

**Krung Thai Bank Public Company Limited
Vientiane Branch**

Financial statements
31 December 2019
and
Independent Auditors' Report

Krung Thai Bank Public Company Limited - Vientiane Branch

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Krung Thai Bank Public Company Limited - Vientiane Branch

Corporate Information

Bank **Krung Thai Bank Public Company Limited - Vientiane Branch**

Banking Business License No. 165/BOL, dated 30 June 1993

Investment License No. 092/PI, 08 July 2008

Board of Management

Mrs. Kanjanee Udomchaiporn	Branch manager	Effective from 1 st March 2020
Ms. Weeranuch Tharmasakti	Branch manager	Effective till 29 th February 2020
Mr. Somphon Tasdorn	Deputy branch manager	Effective from 23 rd June 2014
Mr. Wanchalerm Jirapapat	Deputy branch manager	Effective from 1 st December 2014

Registered office Krung Thai Bank Public Company Limited - Vientiane Branch
80 Lane Xang Avenue,
Chantabuly District,
Vientiane, Lao PDR

Auditors KPMG Lao Co., Ltd.
10th Floor, Royal Square Office Building,
Samsenthai Road, Nongduong Neua Village,
Sikhotabong District, P.O.Box 6978
Vientiane Capital, Lao P.D.R



MANAGEMENT’S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Management of Krung Thai Bank Public Company Limited - Vientiane Branch (“the Branch”), is responsible for the preparation of the financial statements and for ensuring that the financial statements present fairly in all material respects, the financial position of the Branch as at 31 December 2019, and the statement of comprehensive income, statement of changes in capital and other reserves and statement of cash flows for the year then ended that are in accordance with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R. 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 the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R, 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 Branch 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 Branch will continue operations in the foreseeable future; and
- vi) Effectively control and direct the Branch and be involved in all material decisions affecting the Branch’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, Mrs. Kanjane Udomchaiporn, on behalf of the Board of Management, do hereby state that the financial statements set out on pages 6 to 43 present fairly, in all material respects, the financial position of the Branch as at 31 December 2019, its financial performance, statement of changes in capital and other reserves and statement of cash flows for the year then ended and have been properly drawn up in accordance with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R.

Signed on behalf of the Board of Management,

Kanjane Udomchaiporn

 Mrs. Kanjane Udomchaiporn
 Branch Manager
 31 March 2020





KPMG Lao Co., Ltd.
10th Floor, Royal Square Office Building,
Samsenthai Road, Nongduong Nua Village,
Sikhotabong District, P.O. Box 6978,
Vientiane, Lao PDR
Tel +856 (21) 454240-7

ບໍລິສັດ ເຄຟເອັມຈີລາວ ຈຳກັດ
ຊັ້ນ 10, ອາຄານ ໂຣໂຢລສະແຄລ
ຖະໜົນ ສາມແສນໄທ, ບ້ານ ຫນອງດ້ວງເໜືອ,
ເມືອງ ສີໂຄດຕະບອງ, ຖ້ ປ.ນ. 6978,
ນະຄອນຫຼວງວຽງຈັນ, ສປປ ລາວ
ໂທ : +856 (21) 454240-7

INDEPENDENT AUDITORS' REPORT

**To: The management of
Krung Thai Bank Public Company Limited - Vientiane Branch**

Opinion

We have audited the financial statements of Krung Thai Bank Public Company Limited - Vientiane Branch (the "Branch"), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in capital and other reserves and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R.

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 Branch in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R, 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 Branch'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 Branch 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 Branch'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 Branch'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 Branch 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.

Krung Thai Bank Public Company Limited - Vientiane Branch
Statement of financial position

		As at 31 December	
	Note	(in LAK)	
		2019	2018
Assets			
Cash and cash equivalents	5	176.921.472.406	499.368.836.272
Statutory deposits with Bank of Lao P.D.R	6	66.643.563.885	67.265.744.156
Amount due from other bank	7	50.000.000.000	-
Investment in securities	8	68.200.000.000	68.200.000.000
Loans and advances to customers, net of specific provision	9	2.763.667.548.234	4.180.264.881.720
Property and equipment, net	10	5.141.823.197	5.373.294.640
Intangible assets	11	-	684.083
Other assets	12	141.489.234.267	387.088.880.634
Total assets		<u>3.272.063.641.989</u>	<u>5.207.562.321.505</u>
Liabilities, capital and other reserves			
Liabilities			
Amounts due to other banks	13	2.723.655.884.294	4.067.616.530.301
Amounts due to customers	14	216.625.297.493	476.075.968.217
Tax liabilities	15	7.961.077.105	760.857.288
Other liabilities	16	20.601.779.488	28.719.922.663
Total liabilities		<u>2.968.844.038.380</u>	<u>4.573.173.278.469</u>
Capital and other reserves			
Paid-up capital	17	140.000.000.000	100.000.000.000
Legal reserve	18	57.347.487.955	50.000.000.000
Retained earnings		47.036.203.857	422.032.862.815
General provision for credit activities	19	13.818.337.723	22.536.603.404
Other reserve	20	45.017.574.074	39.819.576.817
Total capital and other reserves		<u>303.219.603.609</u>	<u>634.389.043.036</u>
Total liabilities, capital and other reserves		<u>3.272.063.641.989</u>	<u>5.207.562.321.505</u>

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

Krung Thai Bank Public Company Limited - Vientiane Branch
Statement of comprehensive income

	For the year ended 31 December	
<i>Note</i>	<i>(in LAK)</i>	
	2019	2018
Interest income		
Interest from loans and advances	247.268.512.694	430.175.194.477
Interest from interbank	199.452.055	-
Interest income from investments in securities	<u>2.765.369.862</u>	<u>3.201.863.013</u>
Total interest income	<u>250.233.334.611</u>	<u>433.377.057.490</u>
Interest expenses		
Interest on deposits	(4.040.836.283)	(4.669.331.260)
Interest on interbank	<u>(134.928.877.080)</u>	<u>(211.275.285.251)</u>
Total interest expenses	<u>(138.969.713.363)</u>	<u>(215.944.616.511)</u>
Net interest income	<u>111.263.621.248</u>	<u>217.432.440.979</u>
Other income		
Fee and service income	2.939.795.515	5.848.372.934
Fee and service expense	<u>(8.352.336)</u>	<u>(5.814.558)</u>
Net fee and service income	<u>2.931.443.179</u>	<u>5.842.558.376</u>
Gain on foreign exchange transactions	16.066.264.704	25.203.479.409
Other income	<u>7.710.770.384</u>	<u>20.518.021.409</u>
Total other income	<u>26.708.478.267</u>	<u>51.564.059.194</u>
Income before non-interest expense, doubtful accounts and income tax expense	<u>137.972.099.515</u>	<u>268.996.500.173</u>

Krung Thai Bank Public Company Limited - Vientiane Branch
Statement of income (continued)

		For the year ended 31 December	
	<i>Note</i>	<i>(in LAK)</i>	
		2019	2018
Operating expenses			
Personnel expenses		(1.187.320.834)	(1.017.870.593)
Depreciation and amortization expense		(377.710.369)	(379.396.955)
Other expenses	23	(1.800.266.820)	(6.417.750.280)
Net specific provision charges		(30.646.856.346)	-
Specific Provision expense		(64.724.617.349)	-
Reversal of specific provision		34.077.761.003	-
Total operating expenses		(34.012.154.369)	(7.815.017.828)
Profit before income tax expense		103.959.945.146	261.181.482.345
Income tax expense	15	(30.485.065.601)	(58.804.814.034)
Net profit for the year		73.474.879.545	202.376.668.311

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

Krung Thai Bank Public Company Limited - Vientiane Branch
Statement of changes in capital and other reserves

		Paid-up capital	Legal reserve	Retained earnings	General provision for credit activities	Other reserve	Total
	Note	(in LAK)	(in LAK)	(in LAK)	(in LAK)	(in LAK)	(in LAK)
Balance as at 1 January 2018		100.000.000.000	50.000.000.000	676.451.292.673	37.599.252.681	9.253.238.110	873.303.783.464
Profit for the year		-	-	202.376.668.311	-	-	202.376.668.311
General provision charged during the year		-	-	-	4.373.823.297	-	4.373.823.297
Reversal of general provision during the year		-	-	-	(20.505.247.169)	-	(20.505.247.169)
Profit remittance to Head Office		-	-	(426.228.759.462)	-	-	(426.228.759.462)
Appropriation tax reserve	20	-	-	(30.566.338.707)	-	30.566.338.707	-
Foreign exchange difference		-	-	-	1.068.774.595	-	1.068.774.595
Balance as at 31 December 2018 and 1 January 2019		100.000.000.000	50.000.000.000	422.032.862.815	22.536.603.404	39.819.576.817	634.389.043.036
Profit for the year		-	-	73.474.879.545	-	-	73.474.879.545
Transfer to legal reserve	18	-	7.347.487.955	(7.347.487.955)	-	-	-
Appropriation tax reserve	20	-	-	(5.197.997.257)	-	5.197.997.257	-
Transfer to capital	17	40.000.000.000	-	(40.000.000.000)	-	-	-
Profit remittance to Head Office	20	-	-	(395.926.053.291)	-	-	(395.926.053.291)
General provision charged during the year		-	-	-	79.850.026	-	79.850.026
Reversal of general provision during the year		-	-	-	(7.695.544.844)	-	(7.695.544.844)
Reclassify general to specific provision		-	-	-	(1.962.334.774)	-	(1.962.334.774)
Foreign exchange difference		-	-	-	859.763.911	-	859.763.911
Balance as at 31 December 2019		140.000.000.000	57.347.487.955	47.036.203.857	13.818.337.723	45.017.574.074	303.219.603.609

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

Krung Thai Bank Public Company Limited - Vientiane Branch
Statement of cash flows

	For the year ended 31 December	
	<i>(in million LAK)</i>	
<i>Note</i>	2019	2018
Cash flows from operating activities		
Profit before income tax expense	103.959.945.146	261.181.482.345
<i>Adjustments for:</i>		
Interest income	(250.233.334.611)	(433.377.057.490)
Interest expense	138.969.713.363	215.944.616.511
Depreciation and amortization expense	377.710.369	379.396.955
Net provision charged for the year	<u>(23.031.161.528)</u>	<u>(16.131.423.872)</u>
Cash flows (used in) from operations before changes in operating assets and liabilities	(29.957.127.261)	27.997.014.449
 <i>Change in operating assets / liabilities</i>		
Change in statutory deposits with Bank of Lao P.D.R	622.180.271	(20.184.940.944)
Change in amount due from other bank	(50.000.000.000)	-
Change in loans and advances to customers	1.430.910.229.333	3.340.654.427.456
Change in other assets	222.199.642.621	(67.760.472.076)
Change in amounts due to other banks	(1.343.960.646.007)	(2.788.092.284.758)
Change in amounts due to customer	(259.450.670.724)	24.904.260.686
Change in tax liability	7.200.219.817	(11.761.813.471)
Change in other liabilities	106.894.182	(10.899.615.830)
Interest received	266.833.330.865	444.056.033.467
Interest paid	(148.355.820.333)	(219.664.852.199)
Income tax paid	<u>(22.523.988.496)</u>	<u>(70.566.627.505)</u>
Net cash from operating activities	<u>73.624.244.268</u>	<u>648.681.129.275</u>

Krung Thai Bank Public Company Limited - Vientiane Branch
Statement of cash flows (continued)

	<i>Note</i>	For the year ended 31 December	
		<i>in million LAK</i>	
		2019	2018
Cash flows (used in) from investing activities			
Acquisition of property and equipment		(145.554.843)	(58.594.408)
Cash paid for purchase of investment in securities		(68.200.000.000)	(68.200.000.000)
Proceeds from matured investment in securities		68.200.000.000	50.000.000.000
Net cash used in investing activities		(145.554.843)	(18.258.594.408)
Cash flows used in financing activities			
Profit remittance to Head Office		(395.926.053.291)	(426.228.759.462)
Net cash used in financing activities		(395.926.053.291)	(426.228.759.462)
Net change in cash and cash equivalents		(322.447.363.866)	204.193.775.405
Cash and cash equivalents at 1 January		499.368.836.272	295.175.060.867
Cash and cash equivalent at 31 December	5	176.921.472.406	499.368.836.272

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

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements for the year ended 31 December 2019

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Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued) for the year ended 31 December 2019

1 Organisation and principal activities

Krung Thai Bank Public Company Limited ("the Bank or Head Office or HO") is incorporated in Thailand. The Vientiane Branch ("the Branch") is a branch office of the Bank that operates in the Lao People's Democratic Republic ("the Lao PDR") under a banking license (License No. 165) granted by the Bank of Lao PDR ("BoL") on 30 June 1993.

As at 31 December 2019, the actual paid-up capital of the Branch is LAK 140.000 million (31 December 2018: LAK 100.000 million).

The principal activity of the Branch is the provision of corporate banking and related financial services in the Lao PDR.

As at 31 December 2019, the Branch has 13 (2018: 13) employees.

2 Basis of preparation of the financial statements

(a) General basis of accounting

(i) Basis of preparation

The Vientiane Branch is a segment of the Bank and is not a separate legal entity. The financial statements of the Branch have been prepared from the records of the operations in the Lao PDR and only reflect transaction recorded locally.

The accompanying financial statements are expressed in Lao Kip ("LAK"), in accordance with Decree No. 02/PR by the Prime Minister of Lao P.D.R dated 22 March 2000 and the Enterprise Accounting Law of Lao P.D.R and accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R.

The financial statements have been prepared in accordance with accounting regulations of the Bank of Lao P.D.R and accounting rules in the Lao P.D.R, which may differ in some material respects from International Financial Reporting Standards and the generally accepted accounting principles and standards of other countries. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations, changes in equity, cash flows and notes thereto in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than the Lao P.D.R. Furthermore, their utilization is not designed for those who are not informed about the Lao P.D.R's accounting rules, procedures and practices.

The financial statements were authorized for issue on behalf of the Board of Management on 31 March 2020.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except as stated in the accounting policies. The accounting policies have been consistently applied by the Branch and are consistent with those used in the previous year except otherwise stated.

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued) for the year ended 31 December 2019

(iii) Use of judgement and estimates

The preparation of the Branch's financial statements requires management to make judgments, estimates and assumptions based on the management's best knowledge of current events and actions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and the disclosures of contingent liabilities at the reporting date.

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual outcomes may differ from management's assessment and such differences could require revisions that are recognized in the period in which the estimates are revised and in any future periods affected.

(b) Foreign currency transactions

The Branch maintains its accounting system and records all transactions in original currencies.

Monetary assets and liabilities denominated in foreign currencies at year end are translated into LAK at exchange rates ruling on the statement of financial position date. Income and expenses arising in foreign currencies during the year are converted into LAK at rates ruling on the transaction date. Foreign exchange differences arising from the translation of monetary assets and liabilities on the statement of financial position date are recognized in the statement of comprehensive income. List of exchange rates of applicable foreign currencies against LAK on 31 December 2019 as presented below:

	31 December 2019	31 December 2018
United States Dollar ("USD")	8.866,00	8.509,00
Thai Baht ("THB")	298,54	266,13

(c) Fiscal Year

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

3 Regulation 512/BOL

On 29 June 2018, the Bank of the Lao P.D.R ("BOL") issued Regulation 512/BOL ("BOL 512") effective from 01 October 2018 on classification and impairment provision for loans to replace Regulation 324/BOL ("BOL 324") dated 19 April 2011.

BOL 512 largely retains the existing requirements in BOL 324 for the classification of loans based on the payment arrears status and other qualitative factors. The requirements of BOL 512 are stated below:

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued) for the year ended 31 December 2019

3 Regulation 512/BOL (continued)

(a) Classification

In accordance with BOL 512, loans classified as Normal or Pass (Group A) are considered as performing loans, loans classified as Watch List or Special Mention (Group B) are considered as Watch List or Special Mention loans and loans classified as Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as non-performing loans. Under the previous regulation, loans classified in both Group A or Group B were considered as performing loans, and loans classified in Group C or Group D or Group E were considered as non-performing loans.

For more details on how the Branch classifies its loan, see Note 4(g).

(b) General provision for performing loans

In accordance with BOL 512, the Branch is required to create a general provision for performing loans at the fixed rate of 0,5% of the total balance of Normal or Pass loans. Provision for Watch List or Special Mention loans is considered as specific provision together with provision for Substandard, Doubtful and Loss loans. Under the previous regulation, the general provision also included 3,0% of the total balance of Watch List or Special Mention loans, and the general provision rate for Normal or Pass loans was not fixed but was in the range of 0,5% to 1,0% in accordance with the Decision No. 242/BOL issued by the Bank of Lao P.D.R on 2 April 2010.

For more details on how the Branch calculates provision in compliance with BOL 512, see Note 4(g).

(c) Specific provision

Under BOL 512, specific provision includes provision for Watch List or Special Mention, Substandard, Doubtful and Loss loans. This provision is established by multiplying the difference between the outstanding balance of each loan item and the value of collaterals (if any) in accordance with the regulation of BOL with the provision rates applicable to that loan classification. Value of collateral was not taken into account when calculating provision under previous regulation.

For more details on how the Branch calculates provision in compliance with BOL 512, see Note 4(g).

(d) Write-off

In accordance with BOL 512, loans in Loss category (Group E) must be written off not later than 90 days after being classified to Loss category. Under the previous regulation, the writing-off of loans in Loss category was carried out at the end of each quarter but not later than the end of the last quarter of the calendar year.

For more details on the Branch's policy on its bad debts written off in compliance with BOL 512, see Note 4 (h).

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued) for the year ended 31 December 2019

(e) Provision for off-balance sheet commitments

In accordance with BOL 512, the Branch has to classify and make provision for off-balance sheet commitments if a payment under the guarantee contract has been made by the Branch on behalf of its customers. The classification and provisioning for off-balance sheet commitments were not mentioned under the previous regulation.

For more details on the Branch's policy on classification and provisioning for off-balance sheet commitments in compliance with BOL 512, see Note 4(i).

(f) Transition

Management assesses the provision considering recoverability of each customer and the BOL regulation. The regulation BOL 512 has been applied prospectively commencing from 01 January 2019 in the financial statements as allowed by BOL. This has resulted in a reclassification from general to specific provision amounting to LAK 1.962.334.774 in the statement of changes in capital and other reserves.

4. Significant accounting policies

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

(a) Financial instruments

The Branch's financial instruments include cash and cash equivalents, deposits and placements with other banks, inter-office accounts with Head Office, investment in securities, statutory deposits and loans and advances. Significant financial liabilities carried on the statement of financial position include deposits from customers, deposits from other banks and borrowing. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(b) Segment information

The Branch has operated in a single segment which is commercial banking on a geographic area in the Lao PDR. Therefore, the disclosure is not presented by segment because information presented in this financial statements are in accordance with the internal report provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the branch manager that makes strategic decisions.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash, items in process of the collection and highly liquid short-term investments with an original maturity or less than or equivalent to 30 days that are readily convertible to known amounts of cash and accounts due from banks with original maturity of less than or equivalent to 30 days.

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued) for the year ended 31 December 2019

(d) Amount due from other bank

Amount due from other bank is carried at cost.

(e) Legal reserve

Under the requirement of the Law on commercial Bank No. 56/NA, dated 7 December 2018, commercial banks are required to appropriate net profit to following reserves:

- Regulatory reserve fund
- Business expansion fund and other funds

In accordance with the Law on Enterprise (Revision) No.46/NA dated 26 December 2013, the Branch is required to provide legal reserve at a rate of 10% on net profit after deducting accumulated losses. The Branch can stop reserving when the legal reserve has reached up to 50 percentage of registered capital.

(e) Investment in securities

Investments consist of investments in bonds issued by the Ministry of Finance. Investments are stated at par.

(f) Loans and advances

Loans and advances originated by the Branch providing money to a customer for purposes other than short-term profit taking. They are stated at the outstanding principal balances less an impairment allowance for bad debt and doubtful loans and advances, to reflect the estimated recoverable amount. Loans and advances, except branch overdrafts, are shown exclusive of accrued interest receivable.

(g) Provision for bad debts and doubtful loans and advances

Regulation 512/BOL application from 1 January 2019

In accordance with Regulation 512/BOL (“BOL 512”) dated 29 June 2018 and effective from 1 October 2018, the Branch is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into performing loans or watch list loans or non-performing loans based on the payment arrears status and other qualitative factors. Loans classified as Normal or Pass (Group A) are considered as performing loans, loans classified as Watch List or Special Mention (Group B) are considered as Watch List or Special Mention loans, loans classified as Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as non-performing loans.

According to BOL 512, general provision is created at the rate of 0,5% of the total balance of performing loans as at the reporting date. Concurrently, specific provision for Watch List or Special Mention, Substandard, Doubtful and Loss loans is established by multiplying the difference between the outstanding balance of each loan item and the value of collaterals (if any) in accordance with the regulation of BOL with the provision rates applicable to that loan classification as follows:

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued)
for the year ended 31 December 2019

(g) Provision for bad debts and doubtful loans and advances (continued)

Classification	Number of days past due	Provision
Normal or Pass (A)	0-29 days	0,5%
Watch List or Special mention (B)	30-89 days	3%
Substandard (C)	90-179 days	20%
Doubtful (D)	180-359 days	50%
Loss (E)	Over 360 days	100%

Maximum ratio of collateral benefits allowed under BOL 512 are as follows:

Type of collaterals	Maximum allowed ratio
(a) Deposits at the Bank	
- in the same currency with loans	100%
- in different currencies with those of loans	95%
(b) Gold kept at the Bank	90%
(c) Government bonds and BOL bonds	
- in the same currency with loans	
▪ With a remaining term of below 1 year	100%
▪ With a remaining term of between 1 year to 5 years	90%
▪ With a remaining term of over 5 years	80%
- in different currencies with those of loans	
▪ With a remaining term of below 1 year	95%
▪ With a remaining term of between 1 year to 5 years	85%
▪ With a remaining term of over 5 years	75%
(d) Deposits at other banks or financial institutions	
▪ With a remaining term of below 1 year	80%
▪ With a remaining term of between 1 year to 5 years	75%
▪ With a remaining term of over 5 years	70%
(e) Letter of Credit or Standby Letter of Credit	95%
(f) Letter of Guarantee or Bank Guarantee	90%
(g) Real estates	40%

Changes in specific provision is recorded to the statement of comprehensive income as “Net specific provision charges”. Accumulated specific provision reserve is recorded in the statement of financial position in “Loans and advances to customers, net of specific provision”.

In accordance with the relevant accounting regulations as stipulated by the Bank of Lao P.D.R, any changes in general provision for credit activities are recorded to the statement of comprehensive income as “Other operating expenses” for general provision expense and “Other income” for reversal of general provision expense and the balance of general provision reserve is recorded in the statement of financial position in “General provision for credit activities” under capital and other reserves of the Branch.

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued) for the year ended 31 December 2019

(g) Provision for bad debts and doubtful loans and advances (continued)

Regulation BOL 324 application before 1 January 2019

In accordance with Regulation 324/BOL (“BOL324”) dated 19 April 2011, the Branch is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into Performing loans or Non-performing loans based on the payment arrears status and other qualitative factors. Loans classified as either Normal or Pass (Group A) or Watch List or Special Mention (Group B) are considered as Performing loans. Loans classified as either Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as Non-performing loans.

According to BOL324, provision for loans to customers is established by multiplying the outstanding balance of each loan item with the provision rates applicable to that loan classification as follows:

Classification	Number of days past due	Provision
Normal or Pass (A)	0-29 days	0,5% - 1%
Watch List or Special mention (B)	30-89 days	3%
Substandard (C)	90-179 days	20%
Doubtful (D)	180-359 days	50%
Loss (E)	Over 360 days	100%

Changes in provision for non-performing loans is recorded to the statement of comprehensive income as “Net provision charges for non-performing loans”. Accumulated specific provision reserve for non-performing loans is recorded in the balance sheet in “Loans and advances to customers, net of specific provision for NPL”.

In accordance with BOL324, the Branch is required to create a general provision for loan losses at the rate of 3% of the total balance of Watch List or Special Mention loans as at the reporting date and general provision made for Normal or Pass loans shall be upon the BOL’s notification for each year. For the period before 1 October 2018, the general provision rate for Normal or Pass loans is ranging from 0,5% to 1% in accordance with the Decision No. 242/BOL issued by the Bank of Lao P.D.R on 2 April 2010. Accordingly, the Branch provided general provision at rate of 0,5% out of total balance of Normal or Pass loans.

The Branch complied with BOL 324 on general provision provided for Normal or Pass and Watch List or Special loans for the period before 1 October 2018.

In accordance with the relevant accounting regulations as stipulated by the Bank of Lao P.D.R, any changes in general provision for credit activities are recorded to the statement of comprehensive income as “Other expenses” for general provision expense and “Other income” for reversal of general provision expense and the balance of general provision reserve is recorded in the balance sheet in “General provision for credit activities” under capital and other reserves of the Branch.

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued) for the year ended 31 December 2019

(h) Write-off

In accordance with BOL 512, loans are written off not later than 90 days after being classified to Loss group.

Loans written off are recorded as off-balance sheet items for following up and collection. The amounts collected from the loans previously written-off, including the proceeds from sales of collaterals against those debts, are recognised in the statement of comprehensive income upon receipt.

(i) Provision for off-balance sheet commitments

In accordance with BOL 512, the Branch is not required to make provision for off-balance sheet commitments, except where the Branch has made payment under the guarantee contract on behalf of its customers, in which case the payment is classified and provision for credit losses is made in accordance with the accounting policy as described in Note 4(g).

(j) Property and equipment, net

Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

Depreciation of property and equipment is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of the individual assets as follows:

Building and leasehold improvement	2,18% and 20%
Furniture and equipment	20%
Computer hardware	20%
Motor vehicles	20%

Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Branch. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the statement of comprehensive income on the date of retirement or disposal.

The carrying amounts of property and equipment are revised for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the statement of comprehensive income immediately.

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued) for the year ended 31 December 2019

(j) Property and equipment, net (continued)

Reversal of impairment losses recognised in prior years is recorded where there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the statement of comprehensive income immediately.

Fully depreciated property and equipment is retained on the statement of financial position until disposed of or written off.

(k) Intangible assets

Software acquired by the Branch are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure on software is capitalised only when it increases the future economic benefits beyond those originally anticipated for the specific asset to which it relates. All other expenditures are expensed when incurred.

Amortisation is recognized in the statement of comprehensive income in a straight line basis over the estimated useful life of software, from the date that it is available for use until the earlier of the date the asset is classified as held for sale or the date of derecognition, at the following annual rate:

Computer software	50%
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(l) Amounts due to customers and other banks

Amounts due to customers are stated at placement value.

Borrowings are recognised initially at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective yield method.

(m) Income recognition

Interest income is recognised on an accrual basis except in relation to non-performing accounts. Where an account becomes non-performing, the recording of interest overdue in excess of three months, regardless of whether the loans are covered by collateral, the cash basis is then adopted and interest accrued in arrears for three months is reversed against interest income. Customers' accounts are deemed to be non-performing where repayments are in arrears for more than three-months, in accordance with BoL regulations.

Income from the various activities of the Branch is recorded using the following basis:

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued) for the year ended 31 December 2019

(m) Income recognition (continued)

- (a) Interest on investment in securities is recognised on an accrual basis by using the effective interest rate method;
- (b) Loan arrangement fees and commissions on services and facilities extended to customers are recognised on the occurrence of such transactions;
- (c) Commitment fees on unused credit line is recognised on the occurrence of such transactions;
- (d) Service charges and processing fees are recognised when the service is provided.

(n) Expenses recognition

Interest expense on amounts due to customers and other banks is recognised on an accrual basis.

(o) Provisions

A provision is recognized if, as a result of a past event, the Branch 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.

(p) Related parties

Parties are considered to be related to the Branch 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 Branch 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.

(q) Employees benefits

Termination benefits

In accordance with Article 82 of the Amended Labour Law issued by the President of Lao People's Democratic Republic on 24 December 2013, the Branch has the obligation to pay compensation for employees who are terminated in the following cases:

- The worker lacks specialized skills or is not in good health and has a medical certificate, and after allowing the worker in question to undertake other, more appropriate work according to their ability and health, yet the person in question is still unable to work;
- The employer considers it necessary to reduce the number of workers in order to improve the work within the labour unit after consulting the trade union or employee representative or the majority of employees, and has reported to the Labour Administration Agency.

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued) for the year ended 31 December 2019

(q) Employees benefits (continued)

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 31 December 2019, there is no employees of the Branch who were dismissed under the above-mentioned grounds, therefore the Branch has not made a provision for termination allowance in the financial statements.

(r) Income tax

The taxation system in the Lao P.D.R is relatively new and is characterised by numerous taxes and frequently changing legislation and can be subject to interpretations. Taxes are subject to review and investigation by a number of authorities. These facts may create tax risks in Lao PDR substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. 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 Branch is subject to the current tax rate of 24% on total taxable income.

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued)
for the year ended 31 December 2019

5 Cash and cash equivalents

a) Classified by currency

	31 December (in LAK)	
	2019	2018
Lao Kip ("LAK")	115.343.467.957	7.122.282.394
Thai Baht ("THB")	16.107.440.361	15.791.590.904
United States Dollar ("USD")	45.470.564.088	476.454.962.974
	<u>176.921.472.406</u>	<u>499.368.836.272</u>

b) Classified by type of cash and cash equivalents

	31 December (in LAK)	
	2019	2018
Cash on hand	2.811.109.436	3.069.682.585
Current deposits with Bank of Lao P.D.R	171.173.991.892	449.005.009.866
Current deposits with other banks	2.936.371.078	47.294.143.821
	<u>176.921.472.406</u>	<u>499.368.836.272</u>

6 Statutory deposits with Bank of Lao P.D.R

	31 December (in LAK)	
	2019	2018
Statutory deposits:		
Compulsory reserve	40.035.212.500	35.212.500
Registered capital reserve	26.608.351.385	67.230.531.656
	<u>66.643.563.885</u>	<u>67.265.744.156</u>

Statutory deposits with the BOL include compulsory reserve and registered capital reserve. These deposits earn no interest.

Under regulations of the BOL, the Branch is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 5% for LAK and 10% for foreign currencies (2018: 5% and 10%), on a bi-monthly basis, of customer deposits having original maturities of less than 12 months. During the year, the Branch maintained its compulsory deposits in compliance with the requirements by the BOL.

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued)
for the year ended 31 December 2019

7 Amount due from other bank

Domestic:	31 December (in LAK)	
	2019	2018
KASIKORNTHAI BANK Limited	50.000.000.000	-
	<u>50.000.000.000</u>	<u>-</u>

a) Classified by currency

Lao Kip ("LAK")	31 December (in LAK)	
	2019	2018
	50.000.000.000	-
	<u>50.000.000.000</u>	<u>-</u>

b) Classified by contractual maturity

1 year to 5 years	31 December (in LAK)	
	2019	2018
	50.000.000.000	-
	<u>50.000.000.000</u>	<u>-</u>

8 Investment in securities

Government Bonds	31 December (in million LAK)	
	2019	2018
	68.200.000.000	68.200.000.000
	<u>68.200.000.000</u>	<u>68.200.000.000</u>

For the years ended 31 December 2019 and 2018, the movement of investment in securities are as follows:

	31 December (in LAK)	
	2019	2018
At 1 January	68.200.000.000	50.000.000.000
Additions	68.200.000.000	68.200.000.000
Maturity	(68.200.000.000)	(50.000.000.000)
At 31 December	<u>68.200.000.000</u>	<u>68.200.000.000</u>

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued)
for the year ended 31 December 2019

8 Investment in securities (continued)

Investments represent held-to-maturity investments in bonds. The bond has maturity on 17 May 2020 and interest rate at 5,00% per annum.

9 Loans and advances to customers, net of specific provision

	Note	31 December (in LAK)	
		2019	2018
Loans and advances to customers		2.796.359.070.240	4.180.264.881.720
Less specific provision	19(b)	<u>(32.691.522.006)</u>	<u>-</u>
		<u>2.763.667.548.234</u>	<u>4.180.264.881.720</u>

a) Classified by contractual maturity

		31 December (in LAK)	
		2019	2018
Within 1 year		7.219.384.991	17.449.623.817
Over 5 years		<u>2.789.139.685.249</u>	<u>4.162.815.257.903</u>
		<u>2.796.359.070.240</u>	<u>4.180.264.881.720</u>

b) Classified by currency

		31 December (in LAK)	
		2019	2018
United States Dollar ("USD")		2.789.449.995.249	4.163.325.797.903
Lao Kip ("LAK")		6.909.074.991	16.755.058.802
Thai Baht ("THB")		-	184.025.015
		<u>2.796.359.070.240</u>	<u>4.180.264.881.720</u>

c) Classified by type of business

		31 December (in LAK)	
		2019	2018
Manufacturing		1.122.010.800.150	1.365.676.843.470
Agriculture and Forestry		6.577.188.610	16.460.210.215
Trading		331.886.381	294.848.587
Others		<u>1.667.439.195.099</u>	<u>2.797.832.979.448</u>
		<u>2.796.359.070.240</u>	<u>4.180.264.881.720</u>

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued)
for the year ended 31 December 2019

9 Loans and advances to customers, net of specific provision (continued)

d) Classified by performance

	31 December (in LAK)	
	2019	2018
Performing loans	2.763.667.548.234	4.114.853.722.601
Watch List loans	-	65.411.159.119
Non-performing loans	32.691.522.006	-
	<u>2.796.359.070.240</u>	<u>4.180.264.881.720</u>

e) Classified by type

	31 December (in LAK)	
	2019	2018
Overdrafts	331.886.381	468.055.564
Loans	2.789.139.685.249	4.162.815.257.903
Bills receivable	6.887.498.610	16.970.750.215
Staff loans	-	10.818.038
	<u>2.796.359.070.240</u>	<u>4.180.264.881.720</u>

f) Classified by security

	31 December (in LAK)	
	2019	2018
Secured	33.333.718.387	66.400.572.721
Unsecured	2.763.025.351.853	4.113.864.308.999
	<u>2.796.359.070.240</u>	<u>4.180.264.881.720</u>

g) Classified by parties

	31 December (in LAK)	
	2019	2018
National organisation	1.667.439.195.099	2.732.411.002.291
State enterprise	1.089.008.968.144	1.364.993.096.493
Private enterprise	33.001.832.006	683.746.977
Foreign enterprise	6.577.188.610	16.460.210.215
Individual (Resident)	331.886.381	305.666.625
Individual (Non-resident)	-	65.411.159.119
	<u>2.796.359.070.240</u>	<u>4.180.264.881.720</u>

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued) for the year ended 31 December 2019

9 Loans and advances to customers, net of specific provision (continued)

h) Classified by parties

	31 December (in LAK)	
	2019	2018
Customers	2.796.359.070.240	4.180.254.063.682
Staff loans	-	10.818.038
	<u>2.796.359.070.240</u>	<u>4.180.264.881.720</u>

i) Classified by interest rate (per annum)

Loans and advances	2019	2018
	(%)	(%)
Overdrafts	7,12 - 13,00	7,37 - 13,00
Loans	4,84 - 7,83	4,84 - 7,83
Bills receivable	4,88 - 6,63	4,88 - 6,63
Staff loans	6,62	6,62

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued)
for the year ended 31 December 2019

10 Property and equipment, net

Movement of the balance of property and equipment for the year ended 31 December 2019 is as follows:

	Building and leasehold improvement	Furniture and equipment	Others	Total
	<i>(in LAK)</i>			
Cost:				
Balance at 1 January 2019	9.517.728.545	3.383.807.190	1.095.248.823	13.996.784.558
Additions	-	145.554.843	-	145.554.843
Balance at 31 December 2019	9.517.728.545	3.529.362.033	1.095.248.823	14.142.339.401
Accumulated depreciation:				
Balance at 1 January 2019	(5.475.152.423)	(2.313.704.559)	(834.632.936)	(8.623.489.918)
Charges for the year	(161.863.708)	(129.959.620)	(85.202.958)	(377.026.286)
Balance at 31 December 2019	(5.637.016.131)	(2.443.664.179)	(919.835.894)	(9.000.516.204)
Net book value:				
As at 1 January 2019	4.042.576.122	1.070.102.631	260.615.887	5.373.294.640
As at 31 December 2019	3.880.712.414	1.085.697.854	175.412.929	5.141.823.197

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued) for the year ended 31 December 2019

Movement of the balance of property and equipment for the year ended 31 December 2018 is as follows:

	Building and leasehold improvement	Furniture and equipment	Others	Total
	<i>(in LAK)</i>			
Cost:				
Balance at 1 January 2018	9.517.728.545	3.349.521.909	1.070.939.696	13.938.190.150
Additions	-	34.285.281	24.309.127	58.594.408
Balance at 31 December 2018	<u>9.517.728.545</u>	<u>3.383.807.190</u>	<u>1.095.248.823</u>	<u>13.996.784.558</u>
Accumulated depreciation:				
Balance at 1 January 2018	(5.313.279.837)	(2.186.171.574)	(752.850.961)	(8.252.302.372)
Charges for the year	(161.872.586)	(127.532.985)	(81.781.975)	(371.187.546)
Balance at 31 December 2018	<u>(5.475.152.423)</u>	<u>(2.313.704.559)</u>	<u>(834.632.936)</u>	<u>(8.623.489.918)</u>
Net book value:				
As at 1 January 2018	<u>4.204.448.708</u>	<u>1.163.350.335</u>	<u>318.088.734</u>	<u>5.685.887.777</u>
As at 31 December 2018	<u>4.042.576.122</u>	<u>1.070.102.631</u>	<u>260.615.887</u>	<u>5.373.294.640</u>

Krung Thai Bank Public Company Limited - Vientiane Branch

**Notes to the financial statements (continued)
for the year ended 31 December 2019**

11 Intangible assets

Movement of intangible assets during 2019 are as follows:

	Computer software <i>(in LAK)</i>
Cost:	
Balance at 1 January 2019	130.515.130
Balance at 31 December 2019	<u>130.515.130</u>
Accumulated amortization:	
Balance at 1 January 2019	(129.831.047)
Charges for the year	(684.083)
Balance at 31 December 2019	<u>(130.515.130)</u>
Net book value:	
As at 1 January 2019	<u>684.083</u>
As at 31 December 2019	<u><u>-</u></u>

Movement of intangible assets during 2018 are as follows:

	Computer software <i>(in LAK)</i>
Cost:	
Balance at 1 January 2018	130.515.130
Balance at 31 December 2018	<u>130.515.130</u>
Accumulated amortization:	
Balance at 1 January 2018	(121.622.047)
Charges for the year	(8.209.000)
Balance at 31 December 2018	<u>(129.831.047)</u>
Net book value:	
As at 1 January 2018	<u>8.893.083</u>
As at 31 December 2018	<u><u>684.083</u></u>

Krung Thai Bank Public Company Limited - Vientiane Branch

**Notes to the financial statements (continued)
for the year ended 31 December 2019**

12 Other assets

	31 December (in LAK)	
	2019	2018
Inter-office accounts with Head Office	104.358.601.092	333.111.374.749
Interest receivables	35.946.648.996	52.546.645.250
Prepaid expenses	1.183.984.179	1.430.860.635
Total	<u>141.489.234.267</u>	<u>387.088.880.634</u>

13 Amounts due to other banks

	31 December (in LAK)	
	2019	2018
Current deposits	3.567.084.294	4.143.580.301
Borrowing from other banks		
Krung Thai Bank Public Company Limited, Head Office	2.720.088.800.000	4.063.472.950.000
Total	<u>2.723.655.884.294</u>	<u>4.067.616.530.301</u>

As at 31 December 2019, the borrowing from Head Office amounts to USD 306.800.000.00 or equivalent to LAK 2.720,08 billion (2018: USD 477,55 million or equivalent to LAK 4.063,47 billion) with interest rate ranging between 2,27% - 4,82% per annum (2018: 1,83% - 4,68% per annum).

a) Classified by currencies

	31 December (in LAK)	
	2019	2018
United States Dollar (“USD”)	2.722.874.389.389	4.066.919.875.785
Thai Baht (“THB”)	781.494.905	696.654.516
Total	<u>2.723.655.884.294</u>	<u>4.067.616.530.301</u>

b) Classified by maturity

	31 December (in LAK)	
	2019	2018
Within 1 year	2.723.655.884.294	4.067.616.530.301
Total	<u>2.723.655.884.294</u>	<u>4.067.616.530.301</u>

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued)
for the year ended 31 December 2019

13 Amounts due to other banks (continued)

c) Classified by residence

	31 December (in LAK)	
	2019	2018
Residents	3.567.084.294	4.143.580.301
Non - residents	2.720.088.800.000	4.063.472.950.000
Total	<u>2.723.655.884.294</u>	<u>4.067.616.530.301</u>

14 Amounts due to customers

a) Classified by type of deposits

	31 December (in LAK)	
	2019	2018
Current deposits	84.233.601.995	90.231.240.419
Term deposits	73.141.557.487	59.902.561.900
Saving deposits	59.250.138.011	325.942.165.898
Total	<u>216.625.297.493</u>	<u>476.075.968.217</u>

b) Classified by maturity

	31 December (in LAK)	
	2019	2018
Less than 3 months	143.818.994.962	416.452.929.910
Over 3 to 6 months	3.462.089.939	96.512.958
Over 6 months to 1 year	69.344.212.592	59.526.525.349
Total	<u>216.625.297.493</u>	<u>476.075.968.217</u>

c) Classified by currency

	31 December (in LAK)	
	2019	2018
Lao Kip ("LAK")	21.917.476.327	10.032.001.205
United States Dollar ("USD")	49.929.186.827	315.831.585.353
Thai Baht ("THB")	144.778.634.339	150.212.381.659
Total	<u>216.625.297.493</u>	<u>476.075.968.217</u>

Krung Thai Bank Public Company Limited - Vientiane Branch

**Notes to the financial statements (continued)
for the year ended 31 December 2019**

14 Amounts due to customers (continued)

d) Classified by relationship

	31 December (in LAK)	
	2019	2018
Customers	216.520.902.389	475.953.432.798
Staff	104.395.104	122.535.419
Total	<u>216.625.297.493</u>	<u>476.075.968.217</u>

e) Classified by interest rate (per annum)

	2019 (%)	2018 (%)
Savings deposits		
Lao Kip (“LAK”)	0,75	0,75
United States Dollar (“USD”)	0,50	0,50
Thai Baht (“THB”)	0,50	0,50
Term deposits		
Lao Kip (“LAK”)	1,50 - 4,75	1,50 - 4,25
United States Dollar (“USD”)	1,00 - 1,75	1,00 - 1,75
Thai Baht (“THB”)	1,25 - 4,00	1,25 - 4,00

15 Tax liabilities and income tax

	31 December (in LAK)	
	2019	2018
Accrued income tax at the beginning of year	760.857.288	12.522.670.759
Income tax expense for the year	30.485.065.601	58.804.814.034
Income tax paid during the year	<u>(23.284.845.784)</u>	<u>(70.566.627.505)</u>
Accrued income tax at the end of year	<u>7.961.077.105</u>	<u>760.857.288</u>

For the year ended 31 December 2019, in accordance with Lao Income Tax law, the Branch has an obligation to pay a corporate income tax at the rate of 24% (2018: 24%) of taxable income.

For the years ended 31 December 2019 and 2018, income tax expense was calculated in accordance with the Law on Tax (Amendment Version) No. 70/NA dated 15 December 2015. The announcement was effective for the accounting period 1 January 2016 onwards.

As announced thru the Notification from Ministry of Finance on Implementation of the Taxation Management Law, Income Tax Law and Excise Tax Law, No. 042/ MOF, dated on 11 February 2020 grants a reduction on Profit Tax rate for the accounting period of 2020; from 24% to 20% which begins from 1 January 2020. The tax profit of the Branch for 2016 to 2019 were not yet recalculated and approved by the tax authorities for the year ended 31 December 2019 according to requirement of the Notice No. 4475/MoF, dated 06 November 2019.

Krung Thai Bank Public Company Limited - Vientiane Branch

**Notes to the financial statements (continued)
for the year ended 31 December 2019**

15 Tax liabilities and income tax (continued)

For the year ended 31 December 2019 and 2018, the reconciliation of income taxes computes at the statutory tax rate of the income tax expense shown in the statement of comprehensive income is as follows:

	31 December (in LAK)			
	%	2019	%	2018
Profit before income tax - accounting basis		103.959.945.146		261.181.482.345
Income tax using statutory tax rate	24,00	24.950.386.835	24,00	62.683.555.763
Expense not subject to tax	5,32	<u>5.534.678.766</u>	1,49	<u>(3.878.741.729)</u>
Profit after income tax - tax basis	29.32	<u>30.485.065.601</u>	22.51	<u>58.804.814.034</u>

16 Other liabilities

	31 December (in LAK)	
	2019	2018
Interest payables	18.512.422.187	27.910.020.157
Cashier's cheques	117.472.713	38.945.963
Outstanding cheques	1.458.753.560	177.945.264
Outstanding cheques	481.952.100	564.317.116
Withholding tax payable	9.236.238	7.270.698
Others	<u>21.942.690</u>	<u>21.423.465</u>
	<u>20.601.779.488</u>	<u>28.719.922.663</u>

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued) for the year ended 31 December 2019

17 Paid - up capital

The movement of the paid up capital during the year is presented below:

	31 December	
	<i>(in LAK)</i>	
	2019	2018
Balance as at 1 January	100.000.000.000	100.000.000.000
Transfer to capital	40.000.000.000	-
Balance as at 31 December	<u>140.000.000.000</u>	<u>100.000.000.000</u>
Total contributed legal capital	<u>140.000.000.000</u>	<u>100.000.000.000</u>

According to Article 12 of amended Law on Commercial Bank No. 56/NA dated 07 December 2018 and Decision No. 752/BoL on Minimum Registered Capital and Investment Capital, dated 27 August 2019, a Branch of foreign commercial bank is required to raise its capital to minimum of LAK 300 billion within 5 years. All banks/branches are required to inject the additional capital not less than 20% each year commencing from September 2019.

Accordingly, the Branch has transferred its retained earning for capital injection on 24 December 2019 and obtained the acknowledgement letter No. 129/CBS, dated 23 March 2020 on increasing the registered capital amounting to LAK 140.000.000.000 (2018: LAK 100.000.000.000) from the Commercial Bank Supervision Department, Bank of Lao PDR in accordance with the BOL Decision on increasing in minimum registered capital and investment capital of commercial bank No. 752/BoL, dated 27 August 2019.

18 Legal reserve

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

Accordingly, the Branch has provided the following reserves for the year 2019:

<i>Reserve</i>	<i>% of profit after tax (less accumulated losses, if any)</i>
Regulatory reserve fund	10
Business expansion fund	-

For the year ended 31 December 2019, Board of Management decided to provide legal reserve fund at the rate of 10%.

Krung Thai Bank Public Company Limited - Vientiane Branch

**Notes to the financial statements (continued)
for the year ended 31 December 2019**

19 Provision for credit activities

a) General provision for credit activities

	<i>Note</i>	31 December (in LAK)	
		2019	2018
Balance at the beginning of the year		22.536.603.404	37.599.252.681
Provision made in the year	23	79.850.026	4.373.823.297
Reversal of provision in the year	22	(7.695.544.844)	(20.505.247.169)
Reclassify to specific provision		(1.962.334.774)	-
Foreign exchange difference		859.763.911	1.068.774.595
Balance at the end of the year		<u>13.818.337.723</u>	<u>22.536.603.404</u>

b) Specific provision for credit activities

		31 December (in LAK)	
		2019	2018
Balance at the beginning of the year		-	-
Provision made in the year		64.724.617.349	-
Reversal of provision in the year		(34.077.761.003)	-
Reclassify from general provision		1.962.334.774	-
Foreign exchange difference		82.330.886	-
Balance at the end of the year		<u>32.691.522.006</u>	<u>-</u>

20 Other reserves

According to the notification of Commercial Bank Supervisor Department No. 19/CBS, dated 10 January 2018, other reserve shall be maintained, whenever profit remittance, comprising annual appropriation of 5% of net profit before income tax. However, other reserve would be approved by Bank of Lao PDR before appropriation.

For the year ended 31 December 2019, the Branch had obtained approval letters No. 31/CBS and 312/CBS for profit remittance of 2017 and 2018 amounting to LAK 206.608.459.096,57 and LAK 189.317.594.194,04 on 10 January 2019 and 13 May 2019 respectively from the Commercial Bank Supervision Department, Bank of Lao PDR.

Krung Thai Bank Public Company Limited - Vientiane Branch

**Notes to the financial statements (continued)
for the year ended 31 December 2019**

21 Net fee and service income

	31 December (in LAK)	
	2019	2018
Fee and service income		
Trade finance fee	1.091.626.250	2.898.442.741
Service charges	1.182.554.168	1.321.287.634
Commitment fee	367.075.097	1.362.512.559
Processing fee for lending activities	298.540.000	266.130.000
	<u>2.939.795.515</u>	<u>5.848.372.934</u>
Fee and service expense		
Interbank transactions	(8.008.336)	(5.422.558)
Others	(344.000)	(392.000)
	<u>(8.352.336)</u>	<u>(5.814.558)</u>
Net fee and service income	<u><u>2.931.443.179</u></u>	<u><u>5.842.558.376</u></u>

22 Other incomes

	Note	31 December (in LAK)	
		2019	2018
Reversal of general provision	19(a)	7.695.544.844	20.505.247.169
Others		15.225.540	12.774.240
Total		<u><u>7.710.770.384</u></u>	<u><u>20.518.021.409</u></u>

23 Other expenses

	Note	31 December (in LAK)	
		2019	2018
General provision charged	19(a)	79.850.026	4.373.823.297
Deposit contributions		181.769.272	235.823.240
Premise expenses		306.408.960	294.071.040
Professional fees		315.313.900	389.179.000
Travelling expenses		58.293.512	59.428.271
Communication expenses		48.079.067	18.398.254
Sundries expenses		131.830.185	236.517.166
Utilities expenses		140.897.403	141.509.766
Others		537.824.495	669.000.246
Total		<u><u>1.800.266.820</u></u>	<u><u>6.417.750.280</u></u>

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued) for the year ended 31 December 2019

24 Related party transactions

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

- (a) directly, or indirectly through one or more intermediaries, the party:
 - controls, is controlled by, or is under common control with the Branch (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the Branch that gives it significant influence over the Branch or;
 - has joint control over the Branch.
- (b) the party is a joint venture in which the Branch is a venture
- (c) the party is a member of the key management personnel of the Branch 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 Branch that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Branch 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 Branch, or of any Branch that is a related party of the Branch.

Name of entities	Country of incorporation/ nationality	Nature of relationship
Krung Thai Bank Public Company Limited	Thailand	Head Office

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

Transactions	Pricing policies
Interest expense	Market rate

Significant transactions for the year ended 31 December 2019 and 2018 with the Branch were as follows:

	31 December (in LAK)	
	2019	2018
Inter-office accounts with Head Office	104.358.601.092	333.111.374.749
Borrowing from Head Office (Note 13)	<u>(2.720.088.800.000)</u>	<u>(4.063.472.950.000)</u>

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued) for the year ended 31 December 2019

24 Related party transactions (continued)

For the year ended 31 December 2019 and 2018, the Branch has significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of businesses and were concluded on commercial terms and bases agreed upon between the Branch and those related parties:

	31 December (in LAK)	
	2019	2018
Interest expense	134.928.877.080	211.275.285.251

Remuneration to members of the Board Management is as follows:

	(in LAK)	
	2019	2018
Salaries	519.503.160	460.168.714
Total	519.503.160	460.168.714

25 Commitments and contingencies

In the normal course of business, the Branch makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated from these transactions.

As at 31 December 2019 and 2018, the commitments and contingencies constitute are as follows:

	(in LAK)	
	2019	2018
Off statements of financial position		
Unused overdrafts	8.658.913.619	8.406.804.436
Standby Letter of Credit	3.094.573.036	2.552.700.000
Letter of guarantee	63.835.200.000	95.680.020.603
Total	75.588.686.655	106.639.525.039

All Standby Letter of Credit, and letter of guarantee mature between 3 months and 13 years.

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued) for the year ended 31 December 2019

25 Commitments and contingencies (continued)

	<i>(in LAK)</i>	
	2019	2018
Operating lease commitments		
Over one year and not later than five years	735.381.504	352.885.248
Over five years	11.766.104.064	7.410.590.208
Total operating lease commitments	<u>12.501.485.568</u>	<u>7.763.475.456</u>

26 Financial risk management policies

The guidelines and policies adopted by the Branch to manage the risks that arise from their business activities are as follows:

a) Credit risk

Credit risk is the potential loss of revenue and principal in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending and investing activities.

The primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the statement of financial position. The lending activities are guided by the Branch's credit policy to ensure that the overall objectives in the area of lending are achieved i.e., that the loans portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Branch's own internal grading system.

The credit exposure arising from off statement of financial position activities, i.e. commitments and contingencies, is disclosed in Note 25.

b) Market risk

i. Foreign currency exchange risk

Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Branch maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and cut-loss limits.

ii. Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, and cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavorable interest rate movement is monitored against the risk tolerance limits set.

Krung Thai Bank Public Company Limited - Vientiane Branch

Notes to the financial statements (continued) for the year ended 31 December 2019

26 Financial risk management policies (continued)

c) Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

The management of the Branch closely monitors all inflows and outflows and maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

27 Reclassification of accounts

Certain accounts in the statement of financial position as at 31 December 2018 and the statement of comprehensive income and cash flows for the year ended 31 December 2018 have been reclassified to conform to the presentation in the 2019 financial statements.

	Before reclassification	Reclassification (in LAK)	After reclassification
<i>Statement of financial position as at 31 December 2018</i>			
Assets			
Cash	3.069.682.585	(3.069.682.585)	-
Deposits and placements with other banks	496.299.153.687	(496.299.153.687)	-
Cash and cash equivalents	-	499.368.836.272	499.368.836.272
Loans and advances, net off specific provision	-	4.180.264.881.720	4.180.264.881.720
Loans and advances	4.180.264.881.720	(4.180.264.881.720)	-
Allowance for doubtful loans and advances	(22.536.603.404)	22.536.603.404	-
Inter-office accounts with Head Office	333.111.374.749	(333.111.374.749)	-
Other assets	53.977.505.885	333.111.374.749	387.088.880.634
Liabilities			
Deposits from other banks	4.143.580.301	(4.143.580.301)	-
Borrowing	4.063.472.950.000	(4.063.472.950.000)	-
Amount due to other banks	-	4.067.616.530.301	4.067.616.530.301
Capital and other reserves			
General provision	-	(22.536.603.404)	(22.536.603.404)
		<u>-</u>	

Krung Thai Bank Public Company Limited - Vientiane Branch

**Notes to the financial statements (continued)
for the year ended 31 December 2019**

	Before reclassification	Reclassification <i>(in LAK)</i>	After reclassification
Statement of comprehensive income for the year ended 31 December 2018			
Interest incomes			
Interest income	433.377.057.490	(433.377.057.490)	-
Interest from loans and advances	-	430.175.194.477	430.175.194.477
Interest income from investments	-	3.201.863.013	3.201.863.013
Interest expenses			
Interest expenses	(215.944.616.511)	215.944.616.511	-
Interest on deposits	-	(4.669.331.260)	(4.669.331.260)
Interest on interbank	-	(211.275.285.251)	(211.275.285.251)
Other income	31.064.626.583	(10.546.605.174)	20.518.021.409
Fee and service income	-	5.848.372.934	5.848.372.934
Gain foreign exchange transactions	-	25.203.479.409	25.203.479.409
Provision for doubtful loans and advances	16.131.423.872	(16.131.423.872)	-
General and administrative expenses	(3.447.009.089)	3.447.009.089	-
Fee and service expense	-	(5.814.558)	(5.814.558)
Personnel expenses	-	(1.017.870.593)	(1.017.870.593)
Depreciation and amortization expense	-	(379.396.955)	(379.396.955)
Other expenses	-	(6.417.750.280)	(6.417.750.280)
		-	

28 Events after the balance sheet date

Other than those disclosed elsewhere in these financial statements, at the date of this report, there were no event occurred subsequent to 31 December 2019 that significantly impacted the financial position of the Branch as at 31 December 2019.