

ທະນາຄານກະສິກອນໄທ
开泰银行 KASIKORNTHAIBANK



KASIKORNTHAI BANK LIMITED ANNUAL REPORT

January - December 2016



ທະນາຄານກະສິກອນໄທ
开泰银行 KASIKORNTHAIBANK





Contents

KASIKORNTHAI BANK LIMITED Mission, Vision and Core Values	4
AEC+3: Reshaping a New Paradigm for Growth	5
Financial Highlights	7
Chairman's Message	9
Part I Corporate Background	10
1.1 Corporate Information	
1.2 Overview: KASIKORNBANK PUBLIC COMPANY LIMITED	
Part II Management Discussion and Analysis	12
2.1 Lao PDR Economic Overview	
2.2 Business Directions of KASIKORNTHAI BANK LIMITED for Year 2017	
Part III Organization Structure	15
3.1 Board of Directors	
3.2 Risk Management Committee	
3.3 Audit Committee	
3.4 Governance Committee	
Part IV Financial Report	19
4.1 Corporate Information	
4.2 Management's Responsibility in Respect of the Financial Statements	
Independent Auditor's Report	21
Part V Other Information	57
5.1 Shareholders Structure	
5.2 Events	

KASIKORNTHAI BANK LIMITED Mission, Vision and Core Values

Mission

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

Vision

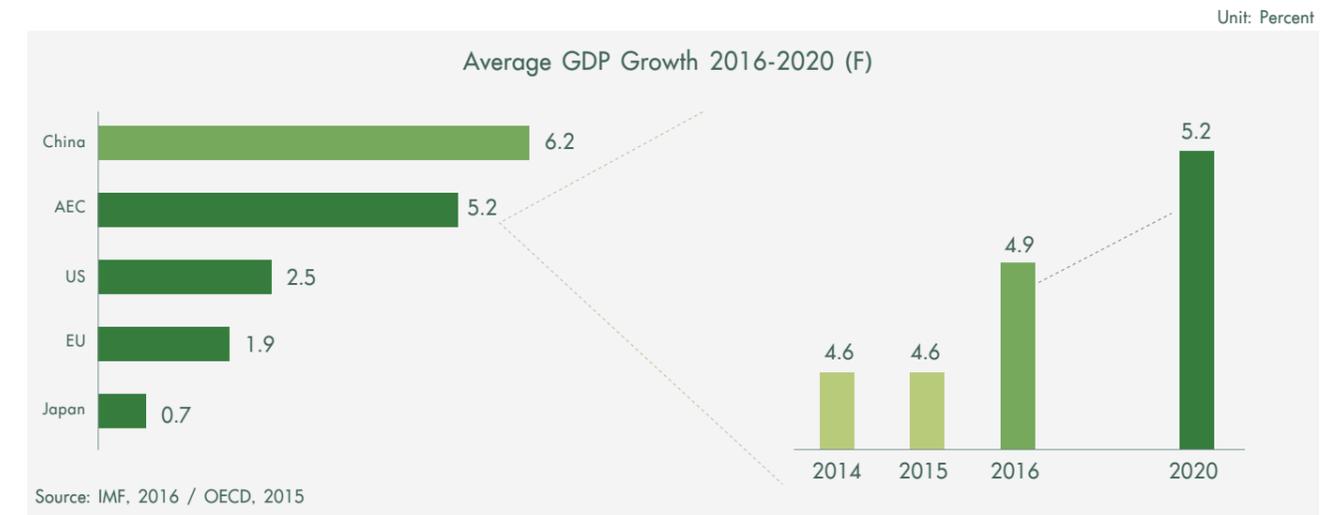
KASIKORNTHAI BANK LIMITED aims to harmoniously combine technology and human resources to sustainably create world-class-quality financial services, so as to achieve optimal benefits for all stakeholders.

Core Values

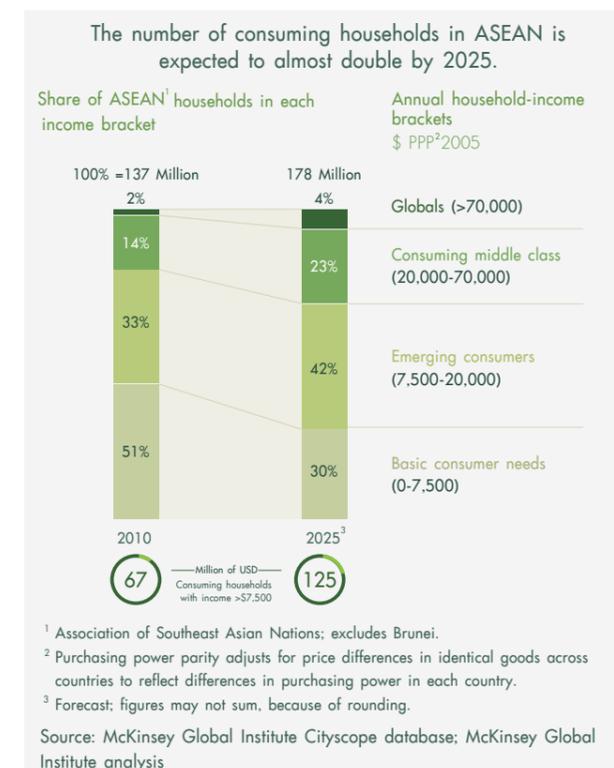
- Customer Centricity
- Organization-Wide Teamwork
- Professionalism
- Innovation

AEC+3: Reshaping a New Paradigm for Growth

The global economy is currently trending towards a declining cycle, highlighted by global economic uncertainties and challenges that include a stagnant US economy, China's slowdown, and Brexit's ripple effects across the EU and the rest of the world. But while most global economy is experiencing turbulence and uncertainty, AEC has emerged as one of the few bright spots.



The growth is catalyzed by unique drivers that include urbanization, an evolving workforce, and infrastructure investment. Urbanization and the shift away from agriculture, as well as the rapid growth in the younger population, will transform ASEAN's overall demography by increasing the quantity and quality of the workforce in ASEAN through 2025. This region is also emerging as an increasingly important consumer market, with an increasing of middle class.



Endowed with combination of abundant resources, established industrial bases, and a rising young population with improving education levels, ASEAN attracts high levels of Foreign Direct Investment (FDI) as a manufacturing hub to produce and export value-added goods to the rest of the world.

FDI Net Inflows, Intra-ASEAN and Extra-ASEAN / % of Intra-ASEAN Towards Net Inflows

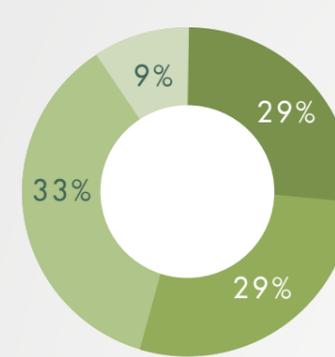


Source: Foreign Direct Investment Statistic: asean.org

Intra-ASEAN investment remained the largest source of FDI flows, rising marginally by USD 15 billion in 2011 to USD 22.1 billion in 2015. Seven ASEAN Member States received higher levels of intraregional investment (Malaysia, Philippines, Thailand and CLMV), suggesting a further increase in regional connectivity.

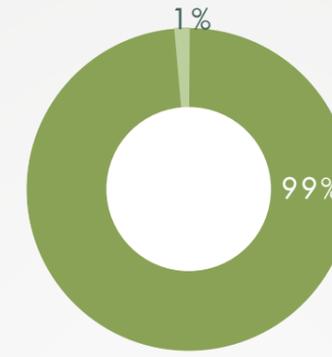
Financial Highlights

Total Assets



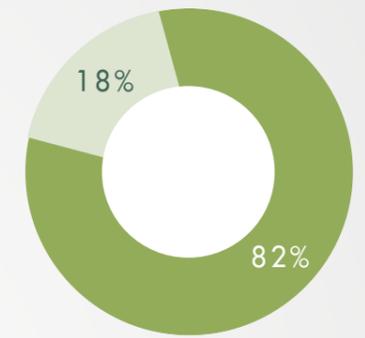
- Cash and Cash Equivalents
- Interbank and Money Market
- Loans and Advances to Customers
- Others

Total Liabilities



- Deposits
- Others

Net Operating Income



- Net Interest Income
- Net Fee and Commission Income

Unit : Thousand of LAK

	4 November 2014 to 31 December 2015	1 January 2016 to 31 December 2016
Net Interest Income	2,539,389	7,650,642
Net Fee and Commission Income	1,149,379	1,638,599
Net Operating Income	3,688,768	9,289,241
Total Operating Income	9,881,484	13,035,915
Total Operating Expense	9,867,367	11,595,262
Profit before Income Tax	14,117	1,440,653
Net Profit (Loss)	(13,268)	1,105,019

Financial Highlights

Total Assets

As of December 31, 2016, KASIKORNTHAI BANK LIMITED (“KBank Lao PDR”) has total assets in equivalent to LAK 733,775,590 thousand with loan size, to both public and private sectors, at LAK 239,187,591 thousand in total. KBank Lao PDR also maintains sustainable liquidity for increase of loan in year 2017.

Total Liabilities

Total liabilities as of Dec 31, 2016 is LAK 432,683,839 thousand with deposits totaled LAK 427,990,017 thousand from customers and other financial institution.

Net Operating Income

For the year ended 2016, KBank Lao PDR has net operating income totaled LAK 9,289,241 thousand which comprises of net interest income totaled LAK 7,650,642 thousand, net fee and commission income totaled LAK 1,638,599 thousand. In comparison with 2015 full year operation, net operating income has mainly increased from interest income, deriving from loans.

Net Profit

KBank Lao PDR has profit before income tax totaled LAK 1,440,653 thousand and net profit for the year 2016 totaled LAK 1,105,019 thousand which significantly increased from year 2015 by LAK 1,118,287 thousand.

Chairman’s Message

The creation of the ASEAN Economic Community (AEC) in 2015 is highly relevant for economic development in Lao PDR. It has led to a fluid and reshaped business landscape, which represents an unknown playing field for traders and investors. Lao PDR has a great potential for economic development through improved access to the regional market. As a single production base, it also increases the opportunities for Lao PDR to participate in regional value chains. Through the advantages of the AEC, ASEAN countries are expected to see a surge in trade between ASEAN countries as most tariffs and barriers have been eliminated. The region as a whole could also profit from this new economic power to improve its negotiating positions in international affairs.



To capture the business opportunity, KASIKORNBANK with strong presence and network in Thailand, China PRC, Myanmar, Cambodia, Vietnam, Indonesia and Japan, will promote trade business and assist customers with trade transaction between these countries. In addition, KASIKORNBANK also has outposts in Yangon, Hanoi, Ho Chi Minh City, Phnom Penh, and Jakarta. Furthermore, KBank Lao PDR moved Head Office from Ban Ponesinuan to the new office on Lane Xang Avenue in March 2017.

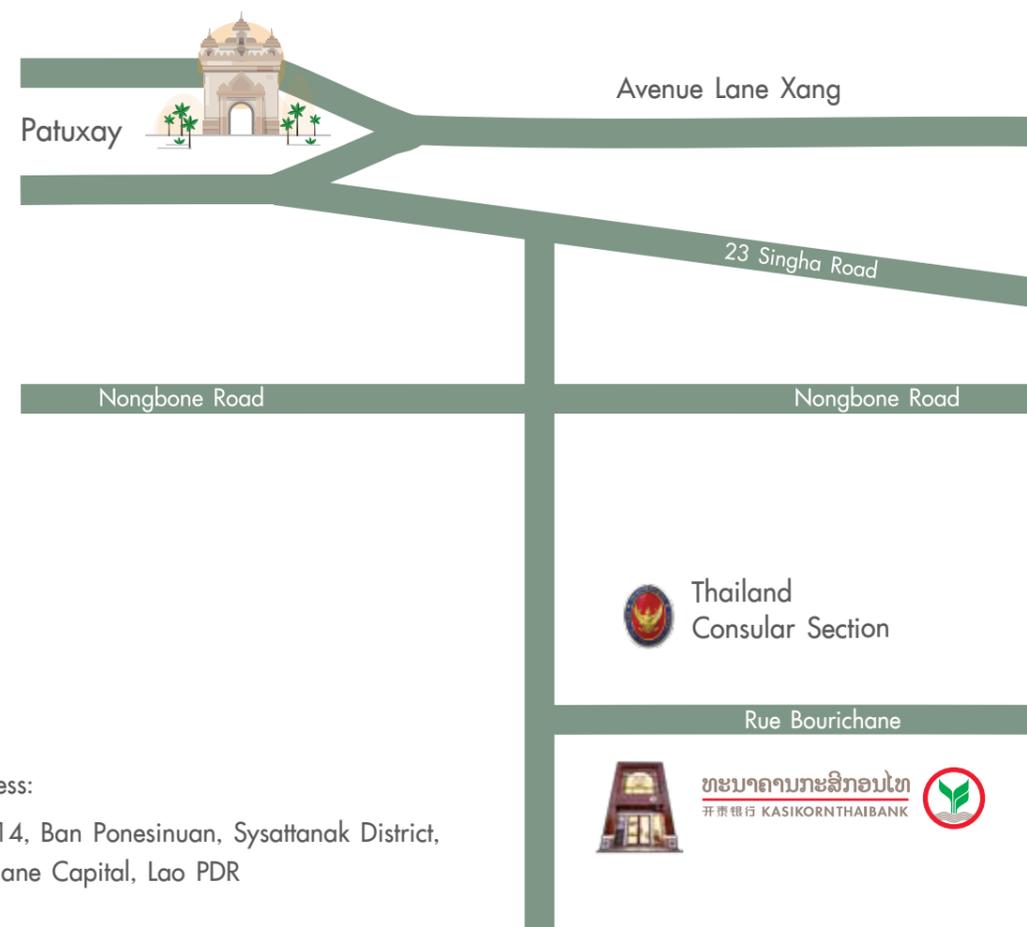
In addition to our financing services, we also providing comprehensive financial solutions, insightful market intelligence, and relationships with extensive networks of businesses partners, combined with our strong market presence and sophisticated capabilities in AEC+3, make KASIKORNBANK your uniquely qualified partner for all financial service needs in ASEAN at every stage of journey.

On behalf of the Board of Directors and KASIKORNTHAI BANK LIMITED, I would like to take this opportunity to thank Bank of Lao PDR, the regulators, the partner banks, the customers, the shareholders and the staff of KASIKORNTHAI BANK LIMITED for their continued confidence and support throughout 2016. I reaffirm that KASIKORNTHAI BANK LIMITED will continue to adhere to the Customer Centricity principle, providing services in response to customer demand, with strategies to become the Customers’ Main Bank in all segments.

Part I Corporate Background

1.1 Corporate Information

Registered Name	KASIKORNTHAI BANK LIMITED
Registration No.	No. 456/ Jor Tor Wor
License No.	No. 32/ BOL
Established Date	October 16, 2014
Chairman	Mr. Pattanapong Tansomboon
Country Director	Mr. Barvorn Srisangatrakul
Registered Office	Unit 14, Ban Ponesinuan, Sysattanak District, Vientiane Capital, Lao PDR
Telephone No.	+856 21 410 888
Facsimile No.	+856 21 410 889
Website	http://www.kasikornbank.com.la



Address:
Unit 14, Ban Ponesinuan, Sysattanak District,
Vientiane Capital, Lao PDR

1.2 Overview: KASIKORNBANK PUBLIC COMPANY LIMITED

KASIKORNBANK Public Company Limited (“KBank”) was established on June 8, 1945 and has been listed on the Stock Exchange of Thailand since 1976. KBank is the fourth largest commercial banks in Thailand, as measured by total assets, total loans, and total deposits, and is the second largest in term of market capitalization in Thai banking sector.

KBank has maintained an aim of being a “Bank of Sustainability” in all operations, based on Good Corporate Governance principles as well as appropriate risk and cost management. The Bank has continued to adhere to “Customer Centricity” strategy, and the aspiration of being “Customers’ Main Bank”, by introducing financial innovations and products to match the needs of every customer segment, offering quality solutions for long-term growth and sustainable return, and the creation of sustainability for all stakeholders. A full array of financial solutions are offered through KBank, its wholly-owned subsidiaries (KASIKORN ASSET MANAGEMENT CO., LTD. or KAsset, KASIKORN RESEARCH CENTER CO., LTD. or KResearch, KASIKORN SECURITIES PCL or KSecurities, KASIKORN LEASING CO., LTD. or KLeasing and KASIKORN FACTORY & EQUIPMENT CO., LTD. or KF & E.), and a strategic ownership (Muang Thai Life Assurance PCL or MTL). Also, KASIKORN BUSINESS-TECHNOLOGY GROUP (KBTG) was established at the end of 2015, to ensure competitiveness, and stay ahead of competitors in the new landscape amid technological developments in the financial market and changing consumer behaviors in the digital era.

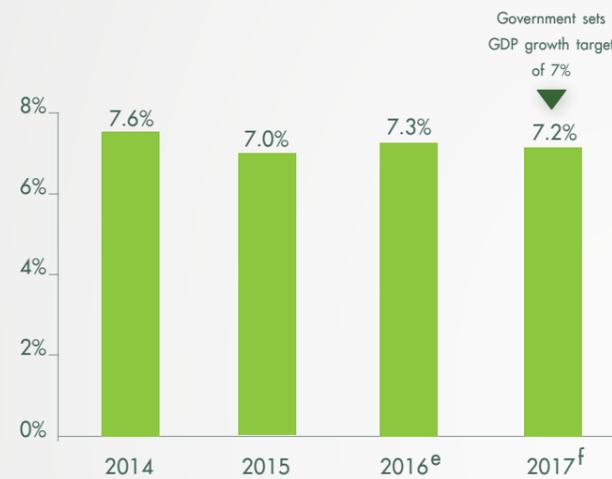
KBank maintains leadership position in digital banking and has nationwide service networks, including branches and self-service channels. On the regional front, KBank is gearing towards becoming an “AEC+3 Bank”, to facilitate customers’ smooth business expansions and capture AEC growth opportunities plus China PRC, Japan and the Republic of Korea.

Part II Management Discussion and Analysis

2.1 Lao PDR Economic Overview

In 2017, it is expected that Lao PDR will record economic growth of 7.2 percent, bettering its neighboring countries, as well as the 7 percent growth target of the Lao PDR government for 2017-2018. The government will undertake fiscal restructuring to increase income and reduce unnecessary expenditures, aimed at bolstering domestic financial stability and curbing fiscal deficit at not more than 4.4 percent of GDP, versus the current 6.5 percent. Changing trade and investment structures in Lao PDR will also help accelerate its economic growth, going forward.

Lao PDR Economic



Sources: IMF, Bank of Lao PDR; forecasted by KResearch

Remark: e - estimated
f - forecasted

Investment plays an important role in the Lao PDR economy. In particular, a USD 6 billion investment in a high-speed rail link from China PRC to Thailand via Lao PDR will help boost the economy over the next five years, because that project should inject USD 1.2 billion annually into the economy. Moreover, substantial returns on large project investments in recent years and more income from electricity exports from large hydropower plants there will likely drive the economy further. Also, Lao PDR is now capable of manufacturing more diverse products than before, thanks to rising foreign investments in its specific economic zones.

The country's first high-speed rail project is transforming the northern region into a new investment bonanza. Although northern provinces of Louangnamtha, Oudomxai, Luangprabang and Vientiane on the high-speed rail route are largely mountainous areas, various agricultural products are produced here. Nevertheless, they still lack adequate infrastructure to accommodate industrial production. As a result, the northern region contributes only 15 percent to the country's GDP, versus 70 percent by the central region. However, the high-speed railway project will likely permit the government to establish new economic zones in the north, thus attracting significant investments similar to the case of Boten Specific Economic Zone in Louangnamtha on the border with China PRC. In addition, the Lao PDR government announced in 2016 that it would set up a new specific economic zone in Luangprabang to allow more investment into that region.

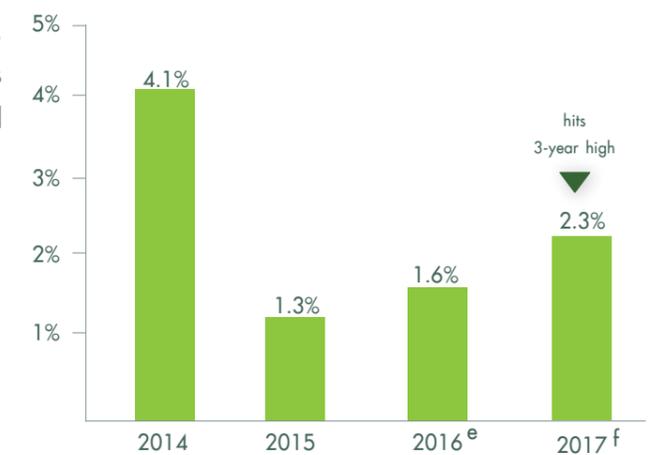
Evidently, Lao PDR's target to become a prosperous land-linked country has improved its trade and investment somewhat. This is seen in the greater inroads of Chinese investors into the northern region even though the high-speed rail project is only just getting started. Once completed, the railway should boost Lao PDR - China PRC trade significantly over the long term. In addition, Lao PDR efforts to enhance connectivity with neighboring countries through the construction of the 5th Lao PDR-Thai Friendship Bridge linking Lao PDR's Bolikhamxay and Thailand's Bueng Kan, plus the 1st Lao PDR-Cambodian Friendship Bridge linking Lao PDR's Attapeu with Cambodia's Ratanakiri will support substantial cross-border trade with other ASEAN member states ahead.

With regard to outward trade, it is expected that Lao PDR's exports in 2017 will outperform 2016, because its domestic manufacturing sector can produce more diverse export products in the previous year. In addition, Lao PDR will likely be able to export more electricity – being a major source of its income - after the installed capacity of hydropower plants in the country has increased to over 35,695 KWh p.a. to meet growing demand from neighboring countries, largely Thailand and Vietnam, which is facing a power supply shortfall. Vietnam may need to rely on electricity imported from Lao PDR over the next five years since its domestic power needs are projected to double. Moreover, under the first phase of the Lao PDR, Thailand, Malaysia and Singapore Power Integration Project (LTMS PIP), Lao PDR will begin selling 100 Megawatts of electricity to Malaysia in September 2017, and then to Singapore later on. Currently, the city state has the strongest demand for electricity of any ASEAN member state. Its power charges are also the highest in the region.

Many Lao PDR agricultural products will continue to have bright export prospects, e.g., tapioca, banana, maize, coffee, rubber and organic rice. In particular, organic and clean agricultural products grown in accordance with international organic farming standards will perform well, given that the government is promoting such exports to Europe and China PRC. In addition, Lao PDR is targeting a 23 percent increase in handicraft production to LAK 6.9 trillion (USD 840 billion) in 2017, aimed at bolstering its overall exports, e.g., food products, beverages, apparel and paper.

Meanwhile, despite being pressured by rising product prices, consumer purchasing power in Lao PDR is increasing, thanks to steady economic growth. Rising oil prices are threatening Lao PDR because it is heavily dependent on oil imports for the manufacturing sector. Consumers, thus, will inevitably be affected by higher product prices in 2017. It has been projected that inflation will hit a 3-year high of 2.3 percent during 2017. However, domestic consumption should improve ahead because the Lao PDR government is planning to stimulate the economy with an additional USD 50 million to increase incomes nationwide, aimed at upgrading the country's status to an upper-middle income nation by 2030.

Lao PDR Inflation Rate



Source: IMF, Bank of Lao PDR; forecasted by KResearch

Remark: e - estimated
f - forecasted

In summary, Lao PDR has a rosy economic outlook for 2017, supported by several government measures, including plans to establish economic links with ASEAN member states and nearby countries, attract more investments into specific economic zones and promote eco-tourism. Moreover, their government will promote more organic farming and handicraft products as exports to support the economic growth ahead.

2.2 Business Directions of KASIKORNTHAI BANK LIMITED for Year 2017

AEC integration has created substantial growth in border trade between neighboring countries. To benefit from this regional integration, KASIKORNTHAI BANK LIMITED (KBank Lao PDR) plans to offer various solutions to hasten opportunities from the AEC advent and business opportunities from cross border connectivity integration.

International business has been prioritized to the top of KBank's strategic agenda through the creation of AEC+3 strategies. KBank aims to becoming the leading bank for regional settlements and investment through: Infrastructure for international money transfers and settlements in ASEAN currencies; Support for Thai businesses in the CLMVI; Border trade centers promoting trade on borders; Supporting fund mobilization for investment in infrastructure such as power plants, roads and ports in CLMV. KBank will continue to expand its networks abroad through 2017, including Locally Incorporated Institution (LII) conversion in China PRC, expansion in Lao PDR, broadening services at the Phnom Penh Branch, and seeking means of establishing branches in Vietnam, Indonesia and Myanmar by 2018.

With a subsidiary in Lao PDR, KBank will be able to serve corporate customers in need of local funding smoothly either by providing direct lending to corporate customers operating business in Lao PDR. Furthermore, with KBank's close-tied local network, KBank customers will be able to make decision to invest in Lao PDR with fruitful information while, on the other hand, local customers with interest to invest in Thailand can also easily access to explore the opportunity through KBank Lao PDR. With the mentioned atmosphere, KBank Lao PDR and KBank will be working closely to facilitate FDI customers from Thailand to Lao PDR and vice versa. KBank Lao PDR will also act as a local contact point and assist local customers in doing international trade business, including providing information about Lao PDR to trading partners. Moreover, KBank will be able to serve border trade customers seamlessly and efficiently through the cooperation between KBank's branches in border area and KBank Lao PDR.

With the hope of strengthening its presence in international markets, KBank would operate in the international market from now on with a combination of physical and digital platforms by focusing on service innovation and new business models.

Part III Organization Structure

3.1 Board of Directors



Mr. Pattanapong Tansomboon

Chairman

Mr. Pattanapong Tansomboon has built his career in financial with KASIKORNBANK PCL, one of the leading banks in Thailand, for the past 30 years. He has vigorous experience in diverse area of financial industry including operation management, multi-corporate business, SME business, product management and international business management.

Mr. Pattanapong Tansomboon is currently First Senior Vice President of KASIKORNBANK PCL and a member of many prestigious business organizations in Thailand.

Ms. Nutcharee Nuntivacharin

Deputy Chairman

Ms. Nutcharee Nuntivacharin is an expert in financial accounting and treasury services in both Thai and global bank. Prior to joining KASIKORNBANK PCL, she worked at Bank of Asia as Fund Control-Financial Accounting, Thailand and at Citibank Thailand as Treasury

Finance controller. With her intensive experience in financial industry, she now serves as Capital Markets Support Management Head of KASIKORNBANK PCL.



Mr. Chartchai Sundharagiati

Director

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



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

Director



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

Division, his main role and responsibility is overseeing and supervising overall enterprise risk relating to KASIKORNBANK PCL including integrated risk, capital markets and treasury risk management.

Ms. Siranee Phoophat

Director

After obtaining Master degree in Public and Private Management from National Institute of Development Administration, Ms. Siranee Phoophat started her career path in general management before pursuing her career in human resource management. After 10 years of experience, she first joined KASIKORNBANK PCL as the Head of Compensation and Benefits Division and now she holds First Senior Vice President title. Her roles and responsibilities include develop and design career development strategy as well as talent management and salary planning for the entire organization.



Mr. Photjanart Sangpruaksa

Director



Mr. Photjanart Sangpruaksa has experience over 19 years in Financial Services including Capital Markets, Corporate Credit Product Management, and Cash Management. After graduating in Master of Business Administration, National Institute of Development Administration, he took a role as First Vice President of Corporate Finance Department,

followed by Senior Vice President of Corporate Credit Product Management Department. At present, he takes charge as First Senior Vice President at KASIKORNBANK PCL. He is responsible for taking care of Corporate Credit Product Management and Securities Services.

Mr. Barvorn Srisangatrakul

Director



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

3.2 Risk Management Committee

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

3.3 Audit Committee

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

3.4 Governance Committee

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



Part IV Financial Report

4.1 Corporate Information

Bank Name	KASIKORNTHAI BANK LIMITED
Banking Licence No.	32/BOL
Enterprise Registration Certificate	No. 456/Jor Tor Wor Date 04/11/2014
Board of Directors	Mr. Pattanapong Tansomboon Ms. Nutcharee Nuntivacharin Mr. Chartchai Sundharagiati Mr. Wichai Narongwanich Ms. Siranee Phoophat Mr. Photjanart Sangpruaksa Mr. Barvorn Srisangatrakul
Board of Management	Mr. Barvorn Srisangatrakul (Country Director) Mr. Weekit Limrattanapan (Chief Financial Officer)
Registered Office	KASIKORNTHAI BANK LIMITED Unit 14, Ban Ponesinuan, Sysattanak, Vientiane, Lao PDR
Auditor	KPMG Lao Co., Ltd 4 th Floor, K.P. Tower 23 Singha Road P.O. Box 6978 Vientiane, Lao PDR

4.2 Management's Responsibility in Respect of the Financial Statements

The management of KASIKORNTHAI BANK Limited (the "Bank") is responsible for the preparation of the financial statements and for ensuring that the financial statements fairly are prepared in all material respects financial position of the Bank as at 31 December 2016, and the statement of income, statement of changes in equity and statement of cash flows for the year then ended 31 December 2016 in accordance with the International Financial Reporting Standards ("IFRS"). In preparing the financial statements, Management is required to:

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

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

Approval of the Financial Statements

I, Mr. Barvorn Srisangatrakul, on behalf of the Board of Management, do hereby state that the financial statements set out on pages 23 to 56 give a true and fair view of the financial position of KASIKORNTHAI BANK Limited as at 31 December 2016 and of its financial performance and its cash flows for the year then ended and have been properly drawn up in accordance with IFRS.



Mr. Barvorn Srisangatrakul
Country Director 31 March 2017

Independent Auditor's Report

To the Board of Directors of 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 2016, the statement of profit or loss and other comprehensive income, changes in capital and other reserves 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 2016 and its financial performance and cash flows for the year then ended in accordance with the 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 Accountant's Code of Ethics for Professional Accountants that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards ("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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG Lao Co

KPMG Lao Co., Ltd
Vientiane Capital, Lao PDR
31 March 2017

KASIKORNTHAI BANK Limited

Statement of financial position

Assets	Note	31 December 2016	31 December 2015
		(in thousand LAK)	
Cash and cash equivalents	9, 20	216,920,081	348,246,736
Deposits with other banks		193,234,400	168,705,500
Statutory deposits with Central Bank		20,482,362	14,042,079
Investment	10	40,000,000	25,000,000
Loans and advances to customers	11	239,187,591	105,134,654
Leasehold improvement and equipment	12	14,565,776	9,426,927
Intangible assets	13	3,693,051	5,002,329
Other assets	14, 20	<u>5,692,329</u>	<u>3,499,398</u>
Total assets		<u>733,775,590</u>	<u>679,057,623</u>
Liabilities and equity			
Liabilities			
Deposits from customers	15	163,281,774	169,260,275
Deposits from other banks	20	264,708,243	205,213,456
Deferred tax liabilities	16	259,073	—
Other liabilities	17, 20	<u>4,434,749</u>	<u>4,597,160</u>
Total liabilities		<u>432,683,839</u>	<u>379,070,891</u>
Equity			
Paid-up share capital	18	300,000,000	300,000,000
Statutory reserve	19	175,556	—
Surplus/(Deficit)		<u>916,195</u>	<u>(13,268)</u>
Total Equity		<u>301,091,751</u>	<u>299,986,732</u>
Total liabilities and equity		<u>733,775,590</u>	<u>679,057,623</u>

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

KASIKORNTHAI BANK Limited

Statement of profit or loss and other comprehensive income

	Note	For the year ended 31 December 2016	For the period from 4 November 2014 to 31 December 2015
(in thousand LAK)			
Interest income		13,527,522	6,481,218
Interest expense	20	(5,876,880)	(3,941,829)
Net interest income	4	7,650,642	2,539,389
Fee and commission income	20	2,065,701	1,379,194
Fee and commission expense		(427,102)	(229,815)
Net fee and commission income	5	1,638,599	1,149,379
Net operating income		9,289,241	3,688,768
Impairment loss on financial assets	11	(673,719)	(522,023)
Gain on foreign exchange		3,793,357	6,593,255
Other income		627,036	121,484
Total operating income		13,035,915	9,881,484
Operating expenses			
Personnel expenses	6	(4,486,052)	(3,281,465)
Depreciation and amortization expenses		(2,096,765)	(2,301,868)
Other operating expenses	7, 20	(5,012,445)	(4,284,034)
Total operating expenses		(11,595,262)	(9,867,367)
Profit before income tax		1,440,653	14,117
Income tax	8	(335,634)	(27,385)
Profit/(Loss) for the year/period		1,105,019	(13,268)
Other comprehensive income			
Other comprehensive income for the period, net of income tax		—	—
Total comprehensive income		1,105,019	(13,268)
Earnings per share			
Basic earnings per share (LAK)		36.83	(0.44)

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

KASIKORNTHAI BANK Limited

Statement of changes in equity

	Paid-up share capital	Surplus/(Deficit) (in thousand LAK)	Statutory reserve	Total
For the period from 4 November 2014 to 31 December 2015				
Issue of shares on incorporation 4 November 2014	300,000,000	—	—	300,000,000
Loss for the period	—	(13,268)	—	(13,268)
Balance at 31 December 2015 and 1 January 2016	300,000,000	(13,268)	—	299,986,732
Profit for the year	—	1,105,019	—	1,105,019
Transfer to Statutory reserve	—	(175,556)	175,556	—
Balance at 31 December 2016	300,000,000	916,195	175,556	301,091,751

KASIKORNTHAI BANK Limited

Statement of cash flows

	For the year ended 31 December 2016	For the period from 4 November 2014 to 31 December 2015
Note	(in thousand LAK)	
Cash flows from operating activities		
Profit before income tax	1,440,653	14,117
Adjustments for:		
Depreciation and amortisation	2,096,765	2,301,869
Impairment loss on financial assets	673,719	523,873
Unrealised gain on exchange	(633,398)	(474,149)
Interest income	(13,527,522)	(6,481,218)
Interest expense	5,876,880	3,941,829
Interest received	11,943,669	4,606,034
Interest paid	(5,890,825)	(884,085)
Income tax paid	(59,639)	—
Income from operations before changes in operating assets and liabilities	1,920,302	3,548,270
Decrease (increase) in operating assets		
Statutory deposits with Central Bank	(6,440,282)	(14,042,079)
Deposits to other banks	(24,528,900)	(168,705,500)
Loans and advances to customers	(135,022,161)	(104,254,158)
Other assets	319,825	(2,554,434)
Increase (decrease) in operating liabilities		
Deposits from customers	(5,978,501)	169,260,275
Deposits from other banks	59,494,787	205,213,456
Other liabilities	(165,389)	1,512,031
Net cash (used in) provided by operating activities	(110,400,319)	89,977,861
Cash flows from investing activities		
Purchases of investments in securities	(15,000,000)	(25,000,000)
Purchases of leasehold improvement and equipments	(5,926,336)	(10,206,773)
Acquired intangible assets	—	(6,524,352)
Net cash used in investing activities	(20,926,336)	(41,731,125)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	18	300,000,000
Net cash provided by financing activities	—	300,000,000
Net (decrease) increase in cash and cash equivalents	(131,326,655)	348,246,736
Cash and cash equivalents at 1 January 2016 and 4 November 2014	348,246,736	—
Cash and cash equivalents at 31 December	9	348,246,736

The accompanying notes are an integral part of these financial statements.
26 / Independent Auditor's Report

KASIKORNTHAI BANK Limited

Notes to the financial statement for the year ended 31 December 2016

1. Reporting entity

KASIKORNTHAI BANK Limited (the “Bank”) is 100% foreign invested commercial bank which was incorporated in Lao People’s Domestic Republic and its registered office at Unit 14, Ban Ponesinuan, Sysattanak District, Vientiane Capital, Lao PDR.

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

The Bank operates in the Lao People's Democratic Republic (“Lao PDR”) under the banking license (License No. 32/BOL) granted by the Bank of Lao PDR (“BoL”) on 4 November 2014 and Enterprise Registration Certificate No. 456/ERO dated 13 August 2013 issued by the Enterprise Registration Officer.

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

As at 31 December 2016, the Bank had 19 (2015: 17) 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 2017.

(ii) Basis of measurement

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

(iii) Functional and presentation currency

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

(iv) Use of accounting estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2016 included in the following note:

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

(v) Fiscal Year

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

3. Significant accounting policies

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

(a) Foreign currency transactions

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

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

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

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

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

	31 December 2016 (LAK)	31 December 2015 (LAK)
United State Dollar ("USD")	8,181.00	8,130.00
Thai Baht ("THB")	229.38	225.85

(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

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

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

Financial liabilities

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

(iii) Derecognition

Financial assets

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

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

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

Financial liabilities

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

(iv) Offsetting

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

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

(v) Amortised cost measurement

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

(vi) Fair value measurement

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

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

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

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

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

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

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

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

(vii) Objective evidence of impairment

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

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

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

Measurement of impairment

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

Presentation

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

Write-off

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

(c) Cash and cash equivalents

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

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

(d) Loans and advances

Loans and advances in the statement of financial position are loans and advances measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method. Loans and advances are carried at amortised cost using the effective interest rate method, less any impairment losses. Loans and advances are shown inclusive of accrued interest receivables.

(e) Held-to maturity investments

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

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

Interest on held-to-maturity investments is included in the statement of comprehensive income. Held-to-maturity investments are bonds issued by the Ministry of Finance of the Lao PDR (“MoF”).

(f) Leasehold improvement and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

(g) Deposits from customers

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

(h) Employee benefit obligations

Short-term employee benefits

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

(i) Provisions

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

(j) Interest

Interest income and expense are recognised in statement of profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or where appropriate, a shorter period) to the carrying amount of the financial asset or the amortised cost of the financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

(k) Fee and commission

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

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

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

(l) Income tax

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

(i) Current tax

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

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

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

(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 PDR 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 PDR substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

(m) Financial guarantees

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

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

(n) Provision for contingent liabilities

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

(o) Related parties

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

4. Net interest income

	31 December 2016	4 November 2014 to 31 December 2015
	(in thousand LAK)	
Interest income		
Loans and advances to customers	7,763,388	2,641,727
Investments	1,709,041	95,890
Deposits with other banks	4,055,093	3,743,601
	<u>13,527,522</u>	<u>6,481,218</u>
Interest expense		
Deposits from customers	3,377,969	2,199,228
Deposits from other banks	2,498,911	1,742,601
	<u>5,876,880</u>	<u>3,941,829</u>
Net interest income	<u>7,650,642</u>	<u>2,539,389</u>

5. Net fee and commission income

	31 December 2016	4 November 2014 to 31 December 2015
	(in thousand LAK)	
Fees and commission income		
Foreign remittances and facilities	1,324,843	725,468
Domestic facilities	34,862	37,698
Financial services fees	608,296	598,528
Others	97,700	17,500
	<u>2,065,701</u>	<u>1,379,194</u>

	31 December 2016	4 November 2014 to 31 December 2015
	(in thousand LAK)	

Fees and commission expense

Other fees paid	<u>(427,102)</u>	<u>(229,815)</u>
Net fees and commission income	<u>1,638,599</u>	<u>1,149,379</u>

6. Personnel expenses

	31 December 2016	4 November 2014 to 31 December 2015
	(in thousand LAK)	
Wages and salaries	2,003,896	1,776,124
Other benefits	2,482,156	1,505,341
Total	<u>4,486,052</u>	<u>3,281,465</u>

7. Other operating expenses

	31 December 2016	4 November 2014 to 31 December 2015
	(in thousand LAK)	
Administrative expenses	2,719,722	2,369,286
Rental expense	2,180,943	1,844,817
Other expenses	111,780	69,931
Total	<u>5,012,445</u>	<u>4,284,034</u>

8. Income tax

Amounts recognised in profit and loss

	2016	2015
	(in thousand LAK)	
Current tax expense		
Current year	76,561	27,385
Deferred Tax expense		
Movements in temporary differences	259,073	-
Total income tax expense	<u>335,634</u>	<u>27,385</u>

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 (%)	2016 (in thousand LAK)	2015
Profit before income tax		<u>1,440,653</u>	<u>14,117</u>
Income tax at the domestic tax rate	24.00	345,757	3,388
Tax effect of:			
- Non-deductible expenses		673	23,997
- Under provided deferred tax		<u>(10,796)</u>	—
Income tax	23.30	<u>335,634</u>	<u>27,385</u>

9. Cash and cash equivalents

	2016 (in thousand LAK)	2015
Cash on hand	10,370,160	4,556,380
Balances at Central Banks	86,169,176	209,824,700
Balances at other banks	<u>120,380,745</u>	<u>133,865,656</u>
Total	<u>216,920,081</u>	<u>348,246,736</u>

10. Investment

	2016 (in thousand LAK)	2015
Ministry of Finance Bonds	<u>40,000,000</u>	<u>25,000,000</u>

The investment represents bonds with the Ministry of Finance of the Lao PDR with an interest rate of 5% per annum. The maturities of the bonds are within one year.

Movements of investments during the year are as follows:

	2016 (in thousand LAK)	2015
Balance at the beginning of the year	25,000,000	—
Acquisitions	40,000,000	25,000,000
Maturities	<u>(25,000,000)</u>	—
Balance at the end of the year	<u>40,000,000</u>	<u>25,000,000</u>

11. Loans and advances to customers

	2016 (in thousand LAK)	2015
Loans	240,084,701	104,774,607
Add accrued income on loans	1,176,745	928,902
Less deferred income	(873,432)	(44,982)
allowance for impairment	<u>(1,200,423)</u>	<u>(523,873)</u>
Loans and advances to customers, net	<u>239,187,591</u>	<u>105,134,654</u>
Current	87,722,301	10,287,307
Non-current	<u>152,362,400</u>	<u>94,487,300</u>
Total	<u>240,084,701</u>	<u>104,774,607</u>

	Loans, net deferred income	2016 Allowance for impairment loss (in thousand LAK)	Carrying amount
Corporate	<u>240,388,014</u>	<u>(1,200,423)</u>	<u>239,187,591</u>
Total	<u>240,388,014</u>	<u>(1,200,423)</u>	<u>239,187,591</u>
	Loans, net deferred income	2015 Allowance for impairment loss (in thousand LAK)	Carrying amount
Corporate	<u>105,658,527</u>	<u>(523,873)</u>	<u>105,134,654</u>
Total	<u>105,658,527</u>	<u>(523,873)</u>	<u>105,134,654</u>

The changes in the provision for bad and doubtful loans and advances are as follows:

Individual allowance for impairment loss

	2016 (in thousand LAK)	2015
Balance at the beginning of the year		
Balance at 31 December 2015	523,873	—
Foreign exchange translation	2,831	1,850
Credit loss expense	<u>673,719</u>	<u>522,023</u>
Balance at 31 December 2016	<u>1,200,423</u>	<u>523,873</u>

12. Leasehold improvement and equipment

	Leasehold improvement	Furniture, fitting and office equipment	Construction in progress (in thousand LAK)	Total
Cost				
Balance at 4 November 2014	—	—	—	—
Additions	<u>9,062,758</u>	<u>1,144,015</u>	—	<u>10,206,773</u>
Balance at 31 December 2015	<u>9,062,758</u>	<u>1,144,015</u>	—	<u>10,206,773</u>
Additions	<u>682,744</u>	<u>204,856</u>	<u>5,038,736</u>	<u>5,926,336</u>
Balance at 31 December 2016	<u>9,745,502</u>	<u>1,348,871</u>	<u>5,038,736</u>	<u>16,133,109</u>
Accumulated depreciation				
Balance at 4 November 2014	—	—	—	—
Depreciation for the period	<u>(528,868)</u>	<u>(250,978)</u>	—	<u>(779,846)</u>
Balance at 31 December 2015	<u>(528,868)</u>	<u>(250,978)</u>	—	<u>(779,846)</u>
Depreciation for the year	<u>(528,639)</u>	<u>(258,848)</u>	—	<u>(787,487)</u>
Balance at 31 December 2016	<u>(1,057,507)</u>	<u>(509,826)</u>	—	<u>(1,567,333)</u>

	Leasehold improvement	Furniture, fitting and office equipment	Construction in progress (in thousand LAK)	Total
Net book value				
At 4 November 2014	—	—	—	—
At 31 December 2015	<u>8,533,890</u>	<u>893,037</u>	<u>—</u>	<u>9,426,927</u>
At 31 December 2016	<u>8,687,995</u>	<u>839,045</u>	<u>5,038,736</u>	<u>14,565,776</u>

13. Intangible assets

Software license
(in thousand LAK)

Cost	
Balance at 4 November 2014	—
Additions	<u>6,524,352</u>
Balance at 31 December 2015	<u>6,524,352</u>
Additions	—
Balance at 31 December 2016	<u>6,524,352</u>

Accumulated depreciation	
Balance at 4 November 2014	—
Amortisation for the period	<u>(1,522,023)</u>
Balance at 31 December 2015	<u>(1,522,023)</u>
Amortisation for the period	<u>(1,309,278)</u>
Balance at 31 December 2016	<u>(2,831,301)</u>
Net book value	
At 4 November 2014	—
At 31 December 2015	<u>5,002,329</u>
At 31 December 2016	<u>3,693,051</u>

14. Other assets

	2016	2015
	(in thousand LAK)	
Interest receivables on investments	804,932	95,890
Interest receivables on deposit with other banks	1,397,311	849,074
Prepaid rental expenses	2,658,825	1,195,110
Others	<u>831,261</u>	<u>1,359,324</u>
Total	<u>5,692,329</u>	<u>3,499,398</u>

15. Deposits from customers

2016
(in thousand LAK)

2015

Retail customers:

- Current	1,418,830	2,898,475
- Savings	66,978,249	23,418,914
- Term	44,076,563	43,054,697

Corporate customers:

- Current	35,125,851	92,663,730
- Savings	4,593,005	3,159,159
- Term	11,089,276	4,065,300
Total	<u>163,281,774</u>	<u>169,260,275</u>

16. Deferred tax liabilities

	As of 1 January 2016	Credited / Charged to Profit and loss (in thousand LAK)	31 December 2016
Deferred tax assets			
Deferred income	—	209,624	209,624
Deferred tax liabilities			
Depreciation	—	468,697	468,697
Net	—	<u>259,073</u>	<u>259,073</u>

17. Other liabilities

	2016	2015
	(in thousand LAK)	
Accrued interest payables	3,043,799	3,057,744
Others	<u>1,390,950</u>	<u>1,539,416</u>
Total	<u>4,434,749</u>	<u>4,597,160</u>

18. Paid-up share capital Issue of ordinary shares

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

There was no increase in capital during the year 2016.

19. Statutory reserve

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

20. Related party transactions

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

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

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

Transactions	Pricing policies
Fee and commission income	Contractual agreed price
Other operating expense	Contractual agreed price
Interest expense	Market rate

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

Related party	Relationship	Transactions	2016	2015
(in thousand LAK)				
KASIKORNBANK PUBLIC COMPANY LIMITED	Parents company	Fee and commission income	610,986	596,244
KASIKORNBANK PUBLIC COMPANY LIMITED	Parents company	Other operating expense	418,693	402,465
KASIKORNBANK PUBLIC COMPANY LIMITED	Parents company	Interest expense	2,420,179	1,742,600

Significant balances with related parties at 31 December 2016 are as follows:

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

Significant balances with related parties at 31 December 2015 are as follows:

Related party	Relationship	Transactions	Receivable	Payable
(in thousand LAK)				
KASIKORNBANK PUBLIC COMPANY LIMITED	Parents company	Cash and cash equivalents	116,668,012	—
KASIKORNBANK PUBLIC COMPANY LIMITED	Parents company	Other assets	675,297	—
KASIKORNBANK PUBLIC COMPANY LIMITED	Parents company	Deposit from other banks	—	205,213,456
KASIKORNBANK PUBLIC COMPANY LIMITED	Parents company	Accrued interest payable	—	1,229,392
KASIKORNBANK PUBLIC COMPANY LIMITED	Parents company	Other liabilities	—	1,389,963
			2016	2015
(in thousand LAK)				
Short-term employee benefits			1,927,168	1,178,456

21. 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 Branch 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 2016 and 2015.

Financial assets are not measured at fair value

The fair values of loans to customers approximates carrying value including accrued interest receivables and net of deferred revenue, allowance for doubtful accounts as loans are at market rates of interest and the majority of fixed rate loans are short term. Furthermore, allowance for doubtful accounts is predominately determined on an expected loss basis.

The carrying amount of the following financial assets: cash and cash equivalents, deposits with other banks, investment, and other assets which core item is accrued interest receivables and that of the following financial liabilities: deposits from customer, deposits from other bank, and other liabilities which core item is accrued interest payables are a reasonable approximation of fair value because they are mostly short term in nature.

22. Financial risk management

22.1 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 supervisors level. They would be responsible to manage operational risk in normal course of business within the Bank, and control risk within acceptable level.

22.2 Credit risk

"Credit risk" refers to the risk that a counterparty or borrower may default on contractual obligation or agreements. Such defaults by counterparties incur losses to the Bank, and are often a result of the inability to make repayment owing to financial difficulties, or intention not to abide by the agreements. To effectively mitigate such adverse scenarios, the Bank conducts credit risk management in areas as follows:

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.

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. The Bank may obtain sufficient collateral or other securities, where appropriate, as a means of mitigating the risk of financial losses from repayment defaults. To maximize the effectiveness of the credit approval process, credit analysis and approval functions are undertaken by credit underwriters in KBANK. However, large loans will require additional acknowledgement by BOD.

The Bank determines the loan growth target and its desirable credit portfolio composition to strive for the highest possible risk-adjusted return within the acceptable risk levels. This is done by taking into account the economic outlook, potential market opportunities, and the Bank's strategic direction. For assessment of 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.

The Bank 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 monitors and controls 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 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 system and reinforces loan detection and monitoring for adjustment of the potential risk classifications to ensure that loan classifications are objective and prudent.

According to the BOL regulation, when the Bank extends credit to borrowers, provisioning must be set aside to offset any possible loss. The amount of provisioning shall be determined by applying the following minimum percentages by classification ranging from 0.5% to 1% in accordance with the Official Letter No. 242/BOL issued by the Bank of Lao P.D.R on 2 April 2011. Accordingly, the Bank provided general provision at rate of 0.5% out of total balance of Normal or Pass loan, 3% for Special mention, 20% for Substandard, 50% for Doubtful and 100% for Loss.

22.3 Market risk

Market risk may arise from changes in interest rate, foreign exchange, securities and commodity prices, as well as credit spreads. 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.

22.3.1 Interest rate risk

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

An analysis of loans (including financial institutions) at fixed and floating interest rates (LIBOR, MLR, MOR and MRR) as of 31 December 2016 and 31 December 2015 are as follows:

	2016 (in thousand LAK)	2015 (in thousand LAK)
Fixed interest rates	178,727,201	104,774,607
Floating interest rates	61,357,500	—
Total loans	240,084,701	104,774,607

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 years ended 31 December 2016 and 2015 are as follows:

	Average balance	2016 Interest income/ expense (in thousand LAK)	Average interest rate (%)
Financial assets			
Interest-bearing financial assets			
Deposits with other banks	172,084,576	4,055,093	2.4%
Investments	37,500,000	1,709,041	4.6%
Loans to customers	154,092,867	7,763,388	5.0%
Total financial assets	363,677,443	13,527,522	
Financial liabilities			
Interest-bearing financial liabilities			
Deposits from customers	163,576,018	3,377,969	2.1%
Deposits from other banks	199,751,444	2,498,911	1.3%
Total financial liabilities	363,327,462	5,876,880	

	Average balance	2015 Interest income/ expense (in thousand LAK)	Average interest rate (%)
Financial assets			
Interest-bearing financial assets			
Deposits with other banks	136,284,463	3,743,601	2.7%
Investments	4,166,666	95,890	5.0%
Loans to customers	71,510,726	2,641,727	6.8%
Total financial assets	211,961,855	6,481,218	
Financial liabilities			
Interest-bearing financial liabilities			
Deposits from customers	60,273,504	2,199,228	3.6%
Deposits from other banks	181,862,259	1,742,601	0.9%
Total financial liabilities	242,135,763	3,941,829	

Financial assets and liabilities, classified by maturity of interest repricing, as of 31 December 2016 and 31 December 2015 are shown as below:

	2016 (in thousand LAK)					
	Immediate Repricing	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	Non- interest Bearing	Total
Financial liabilities						
Cash and cash equivalents	—	8,000,000	—	—	208,920,081	216,920,081
Deposits with other banks	—	137,234,400	56,000,000	—	—	193,234,400
Statutory deposits with Central Bank	—	—	—	—	20,482,362	20,482,362
Investments	—	—	40,000,000	—	—	40,000,000
Loans to customers	61,357,500	80,722,301	7,000,000	91,004,900	1,176,745	241,261,446
Accrued interest receivables	—	—	—	—	2,202,243	2,202,243
Total financial assets	61,357,500	225,956,701	103,000,000	91,004,900	232,781,431	714,100,532

	Immediate Repricing	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	Non- interest Bearing	Total
Financial liabilities						
Deposits from customers	71,571,254	23,845,995	13,825,296	17,494,548	36,544,681	163,281,774
Deposits from other banks	—	262,977,900	—	—	1,730,343	264,708,243
Accrued interest payables	—	—	—	—	3,043,799	3,043,799
Total financial liabilities	71,571,254	286,823,895	13,825,296	17,494,548	41,318,823	431,033,816

	2015 (in thousand LAK)					
	Immediate Repricing	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	Non- interest Bearing	Total
Financial liabilities						
Cash and cash equivalents	—	—	—	—	348,246,736	348,246,736
Deposits with other banks	—	168,705,500	—	—	—	168,705,500
Statutory deposits with Central Bank	—	—	—	—	14,042,079	14,042,079
Investments	—	—	25,000,000	—	—	25,000,000
Loans to customers	—	5,832,289	4,488,390	94,453,928	928,902	105,703,509
Accrued interest receivables	—	—	—	—	944,964	944,964
Total financial assets	—	174,537,789	29,488,390	94,453,928	364,162,681	662,642,788

	Immediate Repricing	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	Non-interest Bearing	Total
Financial liabilities						
Deposits from customers	26,578,075	7,731,218	10,673,944	28,714,835	95,562,203	169,260,275
Deposits from other banks	1,963,456	81,300,000	121,950,000	—	—	205,213,456
Accrued interest payables	—	—	—	—	3,057,744	3,057,744
Total financial liabilities	28,541,531	89,031,218	132,623,944	28,714,835	98,619,947	377,531,475

22.3.2 Foreign exchange rate risk

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

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

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

Foreign currency positions in LAK equivalent, as of 31 December 2015 were as follows:

	US Dollar	2015 Currency THB (in thousand LAK)	Total
Financial assets			
Cash and cash equivalents	161,679,021	103,050,385	264,729,406
Deposits with other banks	81,490,513	6,781,626	88,272,139
Statutory deposits with Central Bank	2,088,272	7,172,416	9,260,688
Loans to customer and accrued interest receivables	83,549,954	2,584,613	86,134,567
Other financial assets	1,296,759	821,544	2,118,303
Total financial assets	330,104,519	120,410,584	450,515,103
Financial liabilities			
Deposits from customers	35,920,206	116,621,976	152,542,182
Deposits from other banks	206,442,847	—	206,442,847
Total financial liabilities	242,363,053	116,621,976	358,985,029
Foreign currency position of items recognised on the statement of financial position - net	87,741,466	3,788,608	91,530,074

22.4 Credit spread risk

Credit spread risk is the risk arising from changes in credit spreads 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.

The Bank manages risk arising from bond underwriting and bond trading business mainly to serve customers' demand, as well as investing in bond under relevant applicable regulations.

In addition, the Bank has closely monitored risk status and market situations in order to pursue prudent management and control risk under the limits.

22.5 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 the Bank of Lao PDR'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 Coverage Ratio (LCR) in order to ensure that 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. 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 2016 and 2015 as follows:

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

2015
(in thousand LAK)

	At call	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	No Maturity	Total
Financial assets						
Cash and cash equivalents	348,246,736	—	—	—	—	348,246,736
Deposits with other banks	—	168,705,500	—	—	—	168,705,500
Statutory deposits with Central Bank	—	—	—	—	14,042,079	14,042,079
Investments	—	—	25,000,000	—	—	25,000,000
Loans to customers	—	8,742,313	6,483,064	90,478,132	—	105,703,509
Accrued interest receivables	—	849,074	95,890	—	—	944,964
Total financial assets	348,246,736	178,296,887	31,578,954	90,478,132	14,042,079	662,642,788
Financial liabilities						
Deposits from customers	122,140,278	7,731,218	10,673,944	28,714,835	—	169,260,275
Deposits from other banks	1,963,456	81,300,000	121,950,000	—	—	205,213,456
Accrued interest payables	364	266,292	1,474,030	1,317,058	—	3,057,744
Total financial liabilities	124,104,098	89,297,510	134,097,974	30,031,893	—	377,531,475
Liquidity - net	224,142,638	88,999,377	(102,519,020)	60,446,239	14,042,079	285,111,313
Liquidity - accumulative net	224,142,638	313,142,015	210,622,995	271,069,234	285,111,313	—

23. 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 PDR 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 PDR.

24. Capital Management

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

	2016	2015
	(in thousand LAK)	
Tier 1 capital	301,755,559	300,031,710
Tier 2 capital	1,200,423	523,870
Total capital	302,955,982	300,555,580
Less: Deductions from capital (Investments in other credit and financial institutions)	—	—
Capital for CAR calculation	302,955,982	300,555,580
Risk weighted balance sheet items	246,107,170	182,834,220
Risk weighted off balance sheet items	—	—
Total risk weighted assets	246,107,170	182,834,220
Capital Adequacy Ratio	123.10%	164.39%

25. 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 2016 that significantly impacted the financial position of the Bank as at 31 December 2016.

26. 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 2017 and 2018; however, the Bank has not applied the following new or amended standards in preparing these financial statements.

IFRS	Topic	Year effective
IFRS 9	Financial Instruments	2018
IFRS 15	Revenue from Contracts with Customers	2018
Amendments to IAS 7	Disclosure Initiative	2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	2017

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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

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



Part V Other Information

5.1 Shareholders Structure

- KASIKORNBANK PUBLIC COMPANY LIMITED 90 %
- KASIKORN ASSET MANAGEMENT Co., Ltd. 10 %
- Registered Capital LAK 300,000 Million

5.2 Events



June-August 2016

Internship Program provided 4 selected candidates from National University of Lao PDR and Banking Institute of Lao PDR an exclusive opportunity to work with KASIKORNBANK in Thailand

4 April 2016

Joined the 20th ASEAN Finance Ministers' Meeting (AFMM) Vientiane, Lao PDR

5-7 September 2016

ASEAN Business & Investment
Summit 2016 (Bronze Sponsor)

Vientiane, Lao PDR



28-30 November 2016

Hosted Bank of the Lao PDR at 21st ASEAN BANKING CONFERENCE Bangkok, Thailand

