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开泰银行 KASIKORNTHAIBANK



KASIKORNTHAI BANK LIMITED

ANNUAL REPORT



January - December 2020



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<http://www.kasikornbank.com.la>





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Business Opportunities in AEC+3

ASEAN economic development has shown proven record of development and gained worldwide attention for the past few decades, being ranked as the 5th global biggest economy (IMF, 2018). Fundamental indicators including Gross Domestic Product per capita, International merchandise trade and foreign direct investments inflow (ASEAN, 2020) in the region has grown in stability. Despite turbulences from the epidemic in 2020 that reflect the world is in need of change in all-rounded approaches. As all ASEAN countries have established aspirational goals for their development, ASEAN will be much stronger if it can position itself as “an integrated market and a well-coordinated community”, in the post-COVID-19 global economic evolution.

Specifically, the ASEAN’s FDI have increasingly become key factors in the region’s economic development. The flow of FDI into the 10 ASEAN countries has gone up for the forth consecutive year, reaching 160.6 billion USD in 2019, increasing from the previous record of 155 billion USD in 2018 (ASEAN, 2020). While the ASEAN has been well embedded in global value chains, the COVID-19 tension has opened more doors to regional supply chain development for goods, services, labour and capital.

The connectivity between ASEAN and other economies such as China, Japan and Korea is expected to be strengthened further by regional cooperation and investments. In 2020, the ratification of Regional Comprehensive Economic Partnership (RCEP) along with Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) has strengthened the economic connectivity of AEC+3, while the world is fighting to recover from the century’s biggest economic challenge. In addition, its sustainable growth will be driven by regional infrastructure development like China – Laos Railway, an investment project totaled USD 5.9 billion to be completed in no far future. Once the railway operates, Lao PDR will become the strategic location in ASEAN linking China, Thailand, Malaysia and Singapore.

To help our customers take advantage of this remarkable opportunity, KASIKORNBANK emphasizes an international business on the top of the strategic agenda through the creation of regional digital expansion via significant business strategies. We have continuously developed both financial solutions and beyond financial services to leverage the financial inclusion in the region as well as expanded our international network to make KBank the qualified and partner for all financial service needs in AEC+3.

KASIKORNTHAI BANK Limited Vision and Core Values

Vision

KASIKORNTHAI BANK Limited aims to be the most innovative, proactive, and customer centric financial institution, delivering world class financial services and sustainable value for all stakeholders by harmoniously combining technology and talent.

Core Values



Customer at Heart



Agility



Collaboration



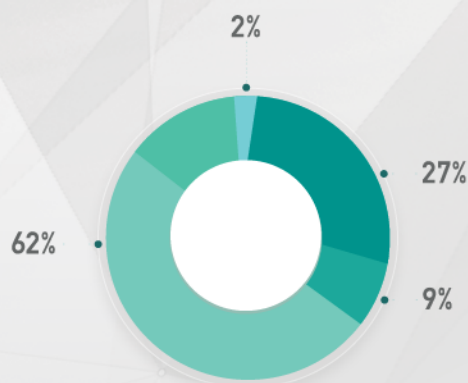
Innovativeness



KASIKORNTHAI BANK Limited

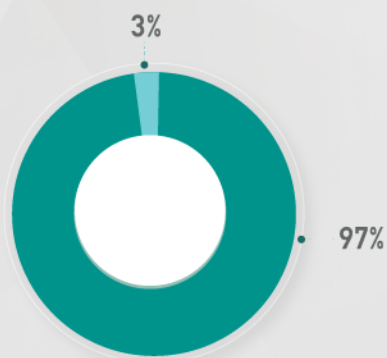
Financial Highlights

Total Assets



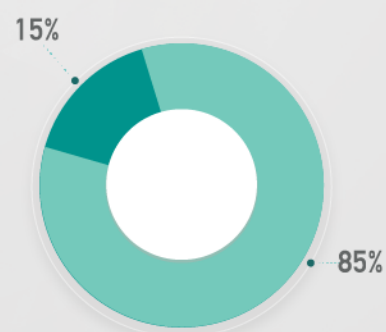
- Cash and Cash Equivalents
- Interbank and Money Market
- Loans and Advances to Customers
- Others

Total Liabilities



- Deposits
- Others

Net Operating Income



- Net Interest Income
- Net Fee and Commission Income

Unit : Thousand of LAK

	1 January 2019 to 31 December 2019	1 January 2020 to 31 December 2020
Net Interest Income	17,677,031	26,028,968
Net Fee and Commission Income	3,396,149	4,452,018
Net Operating Income	21,073,180	33,259,60
Total Operating Income	22,981,547	33,259,60
Total Operating Expense	21,442,113	24,813,040
Profit before Income Tax	1,539,434	8,446,565
Net Profit	(328,136)	5,164,977



Total Assets

As of December 31, 2020, KASIKORNTHAI BANK Limited (“KBank Lao”) has total assets in equivalent to LAK 1,527,745,162 thousand with loan size, to both public and private sectors, at LAK 939,166,352 thousand in total. KBank Lao also maintains sustainable liquidity for increase of loan in year 2021.



Total Liabilities

Total liabilities as of December 31, 2020 is LAK 1,139,232,785 thousand with deposits totaled LAK 1,109,812,166 thousand from customers and other financial institution.



Net Operating Income

For the year ended 2020, KBank Lao has net operating income totaled LAK 30,480,986 thousand which comprises of net interest income totaled LAK 26,028,968 thousand, net fee and commission income totaled LAK 4,452,018 thousand. In comparison with 2019 full year operation, net operating income has increased from both interest income and fee.



Net Profit

KBank Lao has profit before income tax totaled LAK 8,446,565 thousand and net profit for the year 2020 totaled LAK 5,164,977 thousand which significantly increased from year 2019 due to higher business volume in both credit and non-credit products.

Chairman Message

Over the past few decades, Lao PDR has witnessed an impressive development in many aspects including livelihood, economy, education, etc. with remarkable GDP per capita's growth at an average of 5.65% from 1996 to 2016. The latest 8th National Socio-Economic Development Plan 2016–2020 that is aimed to reduce poverty and build more prosperity in the country has gradually been actualized, and Lao PDR is on track towards greater economic and social development by 2024 according to the Ministry of Planning and Investment.

Despite recent challenges from the COVID-19 pandemic that affected the world, Lao PDR and her people do not cease to grow according to report by the United Nations. The country can strive through public health challenges posed by COVID-19 with enforcement of strict measures while showing its high adaptability in the economic sector, with digitization of businesses that play more roles during lockdown and social distancing measures. Therefore, the impact on the Lao economy due to this pandemic still has light at the end of the tunnel.

In this hard time, KASIKORNTHAI BANK Limited continues to be committed to share our expertise as the bank of AEC+3, with presence in Thailand, Lao PDR, Cambodia, Myanmar, Vietnam, Indonesia, China and partnership in other AEC+3 countries to best deliver our banking products and services to corporate and retail customers. Particularly for KASIKORNTHAI BANK Limited in Lao PDR, TDI contributes more than 50% of lending and the portfolio of customers increased in 2020.

In 2020, QR KBank, KBank's first digital e-wallet in Lao PDR, has reached an important milestone of 100,000 registered users, with fundamental financial services like cash-in, cash-out and transfer and daily life features such as mobile top-up and payment to respond to the growth and the need of the market. We will also continue to introduce new service features on QR KBank to meet the needs of Laotians, including international financial transactions, together with expanding payment points and funds transfer channels, aimed at offering convenience to customers, allowing better business mobility and fostering higher financial inclusion according to the Lao PDR's government goal for the people.



Throughout this journey, be it the time of normalcy or this extraordinary time, the support that KASIKORNTHAI BANK Limited has gained from the people of Lao PDR further solidifies our commitment to advancing the economy and the society of the country. The insight from local customers and the dedication of the KASIKORNTHAI staff has crucially enabled us to cater the products and the services to the right persons who are in need at the right time.

Last but not least, KASIKORNTHAI BANK Limited would like to extend our special gratitude to the Bank of Laos, which has reached out to our bank with valuable consultations, and all the partaking stakeholders in Lao PDR which has joined hand to move forward and expand the boundary of Lao's PDR financial inclusion-for a better and sustainable livelihood of the people.

Part I Corporate Background

Registered Name	KASIKORNTHAI BANK Limited
Enterprise Registration No.	0396 / ERO
Bank License No.	06 / BOL
Registered Capital	LAK 380,000 Million
Established Date	October 16, 2014
Chairman	Mr. Pattanapong Tansomboon
Country Director	Mr. Chatuporn Boozaya-Angool
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 services and innovative products that best response to customer needs. KBank prioritizes on both domestic and regional dimensions in line with changing economic trend, consumer behavior, government policies and market competition. These factors are assessed to define new strategies for KBank to enhance business operations and adjust to upcoming changes while sustainably upholding the superiority and relevance to customers' lives.

Furthermore, to better serve customer in all dimensions, KBank leverages synergies among wholly-owned subsidiaries 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)
- KASIKORN VISION CO., LTD (KVision)

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



With the core strategy to be “The bank of AEC+3”, KBank implements “Three-Track Regional Digital Expansion”. In the first Classical Expansion track, we extend and develop the banking business network in AEC+3. In the second Digital Expansion track, KBank develops issuing and acquiring business systems for electronic payments plus with infrastructure for enhancing international payment/remittance across region for all customer segments under the business strategic area “Borderless Payment for All”. In the third Industry Solution and Ecosystem Expansion track, we acquire customers in the “beyond banking” realm by delivering customer-centric solutions, enabled by asset light investments to anticipate our customer's needs.





KBank set its footprint in Lao PDR for the first time back in late 2014, becoming the first locally incorporated commercial bank from Thailand, under the Enterprise Registration 0396 / ERO granted by Enterprise Registration Office of Lao PDR. In 2020, KASIKORNTHAI BANK Limited (KBank Lao) was increased registered capital from LAK 340,000 million to LAK 380,000 million to align with the amended law on commercial bank from the Bank of Lao PDR in which required all banks to have minimum registered capital at LAK500,000 million within 2023. Its shareholders comprise respectable corporations namely, KASIKORNBANK Co., Ltd. COMPANY LIMITED and KASIKORN ASSET MANAGEMENT Co., Ltd. Currently, KBank Lao 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 PDR such as international transfers, foreign exchange, local and foreign currency deposit accounts, long-term and short-term loans in Lao Kip, US Dollar and Thai Baht. KBank Lao has expanded accessibility to our financial services by setting up a service center in both offices especially for High Net Worth Individuals, developing “QR KBank” mobile application, and “LA.KGLOBSUPPLYCHAIN.COM” website as digital alternative channels for retail and supply chain payments respectively.

As we are stepping into our 8th decade with a well-established banking business in Laos PDR, KBank will further develop products and services to meet diverse businesses and individuals’ needs. We will continue to deliver great customer experiences in Laos PDR to match our slogan, “Towards Service Excellence”

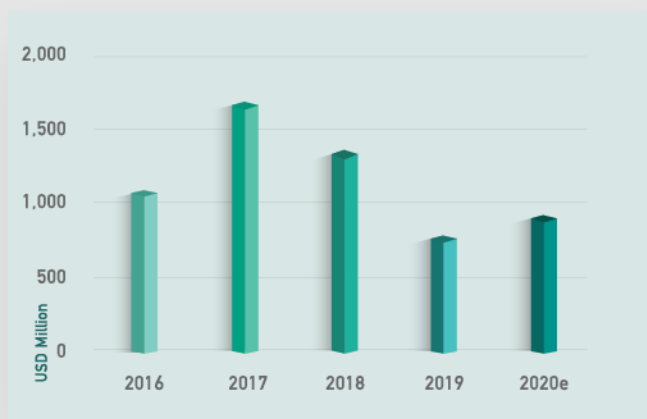
Part II Management Discussion and Analysis

2.1 Lao PDR Economic Overview

KResearch estimates a slight contraction of (-)0.4 of the Laos economy in 2020. The successful COVID containment could spare the domestic economy from severe damages. The Laos government combated the spread of COVID-19 by focusing on close coordination among the government, local agencies and international organizations. The social distancing, strict monitoring points of entry and arrival quarantine strategies were adopted at the early stage to reduce local transmission risks. As a result, there was no death from COVID-19 case, and local transmission cases were rare.

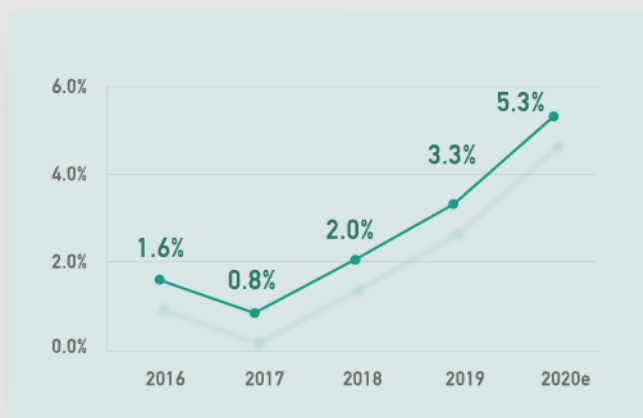
The success of the COVID containment helped Lao PDR to resume its economic activities promptly. Activities in agriculture, forestry, and mining were rapidly restored after the lockdown restrictions were lifted. The status of a "Corona Virus-free" country helped bolster external demands for its agriculture products, especially demands from China. Commodity exports gained ground from the global recovery. Cross-border trade restarted as a result of easing border controls. Alien workers in on-going mega infrastructure projects were also allowed to re-enter the country. The construction of railroads and motorways has continued almost without disruption, as evidenced by double-digit growth in FDI inflows amid the pandemic.

FDI remained stable amid COVID-19



Source: CEIC, estimated by KResearch

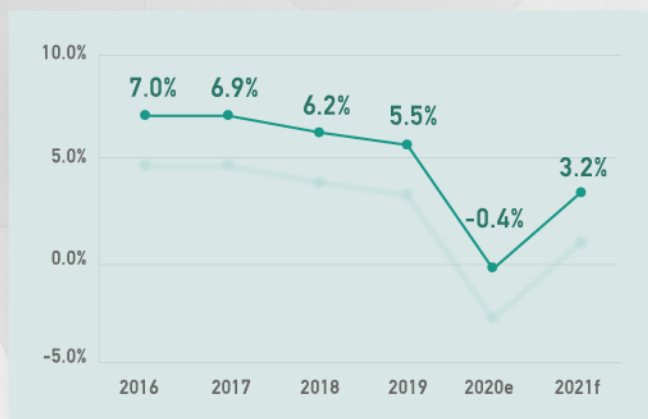
Inflation experienced a temporary rise



Source: Laos Statistic Bureau, estimated by KResearch

Having said that, COVID-19 posed challenges towards domestic consumption. A decline in the amount of remittances sent home by Laos migrant workers, standstill activities in tourism and the whole service sector, and a surge in inflation hampered domestic consumption. Meanwhile, the falling revenues and rising public health expenditures refrained the Laos government from unveiling a large scale of stimulus package. These impeded the overall economic growth in 2020.

Economic Growth suffered its worst fall in 2020

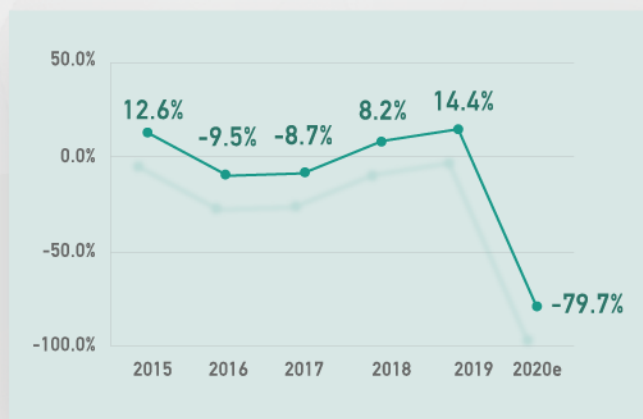


Source: CEIC, forecasted by KResearch

In 2021, the economic outlook of Lao PDR is expected to experience an upward trajectory. KResearch projects that the Laos economy will likely rebound with a growth rate of 3.2 percent (our forecast range is between 2.7-3.7 percent). The continuity of large scale infrastructure construction projects, e.g. the Laos-China Railway, the Vientiane-Vang Vieng-Luang Prabang Highway, and several hydropower projects, will help buoy FDI inflows and investment activities in 2021. In addition, a full year operation of new electricity dams and an increase in rainfalls from La Niña would support electricity exports.

Household consumption should observe a gradual recovery in 2021 as supported by tamed inflation and preferable crop conditions. Given a recent rise in official international reserves in late 2020, worries over Laos sovereign risk should dissipate somewhat. This should alleviate a pace of LAK depreciation in 2021. A subdued import price and a rise in farm income should contribute to a modest pace of household consumption recovery. However, the overall economy may need more time to get back to its pre-COVID level as household consumption remains a drag, facing several challenges from income losses, rising food prices, and job uncertainties. In addition,

Tourism hit hard by COVID-19



Source: Laos Statistic Bureau, estimated by KResearch

overseas remittances, one of the important income sources of Laos households, is not expected to exhibit a fast recovery.

Although the Laos economy continues facing significant challenges from fiscal and external fronts looking forward, it still has capability to maneuver these issues for the coming years. Since early 2020, the Laos authorities have secured liquidity access for the country's international reserves by forging comprehensive bilateral swap agreement between the Chinese central bank and the Bank of Lao PDR, an important addition to its available facilities from international institutions such as IMF and ADB. Going forward, a tax reform will help Lao PDR to overcome fiscal and external imbalances in the long-term.

2.2 2020 Business Performance and Business Directions of KASIKORNTHAI BANK Limited for Year 2021

KASIKORNTHAI BANK Limited (“KBank Lao”), as every other banks, experienced a year of challenge in 2020. However, we still managed to expand our portfolio. Since the establishment in 2014, KBank Lao has grown remarkably both in terms of business performance and customer base with ongoing products and services development to meet with customer’s needs and changing business environment. In 2020, our portfolio has not only focused on business customers both Thai and local corporation, their value chains, and SMEs, but also moved towards retail banking. As a result, KBank Lao was being able to capture more market through channel expansion with more understanding in local customer’s needs and also achieved higher yields.

To enhance business growth in Laos, innovative products are indispensable in the digital era. In 2019, KBank Lao started to provide Supply Chain Solution to local petrol stations. Apart from Supply Chain Solution, KBank Lao also joined hands with Lao Telecom and Unitel as strategic partner to launch QR KBank’s new feature for mobile and internet top-up anytime, anywhere. The service has been well-received, as evidenced by more than 470,000 transactions conducted via the application from over 110,000 users (as of 1 February 2021). This digital solution will not only enable local customers to access to financial services, but also enhance KBank Lao’s capabilities to serve local customer’s needs. Especially in 2021, International Remittance is now the highlighted feature that has been launched, with the hope to best facilitate cross-border trade and transactions between the 2 countries.



Regarding other digital business expansion of KBank in AEC+3 region, KBank will keep developing financial products and service innovations to match the needs of our customers and ensure excellent service quality amidst the challenge of COVID-19 that has changed lives in the world.

Part III Organization Structure

3.1 Shareholders

KASIKORNBANK PUBLIC COMPANY LIMITED	90%
KASIKORN ASSET MANAGEMENT COMPANY LIMITED	10%

3.2 Board of Directors

1. Mr. Pattanapong	Tansomboon	Chairman
2. Ms. Nutcharee	Nuntivacharin	Deputy Chairman
3. Mr. Karin	Boonlertvanich	Director
4. Mr. Wichai	Narongwanich	Director
5. Mrs. Sunan	Siriaksorn	Director
6. Mr. Photjanart	Sangpruaksa	Director
7. Mr. Chatuporn	Boozaya-Angool	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 also a member of many prestigious business organizations in Thailand.



Ms. Nucharee Nuntivacharin

Deputy Chairman

Ms. Nucharee 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. Karin Boonlertvanich, Ph.D.

Director

Mr. Karin Boonlertvanich has comprehensive experience in bank's assets and liabilities management, strategic investment management, and financial analytic development for more than 10 years with an excellent academic background in Industrial Engineering from The Georgia Institute of Technology. At present, he leads Central Treasury Department, Strategic Treasury Department, and Financial Data Analytic Department. He is also the Chairman of the Audit Committee of KBank Lao, Secretary of the Assets and Liabilities Management Committee, Secretary of the Investment Committee of Beacon Ventures, Member of the Regional Business Executive Working Group (REG), and Member of the Board of Directors of KVision.



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.



Mrs. Sunan Siriaksorn

Director

Mrs. Sunan Siriaksorn has experience over 25 years in financial industry with the academic background of the bachelor degree in Accounting, and the master degree in Finance. She has diverse backgrounds in investment analysis, treasury, corporate strategy, and human resource management. Her current job title is First Senior Vice President of Human Resource Division, and her main roles and responsibilities are supervising overall organization's employees issues that related to human resource management, human resource development and employee relations.



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, Housing Loan Alliance and Promotion Management Department and Credit Products Business Integration and Planning Department. At present, he takes charge as First Senior Vice President of World Business Group Division at KASIKORNBANK PCL. He is responsible for taking care of Corporate Credit and Transactional Bank.



Mr. Chatuporn Boozaya-Angool

Director

Mr. Chatuporn Boozaya-angool has more than 15 years background in International Trade both Operational Process and Trade Solution Expert. Prior to be a Country Director of KBank Lao, he was a head of Banking Operation Department which extensively gained management and operational experiences in Branch network, Corporate & Retail Banking, Compliance, Enterprise Risk, and Business & Product Development.

3.3 Risk Management Committee

1. Mr. Wichai	Narongwanich	Chairman
2. Mr. Pattanapong	Tansomboon	Deputy Chairman
3. Ms. Nutcharee	Nuntivacharin	Member
4. Mr. Chatuporn	Boozaya-Angool	Member

3.4 Audit Committee

1. Mr. Karin	Boonlertvanich	Chairman
2. Mr. Wichai	Narongwanich	Deputy Chairman
3. Mr. Photjanart	Sangpruaksa	Member

3.5 Governance Committee

1 Mrs. Sunan	Siriaksorn	Chairman
2. Mr. Photjanart	Sangpruaksa	Deputy Chairman
3. Mr. Chatuporn	Boozaya-Angool	Member

Part IV Financial Report

Corporate information

Bank	KASIKORNTHAI BANK Limited
Banking licence no.	06/Bank of LAO P.D.R.
Enterprise Registration Certificate	No. 0396/ERO Date 04/03/2020
Board of Directors	Mr. Pattanapong Tansomboon Ms. Nutcharee Nuntivacharin Mr. Wichai Narongwanich Mr. Photjanart Sangpruaksa Mr. Karin Boonlertvanich Mrs. Sunan Siriaksorn Mr. Chatuporn Boozaya-Angool
Board of Management	Mr. Chatuporn Boozaya-Angool Country Director Effective till 16 March 2021 Ms. Sudamas Sutangkanu Country Director Effective from 17 March 2021. Department Head Finance and Accounting Effective till 30 March 2021 Mr. Preedee Simapetch Department Head - Banking Operation Ms. Piyanoot Sangsana Department Head - Sales and Services
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. 10th Floor, Royal Square Office Building, Samsenthai Road, Nongduong Nua Village, Sikhotabong District, Vientiane, Lao P.D.R.

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 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended 31 December 2020 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, Ms. Sudamas Sutangkanu, on behalf of the Board of Director, do hereby state that the financial statements set out on pages 5 to 55 present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, 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 Director,


 Ms. Sudamas Sutangkanu
 Country Director
 31 March 2021





KPMG Lao Co., Ltd.
10th Floor, Royal Square Office Building,
Samsenthai Road, Nongduong Nua Village,
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Vientiane, Lao PDR
Tel +856 (21) 454240-7
Website home.kpmg/la

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

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 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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



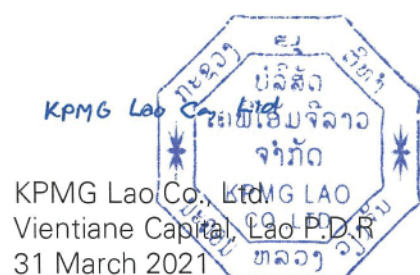
Auditors' Responsibilities for the Audit of the Financial Statements

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.



KASIKORNTHAI BANK Limited
Statement of financial position
For the year ended 31 December 2020

	<i>Note</i>	31 December 2020	31 December 2019
		<i>(in thousand LAK)</i>	
Assets			
Cash and cash equivalents	9	416,813,878	410,862,920
Deposits with other banks	10	98,963,925	118,745,639
Statutory deposits with Central Bank	11	35,260,459	72,163,884
Loans and advances to customers, net	12	939,166,352	613,507,889
Leasehold improvement and equipment	13	31,353,457	33,291,107
Intangible assets	14	203,687	336,613
Other assets	15	5,983,404	1,948,315
Total assets		1,527,745,162	1,250,856,367
Liabilities and equity			
Liabilities			
Deposits from customers	16	689,425,808	443,442,741
Deposits from other banks		420,387,358	434,037,370
Deferred tax liabilities	17	389,090	372,777
Other liabilities	18	29,030,529	29,656,079
Total liabilities		1,139,232,785	907,508,967
Equity			
Paid-up share capital	19	380,000,000	340,000,000
Legal reserve	20	2,751,631	1,106,472
Surplus		5,760,746	2,240,928
Total equity		388,512,377	343,347,400
Total liabilities and equity		1,527,745,162	1,250,856,367

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

KASIKORNTHAI BANK Limited

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

	Note	For the year ended 31 December 2020 (in thousand LAK)	For the year ended 31 December 2019
Interest income		52,798,742	37,044,977
Interest expense		(26,769,774)	(19,367,946)
Net interest income	4	26,028,968	17,677,031
Fee and commission income		4,897,421	3,897,459
Fee and commission expense		(445,403)	(501,310)
Net fee and commission income	5	4,452,018	3,396,149
Net operating income		30,480,986	21,073,180
Expected credit loss on financial assets		(15,056,006)	(5,224,837)
Gain on foreign exchange		17,046,718	7,019,011
Other income		787,907	114,193
Total operating income		33,259,605	22,981,547
Operating expenses			
Personnel expenses	6	(9,664,772)	(8,110,690)
Depreciation and amortization expenses		(2,313,934)	(3,563,295)
Other operating expenses	7	(12,834,334)	(9,768,128)
Total operating expenses		(24,813,040)	(21,442,113)
Profit before income tax		8,446,565	1,539,434
Income tax	8	(3,281,588)	(1,867,570)
Profit/(Loss) for the year		5,164,977	(328,136)
Other comprehensive income			
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income		5,164,977	(328,136)
Earnings per share			
Basic earnings per share (LAK)		135.92	(9.65)

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 2020

	Note	Paid-up share capital	Surplus (in thousand LAK)	Legal reserve	Total
Balance at 1 January 2019		300,000,000	3,091,797	583,739	303,675,536
Capital injection during the year	19	40,000,000	-	-	40,000,000
Loss for the year		-	(328,136)	-	(328,136)
Transfer to Legal reserve	20	-	(522,733)	522,733	-
Balance at 31 December 2019 and 1 January 2020		340,000,000	2,240,928	1,106,472	343,347,400
Capital injection during the year	19	40,000,000	-	-	40,000,000
Profit for the year		-	5,164,977	-	5,164,977
Transfer to Legal reserve	20	-	(1,645,159)	1,645,159	-
Balance at 31 December 2020		380,000,000	5,760,746	2,751,631	388,512,377

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

KASIKORNTHAI BANK Limited
Statement of cash flows
For the year ended 31 December 2020

	<i>Note</i>	For the year ended 31 December 2020 <i>(in thousand LAK)</i>	For the year ended 31 December 2019
<i>Cash flows from operating activities</i>			
Profit before income tax		8,446,565	1,539,434
<i>Adjustments for:</i>			
Depreciation and amortization		2,313,934	3,563,295
Expected credit loss on financial assets		15,056,006	5,224,837
Unrealised gain on exchange		(10,143,304)	(3,934,930)
Interest income		(52,798,742)	(37,044,977)
Interest expense		26,769,774	19,367,946
Interest received		53,472,218	37,940,177
Interest paid		(34,171,603)	(26,300,334)
Income tax paid		(1,449,625)	(1,226,585)
Gain/(Loss) from operations before changes in operating assets and liabilities		7,495,223	(871,137)
<i>Decrease (increase) in operating assets</i>			
Statutory deposits with Central Bank		36,903,425	(50,803,519)
Deposits to other banks		19,781,714	(46,534,211)
Loans and advances to customers		(325,658,463)	(219,157,292)
Other assets		(4,035,089)	1,272,362
<i>Increase (decrease) in operating liabilities</i>			
Deposits from customers		245,983,067	125,959,613
Deposits from other banks		(13,650,012)	243,664,030
Other liabilities		(625,549)	16,358,964
Net cash (used in) / provided by operating activities		(33,805,684)	69,888,810
<i>Cash flows from investing activities</i>			
Purchases of leasehold improvement and equipment		(243,358)	(173,292)
Acquisition of intangible assets		-	(344,736)
Net cash used in investing activities		(243,358)	(518,028)
<i>Cash flows from financing activities</i>			
Proceeds from capital injection		40,000,000	40,000,000
Net cash provided by financing activities		40,000,000	40,000,000
Net increase in cash and cash equivalents		5,950,958	109,370,782
Cash and cash equivalents at 1 January		410,862,920	301,492,138
Cash and cash equivalents at 31 December	9	416,813,878	410,862,920

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 2020

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KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2020

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 Unit 12, Lane Xang Avenue, Xiengngeun Village, Chanthaboury District, Vientiane Capital, Lao P.D.R.

The Bank has issued and fully paid up LAK 380 billion of authorized share capital (2019: LAK 340 billion), in accordance with the BOL announcement: Agreement on Increasing in Minimum Registered Capital and Investment Capital of Commercial Bank No.141/PM dated 24 September 2009.

According to Article 12 of amended Law on Commercial Bank No. 56/NA dated 7 December 2018, a commercial bank is required to raise its capital to minimum of LAK 500 billion within 5 years. The Bank must inject the additional capital not less than 20% each year commencing from September 2019.

During the year, the Bank complied with above requirement and raised its capital by LAK 40 billion. 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.1930/ERO dated 21 October 2019 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 2020, the Bank had 80 (2019: 46) 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 31 March 2021.

In preparing these financial statements, the significant judgments made by management in applying the Bank’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as of and for the year ended 31 December 2019.

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2020

(ii) Basis of measurement

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

(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.

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

In preparing these financial statements, the significant judgments made by management in applying the Bank’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited financial statements as at and for the year ended 31 December 2020.

Note 12 - Loans and advances to customers, net

(v) Fiscal Year

The Bank’s reporting period starts on 1 January and ends on 31 December 2020.

3. Significant accounting policies

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

(a) Foreign currency transactions

Transactions in 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.

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2020

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

	31 December 2020	31 December 2019
	(LAK)	(LAK)
United State Dollar (“USD”)	9,292.00	8,866.00
Thai Baht (“THB”)	335.50	300.20

(b) Financial assets and financial liabilities

(i) Recognition

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

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

(ii) Classification

Financial assets

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

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

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

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

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

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

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2020

Business model assessment

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

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

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

Reclassifications

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

(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 assets 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.

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2020

(iv) Offsetting

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

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

(v) Amortised cost measurement

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

(vi) 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.

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2020

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.

(vii) Impairment

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

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

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

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

Measurement of ECL

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

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

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

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

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

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

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

Details of these statistical parameters/inputs are as follows:

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

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

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2020

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

Assessment of significant increase in credit risk

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

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

- The assessment will be based on comparison of risk of default (and not the expected loss) occurring over the lifetime of the asset as at the reporting date and as at the origination i.e. which in turn is derived from the risk rating and expected life of the asset.
- The deterioration in credit quality will be judged as 'significant' if the Distance to Default (DD) on the reporting date has reduced by at least half as compared to the DD at initial recognition provided, however, that on the reporting date (i) the asset is not considered to be of low credit risk and (ii) the expected life of the asset has not increased since initial recognition. DD for any risk rating is defined as the number of notches separating it from default.
- The assessment of risk rating on each reporting date will be performed based on financial / non-financial data & conduct and performance of the related asset.

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation of the Bank.

Overdrafts are considered as being past due once the customer has breached and advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether the borrower is in default, the Bank considers indicators that are;

- qualitative - e.g. breaches of covenant
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2020

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Presentation of loss allowance for ECL in statement of financial position

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

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

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 2020

(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) 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.

(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.

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2020

(f) 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.

(g) 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.

(h) Interest income and expense

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 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.

(i) 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.

(j) 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.

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2020

Provision is made for taxation based on the current year's total revenue as per the laws governing taxation within the Lao P.D.R. For each profitable year, the Bank is subject to the current tax rate of 20% (2019: 24%) on total taxable income.

(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 2020

(k) 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.

(l) 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.

(m) 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.

(n) Leases

The Bank assesses at the contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets include the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

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Notes to the financial statements
For the year ended 31 December 2020

(ii) Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

4. Net interest income

	31 December 2020	31 December 2019
	<i>(in thousand LAK)</i>	
Interest income		
Loans and advances to customers	48,139,811	33,780,225
Deposits with other banks	4,658,931	3,264,752
	52,798,742	37,044,977
Interest expense		
Deposits from customers	(13,465,126)	(7,892,514)
Deposits from other banks	(13,304,648)	(11,475,432)
	(26,769,774)	(19,367,946)
Net interest income	26,028,968	17,677,031

5. Net fee and commission income

	31 December 2020	31 December 2019
	<i>(in thousand LAK)</i>	
Fees and commission income		
Foreign remittances and facilities	2,551,604	2,147,404
Domestic facilities	327,352	230,031
Financial services fees	1,386,204	1,185,403
Others	632,261	334,621
	4,897,421	3,897,459
Fees and commission expense		
Other fees paid	(445,403)	(501,310)
Net fees and commission income	4,452,018	3,396,149

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2020

6. Personnel expenses

	31 December 2020	31 December 2019
	<i>(in thousand LAK)</i>	
Wages and salaries	8,054,446	7,224,976
Other benefits	1,610,326	885,714
Total	9,664,772	8,110,690

7. Other operating expenses

	31 December 2020	31 December 2019
	<i>(in thousand LAK)</i>	
Administrative expenses	9,831,261	7,249,068
Rental expenses	2,360,602	1,604,002
Other expenses	642,471	915,058
Total	12,834,334	9,768,128

8. Income tax

Amounts recognised in profit and loss

	<i>Note</i>	31 December 2020	31 December 2019
		<i>(in thousand LAK)</i>	
Current tax expense			
Current year		3,265,275	1,680,827
Deferred tax expense			
Movements in temporary differences	17	16,313	186,743
Total income tax expense		3,281,588	1,867,570

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	2020	Tax rate	2019
	(%)	<i>(in thousand LAK)</i>	(%)	<i>(in thousand LAK)</i>
Profit before income tax		8,446,565		1,539,434
Income tax at the domestic tax rate	20.00	1,689,313	24.00	369,464
Tax effect of:				
- Non-deductible items		1,592,275		1,498,106
Income tax	38.85	3,281,588	121.33	1,867,570

KASIKORNTHAI BANK Limited

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9. Cash and cash equivalents

	2020	2019
	<i>(in thousand LAK)</i>	
Cash on hand	12,687,687	9,555,361
Balances at Central Bank	358,948,685	269,084,527
Balances at other banks	45,449,521	132,371,601
	<u>417,085,893</u>	<u>411,011,489</u>
Less Allowance for impairment losses	(272,015)	(148,569)
Total	<u>416,813,878</u>	<u>410,862,920</u>

Cash on hand and balances at other banks are classified under stage 1 and stage 2 as per IFRS 9 and the expected credit loss as at 31 December 2020 is LAK 272,015 thousand. (31 December 2019: LAK 148,569 thousand).

10. Deposits with other banks

	2020	2019
	<i>(in thousand LAK)</i>	
Other Banks	66,050,500	118,660,000
Lending to financial institution*	32,600,000	-
Accrued interest	500,845	1,227,620
	<u>99,151,345</u>	<u>119,887,620</u>
Less Allowance for impairment losses	(187,420)	(1,141,981)
Total	<u>98,963,925</u>	<u>118,745,639</u>

Deposits with other banks is classified under stage 1 as per IFRS 9 and the expected credit loss as at 31 December 2020 is LAK 187,420 thousand (31 December 2019: LAK 1,141,981 thousand).

*This is long term loan that was disbursed to a local financial institution at an interest rate of 5% per annum.

11. Statutory deposits with Central Bank

	2020	2019
	<i>(in thousand LAK)</i>	
Statutory deposit on:		
Capital	4,836	39,794,348
Compulsory reserve	35,255,623	32,369,536
Total	<u>35,260,459</u>	<u>72,163,884</u>

Statutory deposits with Central Bank include compulsory reserve and registered capital reserve. These balances earn no interest. Under regulations of the BOL, the Bank is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 4% and 8% on a bi-monthly basis (2019: 5% and 10%) of amounts due to customer, in LAK and in foreign currencies, respectively. During the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

The reserve percentages were revised by BOL through a letter 226/BOL dated 20 March 2020.

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2020

12. Loans and advances to customers, net

	2020	2019
	<i>(in thousand LAK)</i>	
Loans	965,176,380	622,287,684
Less deferred income	(3,307,519)	(2,915,306)
allowance for expected credit loss*	(22,702,509)	(5,864,489)
Loans and advances to customers, net	939,166,352	613,507,889
Current	348,312,999	281,701,289
Non-current	613,714,039	338,837,304
Total	962,027,038	620,538,593

		2020	
	Loans, net deferred income	Allowance for expected credit loss	Carrying amount
		(in thousand LAK)	
Corporate	961,868,861	(22,702,509)	939,166,352
Total	961,868,861	(22,702,509)	939,166,352

	2019		
	Loans, net deferred income	Allowance for expected credit loss	Carrying amount
		(in thousand LAK)	
Corporate	619,372,378	(5,864,489)	613,507,889
Total	619,372,378	(5,864,489)	613,507,889

*Loans and advances to customers are classified under stage 1 and 2 as per IFRS 9 and the expected credit loss as at 31 December 2020 is LAK 22,702,509 thousand (31 December 2019: Stage 1, LAK 5,864,489 thousand).

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

	2020	2019
	<i>(in thousand LAK)</i>	
Allowance for expected credit loss		
Balance at 1 January	5,864,489	2,228,592
Foreign exchange translation	(320,943)	(200,442)
Credit loss expense	17,158,963	3,836,339
Balance at 31 December	22,702,509	5,864,489

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2020

13. Leasehold improvement and equipment

	Leasehold improvement	Furniture, fitting and office equipment <i>(in thousand LAK)</i>	Right of use asset	Total
<i>Cost</i>				
Balance at 31 December 2019	17,898,901	3,442,230	18,337,698	39,678,829
Additions	-	243,358	-	243,358
Balance at 31 December 2020	17,898,901	3,685,588	18,337,698	39,922,187
<i>Accumulated depreciation</i>				
Balance at 31 December 2019	(2,520,042)	(2,455,923)	(1,411,757)	(6,387,722)
Depreciation for the year	(388,461)	(380,790)	(1,411,757)	(2,181,008)
Balance at 31 December 2020	(2,908,503)	(2,836,713)	(2,823,514)	(8,568,730)
<i>Net book value</i>				
At 31 December 2019	15,378,859	986,307	16,925,941	33,291,107
At 31 December 2020	14,990,398	848,875	15,514,184	31,353,457

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2020

14. Intangible assets

	Software license (in thousand LAK)
<i>Cost</i>	
Balance at 31 December 2019	7,143,801
Additions	-
Balance at 31 December 2020	7,143,801
<i>Accumulated depreciation</i>	
Balance at 31 December 2019	(6,807,188)
Amortisation for the year	(132,926)
Balance at 31 December 2020	(6,940,114)
<i>Net book value</i>	
At 31 December 2019	336,613
At 31 December 2020	203,687

15. Other assets

	2020 (in thousand LAK)	2019
Prepaid rental expenses	5,124,670	196,243
Others	858,734	1,752,072
Total	5,983,404	1,948,315

16. Deposits from customers

	2020 (in thousand LAK)	2019
Retail customers:		
- Current	1,135,676	1,677,771
- Savings	159,553,907	101,499,657
- Term	296,216,117	163,842,051
Corporate customers:		
- Current	83,336,606	58,324,518
- Savings	75,024,981	63,892,965
- Term	74,158,521	54,205,779
Total	689,425,808	443,442,741

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17. Deferred tax liabilities

	As of 1 January 2020	Charged to Profit and loss (in thousand LAK)	As of 31 December 2020
<i>Deferred tax liabilities</i>			
Deferred income	(372,777)	(16,313)	(389,090)
Total	(372,777)	(16,313)	(389,090)

	As of 1 January 2019	Charged to Profit and loss (in thousand LAK)	As of 31 December 2019
<i>Deferred tax assets</i>			
Deferred income	73,832	(446,609)	(372,777)
<i>Deferred tax liabilities</i>			
Depreciation	(259,866)	259,866	-
Net	(186,034)	(186,743)	(372,777)

Income tax reduction

In accordance with the amended Lao Tax Law No. 67 dated 16 June 2019 stipulated by the President of the National Assembly income tax that should be applied to both domestic and foreign enterprises that hold legal entities should be 20% (2019: 24%) of total taxable income.

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

18. Other liabilities

	2020 (in thousand LAK)	2019
Accrued interest payables	11,229,235	12,141,694
Others	1,855,159	2,925,559
Impairment allowance - off balance sheet*	406,436	309,181
Lease Liabilities	15,539,699	14,279,645
Total	29,030,529	29,656,079

*Loan commitment and financial guarantee classified under stage 1 as per IFRS 9 have expected credit loss as at 31 December 2020 amounting to LAK 295,042 thousand and loan commitment and financial guarantee classified under stage 2 as per IFRS 9 have expected credit loss as at 31 December 2020 amounting to LAK 111,394 thousand (31 December 2019: Stage 1, LAK 309,181 thousand).

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Notes to the financial statements

For the year ended 31 December 2020

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.

The Bank has issued and fully paid up LAK 380 billion of authorized share capital (2019: LAK 340 billion), of which LAK 40 billion was injected in 2019 and another LAK 40 billion was injected in 2020, in accordance with the BOL announcement: Agreement on Increasing in Minimum Registered Capital and Investment Capital of Commercial Bank No.141/PM dated 24 September 2009.

According to Article 12 of amended Law on Commercial Bank No. 56/NA dated 07 December 2018, a commercial bank is required to raise its capital to minimum of LAK 500 billion within 5 years. The Bank must inject the additional capital not less than 20% each year commencing from September 2019.

During the year, the Bank complied with above requirement and raised its capital by LAK 40 billion. The share capital is held by KASIKORNBANK PUBLIC COMPANY LIMITED “KBANK” and Kasikorn Asset Management Co., Ltd 90% and 10%, respectively.

20. Legal reserve

In accordance with the Law on Enterprise (Revision) No.46/NA dated 26 December 2013, the Bank is required to provide legal reserve at the rate 10% of statutory profit after deducting retained loss. The Bank can stop reserving when the legal reserve has reached up to 50 percentage of registered capital. The legal reserve is subject to approval by Board of Director.

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 (c);
- (e) The party is a Bank that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Bank resides with, directly or indirectly, any individual referred to in (c) or (d); or
- (f) The party is a post-employment benefit plan for the benefit of employees of the Bank, or of any Bank that is a related party of the Bank.

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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:

Related party	Relationship	Transactions	2020 (in thousand LAK)	2019
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Fee and commission income	1,462,404	1,185,403
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Other operating expense	687,628	1,006,669
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Interest expense	3,090,356	3,851,646
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Interest Income	13,664	-

Significant balances with related parties at 31 December 2020 are as follows:

Related party	Relationship	Transactions	Receivable (in thousand LAK)	Payable
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Cash and cash equivalents	30,705,144	-
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Deposit from other banks	-	88,430,105
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Accrued interest payable	-	76,227

Significant balances with related parties at 31 December 2019 are as follows:

Related party	Relationship	Transactions	Receivable (in thousand LAK)	Payable
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Cash and cash equivalents	83,335,316	-
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Deposit from other banks	-	157,030,119
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Accrued interest payable	-	316,923

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

	2020	2019
	(in thousand LAK)	
Short-term employee benefits	2,655,780	2,522,890

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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 2020 and 2019.

Financial assets are not measured at fair value

The fair values of loans to customers approximates carrying value net of deferred revenue, allowance for expected credit loss 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.

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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.

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.

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▪ **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.

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.

Processes for measuring expected credit losses ("ECL") including initial approval, regular validation and incorporation of forward-looking information are also developed and maintained by Head Office credit committee.

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Credit Policy during COVID - 19 Outbreak

As a result of the COVID - 19 pandemic having a widespread impact on all business sectors and customer segments across Laos, the Bank of Laos has issued guidelines to provide relief to debtors affected by the current crisis no. 238/BOL, dated March 26, 2020, aims to assist individuals and legal entities that have contracted with Lao commercial banks and financial institutions on loan agreements, and for whom the originally agreed upon repayment terms can no longer be met due to the COVID - 19 crisis. In relation to financial reporting, key concerns are on the application of forward-looking information and pro-cyclicality effect from applying IFRS 9 ECL provisioning concept.

The bank has provided relief measures to one customer under the above guidelines and have calculated the PV loss in accordance with the accounting standard. The amount calculated is immaterial and has not been adjusted to the financial statements.

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 2020 and 2019 were as follows:

	2020 LAK (in thousand)	2019 LAK (in thousand)
Credit risk associated with on-financial reporting assets:		
Deposits with other banks	99,151,345	119,887,620
Statutory deposits with Central Bank	35,260,459	72,163,884
Loans and advances to customers	965,176,380	622,287,684
	1,099,588,184	814,339,188
Fair value of collaterals	929,073,638	738,588,982

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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 2020 and 2019 was as follows:

	2020							
	Financial institutions	Industry	Construction	Agriculture and forestry	Trade (in thousand LAK)	Shipping and Postal	Service	Others
Deposits with other banks	99,151,345	-	-	-	-	-	-	-
Statutory deposits with Central Bank	35,260,459	-	-	-	-	-	-	-
Loans and advances to customers and accrued interest receivables	-	46,958,237	1,839,804	130,231,043	136,270,248	-	453,127,150	196,749,898
	134,411,804	46,958,237	1,839,804	130,231,043	136,270,248	-	453,127,150	1,099,588,184
	2019							
	Financial institutions	Industry	Construction	Agriculture and forestry	Trade (in thousand LAK)	Shipping and Postal	Service	Others
Deposits with other banks	119,887,620	-	-	-	-	-	-	-
Statutory deposits with Central Bank	72,163,884	-	-	-	-	-	-	-
Loans and advances to customers and accrued interest receivables	-	128,148,655	-	71,186,873	188,016,754	972,425	93,804,977	140,158,000
	192,051,504	128,148,655	-	71,186,873	188,016,754	972,425	93,804,977	140,158,000

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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 2020 and 2019 were as follows:

	2020			
	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	99,151,345	-	-	99,151,345
Statutory deposits with Central Bank	35,260,459	-	-	35,260,459
Loans and advances to customers and accrued interest receivables	407,207,107	557,969,273	-	965,176,380
	541,618,911	557,969,273	-	1,099,588,184
Fair value of collaterals	584,011,217	345,062,421	-	929,073,638

	2019			
	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	119,887,620	-	-	119,887,620
Statutory deposits with Central Bank	72,163,884	-	-	72,163,884
Loans and advances to customers and accrued interest receivables	622,287,684	-	-	622,287,684
	814,339,188	-	-	814,339,188
Fair value of collaterals	738,588,982	-	-	738,588,982

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 Bank 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 revaluates these assets based on market value and other factors affecting the impairment of these assets.

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(i) Credit quality analysis

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

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

	2020			
	12-month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
	LAK	LAK	LAK	LAK
	(in thousand)	(in thousand)	(in thousand)	(in thousand)
Cash and cash equivalents				
Grades A	58,137,208	358,948,685	-	417,085,893
Less Loss allowance	(1,373)	(270,642)	-	(272,015)
Carrying amount	<u>58,135,835</u>	<u>358,678,043</u>	<u>-</u>	<u>416,813,878</u>
Loans and advances to customers at amortised cost				
Grades A	407,207,107	557,969,273	-	965,176,380
Less Loss allowance	(4,027,817)	(18,674,692)	-	(22,702,509)
Carrying amount	<u>403,179,290</u>	<u>539,294,581</u>	<u>-</u>	<u>942,437,871</u>
Loans Commitments				
Grades A	337,796,655	10,676,617	-	348,473,272
Less Loss allowance	(291,402)	(53,287)	-	(344,689)
Carrying amount	<u>337,505,253</u>	<u>10,623,330</u>	<u>-</u>	<u>348,128,583</u>
Financial guarantee contracts				
Grades A	335,500	28,970,029	-	29,305,529
Less Loss allowance	(3,640)	(58,107)	-	(61,747)
Carrying amount	<u>331,860</u>	<u>28,911,922</u>	<u>-</u>	<u>29,243,782</u>

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		2019		
	12-month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
	LAK	LAK	LAK	LAK
	(in thousand)	(in thousand)	(in thousand)	(in thousand)
Cash and cash equivalents				
Grades A	411,011,489	-	-	411,011,489
Less Loss allowance	(148,569)	-	-	(148,569)
Carrying amount	<u>410,862,920</u>	<u>-</u>	<u>-</u>	<u>410,862,920</u>
Loans and advances to customers at amortised cost				
Grades A	622,287,684	-	-	622,287,684
Less Loss allowance	(5,864,489)	-	-	(5,864,489)
Carrying amount	<u>616,423,195</u>	<u>-</u>	<u>-</u>	<u>616,423,195</u>
Loans Commitments				
Grades A	297,796,207	-	-	297,796,207
Less Loss allowance	(281,907)	-	-	(281,907)
Carrying amount	<u>297,514,300</u>	<u>-</u>	<u>-</u>	<u>297,514,300</u>
Financial guarantee contracts				
Grades A	12,277,821	-	-	12,277,821
Less Loss allowance	(27,274)	-	-	(27,274)
Carrying amount	<u>12,250,547</u>	<u>-</u>	<u>-</u>	<u>12,250,547</u>

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(ii) Collateral Held and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of Credit Exposure	Percentage of exposure that is a subject to collateral requirements		Principal Type of Collateral Held
	31 December 2020	31 December 2019	
Loans to corporate customers	100%	100%	Mortgage, Cash and guarantee

Loans and advances to corporate customers

The Bank's loans and advances to corporate customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests borrowers to provide it. The Bank may take collateral in the form of a charge over real estate and guarantees.

Assets obtained by taking possession of collateral

During the year, the Bank did not obtain any possession of collateral held as security against loans and advances.

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

(iii) Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Measurement of ECL

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

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

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

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

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

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

These parameters are generally derived from Basel prudential rules.

Details of these statistical parameters/inputs are as follows:

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

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

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

Assessment of significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

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(iv) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument, Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3 (b) (vii),

	2020			
	12 - month ECL	Lifetime ECL not credit - impaired	Lifetime ECL credit - impaired	Total
	<i>(in thousand LAK)</i>			
Loans to customers at amortised cost				
Balance at 1 January	5,864,489	-	-	5,864,489
Transfer to 12- month ECL	-	-	-	-
Transfer to lifetime ECL not credit- impaired	(4,788,764)	4,788,764	-	-
Transfer to lifetime ECL credit- impaired	-	-	-	-
Net re-measurement of loss allowance	234,941	-	-	234,941
New financial assets originated or purchased	2,970,201	14,210,117	-	17,180,318
Financial assets that have been derecognized	(207,520)	(48,776)	-	(256,296)
Write-offs	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	(45,530)	(275,413)	-	(320,943)
Balance at 31 December	4,027,817	18,674,692	-	22,702,509

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	2019			
	12 - month ECL	Lifetime ECL not credit - impaired	Lifetime ECL credit – impaired	Total
	(in thousand LAK)			
Loans to customers at amortised cost				
Balance at 1 January	2,228,592	-	-	2,228,592
Transfer to 12- month ECL	-	-	-	-
Transfer to lifetime ECL not credit- impaired	-	-	-	-
Transfer to lifetime ECL credit- impaired	-	-	-	-
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated or purchased	4,196,625	-	-	4,196,625
Financial assets that have been derecognized	(360,286)	-	-	(360,286)
Write-offs	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	(200,442)	-	-	(200,442)
Balance at 31 December	5,864,489	-	-	5,864,489

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	2020	2019
	12 - month ECL	12 - month ECL
	<i>(in thousand LAK)</i>	
<i>Cash and cash equivalents</i>		
Balance at 1 January	148,569	605,186
Net remeasurement of loss allowance	85,901	-
Net decrease in cash and cash equivalents	196,796	(453,023)
Foreign exchange and other movements	(159,251)	(3,594)
Balance at 31 December	272,015	148,569
<i>Loan commitments and financial guarantee contracts</i>		
Balance at 1 January	309,181	64,520
Net remeasurement of loss allowance	9,623	-
New loan commitments and financial guarantees issued	106,816	252,723
Foreign exchange and other movements	(19,184)	(8,062)
Balance at 31 December	406,436	309,181

(v) Concentrations of credit risk

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

		Loans and advance to customers		Loan commitments and financial guarantee issued	
	Notes	2020	2019	2020	2019
		<i>(in thousand LAK)</i>		<i>(in thousand LAK)</i>	
Carrying amount	12	965,176,380	622,287,684	-	-
Amount committed/guaranteed		-	-	377,778,801	310,074,028
Concentration by sector					
Corporate:					
<i>Industry</i>		46,958,237	128,148,655	55,199,606	41,694,464
<i>Construction</i>		1,839,804	-	9,703,667	-
<i>Agriculture and forestry</i>		130,231,043	71,186,873	13,343,301	416,000
<i>Trade</i>		136,270,248	188,016,754	134,427,067	58,658,517
<i>Shipping and Postal</i>		-	972,425	-	2,527,980
<i>Service</i>		453,127,150	93,804,977	161,103,387	206,777,067
Government		196,749,898	140,158,000	4,001,773	-
		965,176,380	622,287,684	377,778,801	310,074,028
Concentration by location					
Lao PDR		965,176,380	622,287,684	377,778,801	310,074,028
		965,176,380	622,287,684	377,778,801	310,074,028

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23.3 *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 2020 and 2019 as follows:

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Financial assets and liabilities, classified by contractual maturity analysis, as of 31 December 2020 and 2019 as follows:

	At call	Less than 6 Months	6 Months to 1 Year	2020 Over 1 Year to 5 Years <i>(in thousand LAK)</i>	Over 5 Years	No Maturity	Total
Financial assets							
Cash and cash equivalents	417,085,893	-	-	-	-	-	417,085,893
Deposits with other banks	-	66,577,262	-	32,574,083	-	-	99,151,345
Statutory deposits with Central Bank	-	-	-	-	-	35,260,459	35,260,459
Loans to customers	-	329,411,138	19,008,306	338,373,793	278,383,143	-	965,176,380
Total financial assets	417,085,893	395,988,400	19,008,306	370,947,876	278,383,143	35,260,459	1,516,674,077
Financial liabilities							
Deposits from customers	319,051,170	70,963,712	119,421,642	179,989,284	-	-	689,425,808
Deposits from other banks	1,972,358	134,000,000	122,275,000	162,140,000	-	-	420,387,358
Accrued interest payables	16,569	6,986,091	2,784,037	1,442,538	-	-	11,229,235
Total financial liabilities	321,040,097	211,949,803	244,480,679	343,571,822	-	-	1,121,042,401
Liquidity - net	96,045,796	184,038,597	(225,472,373)	27,376,054	278,383,143	35,260,459	395,631,676
Liquidity - accumulative net	96,045,796	280,084,393	54,612,020	81,988,074	360,371,217	395,631,676	-

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	At call	Less than 6 Months	6 Months to 1 Year	2019 Over 1 Year to 5 Years (in thousand LAK)	Over 5 Years	No Maturity	Total
Financial assets							
Cash and cash equivalents	410,862,920	-	-	-	-	-	410,862,920
Deposits with other banks	-	88,016,574	30,729,065	-	-	-	118,745,639
Statutory deposits with Central Bank	-	-	-	-	-	72,163,884	72,163,884
Loans to customers	-	272,875,960	8,925,933	215,603,535	124,882,256	-	622,287,684
Total financial assets	410,862,920	360,892,534	39,654,998	215,603,535	124,882,256	72,163,884	1,224,060,127
Financial liabilities							
Deposits from customers	225,394,912	104,126,356	39,902,883	74,018,590	-	-	443,442,741
Deposits from other banks	1,882,370	193,330,000	172,330,000	66,495,000	-	-	434,037,370
Accrued interest payables	15,491	7,992,646	3,153,560	979,997	-	-	12,141,694
Total financial liabilities	227,292,773	305,449,002	215,386,443	141,493,587	-	-	889,621,805
Liquidity - net	183,570,147	55,443,532	(175,731,445)	74,109,948	124,882,256	72,163,884	334,438,322
Liquidity - accumulative net	183,570,147	239,013,679	63,282,234	137,392,182	262,274,438	334,438,322	-

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23.4 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.

(i) 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) as of 31 December 2020 and 31 December 2019 are as follows:

	2020	2019
	<i>(in thousand LAK)</i>	
Fixed interest rates	790,379,877	450,707,747
Floating interest rates	174,796,503	171,579,937
Total loans	965,176,380	622,287,684

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 2020 and 2019 are as follows:

	Average balance	2020 Interest income/ expense <i>(in thousand LAK)</i>	Average interest rate (%)
Financial assets			
Interest-bearing financial assets			
Deposits with other banks	142,369,500	4,658,931	3.3%
Loans to customers	723,988,973	48,139,811	6.7%
Total financial assets	866,358,473	52,798,742	
Financial liabilities			
Interest-bearing financial liabilities			
Deposits from customers	574,327,746	13,465,126	2.3%
Deposits from other banks	420,576,704	13,304,648	3.2%
Total financial liabilities	994,904,450	26,769,774	

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	Average balance	2019 Interest income/ expense <i>(in thousand LAK)</i>	Average interest rate (%)
Financial assets			
Interest-bearing financial assets			
Deposits with other banks	93,990,417	3,264,752	3.5%
Loans to customers	491,350,827	33,780,225	6.9%
Total financial assets	585,341,244	37,044,977	
Financial liabilities			
Interest-bearing financial liabilities			
Deposits from customers	380,222,874	7,892,514	2.1%
Deposits from other banks	277,021,786	11,475,432	4.1%
Total financial liabilities	657,244,660	19,367,946	

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Financial assets and liabilities, classified by maturity of interest repricing, as of 31 December 2020 and 31 December 2019 are shown as below:

	2020 (in thousand LAK)						
	Immediate Repricing	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Non-interest Bearing	Total
Financial assets							
Cash and cash equivalents	-	-	-	-	-	417,085,893	417,085,893
Deposits with other banks	-	66,577,262	-	32,574,083	-	-	99,151,345
Statutory deposits with Central Bank	-	-	-	-	-	35,260,459	35,260,459
Loans to customers	-	329,411,138	19,008,306	338,373,793	278,383,143	-	965,176,380
Total financial assets	-	395,988,400	19,008,306	370,947,876	278,383,143	452,346,352	1,516,674,077
Financial liabilities							
Deposits from customers	234,578,888	70,963,712	119,421,642	179,989,284	-	84,472,282	689,425,808
Deposits from other banks	-	163,241,749	122,275,000	132,898,251	-	1,972,358	420,387,358
Accrued interest payables	16,569	6,986,091	2,784,037	1,442,538	-	-	11,229,235
Total financial liabilities	234,595,457	241,191,552	244,480,679	314,330,073	-	86,444,640	1,121,042,401

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	2019 (in thousand LAK)						
	Immediate Repricing	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Non-interest Bearing	Total
Financial assets							
Cash and cash equivalents	-	-	-	-	-	410,862,920	410,862,920
Deposits with other banks	-	88,016,574	30,729,065	-	-	-	118,745,639
Statutory deposits with Central Bank	-	-	-	-	-	72,163,884	72,163,884
Loans to customers	-	445,450,930	8,925,933	43,028,565	124,882,256	-	622,287,684
Total financial assets	-	533,467,504	39,654,998	43,028,565	124,882,256	483,026,804	1,224,060,127
Financial liabilities							
Deposits from customers	165,392,623	104,126,356	39,902,883	74,018,590	-	60,002,289	443,442,741
Deposits from other banks	-	-	304,155,000	128,000,000	-	1,882,370	434,037,370
Accrued interest payables	15,491	8,178,953	2,997,261	949,989	-	-	12,141,694
Total financial liabilities	165,408,114	112,305,309	347,055,144	202,968,579	-	61,884,659	889,621,805

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2020

(ii) 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 2020 were as follows:

	USD	2020 Currency THB (in thousand LAK)	Total
Financial assets			
Cash and cash equivalents	78,357,045	218,886,367	297,243,412
Statutory deposits with Central Bank	14,828,601	16,762,191	31,590,792
Loans to customer and accrued interest receivables	194,664,029	168,756,620	363,420,649
Total financial assets	287,849,675	404,405,178	692,254,853
Financial liabilities			
Deposits from customers	178,080,083	382,426,373	560,506,456
Deposits from other banks	71,658,654	16,776,543	88,435,197
Total financial liabilities	249,738,737	399,202,916	648,941,653
Foreign currency position of items recognised on the statement of financial position - net	38,110,938	5,202,262	43,313,200

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2020

Foreign currency positions in LAK equivalent, as of 31 December 2019 were as follows:

	USD	2019 Currency THB (in thousand LAK)	Total
Financial assets			
Cash and cash equivalents	126,730,458	58,014,271	184,744,729
Statutory deposits with Central Bank	19,735,111	9,703,868	29,438,979
Loans to customer and accrued interest receivables	213,951,493	76,098,678	290,050,171
Total financial assets	360,417,062	143,816,817	504,233,879
Financial liabilities			
Deposits from customers	196,860,750	141,299,969	338,160,719
Deposits from other banks	157,034	1,441	158,475
Total financial liabilities	197,017,784	141,301,410	338,319,194
Foreign currency position of items recognised on the statement of financial position - net	163,399,278	2,515,407	165,914,685

24. Financial assets and financial liabilities

Classification of financial assets and financial liabilities

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

			31 December 2020	
	Note	Fair value through profit and loss	Amortised cost (in thousand LAK)	Total carrying amount
Cash and cash equivalents	9	-	416,813,878	416,813,878
Deposits with other banks	10	-	98,963,925	98,963,925
Statutory deposits with Central Bank	11	35,260,459	-	35,260,459
Loans and advances to customers, net	12	-	939,166,352	939,166,352
Total financial assets		35,260,459	1,454,944,155	1,490,204,614
Deposits from customers	16	-	689,425,808	689,425,808
Deposits from other banks		-	420,387,358	420,387,358
Total financial liabilities		-	1,109,813,166	1,109,813,166

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2020

				31 December 2019
	Note	Fair value through profit and loss	Amortised cost (in thousand LAK)	Total carrying amount
Cash and cash equivalents	9	-	410,862,920	410,862,920
Deposits with other banks	10	-	118,745,639	118,745,639
Statutory deposits with Central Bank	11	72,163,884	-	72,163,884
Loans and advances to customers, net	12	-	613,507,889	613,507,889
Total financial assets		72,163,884	1,143,116,448	1,215,280,332
Deposits from banks	16	-	443,442,741	443,442,741
Deposits from customers		-	434,037,370	434,037,370
Total financial liabilities		-	877,480,111	877,480,111

25. Commitments

	2020 (in thousand LAK)	2019 (in thousand LAK)
Finance commitment	348,473,272	297,796,207
	348,473,272	297,796,207

26. Off-balance sheet items

	2020 (in thousand LAK)	2019 (in thousand LAK)
Commitment given		
Letters of guarantee outstanding	29,305,529	12,277,821
Collateral and Mortgages		
Collaterals and mortgages for loans to customer	929,073,638	738,588,982

27. 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.

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2020

28. Capital Management

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

	2020 (in thousand LAK)	2019 (in thousand LAK)
Tier 1 capital	407,516,311	351,064,724
Tier 2 capital	4,973,136	3,102,693
Total capital	412,489,447	354,167,417
Less Deductions from capital (Investments in other credit and financial institutions)	-	-
Capital for CAR calculation	412,489,447	354,167,417
Risk weighted balance sheet items	925,825,760	476,695,406
Risk weighted off balance sheet items	-	-
Total risk weighted assets	925,825,760	476,695,406
Capital Adequacy Ratio	44.55%	74.30%

29. Rights of use Assets

Right-of-use asset

	31 December 2020 (in thousand LAK)	31 December 2019 (in thousand LAK)
Balance at 1 January 2020/2019	18,337,698	18,337,698
Depreciation charge for the year	(2,823,514)	(1,411,757)
Balance at 31 December 2020/2019	15,514,184	16,925,941

Amount recognized in profit or loss

	31 December 2020 (in thousand LAK)	31 December 2019 (in thousand LAK)
Interest on lease liability	560,461	578,865
Depreciation charge for the year	1,411,757	1,411,757
Total	1,972,218	1,990,622

30. 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 2020 that significantly impacted the financial position of the Bank as at 31 December 2020.

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2020

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021; however, the Bank has not applied the following new or amended standards in preparing these financial statements.

IFRS	Topic	Year effective
New Standards		
IFRS 17	Insurance contracts	2023
Amended Standards		
	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2	2021
IAS 16	Property, Plant and Equipment - Proceeds before intended Use	2022
IAS 3	Amendments to IFRS 3 - Reference to Conceptual Framework	2022
IAS 37	Onerous Contracts - Cost of Fulfilling a Contract	2022
IAS 1	Classification of Liabilities as Current or Non-Current	2023

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

Part V – Events in 2020





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开泰银行 KASIKORNTHAIBANK