

KASIKORNTHAI BANK

SOLE LIMITED ANNUAL REPORT

January – December 2023





Contents

Business Opportunities in AEC+3	4
KASIKORNTHAI BANK Sole Limited Vision, Purpose, and Core Values	6
KASIKORNTHAI BANK Sole Limited Financial Highlights	7
Chairman Message	9
Part I Corporate Background	10
1.1 Corporate Information	
1.2 Overview of KASIKORNBANK PUBLIC COMPANY LIMITED	
Part II Management Discussion and Analysis	13
2.1 Lao PDR Economic Overview	
2.2 2023 Business Performance and Business Directions of KASIKORNTHAI BANK Sole Limited for Year 2024	
Part III Organization Structure	16
3.1 Shareholders	
3.2 Board of Directors	
3.3 Risk Management Committee	
3.4 Audit Committee	
3.5 Governance Committee	
Part IV Financial Report	20
4.1 Corporate Information	
4.2 Management's Responsibility in Respect of the Financial Statements	
Independent Auditors' Report	22

Business Opportunities in AEC+3

With a population exceeding 600 million, ASEAN surpasses both the EU and North America and possesses the world's third-largest labor force, trailing only behind India and China. Since its establishment, the bloc has witnessed growth across diverse sectors including manufacturing, retail, transportation, and telecommunications. Forecasts indicate that by 2030, ASEAN is poised to become the world's fourth-largest economy, with domestic consumption projected to reach US\$4 trillion.

According to the Asian Development Bank, the forecasted growth for Southeast Asia in 2023 has been revised downward to 4.3% from the initial projection of 4.6%. For 2024, the forecast has been adjusted to 4.7% from the earlier 4.8%. However, there is an expectation of increased public investment that will contribute to economic growth in ASEAN countries in 2024. Additionally, a boost is anticipated in consumer spending, particularly in sectors such as hotels, restaurants, and tourism. This coincides with a strong recovery in international tourism across Southeast Asia.

Foreign Direct Investment (FDI) in ASEAN surged by 5.5%, reaching a record \$224 billion in 2022. The region's share of global FDI inflows increased from less than 15% to over 17%. Notably, there was a notable rise in greenfield project announcements, international project finance deals, and cross-border Mergers and Acquisitions (M&As). The growth in FDI was primarily driven by substantial investments in manufacturing, finance, wholesale and retail trade, and various service industries linked to the rapidly expanding digital economy. Five key industry sectors attracted 86% of the total FDI inflows. Undoubtedly, ASEAN remains an attractive choice for global investors, providing them with the prospect of participating in one of the world's rapidly advancing regions.

Concurrently, the Ratification of the Regional Comprehensive Economic Partnership (RCEP) agreement in 2022 adds to the region's allure for FDI. Given ASEAN's importance as a major market, production hub, and a significant source of technology and investment, the RCEP is poised to enhance the region's attractiveness for foreign investment. It is imperative for ASEAN to leverage and maximize the benefits offered by the RCEP agreement. Furthermore, the region sustained significant interest in investment related to battery production for the emerging Electric Vehicle (EV) industry, witnessing a remarkable 656% increase in announced greenfield investments in batteries, amounting to \$8.4 billion.

Laos' economic landscape is prominently characterized by the emphasis on renewable energy generation and electricity exportation, driven by policies that encourage energy development and attract Foreign Direct Investment (FDI) specifically in hydropower. Foreign investments and active participation from multinational enterprises (MNEs) in energy development have propelled Laos into becoming the leading electricity exporter among the LDCs and as "Battery of Southeast Asia." In 2021, electricity exports yielded over \$2 billion in revenue, constituting over 15% of the country's Gross Domestic Product (GDP).

In 2024, ASEAN countries could also benefit from the recovery of the international tourism sector, as the epidemiological environment improves, and China reopens its international border. The China-Lao PDR Railway's full operation, the charm of the Luang Prabang World Heritage Site, the scenic Vangvieng, and the depreciation of the Lao Kip currency collectively attract visitors from neighboring countries. The number of international tourist arrivals in Lao PDR is expected to increase to 2.7 million in 2024, from the 2.4 million reported during the first nine months of 2023.

KASIKORNTHAI BANK Sole Limited (KBank Lao) is unwavering in its dedication to serving customers and equipping them to navigate challenging macroeconomic conditions. The bank achieves this by continually expanding and advancing its array of financial services and solutions. KBank's extensive presence within the ASEAN Economic Community facilitates connections between Lao businesses and global opportunities, underscoring the bank's commitment to delivering reliable and sustainable growth to its customers as a trusted partner.



KASIKORNTHAI BANK Sole Limited

Vision, Purpose, and Core Values

Vision

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

Purpose

To empower every customer's life and business

Core Values



Customer at Heart



Collaboration



Agility



Innovativeness



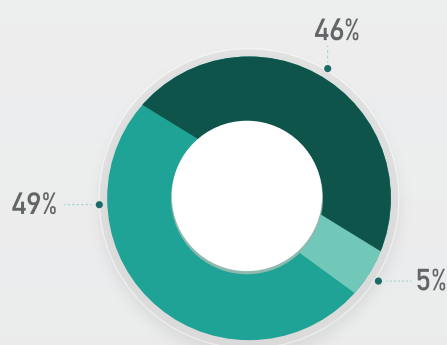
Integrity



KASIKORNTHAI BANK Sole Limited

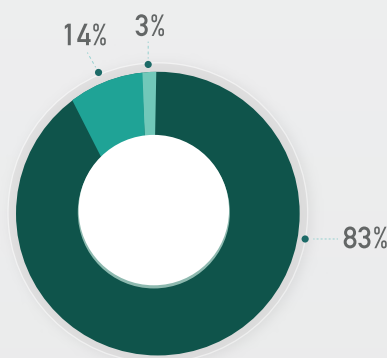
Financial Highlights

Total Assets



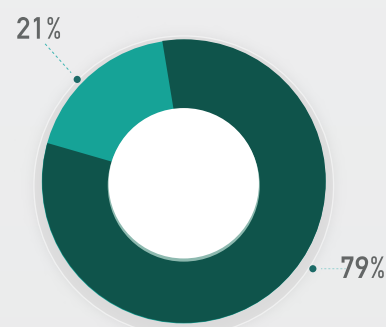
- Cash and Cash Equivalents
- Loans and Advances to Customers
- Others

Total Liabilities



- Deposits
- Borrowing
- Others

Net Operating Income



- Net Interest Income
- Net Fee and Commission

Unit : Thousand of LAK

	1 January 2022 to 31 December 2022	1 January 2023 to 31 December 2023
Total Assets	2,724,015,332	3,393,097,691
Total Liabilities	2,203,144,682	2,794,420,082
Net Interest Income	41,485,602	51,861,275
Net Fee and Commission Income	9,858,159	14,164,378
Net Operating Income	51,343,761	66,025,653
Total Operating Income	111,784,155	116,453,667
Total Operating Expense	63,464,400	69,352,055
Profit before Income Tax	48,319,755	47,101,612
Net Profit	32,749,180	37,806,959



Total Assets

As of December 31, 2023, KASIKORNTHAI BANK Sole Limited ("KBank Lao") has total assets in equivalent to LAK 3,393,097,691 thousand with loan size, to both public and private sectors, at 1,671,529,727 thousand in total. KBank Lao also maintains sustainable liquidity for increase of loan in year 2024



Total Liabilities

Total liabilities as of December 31, 2023 is LAK 2,794,420,082 thousand with deposits totaled LAK 2,325,848,876 thousand from customers and other financial institution



Net Operating Income

For the year ended 2023, KASIKORNTHAI BANK Sole Limited has net operating income totaled LAK 66,025,653 thousand which comprises of net interest income totaled LAK 51,861,275 thousand, net fee and commission income totaled LAK 14,164,378 thousand. In comparison with 2022 full year operation, net operating income has increased from both interest income and fee.



Net Profit

KASIKORNTHAI BANK Sole Limited has profit before income tax totaled LAK 47,101,612 thousand and net profit for the year 2023 totaled LAK 37,806,959 thousand which significantly increased from year 2022 due to higher business volume in both credit and non-credit products.

Chairman Message

The Lao People's Democratic Republic has experienced significant progress in areas such as livelihood, economy, and education. The 9th National Socio-Economic Development Plan for 2021-2025 focuses on maximizing socio-economic advancement by leveraging the country's inherent capabilities. The goal is to achieve quality, inclusive, and environmentally sustainable growth, aligning with the criteria necessary to meet the Sustainable Development Goals by 2030.

In 2023, the Lao economy continues its recovery, attributed to improved performance in sectors like tourism, transport, and logistics services, as well as increased foreign investments. However, the growth falls short of expectations mainly due to the depreciation of the kip and inflation. Inflation contributes to higher consumption costs, more household spending on essentials such as food, education, and healthcare, and depleting savings. This, in turn, hinders the economic revival of Lao PDR. The GDP growth is 4.2% in 2023, yet an enhanced performance is anticipated in 2024.

KBank's inaugural digital e-wallet in Lao PDR, "QR KBank," played a pivotal role in establishing a new business frontier, attracting 145,000 registered users in 2023 and continue its positive momentum.

To be a regional banking leader, KBank Lao dedicated to elevating the quality of life for both individual and business customers by transforming QR KBank into KPlus Laos, which marks another significant step in KASIKORNBANK's expansion of services beyond its home country. The support that KBank Lao has garnered from the citizens of Lao PDR throughout our journey, be it in regular or exceptional circumstances, has reaffirmed our dedication to fortifying the nation's economy and society. Thanks to our comprehension of local consumers and the unwavering commitment of KASIKORNTHAI BANK employees, we've been able to deliver fitting products and services to the right people at the right time.



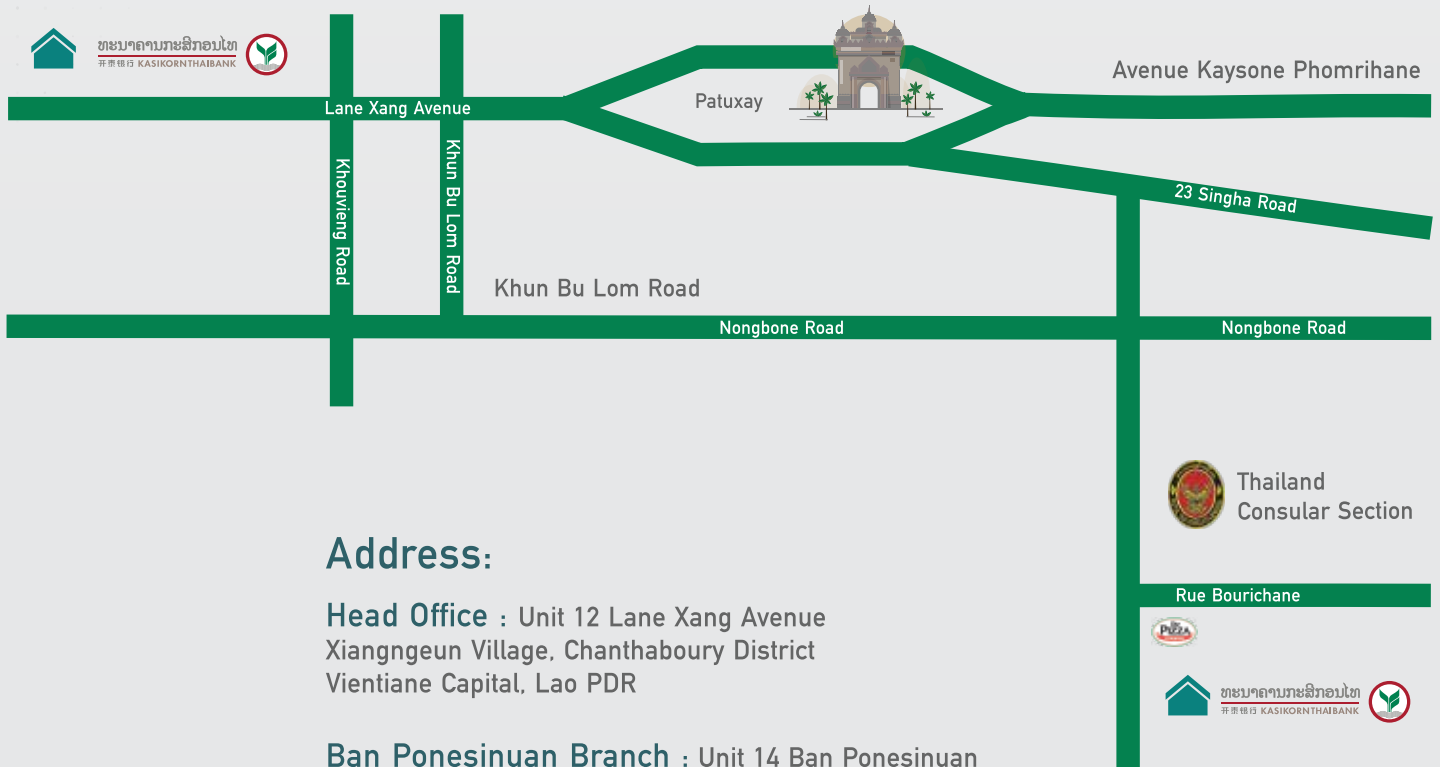
Most importantly, the Lao PDR is honored to be the ASEAN Chairmanship for the third time, under the theme "ASEAN: Enhancing Connectivity and Resilience." The focal point of Laos' ASEAN Chairmanship will be the reinforcement of connectivity and resilience within the ASEAN community. KASIKORNTHAI BANK Sole Limited expresses its willingness to actively participate as a part of stakeholder, contributing expertise and leveraging our connectivity in the ASEAN Economic Community (AEC).

Last but not least, KBank Lao expresses sincere appreciation to the Bank of Lao PDR for offering valuable guidance and extends gratitude to all stakeholders in Lao PDR. The collaborative efforts of these stakeholders have propelled the advancement and broadened the scope of financial inclusion in Lao PDR, contributing to the enhanced well-being and enduring sustainability of the people's livelihoods.

Part I Corporate Background

1.1 Corporate Information

Registered Name	KASIKORNTHAI BANK Sole Limited
Enterprise Registration No.	1343 / ERO
Bank License No.	06 / BOL
Established Date	October 16, 2014
Chairman	Mr. Pattanapong Tansomboon
Country Director	Ms. Sudamas Sutanganu
Registered Office	Unit 12, Lane Xang Avenue, Xiangngeun Village, Chanthaboury District, Vientiane Capital, Lao PDR
Telephone No.	+856 21 410 888
Website	http://www.kasikornbank.com.la



1.2 Overview of KASIKORNBANK PUBLIC COMPANY LIMITED

The KASIKORNBANK PUBLIC COMPANY LIMITED (KBank) was established on June 8, 1945 and listed on the Stock Exchange of Thailand since 1976. For nearly 80 years of operation, our focus is to deliver impressive services and innovative products that best response to customer needs. KBank prioritizes on both domestic and regional dimensions in line with changing economic trend, consumer behavior, government policies and market competition. These factors are assessed to define new strategies for KBank to enhance business operations and adjust to upcoming changes while sustainably upholding the superiority and relevance to customers' lives.

Furthermore, to better serve customer in all dimensions, KBank leverages synergies among wholly-owned subsidiaries which specialize in different fields:

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

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



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





KBank sets its footprint in Lao PDR for the first time back in late 2014, becoming the first locally incorporated commercial bank from Thailand, under the Enterprise Registration 1343/ERO granted by Enterprise Registration Office of Lao PDR. In 2023, KASIKORNTHAI BANK Sole Limited (KBank Lao) was increased registered capital from LAK 460,000 million to LAK 500,000 in compliance with the amended commercial bank law issued by the Bank of Lao PDR. The regulatory amendment mandated that all banks must maintain a minimum registered capital of LAK 500,000 million by the end of 2023. Its shareholder is respectable corporations namely, KASIKORNBANK PUBLIC COMPANY LIMITED. Currently, KBank Lao has two offices in Vientiane, Ban Ponesinuan branch and the Lane Xang Head Office. KBank Lao has come up with a wide variety of financial products and services for business and individual clientele in Laos such as international transfers, foreign exchange, local and foreign currency deposit accounts, long-term and short-term loans in Lao Kip, US dollar and Thai Baht. KBank Lao has enhanced access to our financial services by establishing dedicated service centers in both offices, catering specifically to High-Net-Worth individuals. Additionally, we have undertaken the development and rebranding of our digital payment channel, transforming "QR KBank" into the "K PLUS Laos" mobile application. This evolution not only signifies our commitment to serving the retail sector but also reflects our continuous efforts to provide innovative and convenient solutions for our valued customers.

As we are stepping into our 9th decade with a well-established banking business in Lao PDR, KBank will further develop products and services to meet diverse businesses and individuals' needs. We will continue to deliver great customer experiences in Lao PDR to match our slogan, "Towards Service Excellence".

Part II Management Discussion and Analysis

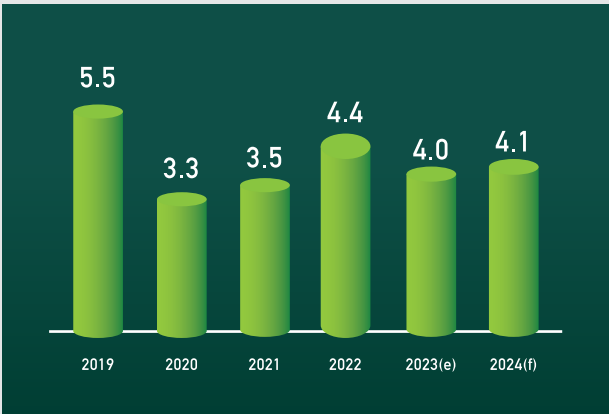
2.1 Lao PDR Economic Overview

It is expected that Lao PDR’s economic growth will recover to 4.1 percent during 2024, although close attention must be paid to issues related to its economic stability. In 2024, Lao PDR’s economy will likely be driven primarily by activities within the manufacturing and service sectors. These include ongoing mega construction projects, while its anticipated recovery in tourism will likely be a boon for the overall economy. Given this, the government of Lao PDR has projected that the economy will grow by 4.5 percent during 2024, an increase over the 4.2-percent growth seen in 2023. Additionally, the government views that the inflation rate for 2024 may post single-digit growth of 9 percent, after soaring to 24.37 percent YoY in December 2023.

Investment in both the manufacturing and service sectors has been an important economic driver for Lao PDR thus far in 2024, particularly large-scale construction projects financed by foreign investment. For example, the construction of the Vientiane-Vung Ang (Vietnam) railway, totaling 554.7 kilometers, has already been approved. The investment value of this project is USD6.3 billion, which is almost on par with the recently completed high-speed rail project. Moreover, the construction of 43 new large-scale dams and alternative energy projects, including a large wind farm worth at least USD2 billion, is underway. The aforementioned wind farm is expected to begin generating electricity in 2025.

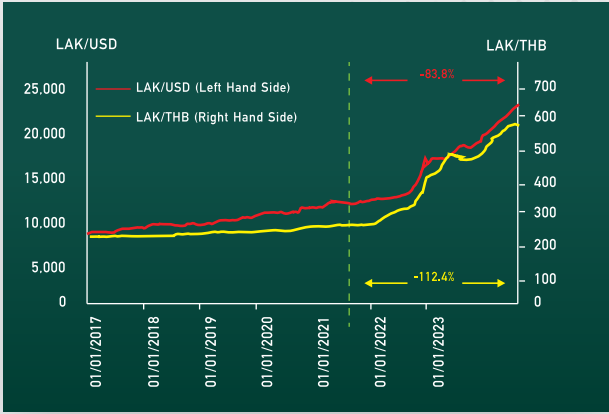
Meanwhile, the recovery in tourism, thanks to new attractions along the high-speed railway, has helped invigorate travel-related businesses in the country, including hotels, restaurants, tour guides and retail trade. Presently, inbound tourism receipts account for 5.1 percent of Lao PDR’s GDP. From December 2021, when the Lao PDR-China high-speed railway began operation, to December 2023, it facilitated a total of 24.2 million passengers and transported 29.1 million tons of goods. The number of international tourist arrivals in Lao PDR is expected to increase to 2.7 million in 2024, from the 2.4 million reported during the first nine months of 2023.

Lao PDR’s economic growth (%)



Note e = estimate by Laos government, f = forecast
Source: Lao Statistics Bureau, KResearch

LAK against USD and THB



Source: CEIC, KResearch

In 2023, the Kip dropped to a record low of LAK 19,370/USD (reference rate as of October 11, 2023), similar to inflation that surged over 40 percent. The Kip then strengthened at the end of the year to LAK 19,162/USD as of December 29, 2023. In 2024, the Kip is expected to remain volatile and depreciate, but it is unlikely to fall to the lows of 2023. This is because the interest rate hike cycle in other countries has come to an end, leading to a decline in inflationary pressure. However, the Lao government and the central bank have continually implemented measures to address the issue. These included hiking policy rates to tame inflation, increasing minimum wages twice to relieve financial burdens on consumers and businesses, providing low-interest business loans, raising excise taxes to control imports of luxury goods, preventing capital outflows which have in part caused the Kip's depreciation, as well as maintaining currency stability by issuing government bonds in both Kip and foreign currencies to stabilize the Kip and increase foreign currency liquidity. However, these measures may take some time to show tangible results. The economy of Lao PDR thus remains under pressure from the currency and inflation issues, external factors and the structural fragility of its economy.

The current account balance has shown positive signs since 2021, partly due to income repatriation from Lao workers employed in foreign countries. However, the main reason the country recorded a current account surplus in recent years is its trade surplus, which has turned positive since 2020, driven by exports of paper products to China. This is largely a result of investment by Chinese investors, coupled with rising energy prices that contribute to the exports of energy and minerals. Nevertheless, Lao PDR's exports in 2024 will still face uncertainties surrounding its trading partners' economies – including Thailand, China and Vietnam – that show clear signs of slowing down. This might impact the stability of Lao PDR's current account balance.

The country's liquidity and debt remain major risks. The stabilization of the Kip would have a positive impact on the repayment of Lao PDR's foreign debt. The country's public debt was USD 18.7 billion at the end of 2022 and increased to 125 percent of GDP as of December 2023 (according to the World Bank). Half of the debt is owed to China, primarily for the construction of the high-speed railway under the BRI, as well as planned road and dam megaprojects.

Overall, Lao PDR's economy in 2024 is set to grow thanks to its existing economic drivers. The focus is on exports of alternative energy and agricultural products, tourism receipts, as well as foreign investment mainly in the manufacturing and service sectors. Meanwhile, the key limitation is foreign income generation, which affects external stability and requires time to resolve, especially loan repayment to foreign creditors. However, lower global energy prices and the end of the Fed's rate hike cycle are expected to help ease pressure on exchange rates and inflation to some extent.

2.2 2023 Business Performance and Business Directions of KASIKORNTHAI BANK Sole Limited for the Year 2024

In 2023, the Lao economy exhibited a gradual recovery from the COVID-19-induced slowdown of 2020, recording a GDP growth of 4.2%, up from 2.7% in 2022. This positive trend was driven by improved performance in key sectors such as tourism, transport, and logistics services, coupled with increased foreign investment. However, inflation emerged as a significant challenge, with a notable increase in consumption and business costs, impacting household spending on essential needs like food, education, and health. This inflationary pressure, exacerbated by a 29% rise in global food prices, particularly affected vulnerable urban households due to the depreciation of the national currency.

Amid economic uncertainties, KASIKORNTHAI BANK Sole Limited, known as “KBank Lao,” demonstrates a remarkable growth in 2023. The credit growth in LAK currency is nearly 9%, coupled with effective portfolio management, resulting in a Zero Non-Performing Loan (NPL), to effectively serve the financial liquidity needs of corporate and SME clients. KBank Lao's e-Wallet, named “QR KBank,” introduced in 2019, has grown to be one of the leading e-wallet platforms in Laos. Recently, it underwent an official transformation, now known as the KPlus Laos mobile application as of late 2023, with K-eSavings serving as its primary source of funds.

This transformation not only underscores our dedication to serving to the retail sector but also demonstrates our ongoing endeavors to offer innovative and convenient solutions for our valued customers. Currently, our platform boasts over 145,000 registered users, highlighting the widespread adoption of our services and driven by the campaign called “แบงก์เรา”, which effectively addressed customers' needs. Throughout the year of 2023, more than 1,900 merchants have used the QR KBank Shop application. This shows that ours



focus on retail banking, making KBank Lao better at serving customers' financial needs with excellent service, and growing our digital customer base in Lao PDR.

2024 marks a pivotal year for KBank Lao as it embarks on a commitment to drive business growth through the enhancement of its digital capabilities. This involves a continuous focus on innovating financial solutions, leveraging its role as a regional bank to deliver comprehensive services that meet the diverse needs of customers. The strategic initiatives encompass expanding access to transactional banking and loan services for local customers, ensuring broader service coverage. In the midst of the challenges presented by the digital era, KBank Lao remains unwavering in its dedication to being the trusted financial partner for consumers.

Part III Organization Structure

3.1 Shareholders

KASIKORNBANK PUBLIC COMPANY LIMITED	100%
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3.2 Board of Directors

1. Mr. Pattanapong	Tansomboon	Chairman
2. Mr. Photjanart	Sangpruaksa	Deputy Chairman
3. Mr. Sasawat	Virapriya	Independent Director
4. Mr. Anuwat	Sriudom	Director
5. Mrs. Sunan	Siriaksorn	Director
6. Ms. Natcha	Argasreog	Director
7. Ms. Sudamas	Sutangkanu	Director



Mr. Pattanapong Tansomboon

Chairman

Mr. Pattanapong Tansomboon has built his career with KASIKORNBANK PCL, for more than 30 years. He has vigorous experience in diverse area of financial industry including risk management multi-corporate business, SME business, product management and international business management.



Mr. Photjanart Sangpruaksa

Deputy Chairman

Mr. Photjanart Sangpruaksa has experience over 20 years in Financial Service including Capital Markets, Corporate Credit Product Management and Cash Management. After graduating in Master of Business Administration, National Institution of Development Administration, he took a role as First Vice President of Corporate Finance Department, followed by Senior Vice President of Corporate Credit Product Management Department, Housing Loan Alliance and Promotion Management Department and Credit Products Business Integration and Planning Department. At present, he takes charge as First Senior Vice President of World Business Group Division at KASIKORNBANK PCL. He is responsible for taking care of Product Management Chapters consisting of Corporate Credit, Transactional Banking and Digital high Yield Lending.



Mr. Sasawat Virapriya

Independent Director

Mr. Sasawat Virapriya has experience more than 30 years in top management in both banking and non-banking industry. Prior to be KBank Lao Independent Director, he was Chairman of KASIKORN LEASING Co., LTD. (KLeasing) and KASIKORN FACTORY & EQUIPMENT CO., LTD. (KF&E). Mr. Sasawat was leading KLeasing and KF&E with innovating business strategy by developing digital products and partnering with many strategic partners to build sustainable business to both companies.



Mr. Anuwat Sriudom

Director

Mr. Anuwat Sriudom has over 15 years in enterprise risk management in financial industry, e.g., Banking, Asset Management, and Securities. He received Ph.D. in Engineering Management from Missouri University of Science and Technology, USA. At present, he oversees risk management for regional businesses, and capital markets & treasury businesses of KBank and subsidiaries. Mr. Anuwat also serves as the Chairman of the Risk Committee of KBank Lao, Member of Risk Committee of Kasikorn Asset Management, and Director of Kasikorn Securities PCL. and Kasikorn X.



Mrs. Sunan Siriaksorn

Director

Mrs. Sunan Siriaksorn has experience over 28 years in financial industry with the academic background of the bachelor degree in Accounting and master degree in Finance. She has diverse backgrounds in investment analysis, treasury, corporate strategy, human resource management. Her current Job title is First Senior Vice President of Human Resource Division, and her main roles and responsibilities are managing and supervising overall organization issues that related to talent acquisition, human resource management, employee relations, and HR operation function.



Ms. Natcha Argasreog

Director

Ms. Natcha Argasreog has solid experience more than 20 years in banking business with various knowledges in a wide range of areas; strategy & planning, customer understanding, credit card business, data analytic and database marketing, project management, and financial planning. Seek to leverage managerial and organizational skills to create value and be a part of company's success.



Ms. Sudamas Sutangkanu

Director

Ms. Sudamas Sutangkanu brings over a decade of expertise in Finance & Accounting. Before promoting to the role of Country Director at KBank Lao, she served as the Chief Financial Officer (CFO), accumulating extensive experience in management and business. This includes Corporate and Retail Banking, International Trade Business, and new Product Development. With over 6 years at KBank Lao, her deep understanding of the Laos market has significantly contributed to the bank's operation.

3.3 Risk Management Committee

1. Mr. Anuwat	Sriudom	Chairman
2. Mr. Pattanapong	Tansomboon	Deputy Chairman
3. Mr. Photjanart	Sangpruaksa	Member
4. Ms. Sudamas	Sutangkanu	Member

3.4 Audit Committee

1. Mr. Sasawat	Virapriya	Chairman
2. Mr. Anuwat	Sriudom	Deputy Chairman
3. Mr. Photjanart	Sangpruaksa	Member

3.5 Governance Committee

1. Mrs. Sunan	Siriaksorn	Chairman
2. Mr. Photjanart	Sangpruaksa	Deputy Chairman
3. Ms. Sudamas	Sutangkanu	Member

Part IV Financial Report

Corporate information

Bank	KASIKORNTHAI BANK Sole Limited	
Banking license no.	06/Bank of LAO P.D.R.	
Enterprise Registration Certificate	No. 1343/ERO	
Board of Directors	Mr. Pattanapong Tansomboon Mr. Photjanart Sangpruaksa Mr. Sasawat Virapriya Ms. Natcha Argasreog Mr. Anuwat Sriudom Mrs. Sunan Siriaksorn Ms. Sudamas Sutangkanu	
Board of Management	Ms. Sudamas Sutangkanu Mr. Puttipong Arreerati Mr. Preedee Simapetch Ms. Piyanoot Sangsana Ms. Patcharee Sooknaum	Country Director Team Manager - Finance and Accounting Department Head - Banking Operation Department Head - Sales and Services Department Head - Corporate Relationship Management
Registered Office	KASIKORNTHAI BANK Sole Limited Unit 12, Lane Xang Avenue, Xiengngeun Village, Chanthaboury District, Vientiane Capital, Lao P.D.R	
Auditor	KPMG Lao Co., Ltd. 10th Floor, Royal Square Office Building, Samsenthai Road, Nongduong Nua Village, Sikhotabong District, Vientiane, Lao P.D.R	

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Management of KASIKORNTHAI BANK Sole Limited (the "Bank") is responsible for the preparation of the financial statements and for ensuring that the financial statements present fairly, in all material respects, financial position of the Bank as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and of cash flows for the year then ended 31 December 2023 in accordance with the International Financial Reporting Standards ("IFRSs"). In preparing the financial statements, Management is required to:

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

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

APPROVAL OF THE FINANCIAL STATEMENTS

I, Ms. Sudamas Sutangkanu, on behalf of the Board of Director, do hereby state that the financial statements set out on pages 5 to 58 present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and of cash flows for the year then ended and have been properly drawn up in accordance with IFRSs.

Signed on behalf of the Board of Director,


 Ms. Sudamas Sutangkanu
 Country Director
 29 March 2024



KPMG Lao Co., Ltd.
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Samsenthai Road, Nongduong Nua Village,
Sikhotabong District, P.O.Box 6978,
Vientiane, Lao PDR
Tel +856 (21) 454240-7
Website kpmg.com/la

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors **KASIKORNTHAI BANK Sole Limited**

Opinion

We have audited the financial statements of KASIKORNTHAI BANK Sole Limited (the “Bank”), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

For and on behalf of **KPMG Lao Co., Ltd.**

Jedsada Leelawatanasuk



Jedsada Leelawatanasuk
Statutory Auditor
ID No. SA0061/2024

Vientiane Capital, Lao PDR
Date: 29 March 2024

KASIKORNTHAI BANK Sole Limited**Statement of financial position****For the year ended 31 December 2023**

	<i>Note</i>	31 December 2023	31 December 2022
<i>(in thousand LAK)</i>			
Assets			
Cash and cash equivalents	9	1,557,362,532	825,410,195
Deposits with other banks	10	-	17,349,346
Statutory deposits with Central Bank	11	101,522,091	88,512,090
Loans and advances to customers, net	12	1,671,529,727	1,753,566,882
Leasehold improvement and equipment	13	41,058,344	29,368,104
Intangible assets	14	7,467,330	1,037,212
Deferred tax assets	17	3,876,100	-
Other assets	15	10,281,567	8,771,503
Total assets		3,393,097,691	2,724,015,332
Liabilities and equity			
Liabilities			
Deposits from customers	16	1,516,313,903	1,338,783,562
Deposits from other banks		809,534,973	726,071,536
Borrowing		398,000,000	100,000,000
Deferred tax liabilities	17	-	355,043
Other liabilities	18	70,571,206	37,934,541
Total liabilities		2,794,420,082	2,203,144,682
Equity			
Paid-up share capital	19	500,000,000	460,000,000
Legal reserve	20	14,198,917	10,314,461
Retained earnings		84,478,692	50,556,189
Total equity		598,677,609	520,870,650
Total liabilities and equity		3,393,097,691	2,724,015,332

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

KASIKORNTHAI BANK Sole Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2023

		For the year ended 31 December 2023	For the year ended 31 December 2022
	<i>Note</i>	<i>(in thousand LAK)</i>	
Interest income		132,040,364	102,407,674
Interest expense		<u>(80,179,089)</u>	<u>(60,922,072)</u>
Net interest income	4	51,861,275	41,485,602
Fee and commission income		15,029,627	12,573,483
Fee and commission expense		<u>(865,249)</u>	<u>(2,715,324)</u>
Net fee and commission income	5	14,164,378	9,858,159
Net operating income		66,025,653	51,343,761
Gain on foreign exchange		49,970,725	59,133,562
Other income		<u>457,289</u>	<u>1,306,832</u>
Total operating income		<u>116,453,667</u>	<u>111,784,155</u>
Operating expenses			
Expected credit loss on financial assets		(5,945,032)	(15,841,816)
Personnel expenses	6	(19,052,245)	(15,382,329)
Depreciation and amortization expenses		(4,598,682)	(3,990,101)
Other operating expenses	7	<u>(39,756,096)</u>	<u>(28,250,154)</u>
Total operating expenses		<u>(69,352,055)</u>	<u>(63,464,400)</u>
Profit before income tax		47,101,612	48,319,755
Income tax	8	<u>(9,294,653)</u>	<u>(15,570,575)</u>
Profit for the year		37,806,959	32,749,180
Total comprehensive income		<u>37,806,959</u>	<u>32,749,180</u>
Earnings per share			
Basic earnings per share (LAK)		756.14	711.94

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

KASIKORNTHAI BANK Sole Limited
Statement of changes in equity
For the year ended 31 December 2023

	<i>Note</i>	Paid-up share capital	Legal reserve (in thousand LAK)	Retained earnings	Total
Balance at 1 January 2022		420,000,000	5,551,277	22,570,193	448,121,470
Capital injection during the year	19	40,000,000	-	-	40,000,000
Profit for the year		-	-	32,749,180	32,749,180
Transfer to Legal reserve	20	-	4,763,184	(4,763,184)	-
Balance at 31 December 2022 and 1 January 2023		460,000,000	10,314,461	50,556,189	520,870,650
Capital injection during the year	19	40,000,000	-	-	40,000,000
Profit for the year		-	-	37,806,959	37,806,959
Transfer to Legal reserve	20	-	3,884,456	(3,884,456)	-
Balance at 31 December 2023		500,000,000	14,198,917	84,478,692	598,677,609

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

KASIKORNTHAI BANK Sole Limited**Statement of cash flows****For the year ended 31 December 2023**

	For the year ended 31 December 2023	For the year ended 31 December 2022
	Note	(in thousand LAK)
Cash flows from operating activities		
Profit before income tax	47,101,612	48,319,755
<i>Adjustments for:</i>		
Depreciation and amortization	4,598,682	3,990,101
Expected credit loss on financial assets	5,945,032	15,841,816
Gain from disposal from fixed assets	(8,457)	-
Unrealised gain on exchange	(5,027,671)	(1,530,986)
Interest income	(132,040,364)	(102,407,674)
Interest expense	80,179,089	60,922,072
Interest received	132,409,482	96,271,780
Interest paid	(72,744,292)	(55,379,670)
Income tax paid	(7,887,039)	(12,881,671)
Gain from operations before changes in operating assets and liabilities	52,526,074	53,145,523
<i>Decrease (increase) in operating assets</i>		
Statutory deposits with Central Bank	(10,820,062)	(64,477,636)
Deposits with other banks	17,350,000	(984,347)
Loans and advances to customers	74,580,590	(595,136,104)
Other assets	(1,510,063)	(1,788,597)
<i>Increase in operating liabilities</i>		
Deposits from customers	177,736,086	561,162,810
Deposits from other banks	83,463,437	193,501,785
Other liabilities	23,026,574	5,955,572
Net cash provided by operating activities	416,352,636	151,379,006
Cash flows from investing activities		
Purchases of leasehold improvement and Equipment and Right of use assets	(14,014,687)	(480,864)
Acquisition of intangible assets	(7,690,053)	-
Net cash used in investing activities	(21,704,740)	(480,864)
Cash flows from financing activities		
Payment on lease liabilities	(695,559)	(367,614)
Borrowing	298,000,000	100,000,000
Proceeds from capital injection	40,000,000	40,000,000
Net cash provided by financing activities	337,304,441	139,632,386
Net increase in cash and cash equivalents	731,952,337	290,530,528
Cash and cash equivalents at 1 January	825,410,195	534,879,667
Cash and cash equivalents at 31 December	1,557,362,532	825,410,195

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

KASIKORNTHAI BANK Sole Limited

Notes to the financial statement

For the year ended 31 December 2023

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

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

1. Reporting entity

KASIKORNTHAI BANK Sole Limited (the “Bank”) is 100% foreign invested commercial bank which was incorporated in Lao People’s Domestic Republic and its registered office at Unit 12, Lane Xang Avenue, Xiengngeun Village, Chanthaboury District, Vientiane Capital, Lao P.D.R.

The Bank has issued and fully paid up LAK 500 billion of authorized share capital (2022: LAK 460 billion), in accordance with the BOL announcement: Agreement on Increasing in Minimum Registered Capital and Investment Capital of Commercial Bank No.141/PM dated 24 September 2009.

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

The Bank shareholder’s structure issolely own by KASIKORNBANK PUBLIC COMPANY LIMITED “KBank”. The Bank complied with above requirement and raised its capital by LAK 40 billion, all of the share capital is held by KBank.

The Bank operates in the Lao People's Democratic Republic (“Lao P.D.R”) under the banking license (License No. 06/BOL) granted by the Bank of Lao P.D.R (“BOL”) on 6 March 2017 and Enterprise Registration Certificate No. 1343/ERO dated 16 May2023 issued by the Enterprise Registration Officer. Previously the Bank operated in Lao P.D.R under the banking license (License No. 32/BOL) granted by BOL on 16 October 2014 and Enterprise Registration Certificate No. 456/ERO dated 4 November 2014 issued by the Enterprise Registration Officer.

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

As at 31 December 2023, the Bank had 82 (2022: 84) 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 29 March 2024.

In preparing these financial statements, the significant judgments made by management in applying the Bank’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as of and for the year ended 31 December 2023.

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

(ii) Basis of measurement

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

(iii) Functional and presentation currency

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

(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.

The Bank’s expected credit loss calculations are based on models with a series of underlying assumptions. The significant management judgements and estimates in determining expected credit loss include criteria for assessing if there has been a significant increase in credit risk and development of expected credit loss models, including the choice of inputs relating to macroeconomic variables. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3 “significant accounting policies” and in the following notes:

Note 12 - Loans and advances to customers, net

Note 23 - Financial risk management

(v) Fiscal Year

The Bank’s reporting period starts on 1 January and ends on 31 December 2023.

3. Significant accounting policies

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

(a) Foreign currency transactions

Transactions in a currency other than the functional currency of the Bank are translated to Laotian Kip (LAK), which is the Bank’s functional and presentation currency, 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.

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

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 2023	31 December 2022
	LAK	LAK
United State Dollar ("USD")	20,360	17,350
Thai Baht ("THB")	650	475

(b) Financial assets and financial liabilities

(i) Recognition

The Bank initially recognises loans and advances, deposits on the date on which they are originated. All other financial assets and financial liabilities are initially recognized on trade date.

A financial asset or financial liability is measured initially at fair value, for an item not at fair value through profit and or loss "FVTPL", plus transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price

(ii) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at; amortised cost, Fair Value through Other Comprehensive Income "FVOCI" or Fair Value through Profit or Loss "FVTPL". A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL;

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

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

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

All other financial assets are classified as measured at FVTPL.

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

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

Business model assessment

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

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

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

Reclassifications

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

(iii) Derecognition

Financial assets

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

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

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

Financial liabilities

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

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

(iv) Offsetting

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

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

(v) Amortised cost measurement

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

(vi) Fair value measurement

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

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

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

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

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

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

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

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

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

(vii) Impairment

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

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

Provision under International Financial Reporting Standard 9 (IFRS9)

The bank shall calculate provision under International Financial Reporting Standard 9 (IFRS9). IFRS9 introduced an “expected credit loss” (ECL) framework for recognition of impairment. Under IFRS9 standard, financial assets are classified in stages and recognized impairment, depending on credit behaviours and individual characteristics. ECL framework also requires updating the amount of impairment regularly to better reflect any change in credit risk.

The bank measures 12-month ECL for financial assets with the possibility of default in the next 12 months after reporting date which are referred to “Stage 1”. When financial assets have a significant increase in credit risk since initial recognition but are not credit impaired. These financial assets are referred to “Stage 2” and lifetime ECL shall be recognized over the expected life or the maximum contractual period of financial assets. Financial assets which are credit impaired, are referred to “Stage 3” which also measures lifetime ECL similar to “Stage2”.

Measurement of ECL

Expected credit losses are computed as unbiased, probability-weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information. This includes macroeconomic forward-looking information. The estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD). These factors are determined based on customers’ credit behaviour e.g., day past due and credit risk mitigation e.g., collateral. ECL will be measured for financial assets both credit-impaired and not credit impaired, financial guarantee and undrawn commitment and interbank transactions.

Where appropriate, forward-looking macroeconomic factors are incorporated into the PD, LGD and EAD where relevant and where they have been identified to influence credit risk, such as GDP growth rates. These factors are determined using all reasonable and supportable information.

- undrawn loan commitments: are the present value of the different between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the group expects to recover.

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

Presentation of loss allowance for ECL in statement of financial position

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

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

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances. 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.

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 at both a specific asset and collective level. All individually significant loans and advances 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 that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

Write-off

The Bank writes off certain loans and advances, 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.

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

(d) Loans and advances

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

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

(e) Leasehold improvement and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

(f) Deposits from customers

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

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

(g) Provisions

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

(h) Interest income and expense

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

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

Interest income and expense are presented in profit or loss.

(i) Fee and commission

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

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

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

(j) Income tax

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

(i) Current tax

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

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

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

Provision is made for taxation based on the current year's total revenue as per the laws governing taxation within the Lao P.D.R. For each profitable year, the Bank is subject to the current tax rate of 20% (2022: 20%) on total taxable income.

(ii) Deferred tax

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

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

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

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

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

(iii) Tax exposures

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

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

These facts may create tax risks in the Lao P.D.R substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

(k) Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, and bank guarantees. Financial guarantees are initially recognised as off-balance sheet items 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 'Expected credit loss on financial assets'. The premium received is recognized in the income statement in 'Net fees and commission income' on the effective date of the guarantee.

(l) Provision for contingent liabilities

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

(m) Related parties

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

(n) Leases

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

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

(i) Right-of-use assets

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

KASIKORNTHAI BANK Sole Limited**Notes to the financial statements****For the year ended 31 December 2023****(ii) Lease liabilities**

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

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

4. Net interest income

	31 December 2023	31 December 2022
	<i>(in thousand LAK)</i>	
Interest income		
Loans and advances to customers	131,857,562	101,464,800
Deposits with other banks	182,802	942,874
	132,040,364	102,407,674
Interest expense		
Deposits from customers	(29,281,372)	(19,669,953)
Deposits from other banks	(43,641,067)	(38,960,452)
Borrowing	(7,256,650)	(2,291,667)
	(80,179,089)	(60,922,072)
Net interest income	51,861,275	41,485,602

5. Net fee and commission income

	31 December 2023	31 December 2022
	<i>(in thousand LAK)</i>	
Fees and commission income		
Foreign remittances and facilities	4,709,979	7,045,482
Domestic facilities	1,084,550	732,262
Financial services fees	2,449,904	1,877,388
Others	6,785,194	2,918,351
	15,029,627	12,573,483
Fees and commission expense		
Other fees paid	(865,249)	(2,715,324)
Net fees and commission income	14,164,378	9,858,159

KASIKORNTHAI BANK Sole Limited**Notes to the financial statements****For the year ended 31 December 2023****6. Personnel expenses**

	31 December 2023	31 December 2022
	<i>(in thousand LAK)</i>	
Wages and salaries	15,332,855	13,436,780
Other benefits	3,719,390	1,945,549
Total	19,052,245	15,382,329

7. Other operating expenses

	31 December 2023	31 December 2022
	<i>(in thousand LAK)</i>	
Administrative expenses	33,854,454	23,514,525
Rental expenses	3,956,900	3,351,548
Other expenses	1,944,742	1,384,081
Total	39,756,096	28,250,154

8. Income tax

Amounts recognised in profit and loss

	Note	31 December 2023	31 December 2022
		<i>(in thousand LAK)</i>	
Current tax expense			
Current year		13,525,796	15,426,346
Deferred tax (income)/ expense			
Movements in temporary differences	17	(4,231,143)	144,229
Total income tax expense		9,294,653	15,570,575

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	2023	Tax rate	2022
	<i>(%)</i>	<i>(in thousand LAK)</i>	<i>(%)</i>	<i>(in thousand LAK)</i>
Profit before income tax		47,101,612		48,319,755
Income tax at the domestic tax rate	20.00	9,420,322	20.00	9,663,951
Tax effect of:				
- Non-deductible items		(125,669)		5,906,624
Income tax	19.73	9,294,653	32.22	15,570,575

KASIKORNTHAI BANK Sole Limited**Notes to the financial statements****For the year ended 31 December 2023****9. Cash and cash equivalents**

	2023	2022
	<i>(in thousand LAK)</i>	
Cash on hand	31,656,601	27,703,033
Balances at Central Bank	779,354,914	509,826,461
Balances at other banks	746,409,693	287,911,730
	<u>1,557,421,208</u>	<u>825,441,224</u>
Less: Allowance for expected credit loss	(58,676)	(31,029)
Total	<u>1,557,362,532</u>	<u>825,410,195</u>

10. Deposits with other banks

	2023	2022
	<i>(in thousand LAK)</i>	
Other Banks	-	17,350,000
Accrued interest	-	-
	<u>-</u>	<u>17,350,000</u>
Less: Allowance for expected credit loss	-	(654)
Total	<u>-</u>	<u>17,349,346</u>

11. Statutory deposits with Central Bank

	2023	2022
	<i>(in thousand LAK)</i>	
Statutory deposit on:		
Capital	469	37,810,530
Compulsory reserve	101,521,622	50,701,560
Total	<u>101,522,091</u>	<u>88,512,090</u>

Statutory deposits with Central Bank include compulsory reserve and registered capital reserve. These balances earn no interest. Under regulations of the BOL, the Bank is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 8% and 10% on a bi-monthly basis (2022: 5% and 5%) of amounts due to customer, in LAK and in foreign currencies, respectively. During the year, the Bank maintained its compulsory deposits in compliance with the requirements by the BOL.

The reserve percentages were revised by BOL through a letter 777/BOL dated 23 August 2023.

12. Loans and advances to customers, net

	2023	2022
	<i>(in thousand LAK)</i>	
Loans	1,727,021,729	1,801,602,319
Less: deferred income	(2,589,967)	(3,137,282)
Allowance for expected credit loss	(52,902,035)	(44,898,155)
Loans and advances to customers, net	<u>1,671,529,727</u>	<u>1,753,566,882</u>

KASIKORNTHAI BANK Sole Limited**Notes to the financial statements****For the year ended 31 December 2023**

	2023	2022
	<i>(in thousand LAK)</i>	
Current	868,080,482	632,272,927
Non-current	848,229,844	1,158,240,761
Total	1,716,310,326	1,790,513,688

	2023		
	Loans, net deferred income	Allowance for expected credit loss <i>(in thousand LAK)</i>	Carrying amount
Corporate	1,724,431,762	(52,902,035)	1,671,529,727
Total	1,724,431,762	(52,902,035)	1,671,529,727

	2022		
	Loans, net deferred income	Allowance for expected credit loss <i>(in thousand LAK)</i>	Carrying amount
Corporate	1,798,465,037	(44,898,155)	1,753,566,882
Total	1,798,465,037	(44,898,155)	1,753,566,882

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

	2023	2022
	<i>(in thousand LAK)</i>	
Allowance for expected credit loss		
Balance at 1 January	44,898,155	33,567,943
Expected credit loss expense	4,754,679	1,775,661
Foreign exchange translation	3,249,201	9,554,551
Balance at 31 December	52,902,035	44,898,155

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

13. Leasehold improvement and equipment

	Leasehold improvement	Furniture, fitting and office equipment	Right of use asset	Total
	<i>(in thousand LAK)</i>			
Cost				
Balance at 31 December 2022	18,024,224	6,381,850	18,989,617	43,395,691
Additions	-	14,014,687	1,030,595	15,045,282
Write-off/Disposal	-	(147,232)	(441,407)	(588,639)
Balance at 31 December 2023	18,024,224	20,249,305	19,578,805	57,852,334
Accumulated depreciation				
Balance at 31 December 2022	(3,695,822)	(4,321,963)	(6,009,802)	(14,027,587)
Depreciation for the year	(394,673)	(1,060,032)	(1,884,042)	(3,338,747)
Write-off/Disposal	-	130,937	441,407	572,344
Balance at 31 December 2023	(4,090,495)	(5,251,058)	(7,452,437)	(16,793,990)
Net book value				
At 31 December 2022	14,328,402	2,059,887	12,979,815	29,368,104
At 31 December 2023	13,933,729	14,998,247	12,126,368	41,058,344

KASIKORNTHAI BANK Sole Limited**Notes to the financial statements****For the year ended 31 December 2023****14. Intangible assets**

	Software license <i>(in thousand LAK)</i>
Cost	
Balance at 31 December 2022	9,352,041
Additions	7,690,053
Balance at 31 December 2023	<u>17,042,094</u>
Accumulated depreciation	
Balance at 31 December 2022	(8,314,829)
Amortisation for the year	(1,259,935)
Balance at 31 December 2023	<u>(9,574,764)</u>
Net book value	
At 31 December 2022	<u>1,037,212</u>
At 31 December 2023	<u>7,467,330</u>

15. Other assets

	2023	2022
	<i>(in thousand LAK)</i>	
Prepaid rental expenses	4,708,842	1,891,914
Income tax receivables	3,695,052	3,695,052
Others	1,877,673	3,184,537
Total	<u>10,281,567</u>	<u>8,771,503</u>

16. Deposits from customers

	2023	2022
	<i>(in thousand LAK)</i>	
Retail customers:		
- Current	9,891,009	2,668,396
- Savings	189,933,283	225,143,747
- Term	765,369,471	317,406,612
Corporate customers:		
- Current	156,880,963	218,759,626
- Savings	261,979,583	285,948,306
- Term	132,259,594	288,856,875
Total	<u>1,516,313,903</u>	<u>1,338,783,562</u>

KASIKORNTHAI BANK Sole Limited**Notes to the financial statements****For the year ended 31 December 2023****17. Deferred tax (liabilities)/assets**

	As of 1 January 2023	Charged to Profit and loss <i>(in thousand LAK)</i>	As of 31 December 2023
<i>Deferred tax</i>			
<i>(liabilities)/assets</i>			
Deferred income	(355,043)	584,084	229,041
Provisions	-	3,647,059	3,647,059
Total	(355,043)	4,231,143	3,876,100

	As of 1 January 2022	Charged to Profit and loss <i>(in thousand LAK)</i>	As of 31 December 2022
<i>Deferred tax liabilities</i>			
Deferred income	(210,814)	(144,229)	(355,043)
Net	(210,814)	(144,229)	(355,043)

Income tax reduction

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

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

18. Other liabilities

	2023	2022
	<i>(in thousand LAK)</i>	
Accrued interest payables	31,950,227	24,486,799
Lease Liabilities	8,289,289	6,246,724
Impairment allowance - off balance sheet*	3,340,953	3,236,854
Others	26,990,737	3,964,164
Total	70,571,206	37,934,541

*Loan commitment and financial guarantee classified under stage 1 as per IFRS 9 have expected credit loss as at 31 December 2023 amounting to LAK 3,116,529 thousand and loan commitment and financial guarantee classified under stage 2 as per IFRS 9 have expected credit loss as at 31 December 2023 amounting to LAK 224,424 thousand (31 December 2022: Stage 1 and 2, LAK 3,236,854 thousand).

KASIKORNTHAI BANK Sole Limited**Notes to the financial statements****For the year ended 31 December 2023****19. Paid-up share capital**

	Par value per share (in LAK)	Number	2023 LAK (thousand shares / thousand LAK)	Number	2022 LAK
Authorised and issued shares					
At 1 January					
- ordinary shares	10,000	46,000	460,000,000	42,000	420,000,000
Increase of new shares					
- Extraordinary General Meeting of shareholder no. 2/2023 and 3/2022	10,000	4,000	40,000,000	4,000	40,000,000
At 31 December					
- ordinary shares		50,000	500,000,000	46,000	460,000,000
Paid-up shares					
At 1 January					
- ordinary shares	10,000	46,000	460,000,000	42,000	420,000,000
Increase of new shares					
- Extraordinary General Meeting of shareholder no. 2/2023 and 3/2022	10,000	4,000	40,000,000	4,000	40,000,000
At 31 December					
- ordinary shares		50,000	500,000,000	46,000	460,000,000

Issue of ordinary shares

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

The Bank has issued and fully paid - up LAK 500 billion of authorized share capital (2022: LAK 460 billion), of which LAK 40 billion was injected in 2023, in accordance with the BOL announcement: Agreement on Increasing in Minimum Registered Capital and Investment Capital of Commercial Bank No.141/PM dated 24 September 2009.

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

In 2023 and 2022, the Bank complied with above requirement. The share capital is held by KASIKORNBANK PUBLIC COMPANY LIMITED "KBANK".

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

20. Legal reserve

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

21. Related party transactions

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

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

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

Transactions

Fee and commission income
Other operating expense
Interest expense
Interest income

Pricing policies

Contractual agreed price
Contractual agreed price
Market rate
Market rate

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

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

Related party	Relationship	Transactions	2023	2022
<i>(in thousand LAK)</i>				
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Fee and commission income	2,782,122	2,104,289
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Other operating expense	1,698,193	1,722,964
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Interest expense	15,292,712	11,450,170
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Interest Income	108,924	43,693
KASIKORN INFRA COMPANY LIMITE	Affiliate company	Other operating expense	587,554	322,763
KASIKORN SOFT COMPANY LIMITED	Affiliate company	Other operating expense	8,825,692	988,768

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

Related party	Relationship	Transactions	Receivable	Payable
<i>(in thousand LAK)</i>				
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Cash and cash equivalents	683,788,859	-
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Deposit from other banks	-	407,070,723
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Accrued interest payable	-	4,865,631
KASIKORN SOFT COMPANY LIMITED	Affiliate company	Accrued payable	-	446,160

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

Related party	Relationship	Transactions	Receivable	Payable
<i>(in thousand LAK)</i>				
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Cash and cash equivalents	272,479,573	-
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Deposit from other banks	-	157,648,668
KASIKORNBANK PUBLIC COMPANY LIMITED	Parent company	Accrued interest payable	-	241,586

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

	2023	2022
<i>(in thousand LAK)</i>		
Short-term employee benefits	6,948,996	4,408,796

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

22. Fair Value of Assets and Liabilities

Fair value measurement

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

Fair value hierarchy

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

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

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

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the year ended 31 December 2023 and 2022.

Financial assets are not measured at fair value

The fair values of debts issued and borrowings are the market value or the present value of cash flows with discounting rates that reflect current interest rate risk and the Bank's credit risk.

The fair values of loans to customers approximates carrying value including accrued interest receivables and allowance for expected credit loss, as loans are at market rates of interest. Furthermore, the allowance for expected credit loss is predominately determined on an expected loss basis.

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

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.

23. Financial risk management

23.1 Operational Risk Management

Operational risk refers to the risk of direct or indirect losses in bank earnings and capital funds, resulting from inadequate processes, personnel, or operating and IT systems, or external events. Having realized the importance of operational risk management, the Bank continues to place a great emphasis on effective operational risk management, and has continually improved the Bank risk management framework to control and mitigate operational risk proactively, as well as strengthening the operational risk awareness and education to the entire group. In so doing, our management team, which includes executive member in KBANK, regularly governs overall operational risk of the Bank, as well as, the Bank's supervisors, who ensures the effectiveness of controls of all operational activities closely.

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

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

To strengthen staff experience and awareness, training is regularly arranged to enhance employees's awareness in areas of risk knowledge. On the other hand, the staff will receive effective and realistic on job training guided by the experienced staff in charge of each unit. Besides the first layer of daily operation staff, the second layer of operational risk management includes the Enterprise Risk Management unit, Branch Manager, unit supervisor level. They would be responsible to manage operational risk in normal course of business within the Bank, and control risk within acceptable level.

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

23.2 Credit risk

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

- Loan portfolio management

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

- Credit underwriting, approval process and monitoring

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

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

- Loan Risks Classification and provisioning

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

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

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

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

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

Maximum exposure to credit risk

Maximum exposure to credit risk without taking into account of any collateral and other credit enhancements of the Bank as at 31 December 2023 and 2022 were as follows:

	2023 LAK (in thousand)	2022 LAK (in thousand)
Credit risk associated with on-financial reporting assets:		
Deposits with other banks	-	17,350,000
Statutory deposits with Central Bank	101,526,622	90,706,560
Loans and advances to customers	1,727,021,729	1,801,602,319
	<u>1,828,548,351</u>	<u>1,909,658,879</u>
Fair value of collaterals	<u>2,774,886,740</u>	<u>1,815,819,479</u>

KASIKORNTHAI BANK Sole Limited
Notes to the financial statements
For the year ended 31 December 2023

Credit risk concentrations by industry

Maximum exposure to credit risk for the components of the statement of financial position by industry without taking into account of any collateral, margin deposit as at 31 December 2023 and 2022 was as follows:

	2023						
	Financial institutions	Industry	Construction	Agriculture and forestry	Trade	Shipping and Postal	Total
					<i>(in thousand LAK)</i>		
Deposits with other banks	-	-	-	-	-	-	-
Statutory deposits with Central Bank	101,526,622	-	-	-	-	-	101,526,622
Loans and advances to customers and accrued interest receivables	-	13,208,508	12,093,538	27,557,081	504,397,591	-	1,727,021,729
	101,526,622	13,208,508	12,093,538	27,557,081	504,397,591	-	1,828,548,351
	2022						
	Financial institutions	Industry	Construction	Agriculture and forestry	Trade	Shipping and Postal	Total
					<i>(in thousand LAK)</i>		
Deposits with other banks	17,350,000	-	-	-	-	-	17,350,000
Statutory deposits with Central Bank	90,706,560	-	-	-	-	-	90,706,560
Loans and advances to customers and accrued interest receivables	-	41,152,953	11,297,498	96,363,616	403,624,108	-	1,801,602,319
	108,056,560	41,152,953	11,297,498	96,363,616	403,624,108	-	1,909,658,879

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

Credit quality by classes of financial assets

Details on credit quality by class of asset for all financial assets exposed to credit risk as at 31 December 2023 and 2022 were as follows:

	2023			Total
	Stage 1 (Performing)	Stage 2 (Under- Performing) (in thousand LAK)	Stage 3 (Non- Performing)	
Deposits with other banks	-	-	-	-
Statutory deposits with Central Bank	-	101,526,622	-	101,526,622
Loans and advances to customers and accrued interest receivables	1,412,187,127	314,834,602	-	1,727,021,729
	<u>1,412,187,127</u>	<u>416,361,224</u>	<u>-</u>	<u>1,828,548,351</u>
Fair value of collaterals	<u>2,652,784,994</u>	<u>122,101,746</u>	<u>-</u>	<u>2,774,886,740</u>

	2022			Total
	Stage 1 (Performing)	Stage 2 (Under- Performing) (in thousand LAK)	Stage 3 (Non- Performing)	
Deposits with other banks	17,350,000	-	-	17,350,000
Statutory deposits with Central Bank	-	90,706,560	-	90,706,560
Loans and advances to customers and accrued interest receivables	1,484,296,442	317,305,877	-	1,801,602,319
	<u>1,501,646,442</u>	<u>408,012,437</u>	<u>-</u>	<u>1,909,658,879</u>
Fair value of collaterals	<u>1,770,762,365</u>	<u>45,057,114</u>	<u>-</u>	<u>1,815,819,479</u>

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

(i) Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. The bank classified credit quality from low risk to high risk based on the varied risk of default where:

- Low risk borrowers are those that have a good capacity to meet financial obligations.
- Medium risk borrowers are those that have a fairly acceptable capacity to meet financial obligations.
- High risk borrowers are those that have uncertain capability to meet financial obligations.

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

	2023			
	Stage 1 (Performing)	Stage 2 (Under- Performing)	Stage 3 (Non- Performing)	Total
	<i>(in thousand LAK)</i>			
Cash and cash equivalents				
Low	778,066,294	-	-	778,066,294
Medium	-	779,354,914	-	779,354,914
High	-	-	-	-
Total	778,066,294	779,354,914	-	1,557,421,208
<u>Less: Loss allowance</u>	(18,066)	(40,610)	-	(58,676)
Carrying amount	<u>778,048,228</u>	<u>779,314,304</u>	<u>-</u>	<u>1,557,362,532</u>
Deposits with other banks				
Low	-	-	-	-
Medium	-	-	-	-
High	-	-	-	-
Total	-	-	-	-
<u>Less: Loss allowance</u>	-	-	-	-
Carrying amount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Statutory deposits with Central Bank				
Low	-	-	-	-
Medium	-	101,526,622	-	101,526,622
High	-	-	-	-
Total	-	101,526,622	-	101,526,622
<u>Less: Loss allowance</u>	-	(4,531)	-	(4,531)
Carrying amount	<u>-</u>	<u>101,522,091</u>	<u>-</u>	<u>101,522,091</u>
Loans and advances to customers at amortised cost				
Low	736,633,130	-	-	736,633,130
Medium	675,553,996	3,249,235	-	678,803,231
High	-	311,585,368	-	311,585,368
Total	1,412,187,126	314,834,603	-	1,727,021,729
<u>Less: Deferred income</u>	(1,938,090)	(651,877)	-	(2,589,967)
<u>Less: Loss allowance</u>	(21,191,024)	(31,711,011)	-	(52,902,035)
Carrying amount	<u>1,389,058,012</u>	<u>282,471,715</u>	<u>-</u>	<u>1,671,529,727</u>
Loans Commitments				
Low	202,839,042	-	-	202,839,042
Medium	277,525,941	33,152,795	-	310,678,736
High	-	-	-	-
Total	480,364,983	33,152,795	-	513,517,778
<u>Less: Loss allowance</u>	(2,327,109)	(208,434)	-	(2,535,543)
Carrying amount	<u>478,037,874</u>	<u>32,944,361</u>	<u>-</u>	<u>510,982,235</u>
Financial guarantee contracts				
Low	219,084,092	-	-	219,084,092
Medium	71,485,617	1,950,000	-	73,435,617
High	-	-	-	-
Total	290,569,709	1,950,000	-	292,519,709
<u>Less: Loss allowance</u>	(789,420)	(15,991)	-	(805,411)
Carrying amount	<u>289,780,289</u>	<u>1,934,009</u>	<u>-</u>	<u>291,714,298</u>

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

	2022			
	Stage 1 (Performing)	Stage 2 (Under- Performing)	Stage 3 (Non- Performing)	Total
	<i>(in thousand LAK)</i>			
Cash and cash equivalents				
Low	315,614,763	-	-	315,614,763
Medium	-	509,826,461	-	509,826,461
High	-	-	-	-
Total	315,614,763	509,826,461	-	825,441,224
Less: Loss allowance	(7,528)	(23,501)	-	(31,029)
Carrying amount	315,607,235	509,802,960	-	825,410,195
Deposits with other banks				
Low	17,350,000	-	-	17,350,000
Medium	-	-	-	-
High	-	-	-	-
Total	17,350,000	-	-	17,350,000
Less: Loss allowance	(654)	-	-	(654)
Carrying amount	17,349,346	-	-	17,349,346
Statutory deposits with Central Bank				
Low	-	-	-	-
Medium	-	90,706,560	-	90,706,560
High	-	-	-	-
Total	-	90,706,560	-	90,706,560
Less: Loss allowance	-	(2,194,470)	-	(2,194,470)
Carrying amount	-	88,512,090	-	88,512,090
Loans and advances to customers at amortised cost				
Low	824,166,747	-	-	824,166,747
Medium	538,203,839	23,517,370	-	561,721,209
High	121,925,856	293,788,507	-	415,714,363
Total	1,484,296,442	317,305,877	-	1,801,602,319
Less: Deferred income	(2,403,589)	(733,693)	-	(3,137,282)
Less: Loss allowance	(22,319,751)	(22,578,404)	-	(44,898,155)
Carrying amount	1,459,573,102	293,993,780	-	1,753,566,882
Loans Commitments				
Low	462,025,007	-	-	462,025,007
Medium	106,773,252	3,095,100	-	109,868,352
High	-	-	-	-
Total	568,798,259	3,095,100	-	571,893,359
Less: Loss allowance	(2,621,155)	(19,459)	-	(2,640,614)
Carrying amount	566,177,104	3,075,641	-	569,252,745
Financial guarantee contracts				
Low	1,585,871	-	-	1,585,871
Medium	71,433,651	475,000	-	71,908,651
High	-	-	-	-
Total	73,019,522	475,000	-	73,494,522
Less: Loss allowance	(589,748)	(6,492)	-	(596,240)
Carrying amount	72,429,774	468,508	-	72,898,282

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

(ii) Collateral Held and other credit enhancements

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

Type of Credit Exposure	Percentage of exposure that is a subject to collateral requirements		Principal Type of Collateral Held
	31 December 2023	31 December 2022	
Loans to corporate customers	100%	95.09%	Mortgage, Cash

Loans and advances to corporate customers

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

Assets obtained by taking possession of collateral

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

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

(iii) Amounts arising from ECL

Financial assets are classified in a three-stage approach and recognized impairment, depending on credit behaviors and individual characteristics. ECL also requires updating the amount of impairment regularly to better reflect any change in credit risk since origination.

1. Stage 1 (assets are performing) – stage 1 is where customer credit risk has not increased significantly since initial recognition. For financial assets in this stage, ECL framework requires to recognize possible default event within next 12 months (12-month ECL)
2. Stage 2 (assets are underperforming) – stage 2 is where the customer credit risk has increased significantly since initial recognition. Significant increase in credit risk is determined by the bank internal model. Lifetime ECL must be recognized the possible event of default for the remaining duration of the contractual agreement.
3. Stage 3 (asset are non-performing and impaired) – stage 3 is where the customer credit is considered that it could not fulfill its obligation and will be recognized as a credit impaired or NPLs. Lifetime ECL must be recognized as the total remaining obligation that customers are unable to fulfill based on the contractual agreement.

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

In measuring expected credit losses, key parameters are addressed as follows

1. Expected Exposure at the time of Default (EAD) is the expected outstanding balance of the receivable at the point of default which includes loan equivalent balance of committed unused credit line.
2. Probability of Default (PD) is an estimate of the likelihood of an individual default over a given time horizon.
3. Loss Given Default (LGD) is the amount that would be lost in the event of a default after taking into consideration of the recoverable amount from activities such as debt collections or collateral liquidation.

These parameters shall be internally estimated with appropriate mechanism to quantify borrowers' risk. Then, expected credit loss shall be calculated as 12-month forward looking when borrowers are in stage 1 and lifetime forward looking when borrowers are in stage 2 or 3. ECL at each point in time will be discounted to the reporting date with the effective interest rate (EIR).

Assessment of significant increase in credit risk (SICR)

When determining whether the risk of default on financial instrument has increased significantly since initial recognition, the Bank consider reasonable and supportable information that is relevant and available without undue cost and effort. This included both quantitative and qualitative information and analysis. The Bank uses three criteria for determining whether there has been a significant increase in credit risk

- A quantitative test based on movement in "Customer Credit Rating"
- Qualitative indicators; and
- A backstop of 30 days past due.

Qualitative factors assessed include those linked to current credit risk management processes, such as lending placed on internal watch-lists and subject to closer monitoring. Indicator could include weak operation results, observed liquidity issue or industry specific issue among a number of other qualitative factors.

Stage 2 and stage 3 financial assets can be reclassified to performing assets when there is no indicator to be classified as stage 2 and stage 3 financial assets. Expected credit losses of stage 2 and stage 3 represent the lifetime cash shortfalls arising from possible default events from the reporting date.

Expert credit judgement

Estimation of expected credit loss requires assumptions and forecasting macroeconomic factors. This may result in an ambiguity or may be a recent event that is not captured in the models. In case the Bank consider that the recent event affects customers' ability to pay debt, their managements will estimate increase in expected credit loss based on their judgement and experiences.

Definition of default

The Bank considers a financial asset to be in default or stage 3 when borrowers are past due over 90 days with consideration of default criteria given by BOL regulation and other qualitative indicators that reflect borrowers' inability to repay debt, for instance, death of borrowers, covid-impacted borrowers, the borrowers are under receivership by court order or under accounting liquidation

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

(iv) Loss allowance

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

	2023			
	Stage 1 (Performing)	Stage 2 (Under -Performing)	Stage 3 (Non- Performing)	Total
	<i>(in thousand LAK)</i>			
Loans to customers at amortised cost				
Balance at 1 January	22,319,751	22,578,404		44,898,155
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net re-measurement of loss allowance	1,536,782	7,421,247	-	8,958,029
New financial assets originated or purchased	5,628,075	1,533,910	-	7,161,985
Financial assets that have been derecognized	(9,539,506)	(1,825,829)	-	(11,365,335)
Write-offs	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	1,245,921	2,003,280	-	3,249,201
Balance at 31 December	21,191,023	31,711,012	-	52,902,035

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

	2022			
	Stage 1 (Performing)	Stage 2 (Under -Performing)	Stage 3 (Non- Performing)	Total
	<i>(in thousand LAK)</i>			
Loans to customers at amortised cost				
Balance at 1 January	11,281,136	22,286,807	-	33,567,943
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net re-measurement of loss allowance	6,378,594	9,246,634	-	15,625,228
New financial assets originated or purchased	6,179,940	161,617	-	6,341,557
Financial assets that have been derecognized	(3,106,152)	(17,084,972)	-	(20,191,124)
Write-offs	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	1,586,233	7,968,318	-	9,554,551
Balance at 31 December	22,319,751	22,578,404	-	44,898,155

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

	2023			
	Stage 1 (Performing)	Stage 2 (Under -Performing)	Stage 3 (Non- Performing)	Total
	<i>(in thousand LAK)</i>			
Cash and cash equivalents				
Balance at 1 January	7,528	23,501	-	31,029
Net remeasurement of loss allowance	-	-	-	-
Net increase in cash and cash equivalents	6,902	11,935	-	18,837
Foreign exchange and other movements	3,636	5,174	-	8,810
Balance at 31 December	18,066	40,610	-	58,676

	2022			
	Stage 1 (Performing)	Stage 2 (Under -Performing)	Stage 3 (Non- Performing)	Total
	<i>(in thousand LAK)</i>			
Cash and cash equivalents				
Balance at 1 January	1,323	20,290	-	21,613
Net remeasurement of loss allowance	3,314	4,690	-	8,004
Net decrease in cash and cash equivalents	(1,226)	(6,257)	-	(7,483)
Foreign exchange and other movements	4,117	4,778	-	8,895
Balance at 31 December	7,528	23,501	-	31,029

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

2023				
	Stage 1 (Performing)	Stage 2 (Under -Performing)	Stage 3 (Non- Performing)	Total
<i>(in thousand LAK)</i>				
<i>Deposits with other banks</i>				
Balance at 1 January	654	-	-	654
Net remeasurement of loss allowance	-	-	-	-
Net decrease in deposits with other banks	(654)	-	-	(654)
Foreign exchange and other movements	-	-	-	-
Balance at 31 December	-	-	-	-

2022				
	Stage 1 (Performing)	Stage 2 (Under -Performing)	Stage 3 (Non- Performing)	Total
<i>(in thousand LAK)</i>				
<i>Deposits with other banks</i>				
Balance at 1 January	9,293	-	-	9,293
Net remeasurement of loss allowance	426	-	-	426
Net decrease in deposits with other banks	(9,293)	-	-	(9,293)
Foreign exchange and other movements	228	-	-	228
Balance at 31 December	654	-	-	654

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

2023				
	Stage 1 (Performing)	Stage 2 (Under -Performing)	Stage 3 (Non- Performing)	Total
	(in thousand LAK)			
<i>Statutory deposits with Central Bank</i>				
Balance at 1 January	-	2,194,470	-	2,194,470
Net remeasurement of loss allowance	-	-	-	-
Net decrease in statutory deposits with Central Bank	-	(2,190,676)	-	(2,190,676)
Foreign exchange and other movements	-	737	-	737
Balance at 31 December	-	4,531	-	4,531

2022				
	Stage 1 (Performing)	Stage 2 (Under -Performing)	Stage 3 (Non- Performing)	Total
	(in thousand LAK)			
<i>Statutory deposits with Central Bank</i>				
Balance at 1 January	-	275	-	275
Net remeasurement of loss allowance	-	2,194,195	-	2,194,195
Net decrease in statutory deposits with Central Bank	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Balance at 31 December	-	2,194,470	-	2,194,470

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

	2023			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
	(in thousand LAK)			
<i>Loan commitments and financial guarantee contracts</i>				
Balance at 1 January	3,210,903	25,951		3,236,854
Net remeasurement of loss allowance	481,993	-		481,993
New loan commitments and financial guarantees issued	1,819,278	210,958		2,030,236
Financial assets that have been derecognized	(2,719,863)	(16,461)		(2,736,324)
Foreign exchange and other movements	324,219	3,976		328,195
Balance at 31 December	3,116,530	224,424		3,340,954

	2022			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
	(in thousand LAK)			
<i>Loan commitments and financial guarantee contracts</i>				
Balance at 1 January	852,687	67,535	-	920,222
Net remeasurement of loss allowance	386,355	-	-	386,355
New loan commitments and financial guarantees issued	2,287,634	-	-	2,287,634
Financial assets that have been derecognized	(535,669)	(41,152)	-	(576,821)
Foreign exchange and other movements	219,896	(432)	-	219,464
Balance at 31 December	3,210,903	25,951	-	3,236,854

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

(v) Concentrations of credit risk

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

	Notes	Loans and advance to customers		Loan commitments and financial guarantee issued	
		2023	2022	2023	2022
		<i>(in thousand LAK)</i>		<i>(in thousand LAK)</i>	
Carrying amount	12	1,727,021,729	1,801,602,319	-	-
Amount committed/guaranteed				812,140,379	645,387,881
Concentration by sector					
Corporate:					
Industry		13,208,508	41,152,953	3,542,944	2,014,817
Construction		12,093,538	11,297,498	20,284,098	9,194,547
Agriculture and forestry		27,557,081	96,363,616	134,504,105	126,077,502
Trade		504,397,591	403,624,108	262,173,387	170,711,364
Service		819,100,830	915,676,469	339,529,302	334,484,552
Others		350,664,181	333,487,675	46,003,650	2,905,099
		<u>1,727,021,729</u>	<u>1,801,602,319</u>	<u>806,037,486</u>	<u>645,387,881</u>
Concentration by location					
Lao PDR		<u>1,727,021,729</u>	<u>1,801,602,319</u>	<u>806,037,486</u>	<u>645,387,881</u>
		<u>1,727,021,729</u>	<u>1,801,602,319</u>	<u>806,037,486</u>	<u>645,387,881</u>

23.3 Liquidity Risk

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

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

KASIKORNTHAI BANK Sole Limited
Notes to the financial statements
For the year ended 31 December 2023

Financial assets and liabilities, classified by contractual maturity analysis, as of 31 December 2023 and 2022 as follows:

		2023					
	At call	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	No Maturity	Total
<i>(in thousand LAK)</i>							
Financial assets							
Cash and cash equivalents	1,457,413,098	100,008,110	-	-	-	-	1,557,421,208
Statutory deposits with Central Bank	-	-	-	-	-	101,526,622	101,526,622
Loans to customers ^(*)	-	782,850,250	397,686,641	353,853,356	192,631,482	-	1,727,021,729
Total financial assets	1,457,413,098	882,858,360	397,686,641	353,853,356	192,631,482	101,526,622	3,385,969,559
Financial liabilities							
Deposits from customers	618,684,838	458,521,046	153,503,021	285,604,998	-	-	1,516,313,903
Deposits from other banks	4,564,973	642,520,000	162,450,000	-	-	-	809,534,973
Borrowing	-	-	-	398,000,000	-	-	398,000,000
Accrued interest payables	60,954	17,160,308	6,202,395	8,526,570	-	-	31,950,227
Total financial liabilities	623,310,765	1,118,201,354	322,155,416	692,131,568	-	-	2,755,799,103
Liquidity - net	834,102,333	(235,342,994)	75,531,224	(338,278,212)	192,631,482	101,526,622	630,170,455
Liquidity - accumulative net	834,102,333	598,759,339	674,290,564	336,012,352	528,643,834	630,170,455	-

^(*) includes accrued interest receivables

KASIKORNTHAI BANK Sole Limited
Notes to the financial statements
For the year ended 31 December 2023

	At call	Less than 6 Months	6 Months to 1 Year	2022 Over 1 Year to 5 Years	Over 5 Years	No Maturity	Total
<i>in thousand LAK)</i>							
Financial assets							
Cash and cash equivalents	825,441,224	-	-	-	-	-	825,441,224
Deposits with other banks	-	17,350,000	-	-	-	-	17,350,000
Statutory deposits with Central Bank	-	-	-	-	-	90,706,560	90,706,560
Loans to customers(*)	-	631,811,548	28,733,421	706,749,588	434,307,762	-	1,801,602,319
Total financial assets	825,441,224	649,161,548	28,733,421	706,749,588	434,307,762	90,706,560	2,735,100,103
Financial liabilities							
Deposits from customers	732,520,075	368,554,809	96,316,599	141,392,079	-	-	1,338,783,562
Deposits from other banks	3,746,536	399,750,000	322,575,000	-	-	-	726,071,536
Borrowing	-	-	-	100,000,000	-	-	100,000,000
Accrued interest payables	29,629	15,303,532	5,675,999	3,477,639	-	-	24,486,799
Total financial liabilities	736,296,240	783,608,341	424,567,598	244,869,718	-	-	2,189,341,897
Liquidity - net	89,144,984	(134,446,793)	(395,834,177)	461,879,870	434,307,762	90,706,560	545,758,206
Liquidity - accumulative net	89,144,984	(45,301,809)	(441,135,986)	20,743,884	455,051,646	545,758,206	-

(*) includes accrued interest receivables

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

23.4 Market risk

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

(i) Interest rate risk

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

An analysis of loans (including financial institutions) at fixed and floating interest rates (LIBOR) as of 31 December 2023 and 31 December 2022 are as follows:

	2023	2022
	(in thousand LAK)	
Fixed interest rates	1,727,021,729	1,507,813,812
Floating interest rates	-	293,788,507
Total loans	1,727,021,729	1,801,602,319

The average balances of the interest-bearing financial assets and liabilities of the Bank, calculated by using monthly average, and the average interest rates for the year ended 31 December 2023 and 2022 are as follows:

	Average balance	2023 Interest income/ expense (in thousand LAK)	Average interest rate (%)
Financial assets			
Interest-bearing financial assets	13,189,833	182,801	1.39%
Loans to customers	1,463,019,444	131,857,562	9.01%
Total financial assets	1,476,209,277	132,040,363	
Financial liabilities			
Interest-bearing financial liabilities			
Deposits from customers	1,209,711,174	29,281,372	2.42%
Deposits from other banks	1,098,639,189	43,641,067	3.97%
Borrowing	141,500,000	7,256,650	5.13%
Total financial liabilities	2,449,850,363	80,179,089	

KASIKORNTHAI BANK Sole Limited**Notes to the financial statements****For the year ended 31 December 2023**

	Average balance	2022 Interest income/ expense <i>(in thousand LAK)</i>	Average interest rate (%)
Financial assets			
Interest-bearing financial assets			
Deposits with other banks	19,837,833	942,874	4.75%
Loans to customers	1,282,370,407	101,464,800	7.91%
Total financial assets	1,302,208,240	102,407,674	
Financial liabilities			
Interest-bearing financial liabilities			
Deposits from customers	1,041,727,016	19,669,953	1.89%
Deposits from other banks	934,069,662	38,960,452	4.17%
Borrowing	52,777,778	2,291,667	4.34%
Total financial liabilities	2,028,574,456	60,922,072	

KASIKORNTHAI BANK Sole Limited
Notes to the financial statements
For the year ended 31 December 2023

Financial assets and liabilities, classified by maturity of interest repricing, as of 31 December 2023 and 31 December 2022 are shown as below:

	2023					
	Immediate Repricing	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Non-interest Bearing
				<i>(in thousand LAK)</i>		
Financial assets						
Cash and cash equivalents	-	100,008,110	-	-	-	1,457,413,098
Statutory deposits with Central Bank	-	-	-	-	-	101,526,622
Loans to customers ^(*)	-	782,850,250	397,686,641	353,853,356	192,631,482	-
Total financial assets	-	882,858,360	397,686,641	353,853,356	192,631,482	1,558,939,720
						1,557,421,208
						101,526,622
						1,727,021,729
						3,385,969,559
Financial liabilities						
Deposits from customers	451,912,866	458,521,046	153,503,021	285,604,998	-	166,771,972
Deposits from other banks	-	642,520,000	162,450,000	-	-	4,564,973
Borrowing	-	-	-	398,000,000	-	-
Accrued interest payables	60,953	17,160,308	6,202,396	8,526,570	-	-
Total financial liabilities	451,973,819	1,118,201,354	322,155,417	692,131,568	-	171,336,945
						1,516,313,903
						809,534,973
						398,000,000
						31,950,227
						2,755,799,104

^(*) includes accrued interest receivables

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

	2022					
	Immediate Repricing	Less than 6 Months	6 Months to 1 Year	Over 1 Year to 5 Years (in thousand LAK)	Over 5 Years	Non-interest Bearing
						Total
Financial assets						
Cash and cash equivalents	-	-	-	-	-	825,441,224
Deposits with other banks	-	17,350,000	-	-	-	17,350,000
Statutory deposits with Central Bank	-	-	-	-	-	90,706,560
Loans to customers ^(*)	-	897,655,094	28,733,421	440,906,042	434,307,762	1,801,602,319
Total financial assets	-	915,005,094	28,733,421	440,906,042	434,307,762	2,735,100,103
Financial liabilities						
Deposits from customers	511,092,053	368,554,809	96,316,599	141,392,079	-	1,338,783,562
Deposits from other banks	-	399,750,000	322,575,000	-	-	726,071,536
Borrowing	-	-	-	100,000,000	-	100,000,000
Accrued interest payables	29,629	15,303,532	5,675,999	3,477,639	-	24,486,799
Total financial liabilities	511,121,682	783,608,341	424,567,598	244,869,718	-	2,189,341,897

^(*) includes accrued interest receivables

KASIKORNTHAI BANK Sole Limited**Notes to the financial statements****For the year ended 31 December 2023****(ii) Foreign exchange rate risk**

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

Foreign currency positions in LAK equivalent, as of 31 December 2023 were as follows:

	USD	2023 Currency THB (in thousand LAK)	Total
Financial assets			
Cash and cash equivalents	500,624,772	751,786,031	1,252,410,803
Deposits with other banks	-	-	-
Statutory deposits with Central Bank	49,686,870	37,917,652	87,604,522
Loans to customer and accrued interest receivables	398,938,961	201,182,192	600,121,153
Total financial assets	949,250,603	990,885,875	1,940,136,478
Financial liabilities			
Deposits from customers	565,674,769	703,717,739	1,269,392,508
Deposits from other banks	147,074,673	260,009,100	407,083,773
Total financial liabilities	712,749,442	963,726,839	1,676,476,281
Foreign currency position of items recognised on the statement of financial position - net	236,501,161	27,159,036	263,660,197
	in original currency (USD)	(THB)	
Foreign currency position of items recognised on the statement of financial position - net	11,615,970	41,783,133	

KASIKORNTHAI BANK Sole Limited**Notes to the financial statements****For the year ended 31 December 2023**

Foreign currency positions in LAK equivalent, as of 31 December 2022 were as follows:

	USD	2022 Currency THB <i>(in thousand LAK)</i>	Total
Financial assets			
Cash and cash equivalents	610,240,477	88,961,520	699,201,997
Deposits with other banks	17,350,000	-	17,350,000
Statutory deposits with Central Bank	32,653,377	14,313,646	46,967,023
Loans to customer and accrued interest receivables	365,594,636	404,601,887	770,196,523
Total financial assets	1,025,838,490	507,877,053	1,533,715,543
Financial liabilities			
Deposits from customers	717,763,228	475,352,318	1,193,115,546
Deposits from other banks	133,902,138	23,756,840	157,658,978
Total financial liabilities	851,665,366	499,109,158	1,350,774,524
Foreign currency position of items recognised on the statement of financial position - net	174,173,124	8,767,895	182,941,019
	in original currency (USD)	(THB)	
Foreign currency position of items recognised on the statement of financial position - net	10,038,797	18,458,726	

KASIKORNTHAI BANK Sole Limited**Notes to the financial statements****For the year ended 31 December 2023****24. Financial assets and financial liabilities***Classification of financial assets and financial liabilities*

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

		31 December 2023	
	Note	Amortised cost	Total carrying amount
		(in thousand LAK)	
Cash and cash equivalents	9	1,557,362,532	1,557,362,532
Statutory deposits with Central Bank	11	101,522,091	101,522,091
Loans and advances to customers, net	12	1,671,529,727	1,671,529,727
Total financial assets		3,330,414,350	3,330,414,350
Deposits from customers	16	1,516,313,903	1,516,313,903
Deposits from other banks		809,534,973	809,534,973
Borrowing		398,000,000	398,000,000
Total financial liabilities		2,723,848,876	2,723,848,876

		31 December 2022	
	Note	Amortised cost	Total carrying amount
		(in thousand LAK)	
Cash and cash equivalents	9	825,410,195	825,410,195
Deposits with other banks	10	17,349,346	17,349,346
Statutory deposits with Central Bank	11	88,512,090	88,512,090
Loans and advances to customers, net	12	1,753,566,882	1,753,566,882
Total financial assets		2,684,838,513	2,684,838,513
Deposits from customers	16	1,338,783,562	1,338,783,562
Deposits from other banks		726,071,536	726,071,536
Borrowing		100,000,000	100,000,000
Total financial liabilities		2,164,855,098	2,164,855,098

KASIKORNTHAI BANK Sole Limited**Notes to the financial statements****For the year ended 31 December 2023****25. Commitments**

	2023	2022
	<i>(in thousand LAK)</i>	
Loan commitment	513,517,778	571,893,359

26. Off-balance sheet items

	2023	2022
	<i>(in thousand LAK)</i>	
Commitment given		
Letters of guarantee outstanding	292,519,709	73,494,522
Collateral and Mortgages		
Collaterals and mortgages for loans to customer	2,774,886,740	1,815,819,479

27. Operating Segments

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

28. Capital Management

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

	2023	2022
	<i>(in thousand LAK)</i>	
Tier 1 capital	603,269,609	515,512,773
Tier 2 capital	47,926,101	56,584,413
Total capital	651,195,710	572,097,186
Less: Deductions from capital		
(Investments in other credit and financial institutions)	-	-
Capital for CAR calculation	651,195,710	572,097,186
 Risk weighted balance sheet items	 2,214,609,458	 1,861,840,154
Risk weighted off balance sheet items	403,018,743	322,693,941
Total risk weighted assets	2,617,628,201	2,184,534,095
 Capital Adequacy Ratio	 24.88%	 26.19%

KASIKORNTHAI BANK Sole Limited

Notes to the financial statements

For the year ended 31 December 2023

29. Rights of use Assets

Right-of-use asset

	31 December 2023	31 December 2022
	<i>(in thousand LAK)</i>	
Balance at 1 January 2023/2022	18,989,617	18,808,068
Addition during year	1,030,596	181,549
Write-off/Disposal	(441,407)	-
Accumulated depreciation	(7,452,437)	(6,009,802)
Balance at 31 December 2023/2022	12,126,369	12,979,815

Amount recognized in profit or loss

	31 December 2023	31 December 2022
	<i>(in thousand LAK)</i>	
Interest on lease liability	360,976	272,601
Depreciation charge for the year	1,884,042	1,654,399
Total	2,245,018	1,927,000

30. Events after the reporting period

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2023 that significantly impacted the financial position of the Bank as at 31 December 2023.

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024; however, the Bank has not applied the following new or amended standards in preparing these financial statements.

IFRS Amended Standards	Topic	Year effective
IAS 1	Non-current Liabilities with Covenants	2024
IAS 1	Classification of Liabilities as Current or Non-Current	2024
IAS 7 & IFRS 7	Supplier Finance Arrangements	2024
IAS 21	Lack of Exchangeability	2025

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



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