally incorporated commercial bank in Lao PDR and China named as KASIKORNTHAI BANK Limited and KASIKORNBANK (CHINA) CO., LTD. respectively, which work closely together to provide the most effective services by expertise local and international staff.



With the core strategy to be “The bank of AEC+3”, KBank continues to gear up for “Dual Track Regional Digital Expansion”, a two-pronged strategy. The first track is Classical Expansion by extending the bank’s business network into the region and improving service in each country. And the second track is Digital Expansion by developing an issuing and acquiring business system for electronic payments. KBank will use the knowledge and experience from the operations in Thailand to promote banking businesses in the region.

KBank set its foot in Lao PDR for the first time back in late 2014, becoming the first locally incorporated commercial bank from Thailand, under the Enterprise Registration No.0188 / ERO granted by Enterprise Registration Office of Lao PDR. KASIKORNTHAI BANK Limited (KBank Lao) has registered capital at LAK300,000 million and its shareholders comprise respectable corporations namely, KASIKORNBANK PUBLIC COMPANY LIMITED and KASIKORN ASSET MANAGEMENT COMPANY LIMITED. KBank Lao currently has two offices in Vientiane, Ban Ponesinuan branch and the Lane Xang Head Office. KBank Lao has come up with a wide variety of financial products and services for business and individual clientele in Laos such as international transfers, foreign exchange, local and foreign currency deposit accounts, long- and short-term loans in Lao Kip, US dollar and Baht. KBank Lao also has a service center in both offices especially for High Net Worth Individual customers.

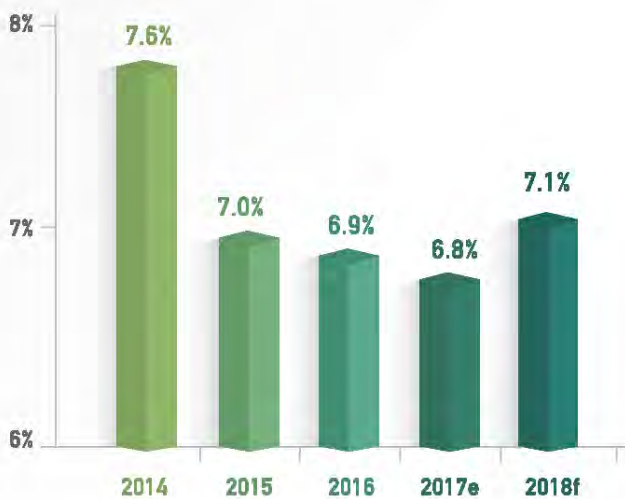
As we are stepping into our 8th decade, KBank will keep moving to develop its products and services to give the best satisfaction to our customers. And we will continue to deliver great customer experience to match our slogan, “Towards Service Excellence”.

Part II Management Discussion and Analysis

2.1 Lao PDR Economic Overview

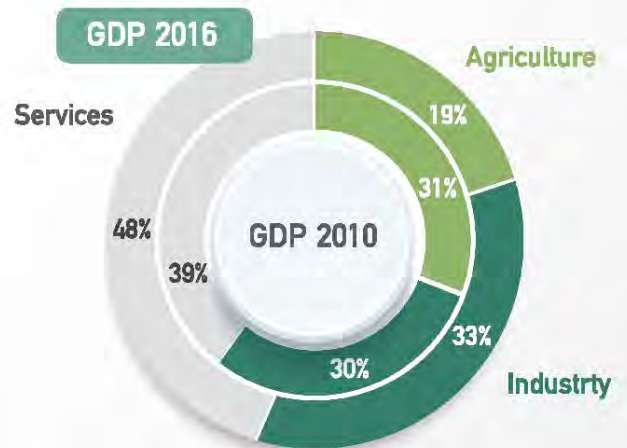
Lao PDR has differentiated itself from the rest of GMS countries by moving away from its traditional subsistence agriculture towards a service-driven economy, rather than industrializing its manufacturing sector. As a result, its service sector now accounts for 48 percent of GDP, versus the 39.6 percent of GDP reported for 2010. This year, focus will be placed on service businesses including construction, property development, tourism, and wholesale and retail trade, while energy exports remain an important income source. As for the manufacturing sector, challenges continue, in particular labor constraints and daily wage hike from USD3.74 (effective in 2014) to USD5.15 to be implemented in May 2018. Meanwhile, the agricultural sector will face more stringent regulations on land concession with an aim to enhance production sustainability, with maximum concession period of 50 years from the previous term of 99 years. Therefore, KResearch deems that the service sector will be key engine to propel economic growth at 7.1 percent in 2018, beating the government's goal of 7 percent.

Government set goals to achieve the growth rates in 2018 will be 7%



Source: ADB, Bank of Lao PDR by KResearch
Note: f=forecasted by KResearch

Service sector is the largest proportion in GDP



Infrastructure development is the main contributor to the economy of Lao PDR and also induces growth in other sectors. Financed by a sizeable investment fund of USD5.8 billion, the first high-speed electric rail project will annually generate around USD1.2 billion to the economic system from the end of 2016 when construction began until the project completion in 2021 (up to the present, construction has been completed for 16 percent of the total distance of 414.332 km). This project reaffirms the land-linked position of Lao PDR, as it will connect Southern China to Thailand's border via the northern part of Lao PDR, consisting of Luang Namtha Province, Udomxai Province, Luang Prabang Province and Vientiane Province, which is expected to become a new investment hub of the country.

In line with the railway project implementation, business expansion of Chinese investors has been evident, especially in Boten Beautiful Land Special Economic Zone (SEZ) and Golden Triangle Specific Economic Zones (GT-SEZ). These zones, located in northern Laos and operated by a Chinese firm, are attracting new investments from China, Myanmar, Laos, etc. to develop facilities in the areas. Besides, the That Luang Lake SEZ in Vientiane is a new potential SEZ aimed to serve as a transport linkage under China's Belt and Road Initiative. Fresh investment funds are mainly allocated to property developments, for example, condominium and mixed-use residential projects, shopping complexes, hotels, restaurants, meeting venues, public parks, business districts and commercial buildings, with facilities based on international standards.

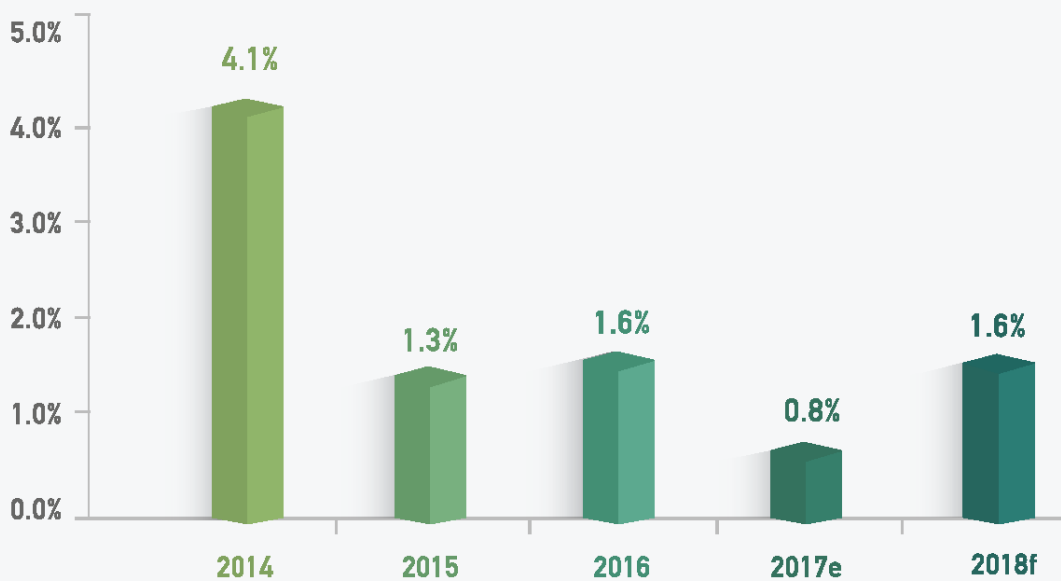


Tourism receipts should be higher because the government has designated 2018 as year of promoting Lao tourism industry under the theme “Visit Laos Year 2018”. Under this campaign, Laos is targeting an increase in the number of international tourist arrivals to five million, thus helping generate USD900 million in tourism receipts to the country, in particular from major inbound tourism markets, including Thailand and Vietnam that are currently sluggish because most Thai and Vietnamese tourists prefer to travel at home more. This campaign is also intended to attract first-time visitors from China. Once a network of high-speed railway lines within the Greater Mekong Subregion is fully connected, it will make travelling within this region even convenient. In 2016, the number of international tourist arrivals to Laos totaled 4.23 million, helping generate USD725 million in tourism revenues.

Nevertheless, energy exports remain an important income source of Laos and the value of such exports is set to increase ahead after a number of hydropower plants began to operate recently. Under the country's plans to generate income from energy exports, Laos began to sell 100 MW of hydropower to Malaysia in 2017 as part of the first phase of the Laos, Thailand, Malaysia and Singapore Power Integration Project (LTMS-PIP). The second phase of LTMS-PIP will see Laos supplying hydropower to Singapore, where there is strong demand for electric power and electricity charges are high than regional peers.

Substantial increases in tourism receipts and investments in large infrastructure construction projects across the country have helped bolster purchasing power of Lao consumers. Moreover, the government's injection of USD50 million, aimed at stimulating the grass-roots economy and steering the country toward an upper-middle income country by 2030, should help shore up domestic spending going forward. Even though inflation may surge to 1.6% in 2018 due to higher oil price, it should not have any significant impact on household spending.

Lao Inflation Rate



Source: Bank of Lao PDR, Forecast by KResearch

Among Lao medium-term risks is its chronic and large current account deficit, hovering around 10-15 percent of GDP in recent years. Its heavy reliance on FDIs, and external debt as a result of its current account deficit financing has made Lao external stability looks worrisome. Not to mention FDIs that have resulted in an influx of capital goods into Lao. Nevertheless, huge investments in its energy sector have started to bear fruits, allowing Lao to become a major hydropower exporting country in the region. Its thriving tourism has also helped reduce persistent current account deficit and cement Lao external stability. Evidently, the country's higher international reserves were able to facilitate 4.14 months of imports in 2017 and have made the Lao Kip more stable.

Regarding the policy front, the Lao government's fiscal status remains fragile due to accelerated machinery imports and capital mobilization for the construction of many mega projects. As a result, its public debt is projected to rise over the current 58.9 percent of GDP and this may undermine its fiscal policy implementation later on. Meanwhile, the Lao government's effort to dedollarize and promote the use of its currency, if successful, will eventually render its monetary policy implementation to be more effective.

In summary, the Lao economy is robust and among the fastest-growing economies in ASEAN. The country's service sector will continue to thrive, thanks to the government policies of promoting economic connectivity with other ASEAN states and nearby countries, attracting more investments in special economic zones, as well as promoting ecotourism and manufacturing that are consistent with local resources and lifestyles to help generate income to support the economy going forward.

2.2 2017 Business Performance and Business Directions of KASIKORNTHAI BANK Limited for Year 2018

KASIKORNTHAI BANK Limited (KBank Lao PDR) experienced another year of successful performance in 2017. It has been grown dynamically both in term of business performance and number of customer base. Over the past three years, we have continued to develop products and services to meet with customer's unique needs and changing business environment. To cater border trade between Laos and Thailand, KBank's second Border Trade Business Center was opened in Mukdahan in February 2017. This also aligns with a strategic partnership established by Laotian Ministry of Industry & Commerce and Thailand's Ministry of Commerce, which promote Thai-Laotian trade and investment. Under this collaboration, both nations aim to achieve USD8 billion in bilateral trade value.

In term of the investment, the demand from KBank's customer has been on the rising trend. And to support this growth, KBank engaged in Laotian policy practice in various sectors. For the government sector, KBank approved three billion baht credit facility for Électricité du Laos (EDL) to enable the modernization of the country's power infrastructure. As for private sector, Aeon Leasing Service (Laos) Co., Ltd. received funding and financial management services from KBank. Moreover, KBank encourages a value chain business model, prompting sustainable growth among our customers.

In response to technological development amid the changing consumer behavior and government policies promoting a digital economy – to be a cashless society, KBank will create even more financial product and service innovations to match the needs of our customer and enhance service quality excellence.



Part III Organization Structure

3.1 Shareholders

KASIKORNBANK PUBLIC COMPANY LIMITED	90%
KASIKORN ASSET MANAGEMENT Co., Ltd.	10%

3.2 Board of Directors

1. Mr. Pattanapong	Tansomboon	Chairman
2. Ms. Nutcharee	Nuntivacharin	Deputy Chairman
3. Mr. Chartchai	Sundharagiati	Director
4. Mr. Wichai	Narongwanich	Director
5. Ms. Siranee	Phoophat	Director
6. Mr. Photjanart	Sangpruaksa	Director
7. Mr. Barvorn	Srisangtrakul	Director



Mr. Pattanapong Tansomboon Chairman

Mr. Pattanapong Tansomboon has built his career with KASIKORNBANK PCL, one of the leading banks in Thailand, for more than 30 years. He has vigorous experience in diverse area of financial industry including risk management, multi-corporate business, SME business, product management and international business management. Mr. Pattanapong Tansomboon is currently First Senior Vice President of KASIKORNBANK PCL and a member of many prestigious business organizations in Thailand.



Ms. Nutcharee Nuntivacharin **Deputy Chairman**

Ms. Nutcharee Nuntivacharin is an expert in financial accounting and treasury services in both Thai and global bank. Prior to joining KASIKORNBANK PCL, she worked at Bank of Asia as Fund Control-Financial Accounting, Thailand and at Citibank Thailand as Treasury Finance controller. With her intensive experience in financial industry, she now serves as Capital Markets Support Management Head of KASIKORNBANK PCL.

Mr. Chartchai Sundharagiati **Director**



Mr. Chartchai Sundharagiati graduated from New York University, United States of America with Master degree in Business Administration (Stern). He started his banking career in 1985 as a software developer. After 30 years, he developed expertise on Banking Services specializing in credit card. He was a Managing Director of Progress Software Co., Ltd. At present, he is a First Senior Vice President at KASIKORNBANK PCL.



Mr. Wichai Narongwanich, Ph.D., FRM, CFA **Director**

Mr. Wichai Narongwanich has exhaustive experience and skill in risk management. Prior to his current position, he led in formulating and developing strategic direction and value proposition of market and liquidity risk, managing and preventing in operational risk and fraud management, advising and providing risk management framework to K Companies. At present, as a First Senior Vice

President of Enterprise Risk Management Division, his main role and responsibility is overseeing and supervising overall enterprise risk analytics relating to KASIKORNBANK PCL including integrated risk and capital management, capital markets and treasury risk management, and Analytics Center of Excellence.



Ms. Siranee Phoopat **Director**

After obtaining Master degree in Public and Private Management from National Institute of Development Administration, Ms. Siranee Phoopat started her career path in general management before pursuing her career in human resource management. After 10 years of experience, she first joined KASIKORNBANK PCL as the Head of Compensation and Benefits Division and now she holds First Senior Vice President title. Her roles and responsibilities included HR Partnership & Organization Structure, Talent Acquisition, Compensation & Benefits, Performance Management System, HR Service and HRIS for the entire organization and subsidiaries.

Mr. Photjanart Sangpruaksa **Director**

Mr. Photjanart Sangpruaksa has experience over 20 years in Financial Service including Capital Markets, Corporate Credit Product Management and Cash Management. After graduating in Master of Business Administration, National Institution of Development Administration, he took a role as First Vice President of Corporate Finance Department, followed by Senior Vice President of Corporate Credit Product Management Department. At present, he takes charge as First Senior Vice President at KASIKORNBANK PCL. He is responsible for taking care of Corporate Credit Product Management and Securities Services.



Mr. Barvorn Srisangatrakul **Director**

Mr. Barvorn Srisangatrakul has more than 10 years background in both Retail and SME banking. Prior to joining with KBank in 2009, he extensively gained management and operational experience from lending local bank and regional banks from South East Asian countries with variety of disciplines: credit analysis, E-channel management, product and channel development, business strategy and planning as well as marketing.

3.3 Risk Management Committee

1. Mr. Wichai	Narongwanich	Chairman
2. Mr. Pattanapong	Tansomboon	Deputy Chairman
3. Ms. Nutcharee	Nuntivacharin	Member
4. Mr. Barvorn	Srisangatrakul	Member

3.4 Audit Committee

1. Mr. Chartchai	Sundharagiati	Chairman
2. Mr. Wichai	Narongwanich	Deputy Chairman
3. Mr. Photjanart	Sangpruaksa	Member

3.5 Governance Committee

1. Ms. Siranee	Phoophat	Chairman
2. Mr. Photjanart	Sangpruaksa	Deputy Chairman
3. Mr. Barvorn	Srisangatrakul	Member



Part IV Financial Report

4.1 Corporate Information

Bank	KASIKORNTHAI BANK Limited
Banking Licence No.	06/Bank of LAO P.D.R.
Enterprise Registration Certificate	No. 0188/ERO Date 02/03/2017
Board of Directors	Mr. Pattanapong Tansomboon Ms. Nutcharee Nuntivacharin Mr. Wichai Narongwanich Mr. Photjanart Sangpruaksa Ms. Siranee Phoophat Mr. Chartchai Sundharagiati Mr. Barvorn Srisangatrakul
Board of Management	Mr. Bavorn Srisangatrakul (Country Director) Ms. Pornthana Sukjarernchaikul (Chief Financial Officer) Mr. Chatuporn Boozaya-Angool (Chief Operation Officer) Ms. Piyanoot Sangsana (Branch Manager)
Registered Office	KASIKORNTHAI BANK Limited Unit 12, Lane Xang Avenue, Xiengngeun Village, Chanthaboury District, Vientiane Capital, Lao P.D.R
Auditor	KPMG Lao Co., Ltd 4th Floor, K.P. Tower 23 Singha Road P.O. Box 6978 Vientiane Capital, Lao PDR

4.2 Management's Responsibility in Respect of the Financial Statements

The Management of KASIKORNTHAI BANK 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, financial position of the Bank as at 31 December 2017, the statements of profit or loss and other comprehensive income, changes in equity and of cash flows for the year then ended 31 December 2017 in accordance with the International Financial Reporting Standards ("IFRSs"). In preparing the financial statements, Management is required to:

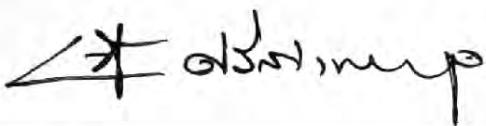
- i) Adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) Comply with IFRS or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, 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. Barvorn Srisangatrakul, on behalf of the Board of Management, do hereby state that the financial statements set out on pages 5 to 42 present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, the statements of profit or loss and other comprehensive income, changes in equity and of cash flows for the year then ended and have been properly drawn up in accordance with IFRSs.

Signed on behalf of the Board of Management,



Barvorn Srisangatrakul

Country Director

30 March 2018

Independent Auditors' Report

To the Board of Directors KASIKORNTHAI BANK Limited

Opinion

We have audited the financial statements of KASIKORNTHAI BANK Limited (the "Bank"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other 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 2017 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

KPMG Lao Co

KPMG Lao Co., Ltd
Vientiane Capital, Lao P.D.R
30 March 2018

KASIKORNTHAI BANK Limited

Statement of financial position for the year ended 31 December 2017

		31 December 2017	31 December 2016
		(in thousand LAK)	
Assets	Note		
Cash and cash equivalents	9, 21	221,083,491	216,920,081
Deposits with other banks		145,930,000	193,234,400
Statutory deposits with Central Bank	10	18,914,584	20,482,362
Investment	11	-	40,000,000
Loans and advances to customers, net	12	389,310,457	239,187,591
Leasehold improvement and equipment	13	18,064,101	14,565,776
Intangible assets	14	2,544,769	3,693,051
Other assets	15, 21	2,560,463	5,692,329
Total assets		798,407,865	733,775,590
Liabilities and equity			
Liabilities			
Deposits from customers	16	240,913,789	163,281,774
Deposits from other banks	21	248,104,482	264,708,243
Deferred tax liabilities	17	409,456	259,073
Other liabilities	18, 21	5,445,614	4,434,749
Total liabilities		494,873,341	432,683,839
Equity			
Paid-up share capital	19	300,000,000	300,000,000
Statutory reserve	20	405,211	175,556
Surplus		3,129,313	916,195
Total equity		303,534,524	301,091,751
Total liabilities and equity		798,407,865	733,775,590

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

KASIKORNTHAI BANK Limited

Statement of financial position for the year ended 31 December 2017

		For the year ended 31 December 2017	For the year ended 31 December 2016
	Note	(in thousand LAK)	
Interest income		22,822,191	13,527,522
Interest expense	21	(10,673,536)	(5,876,880)
Net interest income	4	12,148,655	7,650,642
Fee and commission income	21	2,855,706	2,065,701
Fee and commission expense		(459,437)	(427,102)
Net fee and commission income	5	2,396,269	1,638,599
Net operating income		14,544,924	9,289,241
Impairment loss on financial assets	12	(709,954)	(673,719)
Gain on foreign exchange		4,040,144	3,793,357
Other income		62,052	627,036
Total operating income		17,937,166	13,035,915
Operating expenses			
Personnel expenses	6	(5,954,103)	(4,486,052)
Depreciation and amortization expenses		(2,694,743)	(2,096,765)
Other operating expenses	7, 21	(6,074,145)	(5,012,445)
Total operating expenses		(14,722,991)	(11,595,262)
Profit before income tax		3,214,175	1,440,653
Income tax	8	(771,402)	(335,634)
Profit for the year		2,442,773	1,105,019
Other comprehensive income			
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income		2,442,773	1,105,019
Earnings per share			
Basic earnings per share (LAK)		81.43	36.83

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

KASIKORNTHAI BANK Limited

Statement of changes in equity for the year ended 31 December 2017

	Paid-up share capital	Surplus/(Deficit) (in thousand LAK)	Statutory reserve	Total
Balance at 1 January 2016	300,000,000	(13,268)	-	299,986,732
Profit for the year	-	1,105,019	-	1,105,019
Transfer to Statutory reserve	-	(175,556)	175,556	-
Balance at 31 December 2016 and 1 January 2017	300,000,000	916,195	175,556	301,091,751
Profit for the year	-	2,442,773	-	2,442,773
Transfer to Statutory reserve	-	(229,655)	229,655	-
Balance at 31 December 2017	300,000,000	3,129,313	405,211	303,534,524

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

KASIKORNTHAI BANK Limited

Statement of cash flows for the year ended 31 December 2017

		For the year ended 31 December 2017	For the year ended 31 December 2016
		(in thousand LAK)	
Cash flows from operating activities	Note		
Profit before income tax		3,214,175	1,440,653
Adjustments for:			
Depreciation and amortisation		2,694,743	2,096,765
Impairment loss on financial assets		709,954	673,719
Unrealised gain on exchange		(2,380,000)	(633,398)
Interest income		(22,822,191)	(13,527,522)
Interest expense		10,673,536	5,876,880
Interest received		21,989,543	11,943,669
Interest paid		(9,768,732)	(5,890,825)
Income tax paid		(852,329)	(59,639)
Income from operations before changes in operating assets and liabilities		3,458,699	1,920,302
Decrease (increase) in operating assets			
Statutory deposits with Central Bank		1,567,778	(6,440,282)
Deposits to other banks		47,304,400	(24,528,900)
Loans and advances to customers		(145,960,498)	(135,022,161)
Other assets		1,472,192	319,825
Increase (decrease) in operating liabilities			
Deposits from customers		77,632,015	(5,978,501)
Deposits from other banks		(16,603,761)	59,494,787
Other liabilities		337,371	(165,389)
Net cash used in operating activities		(30,791,804)	(110,400,319)
Cash flows from investing activities			
Sales (Purchases) of investments in securities		40,000,000	(15,000,000)
Purchases of leasehold improvement and equipment		(4,770,073)	(5,926,336)
Acquired intangible assets		(274,713)	-
Net cash provided by (used in) investing activities		34,955,214	(20,926,336)
Net increase (decrease) in cash and cash equivalents		4,163,410	(131,326,655)
Cash and cash equivalents at 1 January		216,920,081	348,246,736
Cash and cash equivalents at 31 December	9	221,083,491	216,920,081

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

KASIKORNTHAI BANK Limited

Notes to the financial statement for the year ended 31 December 2017

Note	Contents
1	Reporting entity
2	Basis of financial statement preparation
3	Significant accounting policies
4	Net interest income
5	Net fee and commission income
6	Personnel expenses
7	Other operating expenses
8	Income tax
9	Cash and cash equivalents
10	Statutory deposits with Central Bank
11	Investment
12	Loans and advances to customers, net
13	Leasehold improvement and equipment
14	Intangible assets
15	Other assets
16	Deposits from customers
17	Deferred tax liabilities
18	Other liabilities
19	Paid-up share capital
20	Statutory reserve
21	Related party transactions
22	Fair Value of Assets and Liabilities
23	Financial risk management
24	Operating Segments
25	Capital Management
26	Events after the reporting period
27	International Financial Reporting Standards (IFRS) not yet adopted

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

1. Reporting entity

KASIKORNTHAI BANK Limited (the "Bank") is 100% foreign invested commercial bank which was incorporated in Lao People's Domestic Republic and its registered office at Unit 14, Phonsinuan Village, Sisattanak District, Vientiane Capital, Lao P.D.R.

The Bank has issued and fully paid - up LAK 300 billion of authorized share capital which was registered with the Ministry of Commerce on 4 November 2014. The share capital is held by KASIKORNBANK PUBLIC COMPANY LIMITED "KBANK" and Kasikorn Asset Management Co., Ltd 90% and 10%, respectively.

The Bank operates in the Lao People's Democratic Republic ("Lao P.D.R") under the banking license (License No. 06/BOL) granted by the Bank of Lao P.D.R ("BoL") on 6 March 2017 and Enterprise Registration Certificate No. 0188/ERO dated 2 March 2017 issued by the Enterprise Registration Officer. Previously the Bank operated in Lao P.D.R under the banking license (License No. 32/BOL) granted by BoL on 16 October 2014 and Enterprise Registration Certificate No. 456/ERO dated 4 November 2014 issued by the Enterprise Registration Officer.

The principal activities of the Bank are to provide services comprehensive banking and related financial service in the Lao P.D.R.

As at 31 December 2017, the Bank had 27 (2016: 19) employees.

2. Basis of financial statement preparation

(i) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements of the Bank were authorised for issue by the Country Director on 30 March 2018.

(ii) Basis of measurement

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

(iii) Functional and presentation currency

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

(iv) Use of accounting estimates and judgements

In preparing this financial statement, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2017 included in the following note:

Note 11 Loans and advances to customers – allowance for impairment loss

(v) Fiscal Year

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

3. Significant accounting policies

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

(a) Foreign currency transactions

Transactions in a currency other than the functional currency of the Bank are translated to LAK at the exchange rates approximating those ruling at the transaction dates.

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

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

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

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

	31 December 2017 (LAK)	31 December 2016 (LAK)
United State Dollar ("USD")	8,293.00	8,181.00
Thai Baht ("THB")	254.15	229.38

(b) Financial assets and financial liabilities

(i) Recognition

The Bank initially recognises loans and advances, deposits on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition or issue.

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

(ii) Classification

Financial assets

The Bank classifies its financial assets in one of the following categories:

- Loans and receivables;
- Held to maturity; and
- At fair value through profit or loss as held for trading

Financial liabilities

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

(iii) Derecognition

Financial assets

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

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

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

Financial liabilities

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

(iv) Offsetting

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

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

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

(v) Amortised cost measurement

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

(vi) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

(vii) Objective evidence of impairment

At each reporting date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss were impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security or observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

Measurement of impairment

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Presentation

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances or held-to-maturity investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Write-off

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

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

(c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of 30 days or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Branch in the management of its short-term commitments.

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

(d) Loans and advances

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

Loans and advances are carried at amortised cost using the effective interest rate method, less any impairment losses. Loans and advances are shown inclusive of accrued interest receivables.

(e) Held-to-maturity investments

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Branch has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available for sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

Interest on held-to-maturity investments is included in the statement of comprehensive income. Held-to-maturity investments are bonds issued by the Ministry of Finance of the Lao P.D.R ("MOF").

(f) Leasehold improvement and equipment

(i) Recognition and measurement

Items of leasehold improvement and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of leasehold improvement and equipment have different useful lives, then they are accounted for as separate items (major components) of leasehold improvement and equipment.

Any gain or loss on disposal of an item of leasehold improvement and equipment is recognised within other income in profit or loss.

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of leasehold improvement and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of significant items of leasehold improvement and equipment are as follows:

Leasehold improvement	20 years
Furniture, fittings and office equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Deposits from customers

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

(h) Employee benefit obligations Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(i) Provisions

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

(j) Interest

Interest income and expense are recognised in statement of profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

payments and receipts through the expected life of the financial asset or financial liability (or where appropriate, a shorter period) to the carrying amount of the financial asset or the amortised cost of the financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense are presented in profit or loss.

(k) Fee and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial assets or financial liabilities are included in the measurement of the effective interest rate.

Other fees and commission income are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(l) Income tax

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

(i) Current tax

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions of amounts payable to the tax authorities.

As per the revised tax law, from 1 January 2013 the minimum tax of 1% has been abolished and the new corporate tax rate is 24%.

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

(ii) Deferred tax

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

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

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

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

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

(iii) Tax exposures

The Bank's tax returns are subject to examination by the tax authorities. As the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amount reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

The taxation system in the Lao P.D.R is relatively new and is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in the Lao P.D.R 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.

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

(m) Financial guarantees

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

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

(n) Provision for contingent liabilities

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

(o) Related parties

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

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

4. Net interest income

	31 December 2017	31 December 2016
	(in thousand LAK)	
Interest income		
Loans and advances to customers	16,291,111	7,763,388
Investments	1,195,069	1,709,041
Deposits with other banks	5,336,011	4,055,093
	<u>22,822,191</u>	<u>13,527,522</u>
Interest expense		
Deposits from customers	(4,498,352)	(3,377,969)
Deposits from other banks	(6,175,184)	(2,498,911)
	<u>(10,673,536)</u>	<u>(5,876,880)</u>
Net interest income	<u>12,148,655</u>	<u>7,650,642</u>

5. Net fee and commission income

	31 December 2017	31 December 2016
	(in thousand LAK)	
Fees and commission income		
Foreign remittances and facilities	1,634,332	1,324,843
Domestic facilities	100,449	34,862
Financial services fees	938,102	608,296
Others	182,823	97,700
	<u>2,855,706</u>	<u>2,065,701</u>
Fees and commission expense		
Other fees paid	<u>(459,437)</u>	<u>(427,102)</u>
Net fees and commission income	<u>2,396,269</u>	<u>1,638,599</u>

6. Personnel expenses

	31 December 2017	31 December 2016
	(in thousand LAK)	
Wages and salaries	5,213,181	3,931,064
Other benefits	740,922	554,988
Total	<u>5,954,103</u>	<u>4,486,052</u>

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

7. Other operating expenses

	31 December 2017	31 December 2016
	(in thousand LAK)	
Administrative expenses	3,201,145	2,719,722
Rental expenses	2,687,079	2,180,943
Other expenses	185,921	111,780
Total	6,074,145	5,012,445

8. Income tax

Amounts recognised in profit and loss

	Note	2017	2016
		(in thousand LAK)	
Current tax expense			
Current year		621,019	76,561
Deferred tax expense			
Movements in temporary differences	17	150,383	259,073
Total income tax expense		771,402	335,634

The reconciliation of income tax computed at the statutory tax rate to the income tax shown in the statement of income is as follow:

	Tax rate (%)	2017 (in thousand LAK)	Tax rate (%)	2016 (in thousand LAK)
Profit before income tax		3,214,175		1,440,653
Income tax at the domestic tax rate	24.00	771,402	24.00	345,757
Tax effect of:				
- Non-deductible expenses		-		673
- Under provided deferred tax		-		(10,796)
Income tax	24.00	771,402	23.30	335,634

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

9. Cash and cash equivalents

	2017	2016
	(in thousand LAK)	
Cash on hand	9,175,012	10,370,160
Balances at Central Bank	186,848,216	86,169,176
Balances at other banks	25,060,263	120,380,745
Total	221,083,491	216,920,081

10. Statutory deposits with Central Bank

	2017	2016
	(in thousand LAK)	
Statutory deposits on:		
Capital	4,569,571	4,589,828
Amounts due to customers	14,345,013	15,892,534
Total	18,914,584	20,482,362

Balances with the BOL include demand deposits and compulsory deposits. These balances bear 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 5% and 10%, on a bi-monthly basis (2016: 5% and 10%) of amounts due to customer having original maturities of less than 12 months, in LAK and in foreign currencies, respectively. During the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

11. Investment

	2017	2016
	(in thousand LAK)	
Ministry of Finance Bonds	-	40,000,000

The investment represents bonds with the Ministry of Finance of the Lao P.D.R with an interest rate of 5% per annum. The bonds were matured in 2017.

Movements of investments during the year are as follows:

	2017	2016
	(in thousand LAK)	
Balance at the beginning of the year	40,000,000	25,000,000
Acquisitions	-	40,000,000
Maturities	(40,000,000)	(25,000,000)
Balance at the end of the year	-	40,000,000

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

12. Loans and advances to customers, net

	2017	2016
	(in thousand LAK)	
Loans	388,492,284	240,084,701
Add accrued income on loans	3,441,667	1,176,745
Less deferred income	(681,033)	(873,432)
allowance for impairment loss	(1,942,461)	(1,200,423)
Loans and advances to customers, net	<u>389,310,457</u>	<u>239,187,591</u>
Current	231,758,152	87,722,301
Non-current	156,734,132	152,362,400
Total	<u>388,492,284</u>	<u>240,084,701</u>

	2017	2017	2017
	Loans, net deferred income	Allowance for impairment loss (in thousand LAK)	Carrying amount
Corporate	391,252,918	(1,942,461)	389,310,457
Total	<u>391,252,918</u>	<u>(1,942,461)</u>	<u>389,310,457</u>

	2016	2016	2016
	Loans, net deferred income	Allowance for impairment loss (in thousand LAK)	Carrying amount
Corporate	240,388,014	(1,200,423)	239,187,591
Total	<u>240,388,014</u>	<u>(1,200,423)</u>	<u>239,187,591</u>

The changes in the allowance for impairment loss are as follows:

	2017	2016
	(in thousand LAK)	
Individual allowance for impairment loss		
Balance at 1 January	1,200,423	523,873
Foreign exchange translation	32,084	2,831
Credit loss expense	709,954	673,719
Balance at 31 December	<u>1,942,461</u>	<u>1,200,423</u>

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

13. Leasehold improvement and equipment

	Leasehold improvement	Furniture, fitting and office equipment	Construction in progress	Total
(in thousand LAK)				
Cost				
Balance at 31 December 2016	9,745,502	1,348,871	5,038,736	16,133,109
Additions	3,114,663	1,655,410	-	4,770,073
Transfer	5,038,736	-	(5,038,736)	-
Balance at 31 December 2017	17,898,901	3,004,281	-	20,903,182
Accumulated depreciation				
Balance at 31 December 2016	(1,057,507)	(509,826)	-	(1,567,333)
Depreciation for the year	(551,216)	(720,532)	-	(1,271,748)
Balance at 31 December 2017	(1,608,723)	(1,230,358)	-	(2,839,081)
Net book value				
At 31 December 2016	8,687,995	839,045	5,038,736	14,565,776
At 31 December 2017	16,290,178	1,773,923	-	18,064,101

14. Intangible assets

	Software license (in thousand LAK)
Cost	
Balance at 31 December 2016	6,524,352
Additions	274,713
Balance at 31 December 2017	6,799,065
Accumulated depreciation	
Balance at 31 December 2016	(2,831,301)
Amortisation for the year	(1,422,995)
Balance at 31 December 2017	(4,254,296)
Net book value	
At 31 December 2016	3,693,051
At 31 December 2017	2,544,769

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

15. Other assets

	2017	2016
	(in thousand LAK)	
Interest receivables on investments	-	804,932
Interest receivables on deposit with other banks	542,570	1,397,311
Prepaid rental expenses	1,351,759	2,658,825
Prepaid tax	168,780	-
Others	497,354	831,261
Total	2,560,463	5,692,329

16. Deposits from customers

	2017	2016
	(in thousand LAK)	
Retail customers:		
- Current	3,728,228	1,418,830
- Savings	89,683,524	66,978,249
- Term	82,414,022	44,076,563
Corporate customers:		
- Current	27,605,817	35,125,851
- Savings	5,682,123	4,593,005
- Term	31,800,075	11,089,276
Total	240,913,789	163,281,774

17. Deferred tax liabilities

	As of 1 January 2017	Charged to Profit and loss	As of 31 December 2017
	(in thousand LAK)		
Deferred tax assets			
Deferred income	209,624	(46,175)	163,449
Deferred tax liabilities			
Depreciation	(468,697)	(104,208)	(572,905)
Net	(259,073)	(150,383)	(409,456)

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

18. Other liabilities

2017 2016

(in thousand LAK)

Accrued interest payables	3,948,603	3,043,799
Others	1,497,011	1,390,950
Total	5,445,614	4,434,749

19. Paid-up share capital

Issue of ordinary shares

The Bank has issued and fully paid - up LAK 300 billion of authorized share capital which was registered with the Ministry of Commerce on 4 November 2014.

There was no increase in capital during the year 2017.

20. Statutory reserve

The statutory reserve is provided for at the rate of at least 10% of profit during the year in accordance with the BOL regulations.

21. 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.

The pricing policies for transactions with related parties are explained further below:

Transactions

Fee and commission income
Other operating expense
Interest expense

Pricing policies

Contractual agreed price
Contractual agreed price
Market rate

Significant transactions with related parties during the year are as follows:

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

Related party	Relationship	Transactions	2017	2016
			(in thousand LAK)	
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Fee and commission income	1,052,562	610,986
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Other operating expense	423,267	418,693
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Interest expense	5,932,541	2,420,179

Significant balances with related parties at 31 December 2017 are as follows:

Related party	Relationship	Transactions	Receivable	Payable
			(in thousand LAK)	
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Cash and cash equivalents	18,818,659	-
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Deposit from other banks	-	238,104,482
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Accrued interest payable	-	1,551,645

Significant balances with related parties at 31 December 2017 are as follows:

Related party	Relationship	Transactions	Receivable	Payable
			(in thousand LAK)	
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Cash and cash equivalents	50,360,406	-
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Other assets	327,717	-
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Deposit from other banks	-	264,708,243
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Accrued interest payable	-	832,291
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Other liabilities	-	5,209

Remuneration to members of the Board of Management during this year are as follows:

	2017	2016
	(in thousand LAK)	
Short-term employee benefits	2,114,685	1,927,168

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

22. Fair Value of Assets and Liabilities

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date. In the absence of a principal market, the most advantageous market would be considered if the Bank and its subsidiaries are able to access that market at the measurement date.

Fair value hierarchy

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

- | | |
|---------|---|
| Level 1 | Quoted prices (unadjusted) in active markets for identical assets or liabilities. |
| Level 2 | Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for similar assets or liabilities in markets that are less than active, or other valuation techniques which are directly or indirectly observable from market data. |
| Level 3 | Inputs for the assets or liability that are not based on unobservable market data (unobservable input). |

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

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the year ended 31 December 2017 and 2016.

Financial assets are not measured at fair value

The fair values of loans to customers approximates carrying value including accrued interest receivables and net of deferred revenue, allowance for doubtful accounts as loans are at market rates of interest and the majority of fixed rate loans are short term. Furthermore, allowance for doubtful accounts is predominately determined on an expected loss basis. The carrying amount of the following financial assets: cash and cash equivalents, deposits with other banks, investment, and other assets which core item is accrued interest receivables and that of the following financial liabilities: deposits from customer, deposits from other bank, and other liabilities which core item is accrued interest payables are a reasonable approximation of fair value because they are mostly short term in nature.

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

23. Financial risk management

23.1 Operational Risk Management

Operational risk refers to the risk of direct or indirect losses in bank earnings and capital funds, resulting from inadequate processes, personnel, or operating and IT systems, or external events. Having realized the importance of operational risk management, the Bank continues to place a great emphasis on effective operational risk management, and has continually improved the Bank risk management framework to control and mitigate operational risk proactively, as well as strengthening the operational risk awareness and education to the entire group.

In so doing, our management team, which includes executive member in KBANK, regularly governs overall operational risk of the Bank, as well as, the Bank's supervisors, who ensures the effectiveness of controls of all operational activities closely.

Currently, the overall Banks' key risk would be classified in staff experience and operation skills which may cause error during process operation. To manage the mentioned risk, the concept of segregation of duty and four eyes of defense will be applied as control mechanism to reduce chances of involvement of crime and fraud. The concept is introduced and instilled along with clarification of roles and responsibilities of staffs, regular training schedules for operational risk awareness and banking ethics. Furthermore, the core banking system is implemented to facilitate operating control and accuracy of information along banking activities.

The Bank continues to place great emphasis on effective operational risk management, and has continually improved our risk management framework to control and mitigate operational risk proactively. From the highest level of control, the operational risk management policy has been developed and implemented in the Bank, where there is clear segregation of roles and establishment of standards that is systematically implemented across the entire Bank's operations. For the operational processes, the operational risk management framework focuses on the procedure of developing new / existing product (PMF) and delegation of authorities management, implementation of annual review to update the change of environment, adoption of incident and case management policy to regulate reporting of operational risk incident, centralizing the Risk Event Database (RED) of occurred incidents and compliance with local regulation requirements. Furthermore, the Bank will maintain constant situational awareness in order to handle contingency events, which might impact customer service quality or pose as business obstacles. The reaction plans are geared towards the Business Continuity Management (BCM) per KBANK standard.

To strengthen staff experience and awareness, training is regularly arranged to enhance employees' awareness in areas of risk knowledge. On the other hand, the staff will receive effective and realistic on job training guided by the experienced staff in charge of each unit.

Besides the first layer of daily operation staff, the second layer of operational risk management includes the Enterprise Risk Management unit, Branch Manager, unit supervisor level. They would be responsible to manage operational risk in normal course of business within the Bank, and control risk within acceptable level.

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

23.2 Credit risk

“Credit risk” refers to the risk that a counterparty or a borrower may default on its contractual obligations or agreements. Such defaults may be caused by counterparty’s inability to pay due to financial encumbrances or intention not to abide by the contractual agreements, resulting in a loss to the Bank.

- **Loan portfolio management**

The Bank sets and reviews loan targets, performs continuous monitoring of portfolio quality to better reflect changing economic situations, ensures consistency with the bank’s policies and risk appetite before submitting monthly reports to the Risk Management Committee. The Bank determines the target of loan growth and its desirable credit portfolio composition that strive for the highest possible risk-adjusted return within the acceptable risk levels under stress conditions, by taking into account the economic outlook, potential market opportunities, and the bank’s strategic direction. In assessing medium and large corporate customers’ credit risk level, the Bank utilizes credit risk rating tools to enhance the quality of loans granted. The Bank has additional processes in place for regular reviewing of the customers’ credit ratings and performance on all approved transactions.

- **Credit underwriting, approval process and monitoring**

In the credit approval process, the Bank considers the customers’ ability to repay and the loan objectives as key factors in the approval of credit and may obtain sufficient collateral or other securities, where appropriate, as a means of mitigating the risk of financial losses from defaults. To maximize the effectiveness of the credit approval process, credit analysis and approval functions are separated from the units responsible for maintaining customer relationship and undertaken by credit underwriters in KBank Head Office. However, large loans will require additional acknowledgement by BOD.

The Bank also has process for regularly reviewing customer’s credit rating and performance establishes monitoring mechanism for continuous tracking of customer performance, taking into account the changing economic situation and other major events. Relationship managers will be assigned to monitor customers and prepare quarterly credit monitoring reports. Proper mitigation actions will be taken as soon as negative signals from customers are detected. Moreover, the Bank will monitor and control credit usages to ensure that borrowing objectives are strictly met.

- **Loan Risks Classification and provisioning**

Loan classification and loan loss provisions have been completely established in compliance with regulatory and internal requirements. The Bank assesses the risk and classifies the loans based on the possibilities of repayment. Principle factors taken into consideration include: the borrower’s repayment ability, repayment record and willingness to repay the loan, profitability of the loan project, the loan guarantees as well as the legal obligations relating to loan repayment.

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

During the reporting period, the Bank refines the loan risk classification mechanism and reinforces loan detection and monitoring for adjustment of the potential risk classifications to ensure that loan classifications are objective and prudent.

The provisioning must be set aside to offset any possible loss. The book value of assets shall be reduced via allowances for doubtful accounts. The amount of provisioning shall be determined by the number derived from the expected loss model.

Maximum exposure to credit risk

Maximum exposure to credit risk without taking into account of any collateral and other credit enhancements of the Bank as at 31 December 2017 and 2016 were as follows:

	2017 LAK (in thousand)	2016 LAK (in thousand)
Credit risk associated with on-financial reporting assets:		
Deposits with other banks	145,930,000	193,234,400
Statutory deposits with Central Bank	18,914,584	20,482,362
Loans and advances to customers and accrued interest receivables	391,933,951	241,261,446
	<u>556,778,535</u>	<u>454,978,208</u>
Fair value of collaterals	<u>106,460,152</u>	<u>75,851,669</u>

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

Credit risk concentrations by industry

Maximum exposure to credit risk for the components of the statement of financial position by industry without taking into account of any collateral, margin deposit as at 31 December 2017 and 2016 was as follows:

	2017						Total LAK (in thousand)
	Financial institutions LAK (in thousand)	Government LAK (in thousand)	Agriculture LAK (in thousand)	Leasing LAK (in thousand)	Electricity LAK (in thousand)	Others LAK (in thousand)	
Deposits with other banks	145,930,000	-	-	-	-	-	145,930,000
Statutory deposits with Central Bank	18,914,584	-	-	-	-	-	18,914,584
Loans and advances to customers and accrued interest receivables	-	84,100,763	23,545,814	56,979,421	179,920,028	47,387,925	391,933,951
	164,844,584	84,100,763	23,545,814	56,979,421	179,920,028	47,387,925	556,778,535
	2016						Total LAK (in thousand)
	Financial institutions LAK (in thousand)	Government LAK (in thousand)	Agriculture LAK (in thousand)	Leasing LAK (in thousand)	Electricity LAK (in thousand)	Others LAK (in thousand)	
Deposits with other banks	193,234,400	-	-	-	-	-	193,234,400
Statutory deposits with Central Bank	20,482,362	-	-	-	-	-	20,482,362
Loans and advances to customers and accrued interest receivables	-	82,914,165	9,198,348	21,903,023	61,398,541	65,847,369	241,261,446
	213,716,762	82,914,165	9,198,348	21,903,023	61,398,541	65,847,369	454,978,208

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

Credit quality by classes of financial assets

Details on credit quality by class of asset for all financial assets exposed to credit risk as at 31 December 2017 and 2016 were as follows:

	2017			
	Neither past due nor impaired LAK (in thousand)	Past due but not impaired LAK (in thousand)	Individually impaired LAK (in thousand)	Total LAK (in thousand)
Deposits with other banks	145,930,000	-	-	145,930,000
Statutory deposits with Central Bank	18,914,584	-	-	18,914,584
Loans and advances to customers and accrued interest receivables	391,933,951	-	-	391,933,951
Accrued interest receivable - Deposits with other banks	542,570	-	-	542,570
	557,321,105	-	-	557,321,105
Fair value of collaterals	106,460,152	-	-	106,460,152
	2016			
	Neither past due nor impaired LAK (in thousand)	Past due but not impaired LAK (in thousand)	Individually impaired LAK (in thousand)	Total LAK (in thousand)
Deposits with other banks	193,234,400	-	-	193,234,400
Statutory deposits with Central Bank	20,482,362	-	-	20,482,362
Loans and advances to customers and accrued interest receivables	241,261,446	-	-	241,261,446
Accrued interest receivable - Deposits with other banks	1,397,311	-	-	1,397,311
	456,375,519	-	-	456,375,519
Fair value of collaterals	75,851,669	-	-	75,851,669

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

Neither past due nor impaired: financial assets or the loans and advances with interest or principal payments not yet past due and there is no evidence of impairment.

Past due but not impaired: financial assets with past due interest and principal payments but the Branch believes that these assets are not impaired as they are secured by collaterals and has confidence in the customer's credit worthiness and other credit enhancements.

Individually impaired: debt instruments and loans to customers for which the Bank considers not being able to recover interest and principal under the terms of the contracts.

Fair value of collateral: the Bank carries out the valuation for collaterals at disbursement date and periodically reevaluates these assets based on market value and other factors affecting the impairment of these assets.

23.3 Market risk

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

23.3.1 Interest rate risk

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

An analysis of loans (including financial institutions) at fixed and floating interest rates (LIBOR, MLR, MOR and MRR) as of 31 December 2017 and 31 December 2016 are as follows:

	2017 (in thousand LAK)	2016 (in thousand LAK)
Fixed interest rates	127,851,587	178,727,201
Floating interest rates	260,640,697	61,357,500
Total loans	388,492,284	240,084,701

The average balances of the interest-bearing financial assets and liabilities of the Bank, calculated by using monthly average, and the average interest rates for the year ended 31 December 2017 and 2016 are as follows:

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

	Average balance	2017 Interest income/ expense	Average interest rate (%)
		(in thousand LAK)	
Financial assets			
Interest-bearing financial assets			
Deposits with other banks	488,184,575	5,336,011	1.1%
Investments	24,188,265	1,195,069	4.9%
Loans to customers	278,689,062	16,291,111	5.8%
Total financial assets	791,061,902	22,822,191	
Financial liabilities			
Interest-bearing financial liabilities			
Deposits from customers	275,928,203	4,498,352	1.6%
Deposits from other banks	292,301,684	6,175,184	2.1%
Total financial liabilities	568,229,887	10,673,536	
		2016	
		(in thousand LAK)	
	Average balance	Interest income/ expense	Average interest rate (%)
Financial assets			
Interest-bearing financial assets			
Deposits with other banks	172,084,576	4,055,093	2.4%
Investments	37,500,000	1,709,041	4.6%
Loans to customers	154,092,867	7,763,388	5.0%
Total financial assets	363,677,443	13,527,522	
Financial liabilities			
Interest-bearing financial liabilities			
Deposits from customers	163,576,018	3,377,969	2.1%
Deposits from other banks	199,751,444	2,498,911	1.3%
Total financial liabilities	363,327,462	5,876,880	

Financial assets and liabilities, classified by maturity of interest repricing, as of 31 December 2017 and 31 December 2016 are shown as below:

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

2017
(in thousand LAK)

	Immediate Repricing	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	Non-interest Bearing	Total
Financial assets						
Cash and cash equivalents	-	-	-	-	221,083,491	221,083,491
Deposits with other banks	-	145,930,000	-	-	-	145,930,000
Statutory deposits with Central Bank	-	-	-	-	18,914,584	18,914,584
Loans to customers (*)	-	355,003,489	13,000,000	20,488,435	3,441,667	391,933,591
Accrued interest receivables	-	-	-	-	542,570	542,570
Total financial assets	<u>-</u>	<u>500,933,489</u>	<u>13,000,000</u>	<u>20,488,435</u>	<u>243,982,312</u>	<u>778,404,236</u>
Financial liabilities						
Deposits from customers	95,365,647	50,187,934	19,001,765	45,024,398	31,334,045	240,913,789
Deposits from other banks	-	121,955,500	124,395,000	-	1,753,982	248,104,482
Accrued interest payables	-	-	-	-	3,948,603	3,948,603
Total financial liabilities	<u>95,365,647</u>	<u>172,143,434</u>	<u>143,396,765</u>	<u>45,024,398</u>	<u>37,036,630</u>	<u>492,966,874</u>

(*) includes accrued interest receivables

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

2016
(in thousand LAK)

	Immediate Repricing	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	Non-interest Bearing	Total
Financial assets						
Cash and cash equivalents	-	8,000,000	-	-	208,920,081	216,920,081
Deposits with other banks	-	137,234,400	56,000,000	-	-	193,234,400
Statutory deposits with Central Bank	-	-	-	-	20,482,362	20,482,362
Investments	-	-	40,000,000	-	-	40,000,000
Loans to customers (*)	61,357,500	80,722,301	7,000,000	91,004,900	1,176,745	241,261,446
Accrued interest receivables	-	-	-	-	2,202,243	2,202,243
Total financial assets	<u>61,357,500</u>	<u>225,956,701</u>	<u>103,000,000</u>	<u>91,004,900</u>	<u>232,781,431</u>	<u>714,100,532</u>
Financial liabilities						
Deposits from customers	71,571,254	23,845,995	13,825,296	17,494,548	36,544,681	163,281,774
Deposits from other banks	-	262,977,900	-	-	1,730,343	264,708,243
Accrued interest payables	-	-	-	-	3,043,799	3,043,799
Total financial liabilities	<u>71,571,254</u>	<u>286,823,895</u>	<u>13,825,296</u>	<u>17,494,548</u>	<u>41,318,823</u>	<u>431,033,816</u>

(*) includes accrued interest receivables

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

23.3.2 Foreign exchange rate risk

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

Foreign currency positions in LAK equivalent, as of 31 December 2017 were as follows:

	USD	2017 Currency THB	Total
		(in thousand LAK)	
Financial assets			
Cash and cash equivalents	101,151,615	58,212,324	159,363,939
Deposits with other banks	82,930,000	-	82,930,000
Statutory deposits with Central Bank	8,045,106	5,374,426	13,419,532
Loans to customer and accrued interest receivables	264,020,791	21,823,331	285,844,122
Other financial assets	228,449	-	228,449
Total financial assets	456,375,961	85,410,081	541,786,042
Financial liabilities			
Deposits from customers	122,559,248	82,779,110	205,338,358
Deposits from other banks	238,104,482	-	238,104,482
Total financial liabilities	360,663,730	82,779,110	443,442,840
Foreign currency position of items recognised on the statement of financial position - net	95,712,231	2,630,971	98,343,202

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

Foreign currency positions in LAK equivalent, as of 31 December 2016 were as follows:

	USD	2016 Currency THB	Total
		(in thousand LAK)	
Financial assets			
Cash and cash equivalents	117,756,668	48,100,746	165,857,414
Deposits with other banks	106,353,000	6,881,400	113,234,400
Statutory deposits with Central Bank	10,460,235	4,942,664	15,402,899
Loans to customer and accrued interest receivables	176,994,483	32,552,636	209,547,119
Other financial assets	345,223	10,542	355,765
Total financial assets	411,909,609	92,487,988	504,397,597
Financial liabilities			
Deposits from customers	74,990,610	61,617,126	136,607,736
Deposits from other banks	234,888,843	29,819,400	264,708,243
Total financial liabilities	309,879,453	91,436,526	401,315,979
Foreign currency position of items recognised on the statement of financial position - net	102,030,156	1,051,462	103,081,618

23.4 Liquidity risk

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

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

Financial assets and liabilities, classified by contractual maturity analysis, as of 31 December 2017 and 2016 as follows:

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

Financial assets and liabilities, classified by contractual maturity analysis, as of 31 December 2017 and 2016 as follows:

	At call	2017					Total
		Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	No Maturity	
(in thousand LAK)							
Financial assets							
Cash and cash equivalents	221,083,491	-	-	-	-	221,083,491	
Deposits with other banks	-	145,930,000	-	-	-	145,930,000	
Statutory deposits with Central Bank	-	-	-	-	18,914,584	18,914,584	
Loans to customers (*)	-	105,999,838	145,687,248	131,340,183	8,906,682	391,933,951	
Accrued interest receivables	-	542,570	-	-	-	542,570	
Total financial assets	221,083,491	252,472,408	145,687,248	131,340,183	8,906,682	778,404,596	
Financial liabilities							
Deposits from customers	126,699,692	50,187,934	19,001,765	45,024,398	-	240,913,789	
Deposits from other banks	1,753,982	121,955,500	124,395,000	-	-	248,104,482	
Accrued interest payables	5,038	2,465	2,732,615	1,208,485	-	3,948,603	
Total financial liabilities	128,458,712	172,145,899	146,129,380	46,232,883	-	492,966,874	
Liquidity - net	92,624,779	80,326,509	(442,132)	85,107,300	8,906,682	285,437,722	
Liquidity -accumulative net	92,624,779	172,951,288	172,509,156	257,616,456	266,523,138	285,437,722	

(*) includes accrued interest receivables

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

	At call	2016				Total
		Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	No Maturity	
(in thousand LAK)						
Financial assets						
Cash and cash equivalents	208,920,081	8,000,000	-	-	-	216,920,081
Deposits with other banks	-	137,234,400	56,000,000	-	-	193,234,400
Statutory deposits with Central Bank	-	-	-	-	20,482,362	20,482,362
Investments	-	-	40,000,000	-	-	40,000,000
Loans to customers (*)	-	95,269,171	6,384,126	122,059,904	17,548,245	241,261,446
Accrued interest receivables	-	710,253	1,491,990	-	-	2,202,243
Total financial assets	208,920,081	241,213,824	103,876,116	122,059,904	17,548,245	714,100,532
Financial liabilities						
Deposits from customers	108,115,935	23,845,995	13,825,296	17,494,548	-	163,281,774
Deposits from other banks	1,730,343	201,620,400	-	61,357,500	-	264,708,243
Accrued interest payables	3,319	855,360	2,185,120	-	-	3,043,799
Total financial liabilities	109,849,597	226,321,755	16,010,416	78,852,048	-	431,033,816
Liquidity - net	99,070,484	14,892,069	87,865,700	43,207,856	17,548,245	283,066,716
Liquidity -accumulative net	99,070,484	113,962,553	201,828,253	245,036,109	262,584,354	283,066,716

(*) includes accrued interest receivables

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

24. Operating Segments

The major business of the Bank is to provide financial services to the corporate customers. The rest of the business is not significant to overall financial statements. The management considers the business conducted in Lao P.D.R as one whole segment. The information reviewed by the Country Director is similar as presented in the statement of profit or loss. When taking into consideration the business location of the Bank, there is only one geographical segment as the business operates only in Lao P.D.R.

25. Capital Management

An analysis of the Bank's capital based on financial information deprived from IFRS financial statements is as follows:

	2017	2016
	(in thousand LAK)	
Tier 1 capital	304,052,109	301,755,559
Tier 2 capital	1,942,461	1,200,423
Total capital	305,994,570	302,955,982
Less: Deductions from capital (Investments in other credit and financial institutions)	-	-
Capital for CAR calculation	305,994,570	302,955,982
Risk weighted balance sheet items	262,874,514	246,107,170
Risk weighted off balance sheet items	-	-
Total risk weighted assets	262,874,514	246,107,170
Capital Adequacy Ratio	116.40%	123.10%

26. Events after the reporting period

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 2017 that significantly impacted the financial position of the Bank as at 31 December 2017.

KASIKORNTHAI BANK Limited

Notes to the financial statements for the year ended 31 December 2017

27. International Financial Reporting Standards (IFRS) not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018; however, the Bank has not applied the following new or amended standards in preparing these financial statements.

IFRS	Topic	Year effective
IFRS 9	Financial Instruments	2018
IFRS 15	Revenue from Contracts with Customers	2018

IFRS 9, published in July 2015, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Bank is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

Part V Events

The Inauguration Ceremony of KASIKORNTHAI BANK, Lane Xang Head Office

13 March 2017 - Vientiane, Lao PDR



Signing Ceremony & Press Conference

“USD 5,000,000 Syndicated Loan Signing Ceremony” Between Electricite du Laos and KASIKORNBANK PCL

2 February 2017 - Crowne Plaza Vientiane, Vientiane, Lao PDR



Knowledge Sharing & Seminar

“AML/CFT Compliance Workshop” Between Anti Money Laundering Intelligence Unit and KASIKORNTHAI BANK

30-31 January 2017 - KASIKORNTHAI BANK Limited, Ponesinuan Branch, Vientiane, Lao PDR



Knowledge Sharing “Fundamental Analysis in Stocks and Bond/FX and Bond Technical Analysis” to Bank of the Lao PDR’s Officers

23-24 February 2017 - KASIKORNBANK PCL, Bangkok, Thailand



Knowledge Sharing “Working Process of Internal Audit Department” to Banque Pour Le Commerce Extérieur Lao Public’s (BCEL) Staffs

28 April 2017 - KASIKORNBANK PCL, Bangkok, Thailand

“Innovation and Technology for Banking Seminar”

19 September 2017 - Bank of the Lao PDR, Vientiane, Lao PDR



Company Visit : Delegates from Faculty of Economics and Business Administration, National University of Laos pay a visit to observe the real operation of financial institution in Thailand.

23 November 2017 - KASIKORNBANK PCL, Bangkok, Thailand



THE WISDOM Activities

THE WISDOM Exclusive Experience “An Investment Guide to Laos”

17-20 August 2017 - Vientiane and Pakse, Lao PDR



Exclusive Wine Tasting Night

15 September 2017 - Settha Palace Hotel, Vientiane Lao PDR



Exclusive Private Shopping

23-24 September 2017 - THE EMQUARTIER & THE EMPORIUM, Bangkok, Thailand



Other Activity

Joined “The 5th FEB Recruitment Day”

2 March 2017 - National University of Lao, Vientiane, Lao PDR

