



KASIKORNTHAI BANK LIMITED

ANNUAL REPORT

January- December 2021



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





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Business Opportunities in AEC+3

After the year-long COVID-19 pandemic has driven the global and ASEAN countries' economies into an unavoidably severe crisis. ASEAN economies are now shown a significant sign of economy recovering from declining of COVID-19 cases and well vaccinations progress made the region's growth forecast increase to 5.1 percent of GDP growth in 2022, higher than the average forecast of the Pacific countries at 4.7% (ADB,2021) as economies are expected to continue easing overall restriction and reviving economic activities.

Foreign direct investment (FDI) remains a key engine of regional economic growth. While ASEAN regional remained an attractive investment destination, with its share of global FDI rising from 11.9 percent in 2019 to 13.7 percent in 2020 in contrast to the impact of COVID-19. Supported by Regional Comprehensive Economic Partnership Agreement (RCEP) along with Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), together with massive infrastructure investment such as China – Laos Railway, expected to help boost more sustainable FDI in the region and strengthen the economic connectivity between ASEAN and other economies such as China, Japan, and Korea.

On the other hand, the ASEAN also has new opportunities from ASEAN's Industry 4.0 transformation, that striving to step up countries industrialization and economic development of new technologies such as Internet of Things (IoT), artificial intelligence (AI), cloud computing, and cognitive computing. Including large investment in automation, communication, and digital infrastructure such as 5G, next Generation wireless, Datacenter. which are expected to benefit for the digital economy and infrastructure-related industries, including electricity, information and communication technology, and transportation and storage, which result in productivity gains for ASEAN that will increase the gross domestic product (GDP) annually by \$0.6 trillion by 2025.

To summarize, the infrastructure connectivity that connects transportation between China to ASEAN heartland and economic development into Industry 4.0 are expected to transform Lao PDR to be one of the strategic in-land trading ports in the region that offers massive business opportunities for both local and foreign investors.

To assist our customers to acquire this remarkable business opportunity, KBank Lao endeavors to serve customer needs and empowers them to withstand the change in the digital era by innovatively expanding and developing our financial service and solution. Moreover, with the advantage of KBank's presences across AEC, this would connect Lao businesses with international-scaled opportunities, with commitment for quality and sustainable growth to our customer as a qualified and trusted partner.

KASIKORNTHAI BANK Limited Vision, Purpose and Core Values

Vision

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

Purpose

To Empower Every Customer's Life and Business

Core Values



Customer at Heart



Collaboration



Agility



Innovativeness



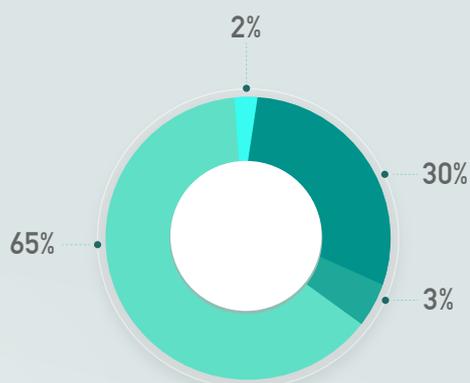
Integrity



KASIKORNTHAI BANK Limited

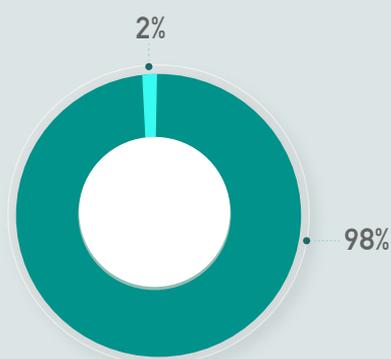
Financial Highlights

Total Assets



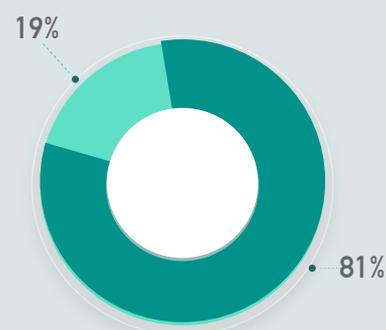
- Cash and Cash Equivalents
- Interbank and Money Market
- Loans and Advances to Customers
- Others

Total Liabilities



- Deposits
- Others

Net Operating Income



- Net Interest Income
- Net Fee and Commission Income

Unit : Thousand of LAK

| | 1 January 2020 to 31 December 2020 | 1 January 2021 to 31 December 2021 |
|---------------------------------|---------------------------------------|---------------------------------------|
| Total Assets | 1,527,745,162 | 1,782,642,722 |
| Total Liabilities | 1,139,232,785 | 1,334,521,252 |
| Net Interest Income | 26,028,968 | 31,751,531 |
| Net Fee and Commission Income | 4,452,018 | 7,576,897 |
| Net Operating Income | 30,480,986 | 39,328,428 |
| Total Operating Income | 33,259,605 | 55,110,663 |
| Total Operating Expense | 24,813,040 | 33,033,725 |
| Profit before Income Tax | 8,446,565 | 22,076,938 |
| Net Profit | 5,164,977 | 19,609,093 |



Total Assets

As of December 31, 2021, KASIKORNTHAI BANK Limited (“KBank Lao”) has total assets in equivalent to LAK 1,782,642,722 thousand with loan size, to both public and private sectors, at LAK 1,164,280,587 thousand in total. KBank Lao also maintains sustainable liquidity for increase of loan in year 2022.



Total Liabilities

Total liabilities as of December 31, 2021 is LAK 1,334,521,252 thousand with deposits totaled LAK 1,310,190,503 thousand from customers and other financial institution.



Net Operating Income

For the year ended 2021, KBank Lao has net operating income totaled LAK 39,328,428 thousand which comprises of net interest income totaled LAK 31,751,531 thousand, net fee and commission income totaled LAK 7,576,897 thousand. In comparison with 2020 full year operation, net operating income has increased from both interest income and fee.



Net Profit

KBank Lao has profit before income tax totaled LAK 22,076,938 thousand and net profit for the year 2021 totaled LAK 19,609,093 thousand which significantly increased from year 2020 due to higher business volume in both credit and non-credit products.

Chairman Message

Lao PDR has witnessed an impressive development in many aspects including livelihood, economy, education, etc. The latest 9th National Socio-Economic Development Plan 2021–2025 that is aimed to fully focus on socio-economic development based on the existing potentials in order to help the country effectively achieve the criteria through quality, inclusive and green growth and achieve the SDGs by 2030.

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

In this hard time, KASIKORNTHAI BANK Limited continues to be committed to share our expertise as the bank of AEC+3, with presence in Thailand, Lao PDR, Cambodia, Myanmar, Vietnam, Indonesia, China and partnership in other AEC+3 countries to best deliver our banking products and services to corporate and retail customers. Particularly for KASIKORNTHAI BANK Limited in Lao PDR, TDI contributes more than 50% of lending and the portfolio of customers increased in 2021.

In 2021, QR KBank, KBank's first digital e-wallet in Lao PDR, has reached another important milestone of 130,000 registered users, with fundamental financial services like cash-in, cash-out and transfer and daily life features such as mobile top-up and payment to respond to the growth and the need of the market. We have also introduced new feature of QR KBank with International Financial Transactions to offer more convenience to customers, allowing better business mobility and fostering higher financial inclusion according to the Lao PDR's government goal for the people.



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

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

Part I Corporate Background

1.1 Corporate Information

| | |
|-----------------------------|---|
| Registered Name | KASIKORNTHAI BANK Limited |
| Enterprise Registration No. | 0138 / ERO |
| Bank License No. | 06 / BOL |
| Registered Capital | LAK 420,000 Million |
| Established Date | October 16, 2014 |
| Chairman | Mr. Pattanapong Tansomboon |
| Country Director | Ms. Sudamas Sutangkanu |
| Registered Office | Unit 12, Lane Xang Avenue, Xiangngeun Village, Chanthaboury District, Vientiane Capital, Lao PDR |
| Telephone No. | +856 21 410 888 |
| Website | http://www.kasikornbank.com.la |



1.2 Overview of KASIKORNBANK PUBLIC COMPANY LIMITED

The KASIKORNBANK PUBLIC COMPANY LIMITED (KBank) was established on June 8, 1945 and listed on the Stock Exchange of Thailand since 1976. For over 70 years of operation, our main focus is to deliver impressive services and innovative products that best response to customer needs. KBank prioritizes on both domestic and regional dimensions in line with changing economic trend, consumer behavior, government policies and market competition. These factors are assessed to define new strategies for KBank to enhance business operations and adjust to upcoming changes while sustainably upholding the superiority and relevance to customers' lives.

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

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

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



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





KBank 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 0138 / ERO granted by Enterprise Registration Office of Lao PDR. In 2021, KASIKORNTHAI BANK Limited (KBank Lao) was increased registered capital from LAK 380,000 million to LAK 420,000 million to align with the amended law on commercial bank from the Bank of Lao PDR in which required all banks to have minimum registered capital at LAK 500,000 million within 2023. Its shareholders comprise respectable corporations namely, KASIKORNBANK PUBLIC COMPANY LIMITED and KASIKORN ASSET MANAGEMENT Co., Ltd. Currently, KBank Lao has two offices in Vientiane, Ban Ponesinuan branch and the Lane Xang Head Office. KBank Lao has come up with a wide variety of financial products and services for business and individual clientele in Laos such as international transfers, foreign exchange, local and foreign currency deposit accounts, long-term and short-term loans in Lao Kip, US dollar and Thai Baht. KBank Lao has expanded accessibility to our financial services by setting up a service center in both offices especially for High Net Worth Individuals, developing “QR KBank” mobile application, and “LA.KGLOALSUPPLYCHAIN.COM” website as digital alternative channels for retail and supply chain payments respectively.

As we are stepping into our 8th decade with a well-established banking business in 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

Although Laos has been heavily affected by COVID-19 pandemic, GDP growth is expected to rebound to 2.1% in 2021, against -0.4% in 2020. The economic recovery began well in early 2021 but slowed down amidst a second wave of COVID-19 in April that has led to lockdowns and lower economic activity. Non-essential and services businesses were ordered to close down nationwide to prevent local transmission and as a result private consumption and the service sector were mostly affected. In addition, due to travel restrictions and the long quarantine period, the tourism sector is expected to deteriorate further than that seen in 2020, which recorded 0.8 million international tourists (a decline of 81.5% compared to 2019). Despite a large impact on the service sector, exports of agricultural products and electricity were the main engine of growth in 2021. Strong growth of agricultural export products that accounted for more than 80% of Laos' total export was supported by strong demand from China. Meanwhile, Laos's electricity sector, accounted for 10% of GDP recorded earnings, an increase of 12% YoY during 9M2021; most of the electricity was exported to Thailand, Vietnam, Cambodia, and Myanmar.

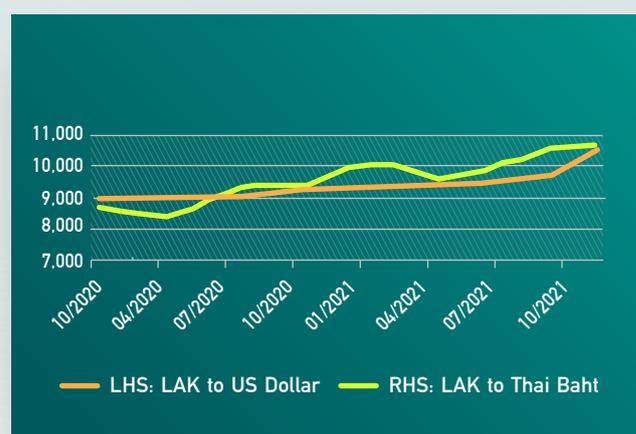
Key short-term challenge for the Laos economy remains with external stability. In 2021, the Kip largely depreciated against the US dollar and Thai Baht. The Kip against the US dollar depreciated over 20% since the beginning of 2020, reflecting a domestic shortage of foreign currency due to a large external public debt payment and continuing trade deficit. The weakening the Lao Kip has fueled domestic inflation and resulted in higher external debt service costs, given Laos' external debt is close to 90% of its GDP.

Lao PDR's real GDP growth (%)



Source: IMF, CEIC, KResearch

LAK against USD and THB



Source: Laos Statistic Bureau, estimated by KResearch

In the short term, Lao PDR's economic recovery will be supported by higher electricity exports, along with the opening of the China-Laos high-speed railway. According to the Mekong River study, Laos' potential hydropower resources total 26,000 MW and only 9,986 MW or 38% of the total potential has been realized in 2020. Meanwhile, there is increasing demand for power from Singapore to trail import up to 100 MW via Thailand and Malaysia; additionally, Laos has agreements to meet the power export targets to Thailand (7,000 MW) and to Vietnam (3,000 MW) by 2030. In addition, Laos' domestic economic activities are expected to gradually increase from the high-speed train that will likely bring more tourism and additional capacity for Laos' exports. In 2022, KResearch expects Laos GDP to continue its gradual recovery by 3.0%, amid heightened uncertainty from the Omicron variant outbreak and elevated inflation.

The China-Laos high-speed railway will transform Lao PDR from a landlocked to a land-linked country more efficiently by connecting world-class tourist attractions and bolster freight transportation at home and abroad. According to the Mekong River It is the first international railway, connecting Kunming and Vientiane, that will reduce transportation times and logistic costs between China, Lao PDR and Thailand. According to a World Bank report, this high-speed train takes only 8 hours from Vientiane to Kunming (compared to 15 hours by car) and helps cut land transportation costs by approximately 40-50%. Furthermore, there is an UNESCO World Heritage Site, Luang Prabang between Kunming and Vientiane. It is expected that the greater convenience and reduced travel time offered by this high-speed train will help induce Chinese and Thai tourists to use it for travel in the future. At present, Chinese and Thai tourists are major tourists of Lao PDR, accounting for 50% of the total foreign tourist arrivals per year.

Going forward, the extent of Lao PDR's economic transformation will hinge on the volume of rail traffic along this strategic railway. In the long term, the China-Laos high-speed railway will serve as a turning point for Lao PDR. This project will also benefit the shipment of goods from Thailand and China immensely and allow for seamless and convenient travel via Lao PDR. Meanwhile, the Laotian economy will benefit from rising income from freight charges and increased rail traffic, as well as shipments of Lao PDR's fruits and other agriculture exports via this railway. In the future, when receipts from tourists using the railway increase amid heightened activity among tourism-related business, it will contribute greatly to GDP growth for Lao PDR

To maximize the development impact of the China-Lao PDR high-speed railway, additional infrastructure and development projects from China are in progress to address transportation connectivity gaps to ensure open access to railway and to promote special economic zones to boost tourism attractiveness for Lao PDR. expressway projects proposed by Chinese companies have been approved. The Vientiane-Pakse expressway will enhance connectivity between Southern Laos with Vientiane. Meanwhile, the Vang Viang-Luang Prabang expressway is a part of the Vientiane-Boten expressway, in which the Vientiane-Vang Viang section has been open since 2020. Once completed, it will boost connectivity between Vientiane and Luang Prabang and greatly benefit tourism businesses. Furthermore, five special economic zones have been developed by Chinese companies, namely, the Boten Beautiful Land Specific Economic Zone, Golden Triangle Special Economic Zone, Vientiane Saysettha Development Zone, That Luang Lake Specific Economic Zone, and the Mahanathi Siphandone Special Economic Zone. Most of them are property development projects, aiming to attract foreign tourists to Lao PDR.

2.2 2021 Business Performance and Business Directions of KASIKORNTHAI BANK Limited for the Year 2022

2021 was an extremely challenging year for every business in Lao PDR especially for the banking industry, as the COVID-19 pandemic unfolded at the beginning of the year leading to a major economic struggle in many countries from a slowdown in export, tourism, and domestic consumption following the lockdown policy of the government to control the pandemic. Furthermore, it also created a significant shift in customers' behavior to adopt technology into their lives. These factors have forced every industry, including commercial banks, to adapt their work and service model amid this challenging operational environment.

In contrast to the economic situation, KASIKORNTHAI BANK Limited ("KBank Lao") managed to create exceptional growth in 2021 with 20 percent credit growth to serve corporate and SME financial liquidity. Along with continuous development of our financial solution and expanding our financial service to serve retail customer needs, specifically, KBank's e-Wallet called "QR KBank" rose to become one of the largest e-wallet platforms in Lao PDR with more than 130,000 customers currently using our platform, and over 650,000 transactions had been generated in 2021, indicating a 44 percent increase from 2020. Combining with new launch of service channel with 30 ATMs in mid-2021, this proves that we also emphasize retail banking and enhance KBank Lao's capabilities to serve customer's financial life cycle with exceptional service operation and expand the digital customer base in Lao PDR.

At the same time, KBank Lao also provides consultation and relief measures to customers affected by the COVID-19 pandemic and monitor their situation closely with commitment as a reliable financial partner for customers, to restore their financial health and sustain their businesses.



To accelerate our business growth in 2022, KBank Lao strives to strengthen our digital capability by continuously developing innovative financial solutions and providing a total solution by utilizing all functions and capabilities as a regional bank to serve customer needs in every aspect. KBank is also willing to understand local customers' needs to provide the best possible customer experience and to be the consumer's trusted financial partner amidst the challenge of the digital era.

Part III Organization Structure

3.1 Shareholders

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

3.2 Board of Directors

| | | |
|--------------------|----------------|----------------------|
| 1. Mr. Pattanapong | Tansomboon | Chairman |
| 2. Mr. Photjanart | Sangpruaksa | Deputy Chairman |
| 3. Mr. Sasawat | Virapriya | Independent Director |
| 4. Mr. Karin | Boonlertvanich | Director |
| 5. Mr. Anuwat | Sriudom | Director |
| 6. Mrs. Sunan | Siriaksorn | 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. Karin Boonlertvanich, Ph.D.

Director

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



Mr. Anuwat Sriudom

Director

Mr. Anuwat Sriudom is currently leading risk management of KBank's regional business expansion and also oversees risk management in capital markets & treasury related businesses of KBank and subsidiaries. He has over 14-year extensive experience in enterprise risk management in financial institutions. He also serves as the Chairman of the Risk Committee of KBank Lao, Member of the Regional Business Executive Working Group (REG), Member of Risk Committee of Kasikorn Asset Management, Kasikorn Securities, and Kasikorn Line.



Mrs. Sunan Siriaksorn

Director

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



Ms. Sudamas Sutangkanu

Director

Ms. Sudamas Sutangkanu has more than 10 years' experience in Finance & Accounting. Prior to be a Country director of KBank Lao, she was Chief Financial Officer (CFO) which extensively gained more experience in both management and business including Corporate and Retail Banking, International Trade Business and new Product Development.

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 Limited |
| Banking licence no. | 06/Bank of LAO P.D.R. |
| Enterprise Registration Certificate | No. 0138/ERO Date 20/01/2022 |
| Board of Directors | Mr. Pattanapong Tansomboon Mr. Photjanart Sangpruaksa Mr. Sasawat Virapriya Mr. Karin Boonlertvanich Mr. Anuwat Sriudom Mrs. Sunan Siriaksorn Ms. Sudamas Sutangkanu |
| Board of Management | Ms. Sudamas Sutangkanu Country Director Ms. Rapisa Trakulroong Department Head - Finance and Accounting Mr. Preedee Simapetch Department Head - Banking Operation Ms. Piyanoot Sangsana Department Head - Sales and Services |
| Registered Office | KASIKORNTHAI BANK Limited Unit 12, Lane Xang Avenue, Xiengngeun Village, Chanthaboury District, Vientiane Capital, Lao P.D.R |
| Auditor | KPMG Lao Co., Ltd. 10th Floor, Royal Square Office Building, Samsenthai Road, Nongduong Nua Village, Sikhotabong District, Vientiane, Lao P.D.R |

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Management of KASIKORNTHAI BANK Limited (the "Bank") is responsible for the preparation of the financial statements and for ensuring that the financial statements present fairly, in all material respects, financial position of the Bank as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and of cash flows for the year then ended 31 December 2021 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 57 present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and of cash flows for the year then ended and have been properly drawn up in accordance with IFRSs.

Signed on behalf of the Board of Director,

Ms. Sudamas Sutangkanu
Country Director

31 March 2022



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 home.kpmg/la

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors KASIKORNTHAI BANK Limited

Opinion

We have audited the financial statements of KASIKORNTHAI BANK Limited (the "Bank"), which comprise the statement of financial position as at 31 December 2021, 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 2021 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.

KPMG Lao Co., Ltd.
Vientiane Capital, Lao P.D.R.
31 March 2022

KASIKORNTHAI BANK Limited
Statement of financial position
For the year ended 31 December 2021

| | <i>Note</i> | 31 December 2021 | 31 December 2020 |
|--------------------------------------|-------------|-----------------------------|-----------------------------|
| <i>(in thousand LAK)</i> | | | |
| Assets | | | |
| Cash and cash equivalents | 9 | 534,879,667 | 416,813,878 |
| Deposits with other banks | 10 | 16,356,360 | 98,963,925 |
| Statutory deposits with Central Bank | 11 | 26,228,649 | 35,260,459 |
| Loans and advances to customers, net | 12 | 1,164,280,587 | 939,166,352 |
| Leasehold improvement and equipment | 13 | 31,704,274 | 31,353,457 |
| Intangible assets | 14 | 2,210,279 | 203,687 |
| Other assets | 15 | 6,982,906 | 5,983,404 |
| Total assets | | <u>1,782,642,722</u> | <u>1,527,745,162</u> |
| Liabilities and equity | | | |
| Liabilities | | | |
| Deposits from customers | 16 | 777,620,752 | 689,425,808 |
| Deposits from other banks | | 532,569,751 | 420,387,358 |
| Deferred tax liabilities | 17 | 210,814 | 389,090 |
| Other liabilities | 18 | 24,119,935 | 29,030,529 |
| Total liabilities | | <u>1,334,521,252</u> | <u>1,139,232,785</u> |
| Equity | | | |
| Paid-up share capital | 19 | 420,000,000 | 380,000,000 |
| Legal reserve | 20 | 5,551,277 | 2,751,631 |
| Retained earnings | | 22,570,193 | 5,760,746 |
| Total equity | | <u>448,121,470</u> | <u>388,512,377</u> |
| Total liabilities and equity | | <u>1,782,642,722</u> | <u>1,527,745,162</u> |

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

KASIKORNTHAI BANK Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2021

| | | For the year ended 31 December 2021 | For the year ended 31 December 2020 |
|---|-------------|--|--|
| | <i>Note</i> | <i>(in thousand LAK)</i> | |
| Interest income | | 69,093,997 | 52,798,742 |
| Interest expense | | <u>(37,342,466)</u> | <u>(26,769,774)</u> |
| Net interest income | 4 | 31,751,531 | 26,028,968 |
| Fee and commission income | | 8,048,299 | 4,897,421 |
| Fee and commission expense | | <u>(471,402)</u> | <u>(445,403)</u> |
| Net fee and commission income | 5 | 7,576,897 | 4,452,018 |
| Net operating income | | 39,328,428 | 30,480,986 |
| Gain on foreign exchange | | 26,356,810 | 17,046,718 |
| Other income | | <u>376,227</u> | <u>787,907</u> |
| Total operating income | | <u>66,061,465</u> | <u>48,315,611</u> |
| Operating expenses | | | |
| Expected credit loss on financial assets | | (10,950,802) | (15,056,006) |
| Personnel expenses | 6 | (11,733,969) | (9,664,772) |
| Depreciation and amortization expenses | | (2,843,471) | (2,313,934) |
| Other operating expenses | 7 | <u>(18,456,285)</u> | <u>(12,834,334)</u> |
| Total operating expenses | | <u>(43,984,527)</u> | <u>(39,869,046)</u> |
| Profit before income tax | | 22,076,938 | 8,446,565 |
| Income tax | 8 | <u>(2,467,845)</u> | <u>(3,281,588)</u> |
| Profit for the year | | 19,609,093 | 5,164,977 |
| Other comprehensive income | | | |
| Other comprehensive income for the year, net of income tax | | <u>-</u> | <u>-</u> |
| Total comprehensive income | | <u>19,609,093</u> | <u>5,164,977</u> |
| Earnings per share | | | |
| Basic earnings per share (LAK) | | 466.88 | 135.92 |

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

KASIKORNTHAI BANK Limited
Statement of changes in equity
For the year ended 31 December 2021

| | <i>Note</i> | Paid-up Share capital | Legal reserve <i>(in thousand LAK)</i> | Retained earnings | Total |
|---|-------------|--------------------------|---|----------------------|--------------------|
| Balance at 1 January 2020 | | 340,000,000 | 1,106,472 | 2,240,928 | 343,347,400 |
| Capital injection during the year | 19 | 40,000,000 | - | - | 40,000,000 |
| Profit for the year | | - | - | 5,164,977 | 5,164,977 |
| Transfer to Legal reserve | 20 | - | 1,645,159 | (1,645,159) | - |
| Balance at 31 December 2020 and 1 January 2021 | | 380,000,000 | 2,751,631 | 5,760,746 | 388,512,377 |
| Capital injection during the year | 19 | 40,000,000 | - | - | 40,000,000 |
| Profit for the year | | - | - | 19,609,093 | 19,609,093 |
| Transfer to Legal reserve | 20 | - | 2,799,646 | (2,799,646) | - |
| Balance at 31 December 2021 | | 420,000,000 | 5,551,277 | 22,570,193 | 448,121,470 |

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

KASIKORNTHAI BANK Limited
Statement of cash flows
For the year ended 31 December 2021

| | For the year ended 31 December 2021 | For the year ended 31 December 2020 |
|--|--|--|
| <i>Note</i> | <i>(in thousand LAK)</i> | |
| Cash flows from operating activities | | |
| Profit before income tax | 22,076,938 | 8,446,565 |
| <i>Adjustments for:</i> | | |
| Depreciation and amortization | 2,843,471 | 2,313,934 |
| Expected credit loss on financial assets | 10,950,802 | 15,056,006 |
| Unrealised loss on exchange | 1,280,905 | (10,143,304) |
| Interest income | (69,093,997) | (52,798,742) |
| Interest expense | 37,342,466 | 26,769,774 |
| Interest received | 67,791,446 | 53,472,218 |
| Interest paid | (30,331,388) | (34,171,603) |
| Income tax paid | (4,283,144) | (1,449,625) |
| Gain from operations before changes in operating assets and liabilities | 38,577,499 | 7,495,223 |
| <i>Decrease (increase) in operating assets</i> | | |
| Statutory deposits with Central Bank | 9,031,700 | 36,903,425 |
| Deposits to other banks | 82,350,500 | 19,781,714 |
| Loans and advances to customers | (233,350,547) | (325,658,463) |
| Other assets | (999,502) | (4,035,089) |
| <i>Increase (decrease) in operating liabilities</i> | | |
| Deposits from customers | 88,194,944 | 245,983,067 |
| Deposits from other banks | 112,182,393 | (13,650,012) |
| Other liabilities | (58,887) | (625,549) |
| Net cash provided by / (used in) operating activities | 95,928,100 | (33,805,684) |
| Cash flows from investing activities | | |
| Purchases of leasehold improvement and Equipment | (2,522,270) | (243,358) |
| Purchases of intangible assets | (2,208,240) | - |
| Net cash (used in) investing activities | (4,730,510) | (243,358) |
| Cash flows from financing activities | | |
| Payment on lease liabilities | (13,131,801) | - |
| Proceeds from capital injection | 40,000,000 | 40,000,000 |
| Net cash provided by financing activities | 26,868,199 | 40,000,000 |
| Net increase in cash and cash equivalents | 118,065,789 | 5,950,958 |
| Cash and cash equivalents at 1 January | 416,813,878 | 410,862,920 |
| Cash and cash equivalents at 31 December | 534,879,667 | 416,813,878 |

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

KASIKORNTHAI BANK Limited

Notes to the financial statement

For the year ended 31 December 2021

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KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2021

1. Reporting entity

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

The Bank has issued and fully paid up LAK 420 billion of authorized share capital (2020: LAK 380 billion), in accordance with the BOL notice no. 714/CBSD dated: 1 December 2020, in accordance with the BOL announcement: Decision on Increasing in Minimum Registered Capital and Investment Capital of Commercial Bank No.752/BOL dated 27 August 2019.

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

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

The Bank operates in the Lao People’s Democratic Republic (“Lao P.D.R”) under the banking license (License No. 06/BOL) granted by the Bank of Lao P.D.R (“BOL”) on 6 March 2017 and Enterprise Registration Certificate No. 0138/ERO dated 20 January 2022 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 2021, the Bank had 89 (2020: 80) employees.

2. Basis of financial statement preparation

(i) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The financial statements of the Bank were authorised for issue by the Country Director on 31 March 2022.

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 2020.

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2021

(ii) Basis of measurement

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

(iii) Functional and presentation currency

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

(iv) Use of accounting estimates and judgements

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

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

Note 12 - Loans and advances to customers, net

(v) Fiscal Year

The Bank’s reporting period starts on 1 January and ends on 31 December 2021.

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.

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

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2021

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

| | 31 December 2021 | 31 December 2020 |
|-----------------------------|------------------|------------------|
| | LAK | LAK |
| United State Dollar (“USD”) | 11,183.00 | 9,292.00 |
| Thai Baht (“THB”) | 347.50 | 335.50 |

(b) Financial assets and financial liabilities

(i) Recognition

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

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

(ii) Classification

Financial assets

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

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

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

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

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

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

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2021

Business model assessment

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

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

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

Reclassifications

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

(iii) Derecognition

Financial assets

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

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

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

Financial liabilities

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

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2021

(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

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2021

allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

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

(vii) Impairment

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

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

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

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

Measurement of ECL

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

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

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

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

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

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

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2021

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

Details of these statistical parameters/inputs are as follows:

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

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

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

Assessment of significant increase in credit risk

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

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

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

Definition of default

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

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

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2021

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

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

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

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

Presentation of loss allowance for ECL in statement of financial position

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

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

Objective evidence of impairment

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

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

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

Measurement of impairment

Impairment losses on assets measured at amortised cost are calculated as the difference between

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2021

the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Presentation

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

Write-off

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

(c) Cash and cash equivalents

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

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

(d) Loans and advances

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

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

(e) Leasehold improvement and equipment

(i) Recognition and measurement

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

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

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

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2021

(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.

(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.

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2021

Interest income and expense are presented in profit or loss.

(i) Fee and commission

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

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

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

(j) Income tax

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

(i) Current tax

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

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

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% (2020: 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

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Notes to the financial statements

For the year ended 31 December 2021

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.

(k) Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'Other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised amount and the amount of loss allowance determined in accordance with expected credit loss concept as specified in note 3 (b) (vii).

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

(l) Provision for contingent liabilities

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

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Notes to the financial statements
For the year ended 31 December 2021

(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.

(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.

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2021

4. Net interest income

| | 31 December 2021 | 31 December 2020 |
|---------------------------------|--------------------------|---------------------|
| | <i>(in thousand LAK)</i> | |
| Interest income | | |
| Loans and advances to customers | 67,403,098 | 48,139,811 |
| Deposits with other banks | 1,690,899 | 4,658,931 |
| | <u>69,093,997</u> | <u>52,798,742</u> |
| Interest expense | | |
| Deposits from customers | (18,667,901) | (13,465,126) |
| Deposits from other banks | (18,674,565) | (13,304,648) |
| | <u>(37,342,466)</u> | <u>(26,769,774)</u> |
| Net interest income | <u>31,751,531</u> | <u>26,028,968</u> |

5. Net fee and commission income

| | 31 December 2021 | 31 December 2020 |
|---------------------------------------|--------------------------|------------------|
| | <i>(in thousand LAK)</i> | |
| Fees and commission income | | |
| Foreign remittances and facilities | 4,917,281 | 2,551,604 |
| Domestic facilities | 436,336 | 327,352 |
| Financial services fees | 1,463,858 | 1,386,204 |
| Others | 1,230,824 | 632,261 |
| | <u>8,048,299</u> | <u>4,897,421</u> |
| Fees and commission expense | | |
| Other fees paid | (471,402) | (445,403) |
| Net fees and commission income | <u>7,576,897</u> | <u>4,452,018</u> |

6. Personnel expenses

| | 31 December 2021 | 31 December 2020 |
|--------------------|--------------------------|------------------|
| | <i>(in thousand LAK)</i> | |
| Wages and salaries | 10,328,767 | 8,054,446 |
| Other benefits | 1,405,202 | 1,610,326 |
| Total | <u>11,733,969</u> | <u>9,664,772</u> |

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2021

7. Other operating expenses

| | 31 December 2021 | 31 December 2020 |
|-------------------------|--------------------------|--------------------------|
| | <i>(in thousand LAK)</i> | |
| Administrative expenses | 14,948,191 | 9,831,261 |
| Rental expenses | 2,465,638 | 2,360,602 |
| Other expenses | 1,042,456 | 642,471 |
| Total | <u>18,456,285</u> | <u>12,834,334</u> |

8. Income tax

Amounts recognised in profit and loss

| | Note | 31 December 2021 | 31 December 2020 |
|------------------------------------|------|--------------------------|-------------------------|
| | | <i>(in thousand LAK)</i> | |
| Current tax expense | | | |
| Current year | | 2,646,121 | 3,265,275 |
| Deferred tax expense | | | |
| Movements in temporary differences | 17 | <u>(178,276)</u> | <u>16,313</u> |
| Total income tax expense | | <u>2,467,845</u> | <u>3,281,588</u> |

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

| | Tax rate | 2021 | Tax rate | 2020 |
|-------------------------------------|--------------|--------------------------|--------------|--------------------------|
| | <i>(%)</i> | <i>(in thousand LAK)</i> | <i>(%)</i> | <i>(in thousand LAK)</i> |
| Profit before income tax | | <u>22,076,938</u> | | <u>8,446,565</u> |
| Income tax at the domestic tax rate | 20.00 | 4,415,388 | 20.00 | 1,689,313 |
| Tax effect of: | | | | |
| - Non-deductible items | | <u>(1,947,543)</u> | | <u>1,592,275</u> |
| Income tax | 11.18 | <u>2,467,845</u> | 38.85 | <u>3,281,588</u> |

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2021

9. Cash and cash equivalents

| | 2021 | 2020 |
|---------------------------------------|---------------------------|---------------------------|
| | <i>(in thousand LAK)</i> | |
| Cash on hand | 16,787,968 | 12,687,687 |
| Balances at Central Bank | 419,741,726 | 358,948,685 |
| Balances at other banks | 98,371,586 | 45,449,521 |
| | <u>534,901,280</u> | <u>417,085,893</u> |
| Less: Allowance for impairment losses | (21,613) | (272,015) |
| Total | <u>534,879,667</u> | <u>416,813,878</u> |

Cash on hand and balances at other banks are classified under stage 1 and stage 2 as per IFRS 9 and the expected credit loss as at 31 December 2021 is LAK 21,613 thousand (31 December 2020: LAK 272,015 thousand).

10. Deposits with other banks

| | 2021 | 2020 |
|---------------------------------------|--------------------------|--------------------------|
| | <i>(in thousand LAK)</i> | |
| Other Banks | - | 66,050,500 |
| Lending to financial institution* | 16,300,000 | 32,600,000 |
| Accrued interest | 65,653 | 500,845 |
| | <u>16,365,653</u> | <u>99,151,345</u> |
| Less: Allowance for impairment losses | (9,293) | (187,420) |
| Total | <u>16,356,360</u> | <u>98,963,925</u> |

Deposits with other banks is classified under stage 1 as per IFRS 9 and the expected credit loss as at 31 December 2021 is LAK 9,293 thousand (31 December 2020: LAK 187,420 thousand).

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

11. Statutory deposits with Central Bank

| | 2021 | 2020 |
|-----------------------|--------------------------|--------------------------|
| | <i>(in thousand LAK)</i> | |
| Statutory deposit on: | | |
| Capital | 4,725 | 4,836 |
| Compulsory reserve | 26,223,924 | 35,255,623 |
| Total | <u>26,228,649</u> | <u>35,260,459</u> |

Statutory deposits with Central Bank is classified under stage 2 as per IFRS 9 and the expected credit loss as at 31 December 2021 is LAK 275 thousand (31 December 2020: LAK 164 thousand).

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 3% and 5% on a bi-monthly basis (2020: 4% and 8%) of amounts due to customer, in LAK and in

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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 272/BOL dated 26 May 2021.

12. Loans and advances to customers, net

| | 2021 | 2020 |
|---|-----------------------------|---------------------------|
| | <i>(in thousand LAK)</i> | |
| Loans | 1,200,264,669 | 965,176,380 |
| Less deferred income | (2,416,139) | (3,307,519) |
| allowance for expected credit loss* | (33,567,943) | (22,702,509) |
| Loans and advances to customers, net | <u>1,164,280,587</u> | <u>939,166,352</u> |
| Current | 401,218,314 | 348,312,999 |
| Non-current | 794,159,270 | 613,714,039 |
| Total | <u>1,195,377,584</u> | <u>962,027,038</u> |

| | 2021 | | |
|--------------|-------------------------------|---|-----------------------------|
| | Loans, net deferred income | Allowance for expected credit loss <i>(in thousand LAK)</i> | Carrying amount |
| Corporate | <u>1,197,848,530</u> | <u>(33,567,943)</u> | <u>1,164,280,587</u> |
| Total | <u>1,197,848,530</u> | <u>(33,567,943)</u> | <u>1,164,280,587</u> |

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

*Loans and advances to customers are classified under stage 1 and 2 as per IFRS 9 and the expected credit loss as at 31 December 2021 is LAK 33,567,943 thousand (31 December 2020: Stage 1 and 2, LAK 22,702,509 thousand).

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

| | 2021 | 2020 |
|---|--------------------------|--------------------------|
| | <i>(in thousand LAK)</i> | |
| Allowance for expected credit loss | | |
| Balance at 1 January | 22,702,509 | 5,864,489 |
| Expected credit loss expense | 10,861,198 | 17,158,963 |
| Foreign exchange translation | <u>4,236</u> | <u>(320,943)</u> |
| Balance at 31 December | <u>33,567,943</u> | <u>22,702,509</u> |

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2021

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 2020 | 17,898,901 | 3,685,588 | 18,337,698 | 39,922,187 |
| Additions | 125,323 | 2,396,947 | 470,370 | 2,992,640 |
| Balance at 31 December 2021 | 18,024,224 | 6,082,535 | 18,808,068 | 42,914,827 |
| Accumulated depreciation | | | | |
| Balance at 31 December 2020 | (2,908,503) | (2,836,713) | (2,823,514) | (8,568,730) |
| Depreciation for the year | (392,647) | (717,287) | (1,531,889) | (2,641,823) |
| Balance at 31 December 2021 | (3,301,150) | (3,554,000) | (4,355,403) | (11,210,553) |
| Net book value | | | | |
| At 31 December 2020 | 14,990,398 | 848,875 | 15,514,184 | 31,353,457 |
| At 31 December 2021 | 14,723,074 | 2,528,535 | 14,452,665 | 31,704,274 |

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2021

14. Intangible assets

| | Software license <i>(in thousand LAK)</i> |
|------------------------------------|---|
| Cost | |
| Balance at 31 December 2020 | 7,143,801 |
| Additions | 2,208,240 |
| Balance at 31 December 2021 | <u>9,352,041</u> |
| Accumulated depreciation | |
| Balance at 31 December 2020 | (6,940,114) |
| Amortisation for the year | (201,648) |
| Balance at 31 December 2021 | <u>(7,141,762)</u> |
| Net book value | |
| At 31 December 2020 | <u>203,687</u> |
| At 31 December 2021 | <u>2,210,279</u> |

15. Other assets

| | 2021 | 2020 |
|-------------------------|--------------------------|------------------|
| | <i>(in thousand LAK)</i> | |
| Prepaid rental expenses | 3,721,035 | 5,124,670 |
| Others | 3,261,871 | 858,734 |
| Total | <u>6,982,906</u> | <u>5,983,404</u> |

16. Deposits from customers

| | 2021 | 2020 |
|----------------------|--------------------------|--------------------|
| | <i>(in thousand LAK)</i> | |
| Retail customers: | | |
| - Current | 2,809,960 | 1,135,676 |
| - Savings | 113,674,810 | 159,553,907 |
| - Term | 268,211,942 | 296,216,117 |
| Corporate customers: | | |
| - Current | 217,389,603 | 83,336,606 |
| - Savings | 68,385,815 | 75,024,981 |
| - Term | 107,148,622 | 74,158,521 |
| Total | <u>777,620,752</u> | <u>689,425,808</u> |

KASIKORNTHAI BANK Limited**Notes to the financial statements****For the year ended 31 December 2021****17. Deferred tax liabilities**

| | As of 1 January 2021 | Charged to Profit and loss <i>(in thousand LAK)</i> | As of 31 December 2021 |
|---------------------------------|--------------------------------|--|----------------------------------|
| <i>Deferred tax liabilities</i> | | | |
| Deferred income | (389,090) | 178,276 | (210,814) |
| Total | (389,090) | 178,276 | (210,814) |

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

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

| | 2021 | 2020 |
|---|--------------------------|-------------------|
| | <i>(in thousand LAK)</i> | |
| Accrued interest payables | 18,944,397 | 12,281,154 |
| Lease Liabilities | 4,024,748 | 15,539,699 |
| Impairment allowance - off balance sheet* | 920,222 | 406,436 |
| Others | 230,568 | 803,240 |
| Total | 24,119,935 | 29,030,529 |

*Loan commitment and financial guarantee classified under stage 1 as per IFRS 9 have expected credit loss as at 31 December 2021 amounting to LAK 859,708 thousand and loan commitment and financial guarantee classified under stage 2 as per IFRS 9 have expected credit loss as at 31 December 2021 amounting to LAK 60,514 thousand (31 December 2020: Stage 1 and 2, LAK 406,436 thousand).

KASIKORNTHAI BANK Limited
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For the year ended 31 December 2021

19. Paid-up share capital

Issue of ordinary shares

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

The Bank has issued and fully paid up LAK 420 billion of authorized share capital (2020: LAK 380 billion), of which LAK 40 billion was injected in 2021, in accordance with the BOL notice no. 714/CBSD dated: 1 December 2020, in accordance with the BOL announcement: Decision on Increasing in Minimum Registered Capital and Investment Capital of Commercial Bank No.752/BOL dated 27 August 2019.

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

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

20. Legal reserve

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

21. Related party transactions

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

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

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

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

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

| Related party | Relationship | Transactions | 2021 | 2020 |
|-------------------------------------|---------------------|---------------------------|-------------|-------------|
| <i>(in thousand LAK)</i> | | | | |
| KASIKORNBANK PUBLIC COMPANY LIMITED | Parent company | Fee and commission income | 1,504,007 | 1,462,404 |
| KASIKORNBANK PUBLIC COMPANY LIMITED | Parent company | Other operating expense | 1,046,077 | 687,628 |
| KASIKORNBANK PUBLIC COMPANY LIMITED | Parent company | Interest expense | 1,538,568 | 3,090,356 |
| KASIKORNBANK PUBLIC COMPANY LIMITED | Parent company | Interest Income | 30,309 | 13,664 |

Significant balances with related parties at 31 December 2021 are as follows:

| Related party | Relationship | Transactions | Receivable | Payable |
|-------------------------------------|---------------------|---------------------------|-------------------|----------------|
| <i>(in thousand LAK)</i> | | | | |
| KASIKORNBANK PUBLIC COMPANY LIMITED | Parent company | Cash and cash equivalents | 50,868,365 | - |
| KASIKORNBANK PUBLIC COMPANY LIMITED | Parent company | Deposit from other banks | - | 103,612,419 |
| KASIKORNBANK PUBLIC COMPANY LIMITED | Parent company | Accrued interest payable | - | 56,164 |

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

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

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

| | 2021 | 2020 |
|------------------------------|-------------|-------------|
| <i>(in thousand LAK)</i> | | |
| Short-term employee benefits | 2,896,811 | 2,655,780 |

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22. Fair Value of Assets and Liabilities

Fair value measurement

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

Fair value hierarchy

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

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

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

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the year ended 31 December 2021 and 2020.

Financial assets are not measured at fair value

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

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

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23. Financial risk management

23.1 Operational Risk Management

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

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

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

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

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

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23.2 Credit risk

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

- **Loan portfolio management**

The Bank sets and reviews loan targets, performs continuous monitoring of portfolio quality to better reflect changing economic situations, ensures consistency with the bank’s policies and risk appetite before submitting monthly reports to the Risk Management Committee.

The Bank determines the target of loan growth and its desirable credit portfolio composition that strive for the highest possible risk-adjusted return within the acceptable risk levels under stress conditions, by taking into account the economic outlook, potential market opportunities, and the bank’s strategic direction. In assessing medium and large corporate customers’ credit risk level, the Bank utilizes credit risk rating tools to enhance the quality of loans granted. The Bank has additional processes in place for regular reviewing of the customers’ credit ratings and performance on all approved transactions.

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

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

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

- **Loan Risks Classification and provisioning**

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

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

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

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

Credit Policy during COVID - 19 Outbreak

As a result of the COVID - 19 pandemic having a widespread impact on all business sectors and customer segments across Laos, the Bank of Laos has issued guidelines to provide relief to debtors affected by the current crisis no. 238/BOL, dated March 26, 2020, the BOL has issued additional decision No. 256/BOL dated 15 May 2021, aims to assist individuals and legal entities that have contracted with Lao commercial banks and financial institutions on loan agreements, and for whom the originally agreed upon repayment terms can no longer be met due to the COVID - 19 crisis. In relation to financial reporting, key concerns are on the application of forward-looking information and pro-cyclicality effect from applying IFRS 9 ECL provisioning concept.

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

Maximum exposure to credit risk

Maximum exposure to credit risk without taking into account of any collateral and other credit enhancements of the Bank as at 31 December 2021 and 2020 were as follows:

| | 2021 LAK <i>(in thousand)</i> | 2020 LAK <i>(in thousand)</i> |
|---|-------------------------------------|-------------------------------------|
| Credit risk associated with on-financial reporting assets: | | |
| Deposits with other banks | 16,365,653 | 99,151,345 |
| Statutory deposits with Central Bank | 26,228,649 | 35,260,459 |
| Loans and advances to customers | 1,200,264,669 | 965,176,380 |
| | <u>1,242,858,971</u> | <u>1,099,588,184</u> |
| Fair value of collaterals | <u>983,245,979</u> | <u>929,073,638</u> |

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Credit quality by classes of financial assets

Details on credit quality by class of asset for all financial assets exposed to credit risk as at 31 December 2021 and 2020 were as follows:

| | 2021 | | | Total LAK <i>(in thousand)</i> |
|---|---|---|---|--------------------------------------|
| | Neither past due nor impaired LAK <i>(in thousand)</i> | Past due but not impaired LAK <i>(in thousand)</i> | Individually impaired LAK <i>(in thousand)</i> | |
| Deposits with other banks | 16,365,653 | - | - | 16,365,653 |
| Statutory deposits with Central Bank | - | 26,228,649 | - | 26,228,649 |
| Loans and advances to customers and accrued interest receivables | 989,260,768 | 211,003,901 | - | 1,200,264,669 |
| | 1,005,626,421 | 237,232,550 | - | 1,242,858,971 |
| Fair value of collaterals | 822,849,474 | 160,396,505 | - | 983,245,979 |

| | 2020 | | | Total LAK <i>(in thousand)</i> |
|---|---|---|---|--------------------------------------|
| | Neither past due nor impaired LAK <i>(in thousand)</i> | Past due but not impaired LAK <i>(in thousand)</i> | Individually impaired LAK <i>(in thousand)</i> | |
| Deposits with other banks | 99,151,345 | - | - | 99,151,345 |
| Statutory deposits with Central Bank | 35,260,459 | - | - | 35,260,459 |
| Loans and advances to customers and accrued interest receivables | 407,207,107 | 557,969,273 | - | 965,176,380 |
| | 541,618,911 | 557,969,273 | - | 1,099,588,184 |
| Fair value of collaterals | 584,011,217 | 345,062,421 | - | 929,073,638 |

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

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

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

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

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(i) Credit quality analysis

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

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

| | 2021 | | | |
|--|---|---|--|--------------------------------------|
| | 12-month ECL LAK <i>(in thousand)</i> | Life time ECL not credit impaired LAK <i>(in thousand)</i> | Life time ECL Credit - Impaired LAK <i>(in thousand)</i> | Total LAK <i>(in thousand)</i> |
| Cash and cash equivalents | | | | |
| Grades A | 115,159,554 | 419,741,726 | - | 534,901,280 |
| Less: Loss allowance | <u>(1,323)</u> | <u>(20,290)</u> | <u>-</u> | <u>(21,613)</u> |
| Carrying amount | <u>115,158,231</u> | <u>419,721,436</u> | <u>-</u> | <u>534,879,667</u> |
| Loans and advances to customers at amortised cost | | | | |
| Grades A | 989,260,768 | 211,003,901 | - | 1,200,264,669 |
| Less: Loss allowance | <u>(11,281,136)</u> | <u>(22,286,807)</u> | <u>-</u> | <u>(33,567,943)</u> |
| Carrying amount | <u>977,979,632</u> | <u>188,717,094</u> | <u>-</u> | <u>1,166,696,726</u> |
| Loans Commitments | | | | |
| Grades A | 353,804,038 | 83,178 | - | 353,887,216 |
| Less: Loss allowance | <u>(611,122)</u> | <u>(51,015)</u> | <u>-</u> | <u>(662,137)</u> |
| Carrying amount | <u>353,192,916</u> | <u>32,163</u> | <u>-</u> | <u>353,225,079</u> |
| Financial guarantee contracts | | | | |
| Grades A | 29,171,985 | 695,000 | - | 29,866,985 |
| Less: Loss allowance | <u>(248,586)</u> | <u>(9,499)</u> | <u>-</u> | <u>(258,085)</u> |
| Carrying amount | <u>28,923,399</u> | <u>685,501</u> | <u>-</u> | <u>29,608,900</u> |

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

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(ii) Collateral Held and other credit enhancements

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

| Type of Credit Exposure | Percentage of exposure that is a subject to collateral requirements | | Principal Type of Collateral Held |
|------------------------------|---|------------------|-----------------------------------|
| | 31 December 2021 | 31 December 2020 | |
| Loans to corporate customers | 100% | 100% | Mortgage, Cash and guarantee |

Loans and advances to corporate customers

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

Assets obtained by taking possession of collateral

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

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

(iii) Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Measurement of ECL

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

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

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

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

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

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

These parameters are generally derived from Basel prudential rules.

Details of these statistical parameters/inputs are as follows:

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

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

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

Assessment of significant increase in credit risk

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

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

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

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(iv) Loss allowance

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

| | 2021 | | | Total |
|---|--------------------------|--|--------------------------------------|-------------------|
| | 12 - month ECL | Lifetime ECL not credit - impaired | Lifetime ECL credit - impaired | |
| | <i>(in thousand LAK)</i> | | | |
| Loans to customers at amortised cost | | | | |
| Balance at 1 January | 4,027,817 | 18,674,692 | - | 22,702,509 |
| Transfer to 12- month ECL | - | - | - | - |
| Transfer to lifetime ECL not credit- impaired | - | - | - | - |
| Transfer to lifetime ECL credit-impaired | - | - | - | - |
| Net re-measurement of loss allowance | 6,683,475 | 21,830,809 | - | 28,514,284 |
| New financial assets originated or purchased | 2,912,955 | 4,601,509 | - | 7,514,464 |
| Financial assets that have been derecognized | (2,343,221) | (22,824,329) | - | (25,167,550) |
| Write-offs | - | - | - | - |
| Recoveries of amounts previously written off | - | - | - | - |
| Changes in models/risk parameters | - | - | - | - |
| Foreign exchange and other movements | 110 | 4,126 | - | 4,236 |
| Balance at 31 December | 11,281,136 | 22,286,807 | - | 33,567,943 |

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

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| | 2021 | | | Total |
|---|--------------------------|--|--------------------------------------|---------------|
| | 12 - month ECL | Lifetime ECL not credit - impaired | Lifetime ECL credit - impaired | |
| | <i>(in thousand LAK)</i> | | | |
| Cash and cash equivalents | | | | |
| Balance at 1 January | 478 | 271,537 | - | 272,015 |
| Net remeasurement of loss allowance | 543 | (549,172) | - | (548,629) |
| Net decrease in cash and cash equivalents | 225 | 284,159 | - | 284,384 |
| Foreign exchange and other movements | 76 | 13,767 | - | 13,843 |
| Balance at 31 December | 1,322 | 20,291 | - | 21,613 |

| | 2020 | | | Total |
|---|--------------------------|--|--------------------------------------|----------------|
| | 12 - month ECL | Lifetime ECL not credit - impaired | Lifetime ECL credit - impaired | |
| | <i>(in thousand LAK)</i> | | | |
| Cash and cash equivalents | | | | |
| Balance at 1 January | 1,404 | 147,165 | - | 148,569 |
| Net remeasurement of loss allowance | (115) | 86,016 | - | 85,901 |
| Net decrease in cash and cash equivalents | 112 | 196,684 | - | 196,796 |
| Foreign exchange and other movements | (923) | (158,328) | - | (159,251) |
| Balance at 31 December | 478 | 271,537 | - | 272,015 |

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| | 2021 | | | Total |
|---|--------------------------|--|--------------------------------------|----------------|
| | 12 - month ECL | Lifetime ECL not credit - impaired | Lifetime ECL credit - impaired | |
| | <i>(in thousand LAK)</i> | | | |
| <i>Loan commitments and financial guarantee contracts</i> | | | | |
| Balance at 1 January | 349,509 | 56,927 | - | 406,436 |
| Net remeasurement of loss allowance | 282,294 | 5,890 | - | 288,184 |
| New loan commitments and financial guarantees issued | 220,862 | 4,716 | - | 225,578 |
| Foreign exchange and other movements | 22 | 2 | - | 24 |
| Balance at 31 December | 852,687 | 67,535 | - | 920,222 |

| | 2020 | | | Total |
|---|--------------------------|--|--------------------------------------|----------------|
| | 12 - month ECL | Lifetime ECL not credit - impaired | Lifetime ECL credit - impaired | |
| | <i>(in thousand LAK)</i> | | | |
| <i>Loan commitments and financial guarantee contracts</i> | | | | |
| Balance at 1 January | 309,181 | - | - | 309,181 |
| Net remeasurement of loss allowance | 3,802 | 5,821 | - | 9,623 |
| New loan commitments and financial guarantees issued | 47,452 | 59,364 | - | 106,816 |
| Foreign exchange and other movements | (10,926) | (8,258) | - | (19,184) |
| Balance at 31 December | 349,509 | 56,927 | - | 406,436 |

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(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 | |
|----------------------------------|-------|--------------------------------|--------------------|---|--------------------|
| | | 2021 | 2020 | 2021 | 2020 |
| | | <i>(in thousand LAK)</i> | | <i>(in thousand LAK)</i> | |
| Carrying amount | 12 | 1,200,264,669 | 965,176,380 | - | - |
| Amount committed/guaranteed | | - | - | 383,754,201 | 377,778,801 |
| Concentration by sector | | | | | |
| Corporate: | | | | | |
| <i>Industry</i> | | 43,187,760 | 46,958,237 | 53,896,469 | 55,199,606 |
| <i>Construction</i> | | - | 1,839,804 | 1,669,537 | 9,703,667 |
| <i>Agriculture and forestry</i> | | 105,057,913 | 130,231,043 | 49,804,029 | 13,343,301 |
| <i>Trade</i> | | 251,619,296 | 136,270,248 | 161,129,959 | 134,427,067 |
| <i>Service</i> | | 564,410,484 | 453,127,150 | 97,058,262 | 161,103,387 |
| <i>Others</i> | | 235,989,216 | 196,749,898 | 20,195,945 | 4,001,773 |
| | | 1,200,264,669 | 965,176,380 | 383,754,201 | 377,778,801 |
| Concentration by location | | | | | |
| Lao PDR | | 1,200,264,669 | 965,176,380 | 383,754,201 | 377,778,801 |
| | | 1,200,264,669 | 965,176,380 | 383,754,201 | 377,778,801 |

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.

Financial assets and liabilities, classified by contractual maturity analysis, as of 31 December 2021 and 2020 as follows:

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Financial assets and liabilities, classified by contractual maturity analysis, as of 31 December 2021 and 2020 as follows:

| | 2021 | | | | | | Total |
|--------------------------------------|--------------------|--------------------|----------------------|---|--------------------|--------------------|----------------------|
| | At call | Less than 6 Months | 6 Months to 1 Year | Over 1 Year to 5 Years (in thousand LAK) | Over 5 Years | No Maturity | |
| Financial assets | | | | | | | |
| Cash and cash equivalents | 534,901,280 | - | - | - | - | - | 534,901,280 |
| Deposits with other banks | - | - | 16,365,653 | - | - | - | 16,365,653 |
| Statutory deposits with Central Bank | - | - | - | - | - | 26,228,924 | 26,228,924 |
| Loans to customers | - | 400,588,372 | 2,705,745 | 436,489,459 | 360,481,093 | - | 1,200,264,669 |
| Total financial assets | 534,901,280 | 400,588,372 | 19,071,398 | 436,489,459 | 360,481,093 | 26,228,924 | 1,777,760,526 |
| Financial liabilities | | | | | | | |
| Deposits from customers | 402,289,421 | 51,314,792 | 154,094,620 | 83,579,934 | 86,341,985 | - | 777,620,752 |
| Deposits from other banks | 2,372,251 | - | 208,375,000 | 145,500,000 | 176,322,500 | - | 532,569,751 |
| Accrued interest payables | 12,225 | 4,223,342 | 8,524,212 | 3,678,827 | 2,505,791 | - | 18,944,397 |
| Total financial liabilities | 404,673,897 | 55,538,134 | 370,993,832 | 232,758,761 | 265,170,276 | - | 1,329,134,900 |
| Liquidity - net | 130,227,383 | 345,050,238 | (351,922,434) | 203,730,698 | 95,310,817 | 26,228,924 | 448,625,626 |
| Liquidity - accumulative net | 130,227,383 | 475,277,621 | 123,355,187 | 327,085,885 | 422,396,702 | 448,625,626 | - |

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2021

| | 2020 | | | | | Total |
|--------------------------------------|--------------------|-----------------------|-----------------------|---------------------------|--------------------|----------------------|
| | At call | Less than 6 Months | 6 Months to 1 Year | Over 1 Year to 5 Years | Over 5 Years | |
| Financial assets | | | | | | |
| Cash and cash equivalents | 417,085,893 | - | - | - | - | 417,085,893 |
| Deposits with other banks | - | 66,577,262 | - | 32,574,083 | - | 99,151,345 |
| Statutory deposits with Central Bank | - | - | - | - | - | 35,260,623 |
| Loans to customers | - | 329,411,138 | 19,008,306 | 338,373,793 | 278,383,143 | 965,176,380 |
| Total financial assets | 417,085,893 | 395,988,400 | 19,008,306 | 370,947,876 | 278,383,143 | 1,516,674,241 |
| Financial liabilities | | | | | | |
| Deposits from customers | 319,051,170 | 70,963,712 | 119,421,642 | 179,989,284 | - | 689,425,808 |
| Deposits from other banks | 1,972,358 | 134,000,000 | 122,275,000 | 162,140,000 | - | 420,387,358 |
| Accrued interest payables | 16,569 | 6,986,091 | 2,784,037 | 1,442,538 | - | 11,229,235 |
| Total financial liabilities | 321,040,097 | 211,949,803 | 244,480,679 | 343,571,822 | - | 1,121,042,401 |
| Liquidity - net | 96,045,796 | 184,038,597 | (225,472,373) | 27,376,054 | 278,383,143 | 395,631,840 |
| Liquidity - accumulative net | 96,045,796 | 280,084,393 | 54,612,020 | 81,988,074 | 360,371,217 | - |

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2021

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 at fixed and floating interest rates (LIBOR) as of 31 December 2021 and 31 December 2020 are as follows:

| | 2021 | 2020 |
|-------------------------|--------------------------|--------------------|
| | <i>(in thousand LAK)</i> | |
| Fixed interest rates | 1,000,670,455 | 790,379,877 |
| Floating interest rates | 199,594,214 | 174,796,503 |
| Total loans | 1,200,264,669 | 965,176,380 |

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 2021 and 2020 are as follows:

| | Average balance | 2021 Interest income/ expense <i>(in thousand LAK)</i> | Average interest rate (%) |
|--|----------------------|---|---------------------------|
| Financial assets | | | |
| Interest-bearing financial assets | | | |
| Deposits with other banks | 30,254,000 | 1,690,899 | 5.6% |
| Loans to customers | 857,261,736 | 67,403,098 | 7.9% |
| Total financial assets | 887,515,736 | 69,093,997 | |
| Financial liabilities | | | |
| Interest-bearing financial liabilities | | | |
| Deposits from customers | 530,033,182 | 18,667,901 | 3.5% |
| Deposits from other banks | 703,509,914 | 18,674,565 | 2.7% |
| Total financial liabilities | 1,233,543,096 | 37,342,466 | |

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2021

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

KASIKORNTHAI BANK Limited
Notes to the financial statements
For the year ended 31 December 2021

Financial assets and liabilities, classified by maturity of interest repricing, as of 31 December 2021 and 31 December 2020 are shown as below:

| | 2021 (in thousand LAK) | | | | | Total |
|--------------------------------------|---------------------------|--------------------|--------------------|------------------------|--------------------|----------------------|
| | Immediate Repricing | Less than 6 Months | 6 Months to 1 Year | Over 1 Year to 5 Years | Over 5 Years | |
| Financial assets | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | 534,901,280 |
| Deposits with other banks | - | - | 16,365,653 | - | - | 16,365,653 |
| Statutory deposits with Central Bank | - | - | - | - | - | 26,228,924 |
| Loans to customers (*) | - | 588,682,596 | 2,705,745 | 248,395,235 | 360,481,093 | 1,200,264,669 |
| Total financial assets | - | 588,682,596 | 19,071,398 | 248,395,235 | 360,481,093 | 1,777,760,526 |
| Financial liabilities | | | | | | |
| Deposits from customers | 183,450,179 | 168,405,704 | 83,579,934 | 123,345,693 | - | 777,620,752 |
| Deposits from other banks | - | 208,375,000 | 145,500,000 | 176,322,500 | - | 532,569,751 |
| Accrued interest payables | 12,225 | 10,558,357 | 4,694,988 | 3,678,827 | - | 18,944,397 |
| Total financial liabilities | 183,462,404 | 387,339,061 | 233,774,922 | 303,347,020 | - | 1,329,134,900 |

(*) includes accrued interest receivables

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For the year ended 31 December 2021

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

(*) includes accrued interest receivables

KASIKORNTHAI BANK Limited

Notes to the financial statements

For the year ended 31 December 2021

(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 2021 were as follows:

| | USD | 2021 Currency THB <i>(in thousand LAK)</i> | Total |
|---|--------------------|---|--------------------|
| Financial assets | | | |
| Cash and cash equivalents | 172,521,268 | 181,217,539 | 353,738,807 |
| Statutory deposits with Central Bank | 9,409,555 | 13,946,358 | 23,355,913 |
| Loans to customer and accrued interest receivables | 228,359,599 | 241,293,727 | 469,653,326 |
| Total financial assets | 410,290,422 | 436,457,624 | 846,748,046 |
| Financial liabilities | | | |
| Deposits from customers | 216,676,238 | 404,861,341 | 621,537,579 |
| Deposits from other banks | 86,240,539 | 17,378,232 | 103,618,771 |
| Total financial liabilities | 302,916,777 | 422,239,573 | 725,156,350 |
| Foreign currency position of items recognised on the statement of financial position - net | 107,373,645 | 14,218,051 | 121,591,696 |

KASIKORNTHAI BANK Limited**Notes to the financial statements****For the year ended 31 December 2021**

Foreign currency positions in LAK equivalent, as of 31 December 2020 were as follows:

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

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.

| | Note | Fair value through profit and loss | 31 December 2021 | |
|--------------------------------------|------|------------------------------------|----------------------|-----------------------|
| | | | Amortised cost | Total carrying amount |
| Cash and cash equivalents | 9 | - | 534,879,667 | 534,879,667 |
| Deposits with other banks | 10 | - | 16,356,360 | 16,356,360 |
| Statutory deposits with Central Bank | 11 | 26,228,649 | - | 26,228,649 |
| Loans and advances to customers, net | 12 | - | 1,164,280,587 | 1,164,280,587 |
| Total financial assets | | 26,228,649 | 1,715,516,614 | 1,741,745,263 |
| Deposits from customers | 16 | - | 777,620,752 | 777,620,752 |
| Deposits from other banks | | - | 532,569,751 | 532,569,751 |
| Total financial liabilities | | - | 1,310,190,503 | 1,310,190,503 |

KASIKORNTHAI BANK Limited
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For the year ended 31 December 2021

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

25. Commitments

| | 2021 | 2020 |
|-----------------|--------------------------|--------------------|
| | <i>(in thousand LAK)</i> | |
| Loan commitment | 353,887,216 | 348,473,272 |
| | 353,887,216 | 348,473,272 |

26. Off-balance sheet items

| | 2021 | 2020 |
|---|--------------------------|-------------|
| | <i>(in thousand LAK)</i> | |
| Commitment given | | |
| Letters of guarantee outstanding | 29,866,985 | 29,305,529 |
| Collateral and Mortgages | | |
| Collaterals and mortgages for loans to customer | 983,245,979 | 929,073,638 |

27. Operating Segments

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

KASIKORNTHAI BANK Limited
Notes to the financial statements
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28. Capital Management

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

| | 2021 | 2020 |
|--|--------------------------|--------------------|
| | <i>(in thousand LAK)</i> | |
| Tier 1 capital | 475,512,773 | 407,516,311 |
| Tier 2 capital | 6,058,389 | 4,973,136 |
| Total capital | 481,571,162 | 412,489,447 |
| Less: Deductions from capital | | |
| (Investments in other credit and financial institutions) | - | - |
| Capital for CAR calculation | 481,571,162 | 412,489,447 |
| | | |
| Risk weighted balance sheet items | 1,144,200,033 | 925,825,760 |
| Risk weighted off balance sheet items | - | - |
| Total risk weighted assets | 1,144,200,033 | 925,825,760 |
| | | |
| Capital Adequacy Ratio | 42.09% | 44.55% |

29. Rights of use Assets

Right-of-use asset

| | 31 December 2021 | 31 December 2020 |
|---|--------------------------|-------------------|
| | <i>(in thousand LAK)</i> | |
| Balance at 1 January 2021/2020 | 18,337,698 | 18,337,698 |
| Addition during year | 470,370 | - |
| Accumulated depreciation | (4,355,403) | (2,823,514) |
| Balance at 31 December 2021/2020 | 14,452,665 | 15,514,184 |

Amount recognized in profit or loss

| | 31 December 2021 | 31 December 2020 |
|----------------------------------|--------------------------|------------------|
| | <i>(in thousand LAK)</i> | |
| Interest on lease liability | 347,835 | 560,461 |
| Depreciation charge for the year | 1,531,889 | 1,411,757 |
| Total | 1,879,724 | 1,972,218 |

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 2021 that significantly impacted the financial position of the Bank as at 31 December 2021.

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

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

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

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

Part V – Events in 2021

KBank Lao Facebook



With care and concern for the safety and well-being of our customers amid the ongoing COVID-19 outbreak, KBank Lao has regularly updated and informed them about COVID-19 through our Facebook platform since the initial coronavirus outbreak in January 2020 until now.

Town Scanning in Vientiane

KBank Lao held a “Town Scanning” event to promote e-wallet usage in Laos for supporting the initiative from Bank of the Lao PDR (BOL)



Vientiane Center



Dongdok Market



Friendship Market





ທະນາຄານກະສິກອນໄທ
开泰银行 KASIKORNTHAIBANK

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